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Experiences of the Role of Government in promoting Corporate Social Responsibility initiatives in the private sector

Recommendations to the Indian state of Gujarat

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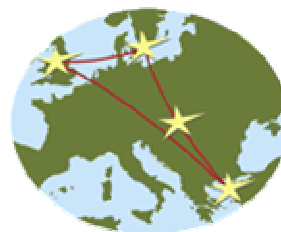Lund, Sweden, June 2009

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Abstract

Interpretations of the term Corporate Social Responsibility are many, but academics have achieved approximate consensus about what it consists of. An issue that started off as an interest- and motive-based activity for businesses is becoming more commonplace and has increased in importance over time. Governments have a role to play in ensuring that corporations behave according to the rules and norms of society; corporations stand to gain from CSR activities due to its social influence and acceptance. Hence governments play an important part in supporting corporate social responsibility initiatives. Governments can legislate, foster, partner with businesses and endorse good practice in order to facilitate the development of corporate social responsibility. The Government of Gujarat, a state in India, is now promoting corporate social responsibility initiatives to foster societal development. The experiences of pioneers and champions amongst governments could be useful to develop better policies for the state. Three such pioneer governments – the UK, Denmark and Sweden – are chosen for analysis of their corporate social responsibility promotional policies, legislation and initiatives. An examination is made of the history, legislation and policy initiatives for each country. After taking important lessons from these countries, they are compared with the existing policy in Gujarat. A comparative and learning based analysis provides a set or recommendations which can be useful in bettering the existing corporate social responsibility policies of the Government of Gujarat.

Key words: Corporate Social Responsibility, Gujarat, UK, Denmark, Sweden, policy making.

Executive Summary

Business has played a significant historical role in societal development, through philanthropy, or by having a motive beyond money making. For the past half a century, there has been a call by society in general for corporations to assume responsibility beyond mere financial gains for the shareholders. The term Corporate Social Responsibility, which denotes the responsibility of corporations towards society and the environment, has emerged from these discussions. Several aspects of the performance of businesses, such as reputation and risk management, employee satisfaction, innovation and learning, and access to capital and financial performance, are directly or indirectly linked to their role in managing their social responsibilities.

Corporate Social Responsibility (CSR) has been defined in a variety of ways, by different people, over different issues and periods of time. However, there is, despite this vagueness, a general consensus amongst academics and businesses about what it constitutes of. The stakeholder theory for this concept is widely accepted, and it is an amalgamation of several viewpoints and issues. Government is an important stakeholder in the activity of businesses, in various ways. The way in which governments are expected to behave is changing. The role of government in today's societal circumstances is vital to the growth and development of CSR. At the same time, it also benefits from activities which aid societal development.

This thesis deals with the kinds of roles that governments can assume in order to foster and promote CSR in their regions, states or nations. There exists a substantial amount of legislation already in place almost everywhere which mandates the behaviour of businesses in a manner that is suitable and permissible in society. Legislation is one measure that is available to governments to ensure that businesses comply with societal expectations. Facilitating the setting up of organizational structure, academic expertise and involvement of businesses in societal development is another major role that governments can assume in order to promote CSR in businesses. Partnering with businesses and combining complementary resources and strengths can be instrumental for governments to bring about social development. Endorsing good practice, behaviour or involvement of businesses in dealing with their social responsibilities is important as it shows the way for businesses. This role helps businesses understand what is expected of them by the government. The government could support the business case for CSR to provide incentives for businesses to accept CSR as one of their core functions. It is important for governments to realize that both national and international levels are important for the policies to be effective.

Around the world the governments of several countries have been instrumental in promoting CSR activities. Countries like the UK, Denmark and Sweden have been amongst the pioneers in this aspect, and have managed to develop and implement policies that foster CSR. The government of Gujarat, a state in India, has recently initiated policies to promote CSR in the state. The policy mandates that 30% of Profit Before Tax (PBT) of the Public Sector Enterprises (PSEs) or state owned companies should be contributed to the Gujarat Socio-Economic Development Society (GSEDS). It also encourages private sector companies, on a voluntary basis, to form partnerships with the government to facilitate social development and raise the Human Development Index (HDI) of the state. The policy also focuses on environmental aspects and gives it an infrastructure status, on employment issues and human resource development through quality education.

Still in its nascent stages, such a policy can be developed further, by learning from the experiences of pioneer countries. In this thesis, CSR policies in three countries (the UK, Denmark and Sweden) are analysed to develop an understanding regarding the role of the

government and the policy measures implemented by these countries. The historical aspects leading to the current policies of the country are examined. Further, implementation measures are reviewed, and criticism of the policies is given by examining the available literature.

The analysis of the policies showed that there were certain characteristics that were common to the policy making and implementation within the three countries. A set of events usually led the government to move towards the promotion of CSR. The governments assumed all four roles – mandating, facilitating, partnering and endorsing – to provide a holistic framework and provide incentives. A definite plan of activities, initiatives and policy measures was laid out for businesses well in advance, in order for businesses to understand and proactively alter their behaviour accordingly. A multidimensional approach to involving businesses, civil society, social entrepreneurs and individual citizens was used by the countries. All countries have a single point of contact and information to facilitate the dissemination of policies, laws, information and discussion.

Learning from these aspects, certain recommendations have been prepared. These are related to creation of a hub for information, balanced and multidimensional policies which also support social entrepreneurship and support research in CSR related issues, implementation issues like time frame for implementation and activities taken up for promoting CSR.

Experiences of the Role of Government to promote Corporate Social Responsibility initiatives in the private sector – recommendations to the Indian state of Gujarat

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1 Introduction

1.1 Background

Industrial Revolution in the early years of the 19th century was one of the major turning points in the history of civilization. Man's ability to utilize resources for improving the lives of fellow men was one of the drivers which led to this revolution. As time went by the scale of operations, the industrial output and the variety and complexity of products increased. This increase has continued till date and it fills our lives with countless objects of desire and luxury, along with the daily human requirements.

Along with this revolution, there was a cultural revolution in the way people lived, their daily routines and chores, their patterns of behaviour as individuals and in groups. Industrial units and related activities provided the masses with employment and a means of growth and development. Laws, regulations and policies suitable and essential for industrial growth were developed and the world progressed. Industries over a period of time became more and more complex and their influence increased to hitherto unknown realms of research, knowledge and ability. The financial profitability ensured that more and more stakeholders were involved in the functioning of the industrial and financial sectors.

The responsibility of corporations towards their shareholders was considered so immense that there was a time when the use of any corporate funds for philanthropic purposes for illegal and it took about three quarters of a century before the U.S. Supreme Court, in 1953, set a precedent by formally affirming the corporation's right to make donations, which was already acceptable to the general society (Sharfman, 1994). This acceptability is evident from the fact that as early as the 1930's and 1940's there are references to social responsibility, including Chester Barnard's, *The Functions of the Executive* in 1938, J.M. Clark's, *Social Control of Business* in 1939 and Theodore Krep's, *Measurement of the Social Perfomance of Business* in 1940, and in the poll conducted by *Fortune* magazine of businessmen asking them about their social responsibilities in 1946 (Carroll, 1999).

The role of business in Indian society is considerably old. One of the four principles castes in the now outdated caste system was the *Vaishya* caste which was the business class. Trade and business have been hence an integral part of Indian society for a long period of time. However, according to Sood and Arora (2006), as far as the modern industrial movement is concerned, India is a relatively younger nation compared to the industrial nations of the West. The various business classes and communities, which includes the Parsis, the Marwaris, the Gujaratis and the Chettiars, have played a role in business and in philanthropy through the ages. Even during the de-industrialization of the British rule the merchant class did not lose heart and modern industry developed and matured in the pre-independence and post-independence eras.

1.2 Introduction to Corporate Social Responsibility (CSR)

"Organizations around the world, as well as their stakeholders, are becoming increasingly aware of the need for socially responsible behaviour" (International Organization for Standardization, 2007). Although the term has been used for over half a century now, no single accepted definition exists. The fact that several papers have been written till date regarding the variety of definitions, ideas and notions about CSR bears testament to the diversity of opinions and perspectives about what all the three words 'corporate', 'social' and 'responsibility', separately and together mean (Carroll, 1999, Marrewijk, 2003, Hopkins, 2004,

Wan-Jan, 2006, Windsor, 2006, Jonker and Marlberg, 2007, Dalhsrud, 2008). Given this diversity, a sound understanding of the term and related concepts can only come by rummaging through the literature and gauging its scope. A far more difficult job is to understand the variety of actions which come forth from the idea of CSR.

Corporate social responsibility (CSR) according to the definition provided by the International Organization for Standardization in the International Organization for Standardization, 2007) standard means "responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that contributes to sustainable development, health and welfare of society, takes into account the expectations of stakeholders, is in compliance with applicable law and consistent with international norms of behaviour and is integrated throughout the organization and practiced in its relationships". The above definition is more of a syncretism of existing definitions and interpretations of the term "corporate social responsibility". 37 definitions of CSR have been reviewed by Dalhsrud (2008) and they in myriad ways try to define and articulate the factors, issues and concerns of CSR.

A key issue about CSR is brought forth by Windsor (2006) through a generalization that "Corporate Social Responsibility, (CSR), is, regardless of specific labeling, any concept concerning how managers should handle public policy and social issues." This summing up helps to put CSR through the perspective of managers in corporate entities and helps them demarcate, albeit vaguely, the scope of CSR. Hopkins (2004) on the other hand from a different viewpoint argues that CSR is "the ethical behaviour of business towards its constituencies or stakeholders". The former definition suggests CSR to be a issue which has to be "handled" just like any corporate activity, whereas the latter brings forth the moral aspect. Both definitions are, as one may observe, in a way same, but differ significantly as well. If the above case is anything to go by, this is the sort of contradictory agreement which makes CSR a difficult issue to understand.

The debate over what actually constitutes CSR is an on-going process between academics, consultants and corporate executives which has resulted in more definitions of CSR. This ambiguity in the term has put business executives in a fix especially in the corporations which have taken up this issue, leaving them with more questions than answers, with more doubts than clarifications. Everyone has their own perspective about CSR which causes the concepts and definitions to be often biased towards specific interests (Marrewijk, 2003). Carroll (1999) illustrates this diversity in perspectives through the words of Lee Preston and James Post (1975) in the book *Private Management and Public Policy: The Principle of Public Responsibility,* where the term 'CSR' has been described as,

"a brilliant one; it means something, but not always the same thing, to everybody. To some it conveys the idea of legal responsibility or liability, to others, it means socially responsible behaviour in an ethical sense; to still others, the meaning transmitted is that of "responsible for," in a casual mode; many simple equate it with a charitable contribution, some take it to mean socially conscious; many of those who embrace it most fervently see it as a mere synonym for "legitimacy", in the context of "belonging" or being proper or valid; a few see it as a sort of fiduciary duty imposing higher standards of behaviour on businessmen than on citizens at large."

Jonker and Marberg (2007) discuss the origin of this debate between scholars, business and government which began somewhere around 1970 and the evolution of CSR. The governmental regulation in areas like safety, environment etc in the 1970s indicated the

changing nature of society and rethinking of such issues on a larger scale. The evolution of CSR can be divided into four phases; CSR 1, CSR 2, CSR 3 and CSR 4.

- CSR 1 meant that companies should behave responsibly and contribute to society through charity and community initiatives, an approach now supported by most corporations.

- CSR 2 was a stage when corporations showed responsiveness by creating public affairs department, improving employee communication, labour relations and public issue management, along with stakeholder engagement, especially shareholders.

- CSR 3 in the 1980s laid emphasis on ethics along with regulations for corporate ethics and code of conduct. Business by taking up voluntary reporting advocated self regulation against governmental regulations and assured self policing of its activities.

- In the last stage of CSR, CSR 4, scholars would like CSR to shift from its corporate-centric orientation to a more cosmos oriented one. This concept draws a parallel with the concept of sustainable development.

Marrewijk (2003) enlists some approaches about CSR that have been proposed over the years. The *shareholder approach* can be simply explained in the words of Milton Friedman, "There is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud" (Friedman, 1970). The *stakeholder approach* is about going beyond interest of shareholders to a multitude of stakeholders who are affected by the activities of the organization. The broader view of CSR and the full coverage of the various perspectives come forth in the *societal approach* which advocates responsibility to the society. The basis for this argument is the fact that the organization is a part of the society in which it functions.

Three schools of thought have emerged regarding the end purpose of the CSR. Wan-Jan (2006) has done a literature review of the three. First school is which promotes CSR from an ethical standpoint, which talks of CSR for the sake of CSR without any expectation from the CSR activities. This "noble way" for corporate behaviour is the only form of CSR according to this perspective. Looking at CSR from a business strategy is another school of thought. This thought has its origin in the agency theory according to which the primary aim of corporate managers is to increase shareholder value. The third school of thought focuses on the common denominator of the first two schools of thought and takes the "serving stakeholders" stance. According to the ethical stance, the corporation should treat its stakeholders properly and behave ethically with them and business strategy also focuses on treating stakeholders ethically, through which, managers believe that their businesses will stand to gain.

If there have been different approaches to how to look at CSR, academics have also tried to put forward their own interpretations of how CSR looks as an overview. Carroll (1991) has proposed a pyramid of CSR. Four categories or components of CSR; economic, legal, ethical and philanthropic responsibilities of an organization are explained metaphorically through a pyramidal shape.

