

Summary Report
Roundtable on CSR in Global Value Chains
16 November 2011
Palais des Nations, Geneva

On November 16, 2011, UNCTAD, in cooperation with the ILO and OECD, held an informal round-table meeting in the Palais des Nations to share perspectives, experiences and ideas in the area of CSR in global value chains.

Thirty-eight representatives from Intergovernmental Organizations, Governments, Donor Agencies, the Private Sector and Civil Society Organizations from thirteen developed and developing countries discussed and analyzed the current approaches and practices of CSR in global value chains. Special emphasis was put on the role governments and international organizations should play in order to support companies and their business partners in their effort to design and implement CSR strategies. The ad hoc meeting was divided into three sessions. Each session provided the participants with the opportunity to share experience, analysis and proposals on the topics discussed. The sessions started with short presentations from selected participants to present the current work and initiatives of their organizations. Otherwise the event took the form of a moderated discussion between all participants.

A. Summary of substantive discussions:

1. Challenges of current CSR practices in value chains

Experts highlighted that the majority of companies are still using a top-down “policing approach” through codes of conduct and audits. The participants agreed that this approach does not lead to long lasting change at the supplier level but rather causes a burden for suppliers who need to undergo multiple CSR audits every month. It was further mentioned that suppliers who are only implementing CSR because of buyer insistence, will not be able to benefit from CSR but rather try to find ways to evade compliance. It was also observed that the current purchasing practices of the companies (seasonal contracts, order quantity changes on short notice, late payment of bills, pricing practices, etc) can restrain suppliers from the implementation of good practices. As CSR is often detached from other operational business processes, such as procurement and quality control, companies send mixed messages to their suppliers. The experts further highlighted that there is a general lack of dialogue between TNCs and SMEs. Communication takes a “one-way direction” with TNCs putting requirements on SMEs, but without giving SMEs the possibility to provide feedback.

2. The changing context of supply chains and power structures

One of the topics addressed was the changing context of, and the power structure within, global value chains. With the rise of large suppliers from emerging markets and developing countries, western companies are losing their influence to impose social and environmental requirements on their business partners. It was also mentioned that companies from emerging markets are not necessarily acting as suppliers anymore, but have become TNCs in their own right with large and complex supply chains throughout the world. While these TNCs have developed their own CSR policies and strategies,

their focus on CSR in their supply chain is still limited, often falling short in monitoring their supply chains and tracing the products back to their origin.

3. CSR and national regulation

The discussion touched on the relationship between national regulation and CSR. Experts highlighted that CSR should lead to a strengthening of national institutions, workers organizations and civil society and that CSR efforts should lead toward the goal of complementing and supporting public regulation. Experts also mentioned an increased relationship between hard law and CSR. Although most CSR activities are considered voluntary, governments increasingly consider the adoption and transformation of voluntary initiatives into national law, as it could already be observed in the area of public purchasing or CSR reporting.

4. The involvement of governments in CSR activities

There was a general consensus among the participants that a greater involvement of governments in CSR is needed, especially as stakeholders are trying to shift their liability for CSR. Governments need to be put back into the driver's seat to steer policies and practices that facilitate responsible business behaviour. One of the challenges mentioned is that many governments lack the knowledge or access to information (e.g. knowledge on international labour standards, health and safety issues, environmental protection, etc) to get involved in CSR. Participants agreed that if governments are to play a greater role in good CSR practices then there is a need for capacity building amongst their officials, regulators and inspectors.

- *Scaling up and making CSR programmes more sustainable*

It was further observed that most CSR capacity building programmes are donor driven, and thus depend on external funding. This questions the sustainability and scalability of these CSR projects. It was repeatedly highlighted that donors are only able to reach a limited amount of companies in their effort to support the implementation of CSR practices. Participants also mentioned that externally funded programmes often lack the strategic vision of how to make projects sustainable once the project cycle has ended. Consequently, these programmes have limited possibility of being scaled up, duplicated or transferred to other sectors without the commitment of external funders. Although the solution for scalability still needs to be found, participants agreed that scalability can be strengthened through the involvement of national governments. Government actions to scale CSR can take different forms such as developing incentives (applying CSR to public procurement policies, provide tax reductions), building local capacity for businesses and/or introducing binding regulations, such as mandatory CSR disclosure.

