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Social Responsibility and the Private Sector

READ TO DISCOVER:

1. Why is social responsibility so important for the private sector?
2. What are the main ways the private sector can be socially responsible?
3. What are the biggest problems caused by multinational corporations?

DESCRIPTION OF THE COMMITTEE

Established in 1965, the United Nations Development Program (UNDP) serves as the United Nations' global development agency, working in 177 countries to provide knowledge, experience, and resources to craft country-owned solutions to global and national development challenges. Funded entirely through voluntary contributions, UNDP manages an annual budget of approximately \$5 billion, including roughly \$1 billion of core resources that support basic program activities, technical expertise, and the global country network necessary to deliver its worldwide programs. UNDP serves as the manager of the UN's development system, ensuring greater UN coherence at the country level.



Terms & Concepts

Nongovernmental organization (NGO):
organization not belonging to or associated with any government.

The United Nations Development Program implements a series of programs that are of strategic importance world wide. Four main sectors of focus include; Crisis Prevention and Recovery, Democracy and Good Governance, Poverty Reduction, and Energy & the Environment.¹



INTRODUCTION

The **Private Sector** is made up of all people and organizations that are not controlled by a government, including individual citizens, companies and corporations, banks, and nongovernmental organizations. However, usually private corporations are the focus of discussions about **social responsibility** of the private sector. Private businesses have an important role to play in social and economic development around the world.

The **globalization** of business and the emergence of large, **multinational corporations** have proven to be very controversial. With advances in technology and communications, it is much easier for companies to sell their products all over the globe. These multinational corporations build factories in areas outside of their home country and are able to reach new communities in the all over the world. For example, Coca-Cola now sells its soft drinks in over 200 countries worldwide, while 63% of Apple’s **revenue** came is earned outside of the US.²

These powerful corporate giants have developed into important international actors in their own right- their **budgets**, organization, and influence on the world stage rival most nations. In 2013, Walmart’s sales (\$476 billion)³ were larger that the GDP of all but the 27 largest national economy, well ahead of Demark (\$330 billion) and South Africa (\$350 billion).⁴The power and influence has led many to criticize multinational corporations, and globalization in general, for harming the economy and people of developing countries.

DID YOU KNOW?

“Over 4 million people, mostly women, work in Bangladesh’s clothing sector and work for an average monthly salary of \$38.”

The critics of corporations cite several important concerns. They argue that corporations encourage pollution in order to save money, damage social networks, establish “sweatshop” production (where companies hire poor locals to work in dangerous factories for long hours and a low wage) and child labor, and contribute to unequal **distribution of wealth**.

However, corporations are also very important to economic and social development because they provide vital capital (wealth in the form of money or labor) to international markets. This “**foreign direct investment**” (FDI) can be put toward expanding **infrastructure**, promoting development needs, and distributing wealth to impoverished people in society. By the end of 2013 FDI was \$1.46 trillion and continues to grow, especially to developing countries.⁵

Terms & Concepts

The Private Sector: businesses that operate outside of a government structure.

Social Responsibility: the obligation of an organization to care about the welfare and interests of the community in which it operates.

Globalization: the bringing together of economies and societies around the world.

Multinational Corporations: A company that has offices, factories, and/or assets in another country.

Revenue: Income or money made from the sale of goods and services.

Budget: the amount of money that is available for, required for, or assigned to a particular purpose

Distribution of wealth: a comparison of the wealth of various members or groups in a society.

Foreign Direct Investment: An investment made by a company or entity based in one country, into a company or entity based in another country.

Infrastructure: The basic physical systems of a business or nation. Transportation, communication, sewage, water and electric systems are all examples of infrastructure.



The United Nations, governments and various non-governmental organizations recognize the power and influence that the private sector has in society. Several recent international efforts have focused on harnessing this power to help encourage social development. Rather than criticizing powerful corporations, these efforts focus on how the private sector can contribute to social development.