Fig 1-1 Carroll's Pyramid of Corporate Social Responsibility. (as figure label below pyramid)

The pyramid, from top to bottom:

Philanthropic responsibility

Ethical Responsibility

Legal Responsibility

Economic Responsibility

Fig 1-1 Carroll's Pyramid of Corporate Social Responsibility.

Source: Carroll (1991)

Carroll starts with the basic building block, economic performance, which undergirds all other aspects of corporate behaviour. The law has to be obeyed as it is the "codification of the acceptable and unacceptable behavior". Ethical responsibility is meant by doing what is just whilst avoiding or minimizing negative effects on the stakeholders. Business to fulfill its philanthropic responsibility is expected to contribute financially and through human resources to society. Compared to this Windsor (2006) has painted a very different conceptual picture of CSR. Ethical and economic responsibilities of the corporation are conceptualized as mutually exclusive.

Given the entire debate about CSR, its definitional constructs, its realms of applicability, its conceptualization and various perspectives, certain well accepted characteristics of CSR have been advocated by the International Organization for Standardization (2007). "Willingness of an organization to take responsibility and be accountable for the impacts its activities and decisions create on society and the environment", along with expectations of society, role of stakeholders in social responsibility and integration of social responsibility in the daily regular activities of the organization are important. Certain principles within the CSR framework advocated include accountability, transparency, ethical behaviour, stakeholder interests, and rule of the law, international norms and human rights.

Like any concept CSR has evolved and matured over the years. Several approaches have been proposed over the years and provide but one facet of the concept. Just like a diamond is polished and is given certain facets to give a final shape, so has been the progress of CSR. However, in my opinion CSR is still not a completed diamond and maybe it is not meant to be an extremely well defined concept.

1.3 Arguments For and Against Corporate Social Responsibility

Corporate Social Responsibility has been a rather debatable topic because of diverse and differing perspectives and opinions of different people. Some arguments work in favour of CSR and some are not so much in favour of this much discussed issue. Davis (1973) has provided a very comprehensive and insightful analysis of the arguments for and against CSR, which are explained below in brief.

Arguments in the favour of CSR

1. Long term self interest: A safer, healthier, economically well-off and socially balanced society is a favourable environment for business to operate and is necessary for long term profit maximization.

2. Public image: An enhanced public image and reputation is necessary for business to gain more customers, better employees and pursuit of social goals can capture public attention for the better.

3. Viability of Business: While public image is relevant for individual businesses, viability of the business system and related systems is related to the reasoning that the institution of business exists because it does good for society. Anything different and the "charter to exist" given by society to business may be revoked.

4. Avoidance of Governmental Regulation: Regulation is generally considered restrictive by business and reduces its flexibility of decision-making. An added point is that by becoming responsible businesses can avoid new restrictions for themselves and others as well.

5. Socio-cultural Norms: A businessman operates in society similar to an individual and so the local socio-cultural norms apply to them as to any individual. Also as is the nature of men, managers derive satisfaction from more than one means. Through utility theory it can be explained that a manager may derive more than simply economic satisfaction.

6. Stockholder Interest: Stockholder interest is generated in businesses which engage in responsible behaviour, which is evident through the public image and avoidance of governmental regulation arguments. Empirical studies show that as the ownership becomes diverse, the interests of stockholders regarding corporate activities increases.

7. Let Business Try: Since several kinds of institutions have failed till now, even business should give it a try and see if it can do some good. Such an argument has its roots in desperation rather than reason. But another facet of this argument is regarding failure to solve social problems is because the ability of business to solve problems has not been used.

8. Business has the resources: Resources like management talent, functional expertise, ability to innovate and capital can be tapped into, but inordinate monetary expectations may be asking for too much. The strong points of corporate bodies could be helpful to the functioning of social institutions.

9. Problems can become Profits: Through the innovative capacities of businesses existing social problems could be turned around into profitable ventures. The limitation that not all problems can be dealt with in this way is known.

10. Prevention is better than curing: It makes more sense to deal with existing problems or issues that could potentially become problems before they become too hot or difficult to handle.

The Green Paper on Promoting a European Framework for Corporate Social Responsibility (European Union, 2001) very succinctly articulates the core arguments to move towards CSR.

- New concerns and expectations from citizens, consumers, public authorities and investors in the context of globalization and large scale industrial change.

- Social criteria are increasingly influencing the investment decisions of individuals and institutions both as consumers and as investors.

- Increased concern about the damage caused by economic activity to the environment.

- Transparency of business activities brought about by the media and modern information and communication technologies.

Apart from these set of arguments for CSR, the business sector's long term aim is to promote efficiency and make profit. This is one of the issues which have been put forward while developing a strong case for the "business case" for CSR. So along with the reputation and legitimacy for operating, commercial benefits that can be delivered from the energy saving measures and the supply-chain efficiencies that can be achieved are also highlighted. Also businesses stand to benefit from gaining access to commercial opportunity in newer and emerging markets especially in developing countries. However, stakeholders have begun to point out barriers like lack of market demand, insufficient information, competition, the nature of business as of today (Calder and Culverwell, 2005)

Arguments against Corporate Social Responsibility

1. Profit Maximization: This is the primary responsibility of the business and of businessmen towards its shareholders. The manager is the agent of the shareholders and all his decisions should be governed by their desire to earn money. Friedman (1971) in his much referred article *The Social Responsibility of Business is to Increase Its Profits.*

   "In a free enterprise, private-property system, a corporate executive is an employee of the owners of the business. He has direct responsibility to his employers. That responsibility is to conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to the basic rules of the society, both those embodied in law those embodied in ethical custom"

   The whole justification for permitting the corporate executive to be selected by stockholders is that the executive is an agent serving the interests of his principal. This justification disappears when the corporate executive imposes taxes and spends the proceeds for "social" purposes. He becomes in effect a public employee, a civil servant; even though he remains in name an employee of a private enterprise."

   Friedman further argues that this approach is socialistic and that it involves accepting political mechanisms and not market mechanisms for allocation of scarce resources to alternative uses.

2. Costs of Social Involvement: Pursuit of social goals cannot always give economic benefits to the business, and so someone must pay for them. Given that businesses have to use their economic resources wisely, it cannot commit major portions for CSR. Marginal firms could potentially be driven out if pushed into social obligation.

3. Lack of Social Skills: Businessmen and corporate executives are competent at economic matters but not necessarily in social matters. So given their poor qualification for the job of dealing with social problems, should they be given the job?

4. Dilution of Business's Primary Purpose: Looking to solve social goals may cause dilution in the business's primary responsibility, economic productivity, and society may get confused about its economic role.

5. Weakened International Balance of Payments: If costs of social programmes is too high, this will add to the product cost of a company and in the international market such companies will suffer in terms of competitiveness.

6. Business has Enough Power: Business has a significant influence in society today, so giving them an additional responsibility is equivalent to giving them influence in a domain which was hitherto a non-industry domain.

7. Lack of Accountability: Responsibility should be supported by accountability and businesses do not have accountability towards the people, hence till mechanisms for accountability have not been established it would be unwise to depend on the corporate help.

8. Lack of Broad Support: Business activities in the solving social problems might not be accepted by all sections of society and could cause friction amongst people.

From the above set of viewpoints it can be concluded that a very balanced and well thought out outlook needs to be developed regarding Corporate Social Responsibility. The potential effects expressed in both sides of the argument, for and against, present a rather intriguing case for discussion and analysis. The business case for CSR is an issue that needs further discussion.

The BITC report on business case for CSR (Little, 2003) elaborates on various issues like reputation management, risk management, employee satisfaction, innovation and learning, access to capital and financial performance as directly related to CSR activities of the business. Survey results for all the aspects mentioned above indicate that various stakeholders, media and government take notice of CSR activities of a business and issues related to it influence their decision to a lesser or greater degree. Specifically the analysis related to financial performance of a business and its relation to CSR acitivities provides some insight into this aspect. The report mentions the study by the Institute of Business Ethics, wherein, it was observed that "FTSE 250 companies showing that those with an ethical code in place for over five years out-performed the average on economic and market value-added." Also an analysis by Collins and Porras in their work *Built to Last* is used as an illustration. Their analysis had led them to conclude that there was an important aspect in distinguishing between the visionary companies and their contemporaries was a core purpose which was beyond money making. This characteristic helped the visionary companies to achieve more than the others in the long term in terms of financial performance. The report hence concludes that "corporate responsibility opens opportunities to reduce present and future costs to the business and it serves to improve competitiveness, market positioning and profitability.

1.4   Overview of Corporate Social Responsibiity Activities

As seen above, CSR is construed by different people in different ways. This difference in perspectives, beliefs and opinions leads to varying sets of initiatives, instruments and activities

taken up by corporate bodies under the broad purview of CSR. The following section deals with enlisting and understanding in broad terms in what ways CSR is implemented by corporate bodies and organizations.

Instruments and Initiatives

The Organisation for Economic Cooperation and Development (OECD) developed a document *Overview of Selected Initiatives and Instruments Relevant to Corporate Social Responsibility* (2008) as a background document for the OECD-ILO Conference on CSR. The report provides a very comprehensive coverage of initiatives and instruments in CSR. According to the report, the two most important international instruments in the field of CSR which have been formally agreed by governments or received recognition are the ILO Declaration and the OECD Guidelines. The most important international initiative is the United Nations Global Compact (UNGC) and the principles set out in them are universal and are based on international normative frameworks.

Private initiatives are varied in their objectives, origin, coverage areas and mechanisms for implementation. Some aim to raise awareness of importance of CSR, some promote a code of conduct or model codes, others focus on reporting guidelines or services, like certification and labeling schemes, and some may be company specific and others may involve many stakeholders (multi-stakeholder). Some initiatives cover a gamut of issues like human and labour rights, environment standards, community development, consumer rights, bribery and corruption, use of security forces, health and safety issues. Some initiatives are specifically for business, like the International Chamber for Commerce Guidance on Supply Chain Responsibility) while others like the United Nations Global Compact or the Global Reporting Initiative Guidelines, are meant for all organizations, private or public. International Framework Agreements (IFAs) are negotiated between the national and global unions with multinational companies to operate with same labour standards wherever they operate. The Socially Responsible Investment (SRI) initiatives are tailor made for the financial sector, to influence the investment decisions of the financial institutions. Elaborate lists of initiatives and instruments are provided in the annexure. It also includes the list of governmentally recognized norms, guidelines and private developed principles related to CSR. The report provides insight regarding the channels by which governments endorse standards relevant to CSR. Four categories have been made

1. International Instruments developed and formally recognized by governments which have formal support from business and labour organizations, like the ILO Declaration and the OECD Guidelines

2. International Initiatives developed by intergovernmental bodies includes recognized initiatives like the UN Global Compact.

3. International Initiatives endorsed by the governments include non-government initiatives which have provided relevant instruments. These include the International Organization for Standardization (ISO) intiative to introduce a social responsibility standard (ISO 26000), and to report environmental, social and economic performance according to the Global Reporting Initiative (GRI)

4. National Initiatives developed and endorsed by government facilitate the creation of instruments by active governments in association with business and civil society. An example would be the Ethical Trading Initiative (ETI) founded with the support of the government of UK.

For a list of types of instruments and their role with examples refer to Appendix-1. For a list of various voluntary initiatives refer to Appendix-2.

Activities

In the report *Catalogue of CSR Activities: A broad overview* prepared by the Ashridge Centre for Business and Society (2005), they have made a convenient classification of the CSR activities. The report has clustered the CSR activities into seven main groups. The groups include; Leadership, vision and values, Marketplace activities, Workforce activities, Supply chain activities, Stakeholder engagement, Community activities and Environmental activities. These groups have been identified based on practical activities undertaken by the business community. The main groups are then divided into main classes of CSR activities within that group which are further divided into actual activities. For details regarding the groups and classes, refer Appendix-3.

2 Problem Statement and Research Question

2.1 Overview of Corporate Social Responsibiity Activities

Gujarat is the western-most state of India and one of the most industrialized. With about 5 percent of the Indian population and about 6 percent of geographical area, it contributes upto 16 percent of the country's investment, 10 percent of expenditure, 16 percent of the exports and 30 percent of stock market capitalization. The average GDP growth per annum from 1993-94 to 2002-03 was 12.17 % (BIG 2020, 2003). Currently, the Gross State Domestic Product (GSDP) stands at USD 138.4 Billion. The average GSDP growth rate (2002-07) was 10.2% while the growth target (2007-12) is 11.2% (GIDB, 2009)

At the national level it is a leader in the Chemicals and Petrochemicals industry, in Drugs and Pharmaceuticals, Dairy, Cement and Ceramics, Textiles, Engineering and Gems and Jewellery industries (BIG 2020, 2003) The industrial growth for the period from 2002 to 2007 was 12.5% (Govt. of Gujarat, 2009b) which is an indicator of the rapid industrialization of the state.

The BIG 2020 Report also lays down the vision for the state in the year 2020. Here inclusive growth has also been envisioned. This basically means that along with the target GDP 5.5 times the then GDP for 2020, the state would like this wealth and prosperity to benefit all its citizens. It maintains that "ensuring that growth is equitable guards against growth being the exclusive domain of a priviledged few. Gujarat shall ensure this by paying adequate attention to various spheres of social upliftment."

As part of its overall strategy for economic growth coupled with social upliftment the Government of Gujarat in September 2008 came up with two initiatives.