5. The importance of localizing programmes and creating a feeling of ownership

Participants highlighted that CSR is not primarily driven by western countries anymore. Emerging markets and developing countries are increasingly engaging in the development and implementation of CSR activities. One example highlighted was the Chinese Textile and Apparel Council, which developed the national social management standard CSC9000T. The motivation behind the development of a Chinese standard,

experts explained, was to move from being a *standard taker* – adopting standards developed elsewhere – towards a *standards maker*, which would create national ownership and reflect the needs of Chinese companies. In line with this example, experts agreed that it is important to localize CSR projects by involving local partners and institutions. This would help to implement CSR programs according to a country's own priorities and value systems, something participants considered as a prerequisite for the sustainability of CSR projects. Participants also identified the need for more cooperation between different CSR initiatives within a country. Within this context, the example of the Egyptian CR centre was highlighted, which serves as a national umbrella organization for CSR in order to coordinate and promote coherence between CSR activities.

Despite a consensus among the participants that there is a need for localization, it was also stressed that there should be more mutual recognition among different standards and initiatives as the development of local “self regulating” tools by individual countries could lead to more confusion and even higher burdens for those suppliers who export to international markets. In this context, the usefulness of ISO 26000 was highlighted as a standard with participation from a broad range of countries, and officially adopted by many countries around the world.

B. Outcomes of the meeting

1. General support and interest was expressed by the various inter-governmental agency participants to continue the brainstorming meeting on an annual basis in order to exchange views and define areas for future collaboration
2. Participants showed interest in engaging more closely with Intergovernmental Organizations in the area of CSR, especially due to their expertise, neutrality and strong convening power
3. There was an agreement to work jointly on the UNCTAD, ILO and OECD publication on CSR in Global Value Chains.
4. The points raised in the meeting will be reflected in a forthcoming UNCTAD publication on CSR in Global Value Chains and the implications for SME-suppliers in Developing Countries

C. List of Participants

<u>Name</u>	<u>Title</u>	<u>Organization</u>
Ansett, Sean	Consultant	Independent (formerly with the apparel industry)
Arai, Yuki	Senior Specialist	International Labour Organisation
Bird, Susan	Policy Coordinator for Corporate Social Responsibility	European Commission
Egler, Hans-Peter	Head, Trade Promotion	State Secretariat for Economic Affairs, Switzerland
Espejo, Amelia	Adviser	International Organisation of Employers
Farinelli, Fulvia	Economic Affairs Officer	United Nations Conference on Trade and Development
Gamal, Ashraf	Director	Egyptian Corporate Responsibility Center
Gestrin, Michael	Senior Economist	Organization for Economic Co-operation and Development
Hornung-Draus, Renate	Managing Director	The Business and Industry Advisory Committee to the OECD
Househam, Anita	Policy & Legal Adviser	United Nations Global Compact
Jeppesen, Søren	Professor	Copenhagen Business School
Justice, Dwight	Policy Advisor	International Trade Union Confederation
Karl, Joachim	Legal Affairs Officer	United Nations Conference on Trade and Development
Kaseta, Celina	Executive Director	AMIA – Programa Valor, Argentina
Krylova, Tatiana	Head, Enterprise Development Branch	United Nations Conference on Trade and Development
Lamolle, Mathieu	Market Analyst	International Trade Center
Liang, Xiaohui	Chief Researcher	China National Textile and Apparel Council
Luy, Larissa	Senior Environmental & Social Specialist	International Finance Corporation

<u>Name</u>	<u>Title</u>	<u>Organization</u>
McFalls, Ricarda	Head, Multinational Enterprises Programme	International Labour Organisation
Miller, Anthony	Economic Affairs Officer	United Nations Conference on Trade and Development
Oates, Steven	Consultant	Social Accountability International
Pagotto, Isabella	Government and International Organizations Manager	Global Reporting Initiative
Peiyuan, Guo	Director	Syntao, China
Pesce, Dante	Director	VINCULAR Center for SR and Sustainable Development, Chile
Peters, Anna	Project Manager	Bertelsmann Foundation, Germany
Roelans, Githa	Senior Specialist	International Labour Organisation
Rossi, Arianna	Technical Officer	International Labour Organisation (Better Work Programme)
Sims, Emily	Senior Specialist	International Labour Organisation
Tuerk, Elisabeth	Legal Expert	United Nations Conference on Trade and Development
von Hagen, Oliver	Associate Expert	International Trade Center
Webb, Joanna	Head of Stakeholder Relations	Supplier Ethical Data Exchange, United Kingdom
Weikert, Jochen	Project Manager	Deutsche Gesellschaft für Internationale Zusammenarbeit, Germany
Weisert, Natascha	Industrial Development Officer	United Nations Industrial Development Organization
Wendland, Lene	Adviser on Business and Human Rights	Office of the High Commissioner for Human Rights
Wortmann, Katharina	Research Assistant	United Nations Conference on Trade and Development
Wozniak, Joseph	Programme Manager	International Trade Center
Zeballos, Erick	Senior Officer	International Labour Organisation
Zhan, James	Director, Division on Investment and Enterprise	United Nations Conference on Trade and Development