



Issue 36 Nov.2004

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MARRYING JEKELL WITH HYDE? TRANSNATIONAL ENTERPRISES, PRO-POOR DEVELOPMENT AND CHALLENGES FOR IMPACT ASSESSMENT

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‘For leading companies, helping to achieve the Millennium Development Goals is not only a matter of corporate social responsibility, embedded in compliance, risk management and philanthropy, but also a matter of corporate social opportunity, embedded in innovation, value creation and competitiveness’

(Nelson and Prescott 2003 Business and the Millennium Development Goals)

‘The idea that publicly traded corporations constituted for the sole purpose of maximising short-term profits can

provide consequential and constructive leadership toward resolving any of the Millennium Development Goals is simply wishful thinking’

(David Korten quoted SustainAbility 2004)

Transnational Enterprises (TNEs) are an important source of direct and indirect employment creation in the global economy. TNEs are also key suppliers of consumer products. The sheer size and global nature of their operations means that they are inevitably key agents of economic, environmental, social and also political change – for good or for ill. Until recently the main focus of attention has been



the issue of regulation and establishing Codes of Conduct to counter evidence of their role in accelerating environmental degradation, labor exploitation, cultural hegemony, and loss of national and local autonomy. These, including the principles enshrined in UN Global Compact 2000, are backed by reporting and auditing standards like SA8000 and the Global Reporting Initiative (2002) and in some cases by participatory auditing.

More recently however attention has increasingly shifted from minimising the negative impacts to promotion of positive 'business case win-win scenarios' whereby corporate social and environmental responsibility can also increase the profits and sustainability of the TNEs themselves. A joint initiative by UNDP and International Business Leaders Forum produced 'Business and the Millennium Development Goals: a Framework for Action' (Nelson and Prescott 2003) which identifies both a framework and specific interventions which large businesses can make to further the MDGs. A US-based initiative called 'Base of the Pyramid' (BoP) involving some leading US-based TNEs, NGOs and

academics goes even further in attempting to develop an active and positive role for TNEs as development agents.

It is argued that, given the current combination of political, economic and social forces, TNEs now have little option but to re-imagine their business models. The goal is not merely compliance with 'the triple bottom line' of social and environmental as well as business standards, but actively:

- seeking new markets to meet the needs of poor people
- developing new ways of relating with communities and building sustainable livelihoods
- ensuring as far as possible that all TNE activities leave sustainable benefits in the form of capacity building, resources and infrastructure and environmental enhancement.

However despite the potentially positive role which TNEs can play, and despite increasing internal acceptance in TNEs of the principles of Corporate Social and Environmental Responsibility, progress

has so far been slow. Although the 'win-win' business case for ethical practices can be made for some companies in some contexts, it is clear that for many companies and in many contexts there will be added costs to implementing ethical codes. Moreover the transparency required to build business reputations on the basis of ethical compliance also increases a company's market vulnerability to adverse criticism of any shortcomings.

This paper gives an overview of current issues and debates on the role of TNEs in pro-poor development. The paper cautions against naïve assumptions that self-interest alone can drive TNEs in this new direction. Trust between different stakeholders with conflicting as well as common interests is crucial in the search for ways forward. It is crucial that external interests and pressure groups gain a more realistic understanding of the business imperatives and pressures on TNEs. This is necessary for constructive engagement with those forces within TNE management which are convinced of the ethical as



well as business cases for change. Nevertheless it is unlikely that change and innovation will be significant unless TNEs also open up to objective evaluation of the real impacts of their operations. This is essential for genuine debate free of accusations of 'whitewash' or 'greenwash' and development of progressive and realisable business models and innovations for pro-poor development.

The paper proposes a framework for a strategic learning process which builds on existing innovations in participatory market research, participatory auditing and value chains analysis. It argues that central to such a process will be constructive collaboration between stakeholders – not only TNEs and NGOs and government, but also the most vulnerable stakeholders within communities who are affected as consumers or producers. There is a need for evidence of poverty impacts and development contributions which go beyond identification of locally marketable products and beyond social auditing of implementation of Codes of Conduct, even participatory social auditing. Moreover impact assessment must be cost-

effectively mainstreamed as a sustainable strategic learning process within business practice and/or involve collaboration between different agencies. Otherwise it will prove too costly for either TNEs or development agencies to implement on the scale required. This participatory process itself would however go a long way towards increasing the understanding, cooperation and collaboration to move forward.

Related Resources

TOWARDS TRANSPARENCY: PROGRESS ON GLOBAL SUSTAINABILITY REPORTING. ACCA 2004

www.corporateregister.com/pdf/TowardsTransparency.pdf

Sustainability reporting has emerged over the past decade as a response to a demand for greater transparency regarding business impacts on sustainable development. This report maps the progress on sustainability reporting globally, and by region. It

finds that progress has been uneven across regions, both in terms of producing reports, and also in terms of quality and scope of reporting. For the regions of Africa and the Middle East, the Americas, Asia and Australasia, and Europe, the report provides a historical overview, a review of the main drivers for reporting, a round up of mandatory requirements for reporting, a list of regional achievements and a summary of the future of reporting. In absolute figures, North America and Western Europe are the most active reporting regions. Non-financial reporting of any kind remains practically unknown in the Caribbean and most of Latin America. In Asia, reporting is low outside of Japan and Australasia. Across Africa and the Middle East, only South Africa is showing significant reporting activity. The report also notes some key trends and challenges.