1. The Public Sector Undertakings (government owned companies) of Gujarat State should contribute 30% of Profit Before Tax (PBT) to the Gujarat Socio-Econmic Development Society (GSEDS) which will then support the poorer sections of the society (Rajkumar, 2008)

2. Draft Industrial Policy according to which CSR activities was to be made mandatory in private sector companies. The work was to be designated by the government and activities were to be carried out in collaboration with the governmental authorities at local and state levels. (Pathan, 2008)

2.2 Research Question

This policy initiative first came to my notice in the middle of October, about a month after the announcements regarding the same were made. I decided to look into this policy and formulate my thesis on a research question based on this policy. The preliminary research question had two parts: "How will environmental benefit be achieved through the public and private sector contributions to CSR, which was being enforced by the Government of Gujarat?" and "How will social entrepreneurship be involved in the implementation of this policy?"

Given my research interest an effort was made to seek information, academic knowledge and understanding about the issues and also personal opinions of people directly related to the policy and its implementation. But, as has been explained in the limitations of this research, it

was not possible to gain almost any information or personal opinions about the topic at hand. This created a situation where in a change in research question and focus of the research was necessary. Hence the revised research question is based on a theoretical analysis of similar existing policies and look at relevant issues and aspects which can be understood and appropriately applied in the case of Gujarat. The principal research question is as follows:

"How can the governmental CSR policy framework and implementation in different countries be used by Gujarat in framing a better policy for public sector enterprises and private companies"

2.3   Purpose and Justification for Research

Gujarat is my home state. I have been brought up in the capital of the state and was always interested in the local and state governmental policies and how certain issues were dealt with by the government. Such a policy was extremely interesting for a variety of reasons.

1. Gujarat has been traditionally an industrialization oriented and capitalistic economy. The fact that the present government, which has been stimulating greater investments and image building of the state, should choose to take such a major policy decision build up an interest in me.

2. Corporate Social Responsibility at both a theoretical and at a practical is an interesting topic given the variation of opinions and ideas of academics, corporations and the government. Social Entrepreneurship (SE) has been traditionally linked to CSR activities and I wanted to look at the various ways in which the two issues connect and relate.

3. To improve my understanding on CSR and SE issues and how they are related, I did my ARPEA (Applied Research in Preventive Environmental Approaches) paper on "Synergy between Corporate Social Responsibility and Social Entrepreneurship – A theoretical study of potential avenues".

Even though CSR is a topic almost half a century old, the issue (as discussed above) has had its share of discussion and still remains a rather contentious issue. The possibility that the benefits of CSR activities could be enhanced by collaboration with social entrepreneurs was very too alluring and I wanted to work on these two issues. The policy of the Govt. of Gujarat gave me a live project to work on and focus my work on the interactions between the new governmental policy, CSR activities, environmental improvement and related SE issues.

2.4   Scope of the Research

In the ARPEA paper the focus had been on the synergy. The thesis was intended to be based on that study, with theoretical understanding being drawn from the research for the ARPEA paper. The scope of the thesis was fairly limited. Details of the governmental policies related to public and private sector enterprises along with understanding what environmental benefits were being looked into as a part of this policy. The second issue was of SE and that was limited to what the government and industries think about partnerships with social entrepreneurs and how it was to be implemented.

2.5 Limitations of the Study

The research focussed on governmental and corporate policy making whilst dealing with CSR issues and issues related to the environment. This resulted in some expected and some unexpected inadequacies affecting the research. Some of the issues are:

1. The policy decision in the draft industrial policy (September 2008) regarding mandatory CSR for private companies was taken back in the final industrial policy released in January 2009. Instead a voluntary approach was put forward. So the focus of the study shifted from private sector to public sector enterprises only (Govt. of Gujarat, 2009a)

2. The policy for 30% profit before tax received a lot of criticism from the company management, media, investors and experts. Hence the policy although adhered to by the companies was wrought with controversy (Express News Service, 2008). This caused unwillingness on the part of the industry to divulge information.

3. The suggestion for 30% PBT for the GSEDS had come from the Industries Commissionerate. This suggestion was based on an internal discussion regarding which no official public documentation was available.

4. The GSEDS which came into existence for the implementation of this policy is yet to have fully functioning staff. It is essentially still an organization only on paper and no further steps have been taken to proceed with the implementation of the policy. Any information regarding the way in which the implementation is to be done is not available.

5. The national elections in India were scheduled for April and May. This led to the stalling of some initiatives of the government due to shift of focus of work towards organization of the elections and related activities.

6. Most of the government officers involved in this policy making were shifted to "election duty" before and during the national elections. This led to them to be continuously busy or unavailable.

7. The topic of mandatory CSR being rather sensitive, the corresponding officers in the Public Sector Undertakings either refused to meet or avoided meeting me, even after repeated attempts to contact them.

8. Three countries, UK, Denmark and Sweden were looked at in the thesis to analyse their CSR promotion policies so as to provide recommendations to a province, Gujarat. Not all aspects and issues are relevant to both of the concerned political entities. Whereas the analysed entities are countries, the recommendations are for a province.

2.6 Methodology

This research is primarily a theoretical exercise and hence involves understanding the theoretical basis of the relevant issues. The requirements for carrying out such a research include obtaining literature regarding issues in CSR, the role of government in development of CSR activities, policies of countries which have promoted CSR in general and have special legislation for government owned companies.

To obtain the literature, desktop research was the primary source. The literature from various international organizations, government documents, reports and analysis regarding governmental promotion of CSR and related issues. The academic literature was available

through the IIIEE library and the online library, ELIN, which was instrumental in developing an understanding of CSR and academic viewpoints of governmental intervention. Some freely available journals and downloadable articles were useful as well. Newspaper articles and internet news was helpful in keeping track of events. For example, the information regarding the new policy in Gujarat was obtained from newspapers.

The research method involves theoretical analysis of existing policies of the UK, Denmark and Sweden regarding CSR in government owned companies. These countries are amongst the pioneer countries in the policy area of CSR promotion and have a history of framing policies for CSR promotion spanning about two decades. The analysis of their policies, implementation measures and experiences helps to build an understanding of the kind of CSR policy framework that could be promoted by the government of Gujarat. Such a policy framework and its applicability are looked into from a Government of Gujarat point of view.

3 Results

The results correspond to the sequence of activities related to developing an understanding regarding the role of government in guiding CSR activities and then looking at similar policy initiatives by the government of Gujarat.

3.1 Role of Government in guiding CSR activities

"Over the last decade, governments have joined other stakeholders in assuming a relevant role as drivers of CSR and adopting public sector roles in strengthening CSR". In the 21st century governmental initiatives converged with those of the UN Global Compact and the European Commission and role of public administration and public policy initiatives in promoting CSR achieved recognition. "..The increasing profile of CSR as a concept in government action is linked to other challenges brought about by globalization and economic change in the late 20th century" (Albareda, Lozano, Tencati, Midttun and Perrini, 2008). As is evident above the role of government is now being discussed and elaborated by academics. The aspects of this new role of being a promoter of CSR are discussed below.

3.1.1 The Changing role of Government

The initiation of debates and the documentation regarding the role of government in promoting corporate responsibility was in the 1990s and in the beginning of the 20th century. This documentation was done by both, governments and international organizations. These were in response to the social and environmental problems associated with corporations in a globalized world (Albareda, Lozano, Buckland, Tencati, Perrini and Midttun, 2006) in the literature review work for the European Academy of Business in Society (EABIS). The role of governments as stakeholders is legitimized by the fact that they are elected representatives of the people. In a globalized world the traditional regulatory governmental stance is no longer applicable due to the economic power of companies and the extent of regulation has been affected and governmental and economic relationships extend beyond national boundaries. The power of governments being eroded, they are facing ethical dilemmas between business and society. Hence in the new regulatory approach companies are included along with governments and civil society (Albareda, Lozano, Buckland, Tencati, Perrini and Midttun, 2006).

In this globalized economy new forms of governance are being sought both in the national and at the international levels. Corporate responsibility provides a framework for collaboration between corporations, government and civil society, which can create novel mechanisms for governance. This model of governance can create synergies for action to answer some of the major social problems like unemployment and social exclusion. In this kind of civil governance model, companies will abide by agreed sets of rules and institutional structures and processes involving non-commercial organizations along with governments and international bodies Albareda, Lozano, Buckland, Tencati, Perrini and Midttun, 2006.

Governments have also realized that the private sector resources are instrumental in delivering international sustainable development goals (Calder and Culverwell, 2005). Also CSR and code of conduct is being viewed as a cost efficient way of enhancing the effectivity of sustainable development strategies. An example of this is the US-Vietnam textiles agreement in 2003, wherein it is mandatory for Vietnam to encourage CSR code implementation in the country to gain access to the US market. After a couple of years, the US was already the top market for Vietnam. Similarly, US-Cambodia textiles agreement was based on a similar obligation involving the raising of labour standards in Cambodia in lieu of the incentive of a

greater trade quota (Petkoski and Twose, 2003). The above two cases clearly demonstrate the move by responsible governments towards a more proactive policy for CSR and related issues in international trade.

Donor governments are tying up with business at the international level. This is exemplified by the $500 million worth of partnerships with the private sector that the USAIDs Global Development Alliance has invested in. Even the World Bank has developed sophisticated consultancy approach for governments of developing countries to handle socio-economic and developmental problems. Multilateral and bilateral donors have started to experiment with CSR to increase the effectiveness of the aid (Calder and Culverwell, 2005).

National competitiveness linked with innovation is also a reason governments are looking at corporate responsibility. At regional and national levels corporate responsibility can be looked upon as an advantage because along with a proactive public policy it can achieve wider sustainable development benefits. Corporate responsibility clusters, where related organizations share resources and relationships, can provide a good framework for designing and implementing public policies on corporate responsibility. This augurs well for countries because a region's competitiveness is directly linked to the economic health which is a pillar of sustainable development (Albareda, Lozano, Buckland, Tencati, Perrini and Midttun, 2006).

Another line of reasoning is related to duplication of efforts in a particular sector. Ensuring that CSR activities of private organizations are coordinated with and work in tandem with the public sector initiatives will be beneficial for all. In addition to this, the competencies of corporations, like research facilities, technologies, distribution networks, project management, innovativeness and ability to create change in a scalable manner can complement the abilities of governments (Calder and Culverwell, 2005).

Governments which show proactiveness in policy making related to CSR activities of companies benefit through increased peace and stability, enhanced environmental protection, increased public trust due to the mainstreaming of sustainable development and assurance to communities adversely affected by business activities of getting redress(Calder and Culverwell, 2005). A World Bank report suggests that for situations where market driven forces work, the public sector can adopt a more relaxed approach or facilitate voluntary initiatives, whereas where the "business case" for CSR is not so as strong, it needs to be incentivized through regulatory reform, forming strategic partnerships with business and civil society (Petkoski and Twose, 2003).

Analysis of the reasons for government intervention and proactive policy making related to CSR activities of companies leads to the idea of ways in doing this. What options does the government have in actually going about influencing the CSR activities of companies and how to go about implementing these measures? Albareda, Lozano, Buckland, Tencati, Perrini and Midttun (2006) claim that Dr. Simon Zadek was among the pioneers in determining the role for government and described it as a part of the third generation of Corporate Responsibility in 2001. He suggested that the government should promote the concept of corporate responsibility, develop markets that encourage corporate responsibility and ensure the accountability of business to society. He also says that enforcing global principles should be a major role for the government. The authors have also referred to five key roles of the government in promoting sustainable enterprise; setting vision/goal, leading by example, being a facilitator, green fiscal authority, catalyst for innovation.

Wilson and Olsen (2003) believes that the "government needs to reinvent its role. Part of this will involve enacting legislation to create a normative framework that will ensure business

behaviour delivers the desired outcomes to meet the systemic challenges facing societies. Governments should also work with business to create the incentives that will encourage companies to take further action at the instrumental level for the mutual benefit of business and society."

3.1.2 The Role of Government in CSR promotion

Albareda, Lozano, Tencati, Midttun and Perrini (2008) refer to a classification provided by Benbeniste *et al.* It is a classification based on analysis of CSR public policies instead of the role of government. Three types are classified; policies to promote CSR formalization, promotion of transpareny and promoting scrutiny. The European Commission in its communiqué (2002) has proposed six focus areas. They are as follows

1. Increasing knowledge about the positive impact of corporate responsibility on business and society

2. Developing the exchange of experience and good practice in corporate responsibility.

3. Promoting the development of corporate responsibility management skills

4. Facilitating convergence and transparency of corporate responsibility practices and tools

5. Launching a multi-stakeholder forum on corporate responsibility at EU level.

6. Integrating corporate responsibility into community policies.

The World Bank has grouped the gamut of initiatives that the government can look at while proceeding on this pathway into four distinct roles (Fox, Ward and Howard, 2002). They are the mandating, facilitating, partnering and endorsing roles.

Table 3-1 Government roles in the CSR agenda

Mandating	"Command and Control Legislation	Regulators and Inspectorates	Legal and fiscal penalties and rewards
Facilitating	"Enabling" legislation	Creating incentives	Capacity Building
	Funding Support	Raising awareness	Stimulating markets
Partnering	Combining resources	Stakeholder engagement	Dialogue
Endorsing	Political Support		Publicity and praise

Source: Fox, Ward and Howard, 2002

The four different roles of government are comprehensible in differing CSR themes. The CSR themes used related to minimum standards, role of business in public policy, corporate governance, responsible investment, community development and philanthropy, stakeholder engagement and representation, pro-CSR production and consumption, certifications beyond standards and management systems, reporting and transparency and multilateral processes, guidelines and conventions (Fox, Ward and Howard, 2002)(Refer to Appendix 4 for details). Although, Moon and Vogel (2008) say that "many government have chosen to draw business further into governance issues without actually mandating behaviour and specifying penalties for non-compliance, the more traditional command and control regulatory model", it is a topic without with policy making issues would not be complete.

