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ESDN Quarterly Report June 2008

Public policies on CSR in EU Member States: Overview of government initiatives and selected cases on Awareness Raising for CSR, Sustainable Public Procurement and Socially Responsible Investment

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Corporate Social Responsibility (CSR) is 'a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis' (European Commission, 2001). Since the European Commission has published a Green Book on the topic in 2001 and a Communication in 2002, CSR has gained significant importance across Europe, also as a new field of public policies. This report describes how EU Member States aim to facilitate CSR by raising awareness, by advancing Sustainable Public Procurement, and by fostering Socially Responsible Investment. It provides a systematic description of CSR policies in Europe.

This report is based on a 2-year research project on CSR policies in the EU that was terminated in March 2008. It was commissioned by DG Employment, Social Affairs and Equal Opportunities, and conducted by RIMAS, the Institute that operates the ESDN Office. This, the report summarises findings of extensive empirical research, and it draws evidence-based conclusions. Since each of the three studies summarised here is longer than this report, we had to focus on some key findings. The three final reports as well as several PowerPoint presentations delivered to the EU High-Level Group for CSR can be downloaded from the project website at www.sustainability.eu/csr-policies.

Acknowledgements

We thank Robert Strauss and Genevieve Besse from DG Employment, Social Affairs and Equal Opportunities (Unit D/2) for commissioning the project "Analysis of national policies on CSR, In support of a structured exchange of information on national CSR policies and initiatives" (Tender No VT/2005/063), and for the opportunity to disseminate the findings in this ESDN Quarterly Report and at the ESDN Conference 2008 in Paris.

Content

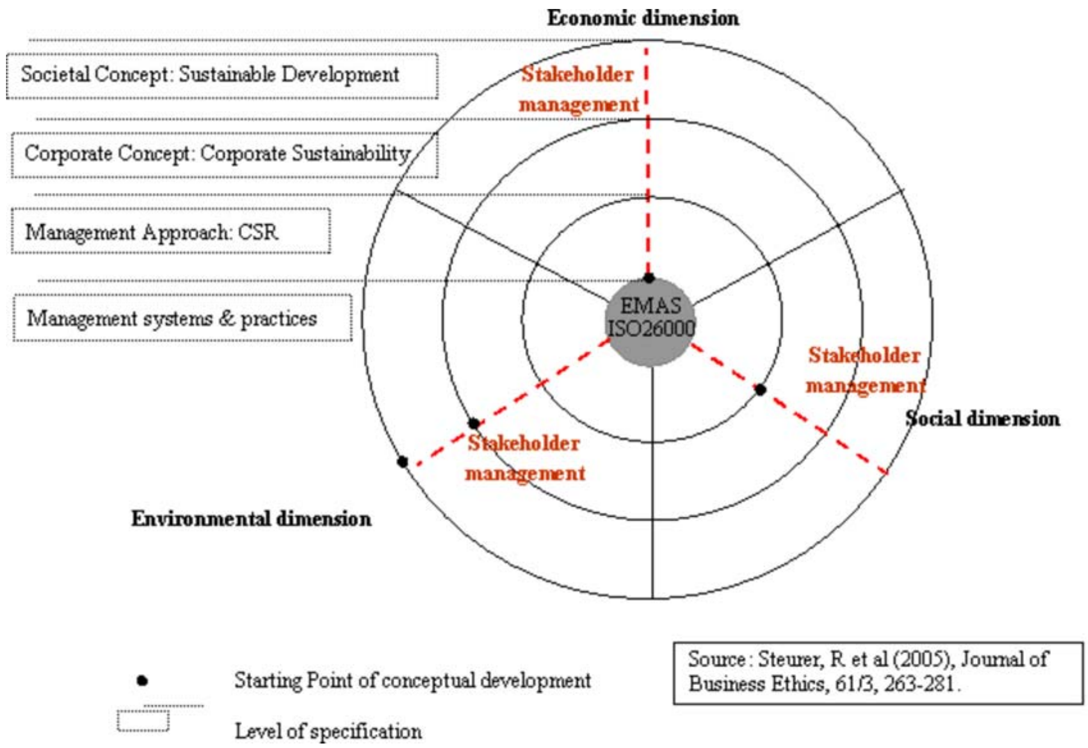
Introducing public policies on CSR

The main idea of Corporate Social Responsibility (CSR) can be captured with the triple bottom line principle, saying that businesses (ought to) serve not only economic, but also social and environmental ends (Elkington 1994). This implies that businesses are not only responsible to their shareholders (or owners), but to a broad variety of stakeholders they depend upon and interact with, including their employees, customers, suppliers, governments, NGOs and the public. According to Post et al (2002, 19), "The stakeholders in a corporation are the individuals and constituencies that contribute, either voluntarily or involuntarily, to its wealth-creating capacity and activities, and that are therefore its potential beneficiaries and/or risk bearers".