BACKGROUND

Some corporations are committing to social development by forming partnerships with organizations that address such issues. Often called public-private partnerships, these collaborative efforts involve corporations, governments, nongovernmental organizations and international organizations like the UN and its agencies, and have been shown to be important tools in social and economic development.

However, the vast majority of private sector businesses are not engaged in these partnerships. UNDP must focus on addressing the concerns of businesses while encouraging them to play an active role in private sector initiatives. One theory on why businesses should be more socially engaged is called **responsible competitiveness**.

Responsible competitiveness is the idea that taking on social responsibility can make companies more competitive rather than hurting business. Look at the shoe maker TOMS for example. TOMS is a for-profit company that matches every pair of shoes purchased with a pair of new shoes given to a child in need. Consumers want to buy products they believe have been manufactured responsibly by companies they trust.

Others argue that responsible competitiveness will not be able to significantly change corporation's behavior because competition over prices has a larger impact than responsible competitiveness. Also, larger corporations from **industrialized countries** are more likely to be able to portray themselves as socially responsible, which would give them an advantage over small and medium-sized companies from developing countries.



Corporate Social Responsibility (CSR) calls on corporations to make responsible decisions regarding conditions for workers, investment and fair trade. Responsible corporations are both *transparent* (they make information on their practices available to the public) and *accountable* (they can be held responsible for their actions by the public and the government). Some corporations are attempting to go beyond the basics of CSR



by helping address social issues like poverty, HIV/AIDS, malnutrition and conflict. In the case studies that follow, private corporations are reaching out into the communities in which they operate to help facilitate social development.

The Private Sector and HIV/AIDS

The HIV/AIDS crisis has devastated lives and economies across the world. There are over

35.3 million people living with HIV; there were 1.6 million AIDS-related deaths in 2012. HIV/AIDS directly affects development because it kills people who are in their most productive years. The HIV/AIDS pandemic cannot be stopped without the collaboration of multiple sectors.

The Global Business Coalition on HIV/AIDS (GBC) is the lead business alliance in the fight against the pandemic. GBC acts as a central hub for businesses that want to help by bringing in experts to help identify which of a company’s assets, skills and networks can be put to use to fight HIV/AIDS. They also help to educate the business community about the serious risks posed by the AIDS crisis and identify models of good business practice for companies to follow.

Another successful initiative started by the Coca-Cola Africa Foundation in 2001 called for providing anti-retroviral drugs (medicine to fight HIV) to all employees, spouses and children. Coca-Cola’s 60,000 employees in the region also reached out to the community with awareness campaigns.⁶

The Private Sector and Nutrition

The Business Alliance for Food Fortification (BAFF) was officially launched at a forum in Beijing China on October 22-23, 2005, conducted by the Global Alliance for Improved Nutrition (GAIN) and the World Bank Institute (WBI). At this meeting, business leaders from the global food industry met with government, civil-society and academic leaders to discuss how businesses might help to improve nutrition in China and elsewhere around the world.

Malnutrition lowers life expectancy, decreases productivity, increases the risk of disease, and can harm both the physical and mental development of children. Yet food fortification is relatively inexpensive and easy to accomplish. Businesses are especially important in the fight against malnutrition because they possess the technology to fortify food, control the distribution of food and have access to communication networks.

Terms & Concepts

Responsible Competitiveness: rewarding a company for responsible practices.

Industrialized Country: a country with a high level of economic development. i.e America, France, Canada, etc.

Malnutrition: the lack of proper nutrition, caused by not having enough to eat.



INTERNATIONAL ACTION

UN Global Compact 10 Universally Accepted Principals for Businesses

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

In 1999, the then UN Secretary-General Kofi Annan announced an international initiative called the *Global Compact*, which encouraged companies to work in collaboration with UN agencies, NGO's and labor groups to support important environmental and social principles. The principles cover the areas of human rights, labor standards, the environment and anti-corruption. These ten principles were derived from international agreements like the Universal Declaration of Human Rights and The United Nations Convention Against Corruption.