Through the role of "mandating" the government is responsible for setting benchmarks for businesses to follow. Setting minimum standards, setting targets, enforcement and backing civil legal action, setting stock exchange and company codes and regulations, guidelines for investment, licensing requirements, pollution taxes and mandatory environmental management systems and reporting on CSR issues are some of the issues related to setting the "rules of the game". Mandating corporate contributions for community development is also an option available to the government. On their part, businesses have to play a role in public policy by reforming political financing, disclose payments to public bodies and regard legislation as the policy setting for voluntary action (Fox, Ward and Howard, 2002).

Facilitation requires a softer approach from the government. This involves incentives and penalties in terms of taxes, reputation related information, preparing the ground for voluntary agreements to occur, support civil society, to highlight best practices, implementation of international principles, provide tax incentives for philanthropy and create "peer pressure" by publishing comparative tables. Along with this, engaging civil society and stakeholders, advising industry on capacity building, enterprise development, public procurement, voluntary labels, creating awareness, information dissemination, capacity building and technical support needs to be provided to businesses. Moon and Vogel (2008) highlight the importance of providing guidance on best practices to businesses. When such guidance was provided in Japan where close relationships between the government and businesses developed. Hence the CSR reporting practices in Japan closely follow the framework of the Ministry of Environment. They also talk of mass unemployment and how the UK and Australia developed policies for companies to encourage provision of training and work experience through trainee subsidies and simultaneously support in processing of trainees and design systems for qualification for businesses to use in their employment decisions.

Partnering is more cooperation based approach and hence involves various multilateral agencies, businesses and society. This approach involves providing forums for debate, public private partnerships, facilitating multistakeholder code development and dialogue, developing sectoral guidelines, engaging in standard setting and in dialogue on guidelines and negotiating arguments. Moon and Vogel (2008) argue that the roles within partnership may vary from being a catalyst, convenor to being an equal participant.

The role of the government as far as endorsing is concerned is related to political support to being inclusive towards businesses when it comes to policy making, endorsing and supporting metrics and indicators for responsible investment and supporting civil society. Publicizing leading corporate givers and supporting instruments for peer pressure, associating with multi-stakeholder processes, public procurement and labelling schemes along with endorsement of specific standards systems, guidelines and approaches is also important (Fox, Ward and Howard, 2002).

Wilson and Olsen (2003) makes a more concise classification of the roles of the government by distributing the policies and activities into three distinct groups.

1. Instrumental: The government in this role supports innovative relationships, win-win partnerships and fosters environmental efficiency. The actions at this level are in tune with the market economy.

2. Normative: This role for government brings along with it societal pressures, voluntary codes accepted by businesses and also regulations and restraints. The argument for this role is that advocating that CSR is just a voluntary activity beyond the purview of legal responsibility is too simplistic.

3. Systemic: The government while assuming a role at this level should address fundamental global economic, social and environmental challenges in the 21st century. The government should also rethink the roles of business and society and their interactions at a systemic level.

Simon Zadek (Zadek, 2004) proposes four kinds of roles for the government.

1. Governments should imbibe the Principle of Corporate Citizenship and that mere financial profit is not the only motive for businesses and it is accountable to not just its shareholders but also the society in general. In a way this is a broadening of the purpose of business which is being actively supported by governments nowadays.

2. The Principle of Competitive Citizenship should be established by the government so as to foster the idea that being responsible pays. Hence, the government should extend further than provision of information and encourage sponsoring awards for good practice and documentation of the business case for CSR. The fiscal policy should be fine tuned to suit such policy initiatives so as to provide the right fiscal incentive for corporations and investments.

3. Principle of Civil Accountability should be inculcated by the government in the face of such intimate relationships between public sector, private sector and non profit organizations. Also along with the growing number of public-private partnerships the government should fill up the 'democratic deficit' by an overhaul of existing accountability measures in local, national and international to ensure the effectiveness of the partnerships. Hence the activities of politicians and civil servants should be more public and visible along with the transparency in decision making.

4. Governments should accept the Principle of Global Accountability which accepts the necessity for mechanisms for holding multinational corporations and institutions accountable at a global level. Several such measures are currently available but not always applied consistently everywhere.

Whilst thinking about the spectrum of roles from mandating to endorsing there are other issues that also need to be borne in mind by the public sector. "Care needs to be taken that they do not draw attention away from the need to tackle deeper systemic issues in the CSR enabling environment". Issues which influence economic investment like predictability of the policies and the clarity in action and intent of the government need special attention. Corruption, empowerment of citizens and the civil society in tackling CSR issues is also very important, as they can engage and drive market based CSR and act as a link between businesses and the government. Also civil society can publicize the activities of the

enterprises and guide businesses in taking actions in the realm of social development (Ward 2004).

Many countries have been proactive in their public sector efforts and initiatives in the field of CSR promotion. Countries like the U.S., UK, Denmark, Sweden, the Netherlands, Taiwan, France, Korea, Phillipines, South Africa, Thailand, India, Ghana, Colombia, Brazil, Niger, Chile, Costa Rica, Egypt, Uganda etc have supported such policy making to tackle societal and environmental problems. The Business Partners in Development programme is a case to be taken notice of as it was established to study, support and promote the synergy and cooperation between the government, civil society and business in about 20 countries. The projects after the study period revealed that such partnerships provided benefits to businesses, community development and public sector governance (Fox, Ward and Howard, 2002).

3.1.3 The Challenges

There are primarily two aspects where the government faces challenges as far as CSR promotion is concerned. These two aspects are well explained by Calder and Culverwell (2005). These relate to the CSR activities related to human rights, corruption and environmental protection at an international level and to ones designed to involve enterprises in fostering sustainable development.

On the other hand Fox, Ward and Howard (2002) have enlisted and elucidated the various drivers and corresponding constraints related to a variety of aspects. They point out pertinent issues like international policy process, trade and investment promotion, maintaining minimum standards, partnership and civil society demands and consumer demand (Refer to Appendix 5 for details)

A United Nations innovations brief on CSR and developing countries (2007) alludes to the Black Economic Empowerment initiative in South Africa and the support by the President of Phillipines to corporate bodies to tackle poverty issues in Phillipines. It further elucidates that middle income countries are taking special efforts to engage business in tackling some of the nation's social problems. The brief provides two major justifications, *defensive* and *proactive* for middle income and low income countries' governments to promote CSR. They are not necessarily disparate in the sense that the policy measures for one could potentially substitute for the other as well.

The *defensive* justification is connected to minimizing the potential harm caused due to the CSR activities on local communities, environments and markets when the CSR is mandated through international supply chains. Such a concern is particularly relevant when certification requirements and other supply chain requirements affect the accessibility of small or medium sized enterprises to potential markets. Also inappropriately designed CSR activities can cause social tensions in local communities.

The *proactive* justification is related to the opportunity that CSR provides of socio-economic and environmental benefits. This might be especially useful for countries whose export is associated with social, health or environmental concerns of the consumers. In this case CSR activities can help provide market access. Another major benefit could be the transfer of technical expertise to local enterprises. Proactive arrangements of the government could be useful for the government, as discussed before, to deliver public policy goals and priorities.

For movement in a particular direction there have to be drivers and with movement come restraints. Such drivers and restraints are listed out in Appendix 5. On the other hand, certain

aspects are particularly relevant to developing countries and play a pivotal role in strengthening the government role in CSR. The issues have been discussed by (Fox, Ward and Howard, 2002).

1. Building Awareness of the CSR agenda and its implications

2. Building Capacity to shape the CSR agenda

3. Building a stable and transparent environment for pro-CSR investment.

4. Engaging the private sector in public policy processes

5. (Development of) Frameworks for assessing priorities and developing strategies.

3.1.4 Mandatory CSR or Not

While categorizing the role of government in CSR, it may be observed that the role essentially is falling more towards mandatory CSR or avoiding mandatory CSR. Given this distinction a deeper understanding about the case for and against mandatory CSR is also essential.

Wilson and Olsen (2003) claim that "once governments look into the complexity of Corporate Social Responsibility (CSR) they seem to falter in making any specific requests from business. Instead, CSR is often defined as a voluntary activity – over and above that required by legislation – by which companies deliver benefits to society either through good business practice or pure philanthropy". He argues that this argument is baseless and deceptive as it ignores all the legislation which mandates businesses to behave in a responsible manner. Health, safety, environment and the extensive company laws all seek to streamline the activity of businesses to suit the societal requirements. The real issue is where to draw a line, that is, what is to be mandated and what is to be left for voluntary action. The flexibility of the meaning of CSR causes in defining the limit. A clear distinction between what is absolutely required from businesses and what entails expectations of societies is necessary.

Deborah Doane (2002) puts forward an interesting perspective about the business case for mandatory CSR report for all businesses. The arguments that have been laid out include

- Levelling the playing field for all businesses would ensure that "free riders", that is, those companies which are not as transparent as others would be legally bound to report their CSR activities.

- Reducing costs through limiting gloss involves doing away with the excesses in expenditure for producing and auditing of the report.

- Simplying processes for reporting would ensure ease in reporting and also establish a definable standard for business and minimize transaction costs.

- Clarifying responsibilities for public affairs department of businesses as to what is expected from them by the public, consumers and governments.

- The idea that 'the stakeholder is always right' is supported in this consumer based society.

3.2 Gujarat as a promoter of CSR

As discussed before, governments can promote CSR in a variety of ways. GoG has made an attempt to formally promote CSR activities in the state. The policies, measures and initiatives by the government are the issues that are discussed herewith.

3.2.1 Policies of the Government of Gujarat

The Government of Gujarat (GoG) in its latest Industrial Policy (2009) "aspires to become a beacon of comprehensive social and economic development" and has put forward the idea of "Wealth with Social Health" to promote the idea and implementation of CSR activities in the state. The government pledges for the "all round development" and "improving quality of life" of the people of Gujarat. It advocates it as the next step in its scheme of being a "holistic investment destination" with converging industrial, social and urban infrastructure. It extends the hand of partnership with business to better the social health as a complement to the economic wealth. For this, a well defined but flexible arrangement between the government and business which will be applicable at he district level. However, this arrangement is *purely optional,* which is a complete turnaround from the idea put forward in the draft policy (refer 1.1.).

This is a shift in the policy role of the GoG as far as social responsibility is concerned. This can be understood as a change from the 'mandating' role to a 'partnering' one. However, the partnership seems to have a bilateral perspective to it, as other stakeholders are not mentioned.

The Industrial Policy also lays specific focus on the environment and gives it an infrastructure status. The state is promoting "Green Business" and environment related activities which can be economically profitable. Adoption of green technologies, waste to raw material conversion in the form of recycling, reusing and conversion to usable products, is being "actively sought" and its "adoption rewarded". In a move to promote environmental service providers to work on environmental infrastructure at a commercially viable level, the policy bars the "polluters" from running facilities related to the environment. The state also seeks to strengthen the enforcement agencies through training and other resources.

The government also intends to promote increase in employment and improve employability so as to ensure spread of benefits of economic development through focus on small and medium scale industries, strengthen existing sectors of strength and develop potential sectors. Human resource development through quality education is being fostered along with encouraging women, youth and entrepreneurs.

The Industrial Policy 2009 does not cover the policies directed towards the government owned companies which are also refered to as Public Sector Enterprises (PSE). The PSEs are promoted by the state government with an objective of overall development of the state (GNFC 2008a). The Gujarat Socio-Economic Development Society (GSEDS) was formed in March 2008 to channel the contributions from PSEs for socio-economic development and improving the Human Development Index (HDI) of the people (Govt. of Gujarat, 2009c). In September 2008 the GoG asked all profit making PSEs of Gujarat to contribute upto 30% of their annual Profit Before Tax (PBT) to the society which would provide support to the weaker sections of society. The Government's explanation was that the significant profits of PSEs will contribute to the socio-economic development and help the state to achieve its objectives. This policy was particularly targeted towards six major PSEs, Gujarat Mineral Development Corp (GMDC), Gujarat Alkalies and Chemicals (GACL), Gujarat State

Fertlizers and Chemicals (GSFC), Gujarat Narmada Valley Fertilisers Corp (GNFC), Gujarat Industrial Power Corp (GIPCL) and Gujarat State Petronet Limited (GSPL) (Network, 2008) There are 13 profit making state PSEs and their combined PBT was about Rs. 20 billion (USD 400 million) for the year ending in March 31, 2008 (PRwire I, 2008).

There was initially opposition to this policy from the top management of the companies, but with the support of the Chief Minister (the highest executive position in a state) the policy has been pushed forward, albeit in a more flexible manner. The government (Govt. of Gujarat, 2009c) has now "requested the 11 profit making PSEs / Joint Sector Companies to contribute a portion of their Profit Before Tax" to the GSEDS. The Indian Express reported the Commissioner of the Public Sector Enterprises saying that it is not "mandatory for government companies to contribute from their PBT. We have just dispatched request letters to them for this. The PSEs would contribute for social causes only if their respective boards of directors and shareholders agreed to this."