Gearing up: from corporate responsibility to good governance and scalable solutions

SustainAbility 2004

www.sustainability.com/publications/gearing-up.asp

Despite achieving impressive momentum, the corporate responsibility



(CR) movement is bumping up against real limits. Most company initiatives are too peripheral from core businesses, too isolated from one another and too disconnected from wider systems to make much of a collective impact. It is in this context that the UN Global Compact asked SustainAbility to evaluate the potential for CR initiatives to stimulate a transition to more sustainable forms of development by linking to wider policy frameworks. In *Gearing Up* they assess examples of private sector leadership in preparing the ground for positive public policy responses. They conclude that to reach its full potential, the CR movement must shift gear. Specifically, companies must address the fundamental questions of how to achieve the necessary scale in their responses to global problems and how to help catalyse the development of more effective governance frameworks. This will require companies to foster progressive alliances with other business actors, civil society organizations and – above all – governments. The aim: to help scale up CR by linking into system-level change, particularly governance frameworks. The challenge is not to get companies to take on the responsibilities of

governments but to help ensure governments fulfill their own responsibilities.

BUSINESS AND THE MILLENNIUM DEVELOPMENT GOALS: A FRAMEWORK FOR ACTION. THE

INTERNATIONAL BUSINESS LEADERS FORUM 2003

www.undp.org/business/docs/mdg_business.pdf

This briefing provides a Framework for Action on how companies and business coalitions can work with the UN system, governments and civil society organisations to help achieve the Millennium Development Goals. All can play a role, from small and medium sized enterprises to large national and multinational companies, and from local chambers of commerce to international business organisations. The Framework has relevance for all these, as well as for people in the development community with an interest in working with the private sector. It aims to provide a basic overview with some illustrative examples, rather than an

exhaustive analysis, and will hopefully generate ideas for practical action.

<http://www.unrisd.org/>

Follow the link to Corporate Responsibility to find the UNRISD Business Responsibility for Sustainable Development project which promotes research and policy dialogue on corporate social and environmental responsibility. It examines whether or not transnational corporations (TNCs) and other companies are taking meaningful steps to improve their social and environmental record, particularly in developing countries. The project has involved field work in Brazil, India, Indonesia, Malaysia, Mexico, Peru, the Philippines, Singapore and South Africa. Additional research includes issues of international regulation of TNCs, company codes of conduct, multistakeholder standard-setting and certification schemes, UN-business partnerships and the corporate accountability movement. The Publications section includes links to book descriptions and ordering information, as well as to online versions of all programme papers and discussion papers



produced throughout the course of the project. Conference reports and policy briefs are also included in this section. Under Unpublished Papers you will find links to the latest papers or reports that are pending publication. The News and Views section contains links to articles written by UNRISD staff which have been published elsewhere.

www.iblf.org/csr/csrwebassists.nsf/

The Corporate Social Responsibility Forum site has a CSR Road Map section which is designed as a navigational tool to discover the subject. Information is provided on the following themes: Human rights, labour and security; Enterprise and economic development; Business standards and corporate governance; Health promotion; Education and leadership development; Human disaster relief and Environment. Within each theme are sections on framing the issue, the corporate response, key players and links, tools and resources and case studies. Not all sections are yet complete but much information is available. Many publications are available for download.

www.kenan-flagler.unc.edu/KI/cse/boop.cfm

Opportunities for massive value creation, sustainable growth and human development lie at the "Base of the Pyramid" (BOP), a socio-economic designation for the 4 billion individuals that live primarily in developing countries and whose annual per capita incomes fall below \$1,500 (PPP). However, successfully entering these markets requires addressing substantial challenges in economic and technical infrastructure, education, financial resources, and cultural differences. Managers find themselves ill-equipped to assess business opportunities and unable to articulate a compelling business plan for these markets. By leveraging the experience and resource base of diverse corporate, nonprofit and academic members, the Base of the Pyramid Learning Laboratory aims to fill the information gap that currently clouds business development at the BOP. The site includes details of core members and affiliates, research and initiatives, BOP events and a reading list.

Events

THE BUSINESS AND HUMAN RIGHTS SEMINAR
Dec 9, 2004
London, UK

Following the inaugural Business and Human Rights Seminar on 9 December 2003, the businesses and NGOs behind the event have reconvened to organise a second event that will take an overview of strategic developments within the international business and human rights agenda. This year's focus will be on how different approaches within specific sectors have started to define what is an appropriate sphere of influence for business relating to human rights and what practical steps might be taken. There will also be interim reports available from the members of the Business Leaders Initiative on Human Rights (BLIHR) relating to an evidence-based approach to examining the value of a rights-aware approach and in particular the content of the UN Norms. The Seminar is aimed primarily at senior representatives from international business and will provide a strategic overview of what has emerged during 2004 and the direction the debate might take in 2005. More information at www.bhrseminar.org/

Eradicating poverty through profit: making business work for the



poor – an international conference on private profit and the public good. Dec 12 – 14, 2004

San Francisco, USA

The conference will explore private sector solutions to poverty with keynote addresses and other presentations, panel discussions, live "laboratories", sector or interest-specific workshops, and exhibits. Four broad themes will guide the discussions: *Pro-Poor Business Activities: Why Bother?; Experience to Date: What Works?; Barriers and Challenges: How to Succeed and Finding New Solutions: Tomorrow's Best Practices*. The conference is aimed at: **business leaders from multinational companies in finance, technology, consumer products, agriculture, energy, natural resources and other sectors, entrepreneurs and executives from start-ups and large companies in emerging markets with hands-on experience of proven, profitable, innovative approaches and senior policy makers who can foster the conditions for a more active and beneficial business presence at the bottom of the pyramid.** More information at <http://povertyprofit.wri.org/>

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All back issues of Enterprise Impact News can be downloaded from the EDIAIS web site at: <http://www.enterprise-impact.org.uk/newsletter/index.shtml>

