



**Second Inter-American Conference on Corporate Social Responsibility
CSR as a tool for Competitiveness**

**Statement by Zéphirin Diabré
Associate Administrator**

Panama City - 27 October 2003

Excellency Ms Mireya Moscoso, President of the Republic of Panama
Mr. Enrique Iglesias, President of the Inter-American Development Bank
Mr. Alberto Alemán Zubieta, Administrator of the Panama Canal Authority
Distinguished participants,
Ladies and Gentlemen,

It is a real pleasure to be here today addressing this important topic of corporate social responsibility and the role it can play in boosting economic competitiveness and contributing to sustainable development.

I wish to start by expressing, on behalf of the United Nations Development Programme and of our Administrator, our gratitude to Her Excellency Ms Mireya Moscoso, President of the Republic of Panama, for her great generosity in hosting this important conference. Our thanks also go to Mr. Iglesias for the key role that he has played as President of the Inter-American Development Bank in organizing this event. UNDP is proud to be a sponsor of this Second Inter-American Conference on Corporate Social Responsibility.

It is ironic that while corporate social responsibility has become a global movement over the last few years, trust in private business is at an all time low. Last year a survey by the World Economic Forum and Environics found that global and large domestic companies are equally distrusted to operate in the best interest of society, ranking at the bottom of the trust ratings with national legislative bodies.

This mistrust of business is surfacing in extreme and even violent ways in the developing world. From the recent mass protests in Bolivia fueled in part by private sector involvement in the use and exploitation of the country's gas resources to the fury of consumers in India over high energy prices and unsafe water supplies resulting from foreign private investments there, to the protests of women in Nigeria over the effects of multinational oil companies' collaboration with previous dictatorships, people all over the developing world are saying no to business as usual.

This backlash could have immediate consequences to private sector operations and over the long-term, threatens to undermine its role in economic and sustainable development. Developing a higher level of trust in business is essential. Not only because it makes good business sense, but because it is essential to the wider issues of economic and sustainable development on which we all depend.

From the perspective of a development organization like UNDP, we recognize that without a thriving global economy made up of competing international and domestic enterprises that maintain the trust of communities, we will be unable to meet the commitments agreed to at the United Nations in 2000, the Millennium Development Goals.

But rebuilding this trust is a lengthy process that involves engaging actively with a range of stakeholders, setting clear standards based on universal values and principles, meeting commitments, being transparent and communicating effectively. Gone are the days when business was merely about delivering profits and shareholder value. Consumers, workers, communities, various interest groups and increasingly governments, are now demanding more from companies. In today's world business is not just about demonstrating shareholder value, it is about delivering value to the societies and communities in which they operate.

To maximize profits and competitiveness in this complex business environment a company must increasingly demonstrate its ability to also maximize positive economic, social and environmental outcomes of its activities. This is what corporate social responsibility is all about. Among other things, it involves looking more consciously at how a company contributes to the creation of jobs and supports local economic development, how it treats and develops its workforce and offers quality of life in the workplace, how its operations affect the environment, and what it does to provide products and services that are socially and culturally appropriate.

In the short-term these values help secure a company's license to operate. In the long run, they help make a company more competitive, more resilient and more flexible.

One key driving force for CSR is the issue of access to markets. Today's increasingly sophisticated consumers want an assurance of the social and environmental aspects of the goods provided: that their coffee has been grown in an environmentally sustainable way; that their diamonds have not come from conflict zones, that their running shoes have not been made in a sweatshop. Hand in hand with these consumer pressures, there is also a rising social investor movement driving such issues from the other direction. The Dow Jones Sustainability Index and the FTSE4GOOD index are only two examples of how socially responsible business and investments are becoming more mainstream. And these indexes tend to outperform regular indexes, showing that behaving responsibly indeed makes companies more competitive.

More importantly from a development perspective, is that it is also becoming more and more apparent to business that the developing world is where the future is. In a world where four out of every five consumers and 82 million of the net 83 million people being added to the planet every year are in poor developing countries, the issues of business strategy and society are closely linked. The challenge is to make sure these people are part of new markets rather than a source of instability, conflict and social breakdown. A company that does not understand and

recognize how to reach and serve this vast majority of the world's population with products and services that meet their development needs, will soon be at a disadvantage.