The companies in consultation with shareholders have put forward the amount for the past year to be allotted to the GSEDS. The GNFC has put forward the amount of Rs. 99.30 crores (approx. USD 19.8 million according to exchange rate of 1 USD = 50 Rs) which is exceeds 5% of its net profits while the GSPL has passed a resolution to provide Rs. 64.40 crores out of the company profits which may exceed the company's average net profit (G. N. V. F. C. Limited, 2008 and G. S. P. Limited, 2008). The GMDC expressed willingness to contribute Rs. 122.52 crores (approx. USD 24.5 million according to exchange rate of 1 USD = 50 Rs) which is more than 5% of its PBT, in its annual report for 2007-08 and the GSFC in its annual report (2007-08) expressed desire to put in the 30% as envisaged. However the GSEDS had received only about Rs. 53.21 crores from seven PSEs till the end of January 2009 while six PSEs had not responded (Dave, 2009).

3.2.2 Reasoning behind the policy making

The PSEs in the state of Gujarat have, as mentioned earlier, been formed for fostering socio-economic development. The state envisages an inclusive growth for, where the social dimension will be one of the cornerstones (Big 2020, 2003). In this regard the aim of the PSEs in a financial sense is "to minimize fiscal risks" associated with running of public sector undertakings and use the financial resources for providing goods and resources (Gujarat, 2005).

The PSEs while accepting this policy have been clear about the reasons as is evident in the Special Resolution of the GNFC which was promoted by the GoG in 1976.

"The Government of Gujarat is fully conscious of the urgent need for rapid promotion of the social and economic welfare of the people, wholly denied of the elementary necessities of life. The Company as the responsible Corporate Citizen, fully endorses the sentiments and views of the Government in regard to execution of programmes for uplifting the social and economic status and condition of the deserving people. The Company also considers it, to be its Corporate Social Responsibility to assist the Government in successful execution of this colossal task of achieving all inclusive economic growth. Such activity would help to uplift the Human Development Index (HDI) in the state."

Also the company declares it intention to support the GSEDS in providing funding and confirms through this statement,

"to undertake, carry out, promote and sponsor rural/ socio-economic development, including any programme, project, scheme or activity for promoting the social and economic welfare of or the uplift of the public and to incur any expenditure on any such project, scheme or activity as a part of Corporate Social Responsibility and to assist execution and promotion thereof either directly or through an Independent Agency or in any manner"

For this, the companies, according to the tax provisions of the Govt. Of India as stated in the Income Tax Act. 1961 (G. N. V. F. C. Limited, 2008)

The State government as indicated in the vision report (Big 2020, 2003) has envisioned inclusive growth, targeting illiteracy, unemployment, rural community development and a healthy life for its citizens. However, although the state plays an important role at the national level in terms of economic development (as mentioned in the introduction), it does not fare too well compared to the national average in terms of social factors. Effective literacy stands at 47.74% overall, Infant Mortality Rate is 53 per 1000 and life expectancy at birth is slightly higher than the national average. The percent of people below the poverty line stands at 16.8 on an average and there is a significant difference between urban and rural centres (Gujarat, 2008)

3.2.3 Effect of the policies of the Government of Gujarat

Investors of the companies were upset with the decision of the companies to contribute a significant amount towards CSR and there was a controversy whether such a transfer of funds to benefit the poor was allowable. Some felt that it was a step in the wrong direction as far as the capitalistic economy is concerned (Network 2008, PRwire I, 2008)

Within two trading sessions the six major PSEs value fell by Rs. 1336 crore (approx. USD 265 million) and in the process the value of the government's holding came down by about Rs. 721 crore (approx. USD 140 million) as reported by the Times of India in September 2008. The six PSEs had over eight lakh individual shareholders at the end of June 2008, and the annual profit of these PSEs was over Rs. 2000 crore (approx. USD 400 million) (Service, 2008). Graphical representation of the stocks indicates this decrease (refer to Appendix 6).

4 Case studies of governmental CSR Initiatives

Governmental CSR initiatives in UK, Sweden and Denmark were used as case studies for the recommendations to the state of Gujarat.

4.1 United Kingdom

4.1.1 Historical aspects of CSR

UK governments have always played their part in the different aspects of CSR in a direct or indirect way. Societal governance (the system which provides direction to society) in the UK is more an emergent one than the result of critical incidents. No large scale event like the American War of Independence, the French Revolution or liberation of Eastern Europe was responsible for laying the foundation for such a system. Civil law has been accumulated from various judgements passed over a period of 600 years in England, as compared to have been codified in a single document. Historically, business has had cordial and cooperative relations with the government but this has not been evident from the constitutional or legal requirements but rather from habit or norm (Moon.CSR in Europe.UK)

The industrial revolution saw a sea of change from being a largely agrarian economy to being an industrial and urban one. Legislation however, provided a regulatory framework for standards setting, monitoring and enforcement of product and labour standards. Trade unions emerged and the infrastructure support was provided by the government along with support for the poor. Government support was supplemented by general philanthropy often based on religious values. Certain companies provided social infrastructure for employees which helped set the benchmark for public sector provisions in the first half of the 20th century. This affected the way philanthropy was done and companies moved from responsibility to community philanthropy and charity (Moon, 2005). Broadly speaking, businesses in the UK made sporadic and uneven contributions to societal governance through self regulation in financial systems, government relations, industry associations and through the participation of Confederation of British Industry (CBI) in policy making which made it seem like a slightly low intensity and kind and consensual social, political and economic compact between the producers and consumers. The 1970s and 1980s brought with questions about the extent of governmental social and economic commitments and there was a growing feeling that the government was overloaded (Moon, 2004). The extreme economic conditions of the 1980s created high unemployment and poverty resulting in riots. The UK government at this point assumed the role of CSR driver and pioneered in incorporating within public policy framework, leading to the Companies Act 1985 which was superceded by the Companies Act 2006 which came into effect in October 2007(Kniss, 2008).

Idowu (Idowu, 2009) explains the series of laws since the 1970s related to CSR. This includes the Equal Pay Act 1970, Health and Safety at Work Act 1974, Sex Discrimination Act 1975, and Race Relation Act 1976. Also due to the influence of the European Union (EU), laws like Disability Discrimination Act 1995, Data Protection Act 1998, Human Rights Act 1998 and the Public Information Act 1998, have been passed by the UK parliament. According to Moon (Moon, 2005) contends that after governance crisis of the 1980s the "Conservative and Labour governments followed a strategy of maintaining regulatory and fiscal capacity whilst narrowing their responsibility for direct delivery of social goods". He argues the denationalization of public utilities, encouragement of greater family and individual social responsibility through decline in pensions and benefits, higher education fees, incentives for personal savings, use of NGOs to deliver public services and private financing of public projects like urban transport are some of the issues which delineate this strategy and focus.

CSR promotion has been one of the measures of narrowing responsibility and also to encourage the business sector to do more. Roome (Roome, 2005)explains this process and says that both aspects of the CSR agenda, namely sustainable enterprise and corporate community involvement, were developed and promoted initially by the Thatcher government and then the Labour Government. Moon (Moon, 2004)illustrates by quoting the speeches made by the Secretary of State for the Environment, Michael Heseltine first to the Young Conservatives and then to the Institute of Directors;

"Perhaps the very survival of our institutions in this country for so long without revolution owes much to the sense of responsibility of those who enjoyed the power of capital."

"...we (government) do not have the money. We do not have the expertise. We need the private sector again to play a role which, in Britain, it played more conspicuously a century ago than it does now."

He further says that in the Thatcher government a conspicuous effort to encourage CSR was made to address training and work experience opportunities needs of the unemployed. The Youth Training Scheme was developed with the help of the CBI and businesses, and the government conceded that it could not provide training opportunities in this massive scheme, in which about 350,000 young unemployed people participated in the first year alone. Moon (Jeremy Moon, 2008)illustrates how the Blair government encouraged CSR, where the Prime Minister announced his support for public private partnerships in schools.

In the year 2000 the commitment of the UK government in promoting CSR became evident from the fact that an official political position of Minister of CSR was created and the Minister in 2002, Stephen Timms had to this to say on the position of the government

"We need to tackle inequalities and deprivation in communities across the UK. But we need help from business. We aim to encourage businesses to help tackle social exclusion and build stronger healthier communities. In its turn business will gain through new market opportunities and customers. ..... I am well aware of the many and increasing calls for more regulation of company behaviour. And I agree that Government has a responsibility to ensure minimum legal standards. I remain convinced that the main focus of CSR should continue to be a voluntary one. Our role in Government then is to be clear on the future direction and the challenges facing us and to set the appropriate framework that enables us to tackle them. The policy framework must use the right mix of tools – including fiscal and regulatory measures where appropriate – to boost socially and environmentally responsible performance. Where regulation is the right solution it should be well designed and focused. But CSR should continue to take compliance with legal requirements as the base and go beyond that in the interests of business and the rest of society." (Kingdom, 2004).

The Minister of CSR is a position within the Department of Trade and Industry (DTI) and is focal point for businesses, government and other organizations for encouraging research on CSR issues. The government supports by helping promote the business case, business participation in key issues and in partnerships, ensure Government business services are helpful and direct to other resources, a consensus on UK and international codes of practice and promote effective frameworks for CSR reporting and product labelling.

4.1.2 Current policies for CSR promotion by the government

In the latest (Kingdom, 2009) the UK government has put forward the strategy to achieve its vision of satisfying everyone's basic needs, enjoy a better quality of life without compromising

the ability of future generations to do so. The strategy entails creation of "a policy framework with minimum levels of performance in the fields of health and safety, environmental impact and employment practices, whilst also encouraging and enabling wider responsible behaviour that stimulates innovation and the application of best practice". The government intends to help businesses understand the focal areas where they can make a difference, provide logistical and informational support, along with showcasing excellent examples and best practice and celebrating success. The government has a major role in fostering a favourable climate for promoting the business case for CSR, both domestically and internationally.

The report lays down 7 focal areas where the government extends support to promote CSR. These seven focal areas are

1. Working with business to reduce poverty and promote human rights overseas

2. Providing support to businesses operating in different sectors

3. Promoting Corporate Responsibility on the international stage

4. Corporate responsibility tackling disadvantage at home

5. Corporate Responsibility in the workplace

6. Enviornment

7. Volunteering, charitable giving and social enterprise

4.1.3 Implementation

The policy implementation in the UK is distributed into seven focal areas as mentioned above. The measures taken to fulfil the policy specifications are discussed below (Kingdom, 2009)

Working with business to reduce poverty and promote human rights overseas.

The Department for International Development (DFID) is the governmental body overlooking activities here and it is committed to fair and ethical trade and desire to promote business models that create fairer trade with producers in developing countries.

Ethical Trading Initiative (ETI), an alliance of businesses, trade unions, and charities has functioned as a mode of funding ethical trade and assist member companies to improve working conditions through out its supply chain. Currently it is involved in developing approaches to implement principles like right to freedom of association, collective bargaining and 'living wage'. Also integration of ethical trade into core business activities like purchasing and procurement of goods and services of the industries is being promoted by the ETI. The DFID has helped to fund the International Fairtrade Labelling Organization's (FLO) with a contribution of £ 1.2 million over a period of two years. The organization is meant to improve standards of living of producers, provide market access, sustainable prices and fair trade certification standards in addition to reducing the dependence of fair trade organizations on donor funds. Along with the ETI, the government supports the International Labour Organization (ILO) and its activities to promote workers' rights through internationally accepted 'core standards' and also the concept of 'Decent Work' of the ILO and the ILO Tripartite Decaration on Multinational Enterprises and Social Policy is being promoted by the Department for Work and Pensions (DWP) in the UK government.

Providing support to businesses operating in different sectors

The government has supported various sectoral organizations. Multi-Fibre Arrangement (MFA) forum, Extractive Industries Transparency Initiative (EITI), Voluntary Principles on Security and Human Rights in the Extractive Industries (VPs), the Medicines Transparency Alliance (MeTA), Construction Sector Transparency (CoST) and the Partnership for Water and Sanitation (PAWs). Transparency is a important focus area in the different sectors and the DFID has played a pivotal role in providing financial and administrative support to these initiatives.

Promoting Corporate Responsibility on the international stage

The Government is supporting the development of an International Institute on Business and Human Rights and a framework dealing with the state duty to protect human rights abuses by businesses, the corporate responsibility to respect human rights and the need for more effective access to remedies has been proposed, which was supported by the UN Human Rights Council. The British Standards Institution (BSI) guides businesses with certifications like SA8000 along with working with the ISO on the 26000 standard preparations. The HM Revenue and Customs department works for supporting democratic civil government in international communities in the Middle East, Asia and Africa. International corruption is also targeted through investigation and prosecution of bribery overseas, elimination of money laundering and recovery of stolen assets and supporting international efforts to fight corruption and responsible business overseas.

Corporate Responsibility tacking disadvantage at home

Improvement of the poorest communities was recommended by the National Strategy for Neighbourhood Renewal. Accordingly Department for Communities and Local Government encourages business to get involved in activities like the Business Broker Scheme, whose aim is to promote benefits of business involved with local strategic partnerships, local third sector led community projects. In Scotland, Community Planning Partnerships avail such an opportunity to involve local communities in decision making. The Local Employment Partnerships connect the employers with potential employees with the government supporting training and development. Even the gambling industry has been roped in to develop a social responsibility outlook in its working, identifying problem or potential problem gamblers and limit harmful effects of new games along with adoption of a voluntary code.

Corporate Responsibility in the workplace

Improvement in workplace skills is important for businesses and corporate responsibility activity in this area is important. Taking note of this, the government joined forces with the Business in the Community (BITC), CBI and the UK Commission for Employment and Skills, the Talent and Enterprise Task Force to unlock national level talent. The government has launched the CR Academy to promote the corporate responsibility competency framework. The academy is a one stop place to search and locate quality training products. The Health and Safety Executive (HSE) programme focuses on health and safety issues at a board level by showcasing it as a core business function, set target on health and safety performance and provide tools to measure performance.