This initiative “challenges business leaders to promote and apply within their corporate domains nine principles in the field of human rights, labor standards, and the environment.” The goal of the program is to encourage businesses to open up the global market and provide examples of responsible behavior. Although the Compact is voluntary, hundreds of businesses representing virtually all sectors of industry have joined. However, many nations feel that even this is still not enough. The Compact is not a regulatory body, so it does not try to control the behavior of corporations. Instead, it encourages them to use their power and influence to support UN goals for social development.

In early 2000, the UNDP set up the Bureau for Resources and Strategic Partnerships to help “attract human and financial assistance and use it effectively.”⁷ This body helps to include many development goals. The “Guidelines for working with the Business Sector” and “Policy Statement on Working with the Business Sector” also lay out the conditions under which UNDP will get involved with private business.

Of course, many corporations insist that guidelines can only be voluntary- by setting up strict rules for companies behavior, the international community may run the risk of discouraging global investment altogether. At the meeting of the 34th World Congress of the International Chamber of Commerce, businesses emphasized the need for a “voluntary commitment to well defined principles.”



Also in 2000, the World Bank Institute Program on Corporate Governance and Social Responsibility was launched at the World Economic Forum in Davos, Switzerland. The program focuses on encouraging corporations to support sustainable and equitable development. The program also aims to increase acceptance of responsible competitiveness and spreading the idea that corporate social responsibility is an integral part of corporate strategy.

How the Private Sector Can Become Involved

The private sector can become involved in development issues and in supporting the achievement of the MDG's in a variety of ways:

- **Buy**—locally produced products
- **Provide** – cost-effective services to the poor
- **Donate** – surplus, used, or earlier generation products
- **Give** – financial support to local organizations
- **Hire** – recruit local talent
- **Invest** – in education, infrastructure, R&D, technologies
- **Promote** – create awareness through marketing
- **Volunteer** – talent and time; core-competency and in-kind giving is a huge leverage point for developing economies and strong communities.

Source: Business Action for the MDGs: Private Sector Involvement as a Vital Factor in Achieving the Millennium Development Goals. The World Bank and the World Bank Institute, 2005.

RECOMMENDATIONS FOR CREATING A RESOLUTION

Delegates in UNDP must first develop a thorough understanding of the various roles that following objectives in formulating draft resolutions:

- Finding ways to encourage public-private partnerships for social and economic development;
- Encouraging the private sector to be transparent and accountable to the public;
- Providing incentives or enacting regulations so that corporations maintain socially responsible practices; and
- Articulating the incentives for private business to address social development goals and spreading the word in the private sector about the potential benefits of responsible competitiveness.



Questions to Consider:

1. What competitive advantage might private businesses have in helping meet social goals?
2. Is your country a developing nation? How does your country's level of development affect your position on this issue?
3. Has your country benefited from the work of a public-private partnership?
4. Does your country have problems with socially irresponsible corporations?
5. What laws does your country have to regulate the behavior of private companies?

RESEARCH AID

This is the official website of the United Nations Development Program (UNDP) and will serve as a great starting point to find out more about how the UNDP works and what it is doing about freshwater resources and sanitation.

- **UN Development Program**, www.undp.org

The UN's home for the Millennium Development Goals (MDGs) will provide you with information on the specifics of the goals, what countries are doing to try to reach them, and what progress has been made so far.

- **The Millennium Development Goals**, www.un.org/millenniumgoals

This is the UN's homepage for the *Global Compact Initiative*. It includes information on participating corporations and the different issues being addressed.

- **UN Global Compact**, <https://www.unglobalcompact.org>

This paper presents the range of opportunities that exist for them to mitigate negative impacts of CSR but also to harness its potential positive benefits for public policy. Government involvement is illustrated through examples of policy instruments and programmes promoting CSR in developing countries.

- **CSR and Developing Countries. What scope for government action?**, <http://sustainabledevelopment.un.org/content/documents/no1.pdf>



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