The development of a strong and responsible private sector with dynamic local enterprises is essential to address poverty and to provide the basic services and goods needed to reach the Millennium Development Goals. Earlier this year, we launched the Commission on the Private Sector and Development to better understand how UNDP and other international organizations, governments, business and civil society, can support a strong and vibrant indigenous private sector in developing countries. The Commission brings together some of the world's most influential thinkers on this issue, including its co-chairs, former Canadian Minister of Finance Paul Martin, and former President of Mexico Ernesto Zedillo.

The recommendations of this Commission will be presented to the UN Secretary-General Kofi Annan in January 2004 and shared widely with governments, development agencies, world business leaders and other relevant actors. Beginning in early 2004, a set of pilot initiatives will also be implemented to test the recommendations and hopefully, demonstrate the positive impacts local businesses can generate when given the support they need to thrive. These projects are also expected to point to new, and innovative ways partnerships with multinational and large companies can move beyond philanthropy towards responsible and commercially viable, sustainable enterprises that contribute to a more equitable global economy.

One good example of this type of partnership initiative that is already on-going, is a recent UN supported programme led by UNDP with the involvement of international and domestic enterprises, civil society and governments, called "Growing Sustainable Business". In the pilot phase of this initiative, which has grown out of the UN Secretary-General's Global Compact (which I will come back to in a minute), activities have begun in what probably are some of the most challenging environments in which to grow responsible business, the Least Developed Countries on my own home continent Africa. While this initiative is still in early days, progress looks promising in Ethiopia, Tanzania and Madagascar, where several major companies have come forward to work in partnership with other sectors in order to make responsible investments that also can contribute to sustainable development in these countries. Commercial projects ranging from provision of solar power for productive use, provision of electrification and telecommunications to rural communities, development of eco-tourism and strengthening of local supply chains are only some examples of the type of business activities this initiative is aiming to facilitate. So even in the most challenging circumstances are there opportunities and appetite for responsible business.

But how far can, and should business go when it comes to responsible practices within their operations and in contributing to sustainable development? And how much can it really contribute to their competitiveness?

I would argue that taking corporate responsibility to the next generation and scaling it up in ways that will have an impact both on competitiveness issues and sustainable development, requires that companies' CSR practices become more closely aligned with broader national sustainable development strategies and policies.

The role of governments in taking CSR to this next level is crucial. To thrive in a responsible way, business requires an enabling environment founded on transparency, rule of law and stable regulatory frameworks and policies that encourage entrepreneurship.

Governments also play an important role in fostering dialogue that together with business and other national stakeholders, search for meaningful ways business can contribute to sustainable development through both its CSR policies and core business activities.

The UN is increasingly recognizing the positive role it can play in these dialogues. Under the leadership of Secretary General Kofi Annan, the UN is engaging the private sector as an actor with both responsibilities and opportunities to contribute to the universal values and principles that our organization stands behind.

The flagship UN initiative for such engagement of the private sector is the Global Compact, launched by the Secretary-General, in 1999. It is founded on the principles that that it is in business' own self interest to use their economic power, and their influence to uphold a set of universally agreed upon values in the areas of human rights, labor rights and environment.

Today, the Global Compact has grown into a global movement, with networks in over 50 countries, many of which are being supported by my organization, the United Nations Development Programme.

The Global Compact is essentially about establishing networks among business, government and civil society that draw on the different strengths and capabilities of these key actors, to promote sustainable development and a fair and equitable process of globalization. In creating these networks, and in advocating and facilitating implementation of CSR practices, the Global Compact and its national networks can play a crucial role in helping individual companies, as well as communities and countries to use CSR as a tool for competitiveness.

Here in Panama for example, UNDP has led successfully the introduction of the Global Compact. Today some 44 companies 6 business associations and 22 NGO's subscribe to the Global Compact and benefit from local dialogues and other activities. I am glad to know that, as in many other emerging economies, the Global Compact is being used as a tool to align corporate policies with Panama's broader development objectives to help make this cluster of companies become more competitive.

I trust that this conference will give ample room to further discuss how this kind of interaction between business and other sectors can help to align CSR with broader development priorities, and contribute to improving the competitiveness of economies as well as individual enterprises.

I wish you a productive conference.

I thank you for your attention.