Environment

The government primarily focuses on supporting initiatives for building a low carbon, resource efficient and sustainable economy and hence creating prosperity and jobs without damaging the natural environment. The Climate Change Bill (proposed) will be the first legally binding framework for a country to a low carbon future by setting targets for 2020 and 2050. The Carbon Trust primarily funded by the government is a programme which advises on energy efficiency to businesses and the public sector. Along with these, the Sustainable Consumption and Production approach, BITC's Environment Index, Carbon Disclosure Project, Global Reporting Initiative (GRI) EU Eco Management and Audit Scheme (EMAS) and several environment related standards of the BSI are supported by the government to aid in bettering the environmental profile.

Volunteering

As described through the historical context, the UK has a history of charitable giving and volunteering. The estimate for charity giving in the year 2006-07 was £ 9.5 billion which is useful to help build stronger communities, deliver public services and empower local people. The government supports a voluntary and business led approach towards private sector contribution to local community development through charity giving, buying from them and investing in them. The government supports giving to maximize donations through the tax system by removing the upper limit for tax relief, introduced a Payroll Giving Grants Scheme and a Quality Mark Award to emcouage Small and Medium Sized industries to join as well. To promote a culture of giving, youngsters in schools are encouraged for charitable contributions through the Go Givers and Giving Nation programmes. Volunteering levels in the UK are high but the government wants to increase the rate through special programmes, creation of the national volunteering database 'Do-it' and making it easier for people to find opportunities to volunteer in their area.

A wide range of social enterprises exist in the UK, and they number around 55,000. They can be sole traders, charities, provident societies (cooperatives), companies and so on. The government to fill up the gaps in the legal forums for social enterprises and for them to enjoy benefits of a limited company, created a new type in 2005, Community Interest Company (CIC). Proactive support for them is provided through the Social Enterprise Action Plan: scaling new heights which fosters a culture of social enterprise, provides information, access finance and help them work with the government. The latest Enterprise Strategy envisages the UK as the most enterprising economy.

Other initiatives in the field of government support for Corporate Responsibility in the UK include a forward looking Companies Act 2006, partnership with the third (voluntary and charitable) sector through the Office of the Third Sector (OTS), Research Centre on Charitable Giving and Philanthropy, the Prime Minister's Council on Social Action, OECD guidelines for Multinational Enterprises, Procurement for Development Forum and the United Nations Global Compact. Based on the policy directives of the OECD guidelines, the National Contact Point (NCP) has also been established (Kingdom, 2001) which acts as a nodal point for queries, support and guidance on the matters related to international corporate responsibility.

4.1.4 A Critical View

The UK company law review (CLR) had proposed a mandatory Operating and Financial Review (OFR) for companies which would have facilitated more transparent social and

environmental reporting, incorporation of wider stakeholder interests and softer issues into reporting and maintain public confidence and legitimacy of their operations. An alternative Business Review document was also proposed and supported by the CBI. Although the final draft of the CLR proposed the mandatory OFR it was later abandoned and there was a feeling that retaining a voluntary status could mean that companies which had little regard for stakeholders, users' needs or with nothing significant to report could indulge in cover up of their poor performance. In 2006 largely due to the efforts of the Friends of the Earth (FOE) the Business Review was accepted but the OFR was abandoned. This was challenged by the FOE again (Solomon and Edgley, 2008).

The CORE (Corporate Responsibility Coalition) which is an alliance of several organizations is against the scrapping of the OFR and the Parliamentary Bill which they feel is essential for corporate accountability and transparency. Although the Business Review is welcomed and is a step in the right direction several 'free riders' would benefit from the loopholes in the existing policies.

4.2 Denmark

4.2.1 A Historical Perspective

The first major legislation for social issues in Denmark dates back to 1933. Denmark like all Nordic countries is known for its special characteristics of providing extensive social rights to its citizens. The stress is on social services organized by the people, financially sustained by the local authorities and the state. The welfare expenditure of the state has been traditionally high like other Nordic countries and the result is one of the highest tax rates in the world (Morsing, 2005).

Danish companies have maintained that acting in a socially responsible manner has always been part and parcel of their activities. Since a majority of Danish companies are small and medium sized ventures their activities lie embedded in the local societies. Hence the well being of the local people augurs well for the companies. Consideration for local communities and other stakeholders, hence, has been integral to the functioning of Danish companies (Morsing, 2005).

The first ethical accounting statement was a result of a joint effort by the Copenhagen Business School and the Danish bank, Sparekassen Nordjylland. The bank did not want to indulge only in a dialogue with the local communities regarding the social responsibilities of the company but also wanted to report it, so as to bring out the true value of the company, which only financial statements did not provide. Danish companies formed a voluntary association, Green Network, to promote sustainability (Morsing, 2005). Being a more inclusive society, corporate managers are trusted by the stakeholders compared to other western societies. The fact that Danish corporate leaders run their businesses keeping in mind various stakeholders, is evident from their corporate governance standard, the Nørby code (Olsen)

CSR was first introduced into Denmark by the campaign "Our Common Concern" by the Ministry of Social Affairs, which was based on the premise that social welfare is a concern of not just the government but also of businesses, communities and citizens (Welt and Bui, 2008). The Danish government in the 1990s was supporting about 25% of the 'able-bodied' population, which meant a lot of expenditure which created a huge pressure on the social welfare system. In 1995, the government called upon businesses to help and constructed a Danish agenda for CSR in what was then referred to as "the inclusive labour market strategy",

which was aimed at social cohesion, to address the problems of unemployment and social exclusion (Morsing, 2005)

4.2.2 Current policies for CSR Promotion

The Action Plan for Corporate Social Responsibility (Denmark, 2008b) lays out the primary focus of promoting CSR in Danish companies. The report discusses about 30 initiatives which focus on four key areas:

Propagating business-driven social responsibility

The government focuses on strengthening CSR report by large businesses along with provision of knowledge and tools for businesses. These tools based on internationally recognized principles will help in business-driven CSR activities and reporting.

Promoting businesses social responsibility through government activities

The governmental activities of purchasing, procurement, investments and state owned public limited companies are to be made socially responsible.

Corporate sector's climate responsibility

Global climate change is an issue towards which the government wants to draw attention of businesses, and underpin their active role in meeting climate change challenges by reducing energy consumption and greenhouse gas emissions while contributing to disseminating global climate change solutions.

Marketting Denmark for responsible growth

The government wants to market Denmark at an international level to leverage greater benefits for Danish businesses for their CSR work.

4.2.3 Implementation

In order to place carry out the policies related to the four focal areas the Action Plan (Denmark, 2008b) lists out various activities, measures and initiatives. In 2012 an evaluation by the government is planned to "take stock of the work to realise the action plan". The various initiatives have been enlisted below

Table 4-1 Action Plan for Implementation of CSR policy in Denmark

Propagating Business Driven Social Responsibility	• **Encourage Danish Companies and Investors to continue and develop their commitment and CSR work**
	• **Make it mandatory for large businesses to report on CSR in the management's review of the annual report**
	• **Make it mandatory for institutional investors and unit trusts to report on CSR in the management's review of the annual report**
	• **Set up the Social Responsibility Council, charged with**

	making recommendations for the Government, the corporate sector and associations • **Establish a new social responsibility communication portal (www.samfundsansvar.dk)** • **Organise campaign activities on business-driven social responsibility** • **Intensify counselling on innovation and social responsibility for small and medium sized businesses in the regional growth houses** • **Organise international conference 'Danish Business innovating for World Challenges' to identify innovation areas for Danish businesses** • **Set up a knowledge network among organisations, researchers and advisors on business-driven social responsibility and responsible supplier management** • **Advise businesses through Danish representations in other countries** • **Work to ensure a transparent market that promotes social responsibility considerations in consumer purchasing. The Government will launch a study of consumer's role in CSR** • **Prepare a biennial progress report on Danish businesses' observance of and commitment to Global Compact and PRI, first time in 2010**
Promoting Businesses' Social Responsibility through Government activities	• Ensure that, in future, joint state supply contracts will systematically embed requirements for social responsibility as articulated in the conventions that provide the foundation for the UN Global Compact • Ensure that all state procurement officers can access the guidelines for embedding social responsibility • Open up dialogue with local authorities and regions with a view to disseminating experience in embedding social responsibility in their areas • Make it mandatory for state owned public limited companies to report on CSR in the management's review of the annual report • Ensure that all major state owned public limited companies

	accede to the UN Global Compact
	• Ensure that the Vækstfonden (state investment fund) accedes to the UN principles for responsible investment (PRI)
	• Ensure that the Eksport Kredit Fonden (EKF) accedes to the UN Global Compact
	• Continue its work of embedding social responsibility in Danish Development work
	• Ensure that the Industrialiseringsfonden for udviklingslande (IFU, Industrialisation Fund for Develping Countries) and the Investment Fund for Central and Eastern Europe (IØ) accede to the UN Global Compact
	• Organise conferences on businesses' social responsibility in developing countries jointly with Danish representations outside Denmark, local players and businesses
	• Ensure that the regional trade and industry development system contributes to propagating business-driven social responsibility
	• Strive to ensure that international investment banks embed social responsibility in their business and investment strategies
Corporate Sector's Climate Responsibility	• Encourage businesses to include sections of climate responsibility in their reports on CSR in the management's review of the annual report
	• Jointly with the Confederation of Danish Industries develop the Climate Compass – a web based climate tool aimed at helping businesses prepare climate accounts and climate strategies
	• Initiate four partnerships on climate responsibility in relation to investors, in the retail sector, the construction sector and the maritime sector
Marketting Denmark for Responsible Growth	• Promote Danish tools and competences in the area of corporate social responsibility
	• Head up a 2010 international summit on international standards for social responsibility in Copenhagen (ISO 26000)
	• Organise an international conference on responsible investments aimed at creating the basis for better targeted

	and usability oriented research

Source Action Plan for CSR in Danish Companies

Major Initiatives / Measures taken

In a landmark event on the 16th December 2008, the Danish parliament adopted a bill to make it compulsory for 1100 of Denmark's companies, investors and state owned companies to report CSR related information along with the financial reports. The information includes policies for CSR or SRI, implementation practices, results and management expectations for future activities and policies regarding CSR or SRI. This information has to be verified by an auditor. This requirement is to take effect from 2010, but members of the Global Compact (GC) or the UN Principles for Responsible Investment (PRI) are exempted provided they fulfil their obligations towards the GC or the PRI (Denmark, 2008a).

The Danish Financial Statements Act was amended to provide for this addition and covers large business in accounting class C and listed companies and state – owned companies in accounting cass D that are greater in atleast 2 of the three conditions; total assets / liabilities of DKK 143 million or Net revenue of DKK 286 million, An average of 250 full-time employees. If the parent company reports for the entire group then subsidiaries are exempt.

In the press release the Deputy Prime Minister of Denmark, Lene Espersen had this to say,

"I am very pleased that the Parliament has supported this law so strongly. Many Danish companies are good at working with CSR. However, often they don't tell the outside world about their efforts. I hope that this law will strengthen the knowledge abroad that Denmark is capable of creating responsible growth. In a globalised world facing a financial crisis and climate changes, CSR becomes an even more important competitive parameter."(Denmark, 2008c).

According to Olsen, Denmark is one of the leaders in the world as far as more transparent forms of corporate accountability are concerned. Denmark in 2002 made operational a legal requirement for a mandatory Operational and Financial Review (OFR) for all companies, which enables stakeholders to make informed decisions regarding the company and its operation. Denmark also has compulsion for certain types of environmental reporting, including the material environmental impacts from more than 1100 hazardous facilities. Denmark is also the only country to have Intellectual Capital Reporting official guidelines.

4.2.4 A Critical View

Denmark has had its share of problems when it comes to integrating immigrant groups into mainstream society. In an article Welt and Bui (2008) say that,

"Ever since the early 1990s, immigrant groups have faced severe challenges to integrating into Danish society. The result has been marginalization, high unemployment, and an overall disillusioned presence in Denmark............Thus two trends are discernible in Danish economic life. One is the growing sense of responsibility of the business community in solving social problems voluntarily – CSR. The other is marginalization of immigrant Danes and their plight to find an foothold in Danish economic life. This begs the question: Do businesses have an obligation to assist in the integration of immigrants in Denmark?"

There are very good examples of initiatives that take care to help immigrants be accepted in the community. The 'Grundfos Project' is the initiative of Grundfos, the largest pump manufacturer in the world, to integrated immigrants in the workplace and the community. Other companies like TDC, a large telecommunications company and ISS, a leading service company are working hard to help immigrants be part of the mainstream. Even with this, Denmark ranks seventh from the end out of 25 European and North American countries by the Migration Integration Policy Index. Also a "slightly unfavourable" rating was given on the labour market access and an "unfavourable" rating in anti-discrimation policies. To add to this, non – EU citizens in Denmark are more unemployed compared to the Danish nationals by 8.3%. It is believed that due to the Scandinavian model of citizenship, of high taxes, social security and economic compensation, is the worst at integrating immigrants (Welt and Bui, 2008)

4.3 Sweden

4.3.1 A Historical Perspective

Social responsibility of business is not new to Sweden. The industrial community in Sweden for over a couple of centuries played an important role in the local community. Development of social institutions like the fire brigade, medical facilities and educational institutions were some of the services that business provided within the industrial communities at their own expense. With a flourishing business, corporations in Sweden contributed to the welfare state in Sweden. As the welfare state developed the distinction between the functions of the state and businesses increased, and the consequences of this shift in rhetoric led to an increased focus by businesses on getting returns on investment (Windell, Grafstrom and Gothberg, 2009).

