Corporate Social Responsibility

The importance of the private sector in advancing good governance and enhancing probity has been included as an item for discussion at the March 31 special meeting of the Working Group on Probity and Public Ethics.

The past few years have seen a growing interest in corporate social responsibility, which can be described as the role that corporations can play in safeguarding the health and safety of their workers, in protecting the environment, in eliminating bribery and corruption, in responding to natural disasters and in ensuring human rights are respected in communities where they do business. The interest arises in large measure because of the importance of international trade and investment in shaping the priorities of national governments and institutions.

Growing interest and concern about the sustainability of communities as globalization deepens is reflected in publically expressed expectations that the investment activities of corporations should make a positive contribution to the economic development and stability of the countries in which they operate, including contributing to social and environmental development. The corporate sector is increasingly aware that good corporate citizenship is good business. Companies that have earned a positive reputation with consumers through a solid social and environmental performance accrue numerous benefits. These include: qualified individuals who seek out socially responsible companies for employment and stay longer once employed, increased customer loyalty, less volatile stock values, and reduced litigation and environmental costs.

Corporate social responsibility is being addressed at the multilateral level by international organizations such as the UN, ILO and OECD. Most recently, U.N. Secretary General Kofi Annan, in cooperation with the International chamber of Commerce, announced an new initiative, The Global Compact, to establish a working relationship between international agencies, the private sector and citizens groups. This initiative supports efforts among governments to promote good environmental, labour and human rights practices in cooperation with the private sector. The OECD Guidelines for Multinational Enterprises, a non-binding instrument created in 1976, addresses joint recommendations from OECD governments to Multinational Enterprises operating in their territories. The recommendations address principles of conduct for a wide range of issues including respect for core labour standards, human rights and protection of the environment. Six OAS member states - Argentina, Brazil, Canada, Chile, Mexico and the United States - are signatories to the Guidelines and are participating in the current review which will be completed in June 2000.

The OAS is making strides, most notably through the precedent-setting negotiation of the OAS Convention Against Corruption, and the work of the Working Group on Probity and Public Ethics, toward increasing government accountability by combatting public sector corruption and promoting probity in the hemisphere. Canadian Minister of Foreign Affairs Lloyd Axworthy stated in his February 11 address to OAS Permanent Council, that good governance involves more players than governments. In this era of globalization, the important and growing role of

business as the engine of economic growth has fuelled expectations about what it can, and should, do to tackle development and governance problems that were once the exclusive responsibility of state institutions. It is therefore important that the OAS, as the hemisphere's most important political forum, consider ways in which it might encourage and promote private sector engagement in promoting good governance.

In some OAS member states, the private sector has already been active in developing corporate and industry codes of conduct. These codes, which typically address labour relations, environmental protection, disclosure of information, corruption and bribery and, in some cases, human rights, have evolved mainly in response to market pressures. Experience has shown that governments have an important role to play in promoting corporate social responsibility and in entering into dialogue with corporations on this issue.

The Working Group on Probity and Public Ethics could consider making corporate social responsibility an agenda item for future meetings. The Working Group could study existing measures undertaken by OAS member states, either domestically or internationally, to address corporate social responsibility, including voluntary codes of conduct. Building on this, the Working Group could offer to work with the IDB and other organizations, in consultation with the private sector and civil society organizations, in increasing awareness of existing initiatives to promote corporate social responsibility.

Socially and environmentally responsible businesses can bring real benefits, both to individuals and to the communities in which they operate, where they can exert a direct operational impact. Achieving broader success will require establishing a plan of action so that the proper players — governments, corporations and civil society organizations — can be brought together to discuss how to advance good governance, including corporate social responsibility, to contribute to a just and sustainable future for the citizens of the hemisphere.

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