At about the end of the last century, the debate on social responsibility of businesses was brewing in Sweden. Like several multinational clothing retailers, H&M and the furniture company IKEA, were the target of people's ire. The primary reasons were the allegations of use of child labour in their contractors' factories in the developing countries. Protests were held at the EU summit in Gothenburg in 2001, something that was widely reported in the Swedish Media. As a result, the Association of Swedish Business Community (ASBC) started the campaign to collect and disseminate the role of Swedish corporations in globalization, so as to increase trust and discuss scope of responsibilities of corporations in the local and global contexts (Windell, Grafstrom and Gothberg, 2009)

The debate moved on and arguments were placed based on the fact that benefits were derived by corporations from outsourcing of production activities countries, and hence they had responsibility towards the people for solving rooted problems of social and economic nature. The term CSR also became more prevalent in Sweden around this time. The Swedish government having taken a notice of these developments took a broad approach in dealing with the issue. In 2001, the Ministry of Foreign Affairs launched the nation-wide initiative called the *Globalt Ansvar* (Swedish Partnership for Global Responsibility) which was similar to the Global Compact and was aimed at stimulating businesses to assume a more proactive role regarding their social responsibility. In 2002, the government requested the corporations to play a proactive role in creating a "human globalization" and addressing issues in CSR and the role of corporations. It was also stressed that the government needed assistance from the corporations to improve socio-economic aspects, environmental protection and human rights aspects through out the world. The government was interested in playing a leading role in sustainable development issues and hence wanted to communicate to corporations how it was expected to behave, mediate, assist, advice and be role models by setting a good example.

Globalt Ansvar was the medium through which the government offered the businesses to make its cooperation visible. The next year, in 2002, the "Commission of Trust" was established to evaluate the various aspects of trust amongst citizens for the Swedish businesses so as to guide the government to develop guidelines for corporate governance (Windell, Grafstrom and Gothberg, 2009).

4.3.2 Current policies for CSR promotion

According to the official document of the *Utrikesdepartementet Globalt Ansvar* (Swedish Partnership for Global Responsibility) launched by the government in March 2002 has primarily three objectives:

1. To uphold human rights and the principles of sustainable development

2. To strengthen the competitiveness of Swedish companies

3. To increase knowledge of the multilateral regulatory framework

The basis of the policy framework is the OECD guideline of multinational enterprises and the principles put forward in the Global Compact. The initiative is set to work at three levels:

1. Internal efforts at the Government Offices to facilitate coordination on a range of activities in the area of CSR.

2. International activities contributing to policy development

3. External activities (like seminars on guidelines and implementation, workshops, meetings between different groups, studies on CSR issues, cooperation with governmental bodies globally, forum for viewpoints on policy) for interested parties.

Along with this broad policy domain, the public policy lays out some specific issues. The government as an owner of the state owned companies has focussed on promoting sound business behaviour. Public Procurement has also been looked at a means of supporting CSR, by considering social and environmental aspects in procuring products and services. Within the Integrated Product Policy framework the government encourages a more proactive approach in reducing environmental impacts. As Export Credits are considered important, the medium is used to disseminate information regarding CSR. The government also disseminates information, affects policy decisions and alters the activities of organizations like the Swedish International Development Cooperation Agency (SIDA), Swedish Business Development Agency (NUTEK) and the Swedish Consumer Agency (Utrikesdepartementet).

4.3.3 Implementation Measures

Sweden was amongst the first in the world in promoting businesses to be socially and environmentally responsible. This is the evident from the impressive content in terms of policy initiatives discussed above. The policy making was followed by proactive measures to ensure that the policy was effective.

- Since 1979 Sweden has had dialogues with social actors about CSR related to the OECD guidelines for multinational enterprises. Hence the Swedish National Contact

Point was established and it acts as point of convergence for information, logistical and other support (Utrikesdepartementet).

- The Government since 1997 have mandated government authorities and agencies to mainstream environmental management systems and report on their annual progress report (Utrikesdepartementet).

- Since 1999, companies above a certain size (about 20,000 sites) have been mandated to include information on their environmental impact in their annual reports (Utrikesdepartementet).

- The National Pension Funds in Sweden have to draft annual business plans including the guidelines for investment activities and how environmental and ethical considerations are taken into account in the decision making process (Utrikesdepartementet).

- In December 2007, the Swedish Government announced that all 55 government owned companies in Sweden would have to file an annual sustainability report based on the Global Reporting Initiative (GRI) guidelines. This purpose of this measure was two-fold; to improve the sustainability performance of state owned companies and to ensure transparency and effectiveness in the use of public money (Initiative, 2007)

- The government launched a national action plan for human rights from 2006- 2008 which puts forward an approach to deal with human rights issues, which also includes CSR (Sweden, 2006).

The Swedish government was a forerunner in the implementation of mandatory sustainability reporting for all its state owned companies. The attitude of the state towards the companies can be best summarized through this statement from the official document regarding reporting (Sweden, 2007)

"These companies represent substantial values and are large employers. Furthermore they are ultimately the property of all Swedish taxpayers. The state therefore has a great responsibility to be an active and professional owner. The Government's overall objective is for the companies to create value and, in appropriate cases, to ensure that societal interests are fulfilled."

With such proactive governance, it is not difficult to reason why Sweden is at the top of the Accountability Responsible Competitiveness Index (AccountAbility, 2007)and fares particularly well on the Policy Drivers and Business Action parameters.

5 Discussion

Joseph Stiglitz (Stiglitz, 1988) while discussing public policy argues that "the consequences of government policies are often too complicated to predict accurately. There is often controversy about what the consequences will be. Indeed, even after a policy has been introduced, there is often controversy about what its effects are." UK, Denmark and Sweden are amongst the champions and pioneers in the CSR promotion arena. Taking this into account, a discussion on CSR promotion policies of these countries and the state of Gujarat in India will always entail various facets that can be looked at, understood and altered and improved upon. The objective of the discussion here is to open up the possibilities and avenues for CSR promotion.

The policy and implementation measures used by the governments of the UK, Sweden and Denmark involved all four roles of mandating, facilitating, partnering and endorsing activities related to CSR (refer table 3-1). A combination of all roles lends variety to the type of policy instruments that the government can utilize to promote CSR, and do it in a holistic manner. Although the instruments were implemented at different time periods and in differing ways amongst the countries, the framework after attaining maturity provides a broad base on which even new activities could be initiated.

All three countries, UK, Denmark and Sweden moved towards promoting CSR due to a particular or a set of events in their countries or in the international arena. The reasons were either directly or indirectly responsible for the metamorphosis in the system of governance of the corporate and public sectors. Stiglitz (Stiglitz, 1988) says that 'redistribution' of income is one of the rationales for government intervention. "...competitive markets may give rise to a very unequal distribution of income, which may leave some individuals with insufficient resources on which to live." The reason for the GoG in moving towards CSR promotion seems to be rooted in the failure of markets in income distribution. As discussed before, (refer 3.2.2) the unsatisfactory state of social and health aspects compared to the economic aspects may have led to the strong move towards CSR promotion. Along with this, like the UK, the possibility in job growth could have influenced such a policy. According to Das (Das, 2009)) the share of expenditures on social services in India is steadily going down and hence there is an urgent need for fostering cooperation between the public and private sectors to foster social development.

The Austrian Government in 2003 formulated a CSR guiding vision for the nation by initiating a process wherein business associations, civil society and government involved themselves in a tripartite discussion (Konrad, Martinuzzi and Steurer 2007). Although Austria has not been chosen for policy analysis, it does serve as an example of a different approach for involvement of various stakeholders in the policy making process.

Voluntary approach towards CSR for private approaches is proposed in Gujarat. Definitive measures for establishing a cooperative environment and promoting CSR activities are not laid out for academic scrutiny. Unlike the example countries, the path ahead has not been determined in a way that can be broken up into definite activities so as to form a network of implementation measures that combine to form a coercive framework. In this relatively unknown and unchartered territory a level of certainty and assurance was provided before hand to businesses so that they are better prepared in dealing with these issues. In the UK, in the mid 1980s the government collaborated with corporate world in training and development along with local community development by provided a concrete set of measures, focal areas and backed it up with legal provisions in various ways.

A slow time for change is always beneficial for all. A rapid change in the system, a perturbance disturbs the balance in the system. While making certain aspects of CSR mandatory the governments ensured that the businesses knew about it for some time in advance. This can be explained very well with the policy directive in 2007 in Sweden for mandatory sustainability reporting for state owned companies. Also the OFR was contemplated on for some time before actually finding its way into the law books. The time lag between policy and implementation provides the businesses to contemplate on the issues at hand, experiment and optimize operations and issues regarding the new policy.

Sweden, Denmark and UK, through their CSR promotion sought to involve businesses in social activities but mandatory reporting is as far as they went, so as not to affect the economic viability of businesses in implementing CSR. CSR is an undertaking that allows corporations to serve stakeholders without jeopardizing shareholders (Wan-Jan, 2006). Economic viability is a prerequisite for a business to be able to carry out CSR activities and hence the opinions and views of shareholders, who are also important stakeholders in the activities of a corporation, should also be equally valued.

The GoG Fiscal policy (Gujarat, 2005)stresses on the minimizing the financial risks associated with the operation of PSEs while maintaining the ultimate objective of PSEs, which is, to provide public goods and services. If the share markets are any indicator, even with the coincidental economic crisis in Sept, the request for 30% of PBT from the PSEs did not go down well with the shareholders and investors. Stiglitz (1988) while talking about assessing policy alternatives lays stress on the "decrease in the welfare of one group we are willing to trade for an increase in the welfare of another group". This trade-off is one that policy makers have to make in order to maximize the benefit while still keeping in mind the need for income distribution.

None of the policies and policy initiatives of the example countries have been unidimensional. The approach has been to influence the behaviour of the corporations through a variety of measures. Fostering social enterprise has also been looked at, along with involvement of the citizenry through volunteering and fostering a well developed and mature civil society. The essence of democracy wherein a variety of stakeholders get an opportunity to voice their opinions is on display through this multipronged strategy for CSR promotion. On the other hand, Gujarat focuses on development of different aspects, like environment, education, employment, entrepreneurs and the youth (refer to 3.2.1.). The striking feature is the absence of a multidimensional approach to implementation of policy related to either the PSE contribution to the GSEDS or the voluntary CSR policy for the private sector. A single nodal agency, the GSEDS or the district authority, will be responsible for implementation of programmes. Along with a wide variety of initiatives, academic research in CSR is fostered by the governments of example countries. This combined with a nodal information centre like the National Contact Point (NCP) provides the corporation with easy access to reliable and updated information. Such a holistic approach is essential for CSR promotion to be effective.

6 Recommendations

Based on the discussion above the following recommendations can be made for a CSR promotion policy in Gujarat. As discussed above, a combination of mandating, facilitating, partnering and endorsing activities need to be included in a more encompassing policy framework for the state to have a well developed, multifaceted and holistic CSR promotion. Implementation measures are also embedded in the kind of the role that government chooses and hence is inherent to CSR promotion.

1. Investment in social enterprise and social entrepreneurship to boost bottom up development by establishing a suitable environment and framework for partnerships between government, businesses and social entrepreneurs.

2. Creation of a CSR hub, which functions like a focal point for information, informal discussions, formal conferences and meetings between interested parties.

3. Creation of a multidimensional policy framework dealing with a variety of policy and implementation issues to mobilize active support of companies.

4. Educational and Institutional research to facilitate smooth functioning, data generation, monitoring and development of expertise in core areas of CSR, public policy, business case for CSR, social entrepreneurship, civil society involvement and societal development.

5. Evaluation of economic efficiency of policy change and equity to provide a more balanced policy making approach for public sector enterprises.

6. Design and implementation of the programme could be presented in advance for all stakeholders so as to smoothen the transition. Along with the objective concrete policy and implementation measures should be specified. The time frame for maturing of a policy may vary and hence ample amount of time, both for authorities and businesses should be provided.

7. A stakeholder approach in policy making may also be used by the GoG. The GoG here could be instrumental in bringing together business associations, governmental and non-governmental organizations for a transparent and open discussion on policies and implementation measures for CSR promotion. This will give businesses, civil society and even individual citizens a chance to get involved in decisions which affect them.

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Abbreviations

ARPEA	:	Applied Research in Preventive Environmental Approaches
ASBC	:	Association of Swedish Business Community
BITC	:	Business in the Community
BSI	:	British Standards Institution
CBI	:	Confederation of British Industry
CIC	:	Community Interest Company
CLR	:	Company Law Review
CORE	:	Corporate Responsibility Coalition
CoST	:	Construction Sector Transparency
CSR	:	Corporate Social Responsibilty
DFID	:	Department for International Development
DTI	:	Department of Trade and Industry
DWP	:	Department for Work and Pensions
EABIS	:	European Academy of Business in Society
EITI	:	Extractive Industries Transparency Initiative
EKF	:	Eksport Kredit Fonden
EMAS	:	Eco Management and Audit Scheme
ETI	:	Ethical Trading Initiative
EU	:	European Union
FLO	:	Fairtrade Labelling Organization
FOE	:	Friends of the Earth
GACL	:	Gujarat Alkalies and Chemicals Ltd.
GIDB	:	Gujarat Industrial Development Board
GIPCL	:	Gujarat Industrial Power Corporation Ltd.
GMDC	:	Gujarat Mineral Development Corporation
GNFC	:	Gujarat Narmada Fertilizer Corporation

GoG	:	Government of Gujarat
GRI	:	Global Reporting Initiative
GSDP	:	Gross State Domestic Product
GSEDS	:	Gujarat Socio-Economic Development Society
GSFC	:	Gujarat State Fertilizer Corporation
GSPL	:	Gujarat State Petronet Ltd.
HDI	:	Human Development Index
HSE	:	Health and Safety Executive
IFA	:	International Framework Agreement
IFU	:	Industrialiseringsfonden For Udviklingslande
ILO	:	International Labour Organization
ISO	:	International Organization for Standardization
MeTA	:	Medicines Transparency Alliance
MFA	:	Multi-Fibre Arrangement
NCP	:	National Contact Point
OECD	:	Organisation for Economic Cooperation and Development
OFR	:	Operating and Financial Review
OTS	:	Office of the Third Sector
PAW	:	Partnership for Water and Sanitation
PBT	:	Profit Before Tax
PRI	:	Principles for Responsible Investment
PSE	:	Public Sector Enterprise
SE	:	Social Entrepreneurship
SIDA	:	Swedish International Development Cooperation Agency
SRI	:	Socially Responsible Investment
UNGC	:	United Nations Global Compact
VP	:	Voluntary Principle

Appendix

Appendix 1: Instrument and Role of CSR Initiatives

(Source: OECD Report on Overview of Selected Initiatives and Instruments Relevant to Corporate Social Responsibility, 2008)

Instrument & Role	Examples
International Conventions and Declarations - Reflect agreed international normative principles. Directed mainly to government for domestic implementation. These can help business understand *what* to do.	Universal Declaration of Human Rights UN Framework Convention on Climate Change ILO Conventions ILO Declaration on Fundamental Principles and Rights at Work UN Millennium Development Goals World Summit on Sustainable Development Plan of Implementation OECD Convention on Combating Bribery of Foreign Officials in International Business Transactions
Officially-agreed or recognised guidance - Offer authoritative guidance to the business sector on expectations of behaviour. Also help understand *what* to do, and sometimes also *how*.	ILO MNE Declaration OECD MNE Guidelines UN Global Compact Principles International Finance Corporation Performance Standards Extractive Industries Transparency Initiative (EITI) Principles
Privately developed principles - Offer business/civil society developed guidance on expectations of behaviour. These sometimes also provide guidance on *how* to implement such standards. These may or may not be derived from international norms.	ISO standards (e.g. 14000 series) GRI Sustainability Reporting Guidelines Responsible Care Guidelines ICMM Sustainable Development Principles Electronic Industry Code of Conduct

Appendix 2: Broadly defined categories of voluntary initiatives.

(*Source: OECD Report on Overview of Selected Initiatives and Instruments Relevant to Corporate Social Responsibility, 2008)*

Some Initiatives marked with an asterisk (*) appear under multiple categories. Certain sectoral initiatives marked with a plus (+) have been developed in a multi-stakeholder manner.

Category	Illustrative Examples*
Corporate Codes of Conduct	Currently, most multinational enterprises and domestic companies have adopted codes of conduct.
Multi-stakeholder Initiatives⁺	• Global Reporting Initiative (GRI)* • Ethical Trading Initiative (ETI)* • Eco-Management and Audit Scheme • Collaborative Group on Artisanal and Small-Scale Mining (CASM) – best practices guidance* • Fair Labour Association* • Social Accountability International * • Worldwide Responsible Accredited Production* • ISO 26000 Social Responsibility Standard (under development) • Greenhouse Gas (GHG) Product Certification Standard * • ISEAL Code of Good Practice for Setting Social and Environmental Standards*
Certification & Labelling (including reporting)	• Social Accountability 8000-Social Accountability International* • Eco-Management and Audit Scheme • International Social and Environmental Accreditation and Labelling Alliance* • Kimberley Process Certification Scheme* • ISO 14000 series of environmental management standards • Greenhouse Gas (GHG) Product Certification Standard * • AccountAbility AA1000 Assurance Standard • Global Reporting Initiative Sustainability Reporting Guidelines* • Clean Clothes Campaign* • Marine Stewardship Council* • Forest Stewardship Council* • Worldwide Responsible Accredited Production*
Model Codes	• Ethical Trading Initiative* • Common Code for the Coffee Community* • Fair Labor Association Workplace Code of Conduct* • Global e-Sustainability Initiative (GeSI) • Confederation of European Paper Industries Code of Conduct* • ISEAL Code of Good Practice for Setting Social and Environmental Standards* • ITUC Basic Code of Labour Practice • Amnesty International Human Rights Principles for Companies • International Chamber of Commerce (ICC) Business Charter for Sustainable Development • Global Sullivan Principles

	• Transparency International Business Principles for Countering Bribery • Caux Round Table Principles for Business • ICC Rules of Conduct to Compact Extortion and Bribery • ICC Guidance on Supply Chain Responsibility • Clean Clothes Campaign * • Fair Labour Association-Workplace Code of Conduct* • Greenhouse Gas (GHG) Product Certification Standard * • International Social and Environmental Accreditation and Labelling Alliance* • Kimberley Process Certification Scheme* • Business Leaders Initiative for Human Rights
Sectoral Initiatives[+]	• GRI sector supplements (e.g. Automotive, Electric Utilities, Financial Services, Mining and Metals, Public Agency , Telecommunications)+ • Common Code for the Coffee Community*[+] • Electronic Industry Code of Conduct (EICC) • Confederation of European Paper Industries (CEPI) Code of Conduct* • Kimberley Process Certification Scheme[+] (diamond trade) • Collaborative Group on Artisanal and Small-Scale Mining (CASM) – best practices guidance* • ICC International Codes of Marketing and Advertising Practice • Responsible Care (chemical industry) • International Mining and Metals Council (ICMM) Principles for Sustainable Development Performance • Petroleum Industry (IPIECA) Guidelines for Reporting Greenhouse gas Emissions • International Council of Toy Industries (ICTI) CARE Initiative • International Federation of Organic Agriculture Movements IFOSM Principles and Norms • Forest Stewardship Council (FSC) Principles and Criteria*[+] • Workers Rights Consortium[+] • Marine Stewardship Council (MSC) Environmental Standard*[+] • Better Cotton Initiative[+] • Clean Clothes Campaign *[+]
International Framework Agreements	As of end of 2007, there were 62 International Framework Agreements. These agreements have been negotiated between global trade union federations and major multinational enterprises. They span a wide variety of sectors, from agriculture and tourism to extractives and clothing.
Socially Responsible Investment/ Finance	• Collaborative Group on Artisanal and Small-Scale Mining (CASM) – best practices guidance* • Equator Principles (investment in project finance)* • UN Principles for Responsible Investment • CERES Principles

Appendix-3: Overview of groupings and classification of CSR activities

(Source: Catalogue of CSR Activities: A broad overview. Ashridge Centre for Business and Society)

Main groups of CSR activities	⇒ **Classes of CSR activities (within main group)**
The main CSR activities in relation to **Leadership, vision and values** are	⇒ Purpose, values and vision ⇒ Policies and procedures ⇒ Putting it into practice ⇒ Ethical leadership
The main CSR related **Marketplace activities** are	⇒ Responsible customer relations ⇒ Product responsibility ⇒ CSR product labelling ⇒ Ethical competition ⇒ Making markets work for all
The main CSR related **Workforce activities** are	⇒ Employee communication and representation ⇒ Ensuring employability and skills development ⇒ Diversity and equality ⇒ Responsible/fair remuneration ⇒ Work/life balance ⇒ Health, safety and wellbeing ⇒ Responsible restructuring
The main CSR related **Supply chain activities** are	⇒ Being a fair customer ⇒ Driving standards ⇒ Promoting social and economic inclusion
The main CSR related activities in **Stakeholder engagement** are	⇒ Mapping ⇒ Stakeholder consultation ⇒ Responding and managing ⇒ Reporting and communication
The main CSR related **Community activities** are	⇒ Types of support (CCI) ⇒ Giving cash (CCI) ⇒ Giving employee time (CCI) ⇒ Giving gifts (CCI) ⇒ Being a good neighbour
The main CSR related **Environmental activities** are	⇒ Resource and energy use ⇒ Pollution and waste management ⇒ Environmental product responsibility ⇒ Transport planning

Appendix-4: Classification of Public Sector Activities

(Source: Fox, Ward and Howard, 2002)

Public sector role				
CSR theme	**Mandating**	**Facilitating**	**Partnering**	**Endorsing**
Setting and ensuring compliance with *minimum standards*	Defining minimum standards and establishing targets; establishment of enforcers and inspectorates; supporting citizen legal action	Tax incentives and penalties; ensuring access to information; facilitating understanding on minimum good practice abroad; naming and shaming poor performers; frameworks for voluntary agreements; supporting civil society	Working with multilateral agencies and civil society to build capacity	
Public policy role of business	Reforming political financing; legislation as policy setting for voluntary action; mandatory disclosure of payments to public bodies	Engaging business in public policy processes; clearly defining societal priorities; including CSR elements in other policy areas	Forums for debating public policy proposals	Including business representatives in policy arenas
Corporate governance	Stock exchange regulations and codes; company law	Implementing international principles	Multi-stakeholder code development	
Responsible *investment*	Guidelines for FDI; requirements for government loan guarantees	Facilitating legislation for SRI; guidelines for public investments; linking investment opportunities to SD policy	Public-private partnerships	Endorsing metrics and indicators; supporting civil society initiatives
Philanthropy and community development	Mandating corporate contributions	Tax incentives; "timebank" schemes; league tables to promote peer pressure	Public-private partnerships	Publicizing leading corporate givers
Stakeholder engagement and representation	Licensing requirements for stakeholder consultation	Supporting civil society engagement; defending key stakeholder interests in key forums	Facilitating dialogue and multi-stakeholder processes	Association with particular multi-stakeholder processes
Pro-CSR *production and consumption*	Pollution taxes; command and control legislation driving pro-CSR innovation	Pro-CSR export initiatives; capacity building; business advisory services; enterprise development; public procurement; voluntary CSR labels; education and awareness raising; support for civil society action; tax incentives	Joint government-industry investment in capacity; developing sectoral guidelines	Public procurement; pro-CSR management in public sector bodies; labeling schemes
Pro-CSR certification, *"beyond compliance" standards* and management systems	Mandatory environmental management systems	Information and capacity building; supporting business-to-business partnering / mentoring; public procurement; tax and regulatory incentives; supporting supply chain initiatives and voluntary certification	Engaging in standards-setting processes	Endorsing specific standards systems and approaches; public procurement and public sector practices
Pro-CSR *reporting and transparency*	Mandatory reporting	Guidelines for voluntary reporting; informal incentives	Engaging in multi-stakeholder dialogue on guidelines	Supporting instruments for peer pressure; commending reporters
Multilateral processes, guidelines and conventions	Implementing guidelines through legislation	Capacity building and technical support	Negotiating agreements; shared monitoring	Endorsing guidelines

Appendix-5: Drivers and Constraints for Government intervention in CSR

(Source:Fox, Ward and Howard, 2002)

Driver	**Key constraints**
International policy processes • Intergovernmental frameworks • Regional intergovernmental cooperation • Application of multilaterally agreed guidelines (for example, OECD Guideliness)	• Lack of public sector capacity to engage in negotiation and implementation • Lack of take-up of CSR issues in regional processes • Lack of engagement with processes and guidelines (for example, OECD Guidelines National Contact Points)
Trade and Investment promotion • New pro-CSR export market opportunities • CSR-related requirements being introduced in existing export markets • The need to attract and retain domestic and foreign direct investment	• Lack of awareness of "green" or "ethical" market opportunities in export markets • Lack of capacity to equip domestic industry to meet CSR-related export requirements • Lack of capacity to engage in key standards-setting processes • Lack of understanding on the link between public sector interventions on CSR and economic competitiveness
Maintaining minimum standards • Demand from business and civil society for a level playing field of social and environmental standards that allows the market to reward leaders • Weak enforcement through traditional activities	• Lack of capacity to maintain and enforce minimum standards • Perception that corporate social responsibility is about voluntary business action, not public sector action • Weaknesses in the institutions of civil society that are necessary for cooperative management approaches to be effective
Partnership and civil society demands • Demonstrations of the potential value of partnerships and private sector engagement to address complex social and environmental issues • Domestic civil society pressure to improve environmental and/or social standards (for example, from workforce)	• Lack of financial or human resources to participate in partnerships • Weak institutions of civil society (for example, trade associations, NGOs, trade unions, community based organizations) • Weak organized labor
Consumer demand for sustainable goods and services	• Lack of domestic consumer demand

Appendix-6: Share prices of PSEs for the past one year

(Source: rediffmoneywiz. http://money.rediff.com/)

1. Gujarat Alkalies and Chemical Ltd. Share prices in Rs from June 2008 to May 2009.

2. Gujarat State Fertilizer Corporation. Share prices in Rs. From June 2008 to May 2009

3. Gujarat Mineral Development Corporation. Share prices in Rs from June 2008 to May 2009.

4. Gujarat Narmada Fertilizer Corporation. Share prices in Rs from June 2008 to May 2009.

5. Gujarat Industries Power Company Ltd. Share prices in Rs from June 2008 to May 2009.

6. Gujarat State Petronet Ltd. Share prices in Rs from June 2008 to May 2009.