On a first glance, the so-called stakeholder view of the corporation (Post et al 2002) seems to stand in stark contrast with the neo-classical shareholder view of businesses, asserting, the only business of business is business (Friedman 1970), or less repetitive, that a firm's only responsibility is to do business and make a profit. The discourse along these lines has been extensive in recent decades, with the effect that the stakeholder perspective of businesses, and with it the concept of CSR, became increasingly popular. This development is not only due to normative or ethical reasoning about the purpose of doing business. It is rather based on instrumental grounds, suggesting that there is a so-called "business case for CSR", i.e. that CSR also makes business sense.

What does CSR have to do with sustainable development (SD)? Generally speaking, CSR can be regarded as a voluntary "business contribution to Sustainable Development" (European Commission 2002). Reproduced from Steurer et al (2005), Figure 1 illustrates how the management approach of CSR is linked with the broader societal guiding model of SD, and how stakeholder relations management reaches out from the core of management systems and practices to the wider society (see also Moon 2007).

Figure 1: Sustainable Development, Corporate Sustainability and CSR



CSR and the role of governments

Before we address public policies on CSR across Europe in detail, let's explore why governments care about CSR, given that the concept is widely regarded as a voluntary business or management approach? This question can be answered with at least five explanations:

- Since CSR is concerned with managing business relations with a broad variety of stakeholders, the concept obviously reshapes not only management routines, but also the roles and relations of all three societal domains, i.e. businesses, governments and civil society. Consequently, CSR is not only a management approach that can be left to the discretion of managers, but it is also a highly political concept that entails societal conflicts as well as a considerable scope for new government activities.
- The widely shared view that CSR is voluntary does not contradict the fact that respective activities are often a response to stakeholder pressure; it emphasises that CSR practices are not required by law but go beyond legal standards. Thus, governments inevitably define CSR negatively with regulations, and they want to define it also positively with softer, non-binding policy instruments.
- These CSR policies coincide with a broader transition of public governance altogether, away from command and control towards more network-like and partnering arrangements. In this respect, CSR policies can be seen as a key component of a broader transition to new governance forms that is observed in several policy fields.
- In addition, governments care about CSR because respective business activities can help to meet public policy goals of sustainable development without making use of often unpopular (or even politically infeasible) regulations.
- In this context, some authors emphasise that CSR and respective public policies can help to compensate for the failure of governments to achieve public policy goals or solve problems with regulations. Some scholars argue that in the contemporary neo-liberal age, relationships between corporations and societal groups are less likely to be the subject of state interventionism than they were in the Keynesian age, which ended in the late 1970s. A decrease of state interventionism "might open up the possibilities for more 'responsible' forms of interaction between stakeholder groupings, devolved to enterprise level" (Mellahi & Wood 2003, 190f; see also Rondinelli & Berry 2000, 74; Banerjee 2002, 8).

Consequently, many European governments have assumed an increasingly active role in promoting and shaping CSR in recent years, turning single government initiatives on CSR into a new policy field. Characterising it systematically by exploring some key themes and instruments of public policies on CSR is the key purpose of this report.

Themes of public policies on CSR

As mentioned above, this report characterises public policies on CSR by describing the policy instruments Member State governments employ in the context of particular CSR policy themes. By doing so, we follow a simple and systematic approach that distinguishes between themes and instruments. Other attempts to characterise public policies on CSR, such as the "CSR Navigator" published by Bertelsmann Stiftung and GTZ (2007, see in particular pp 208-214), do not always keep themes and instruments systematically apart and consequently provide confusing rather than clarifying accounts of the relatively new policy field.

The activities of governments in the context of CSR are manifold, not only with respect to policy instruments (see below), but also regarding the themes addressed. Based on a systematic analysis of several, often-unsystematic stocktaking efforts of CSR policy making, we have derived a list of five major CSR policy themes that help to characterise the policy field regarding contents. The analysis was guided by two rules. First, (contents) themes and (procedural) instruments have to be kept apart. Secondly, the aim was to discriminate as few themes as possible (to keep the typology lucid) and as many as necessary (to allow for adequate differentiation). By following these two rules, the following five CSR policy themes were identified:

- Raise awareness and build capacities for CSR among companies and stakeholders;
- Foster philanthropy and charity;
- Foster disclosure and transparency on economic, social and environmental issues of business activities;
- Foster Socially Responsible Investment (SRI), that is investment practices taking social, environmental and/or other ethical criteria (such as the exclusion of companies producing tobacco, alcohol or weaponry) into account;
- Lead by example (or "walk the talk"), in particular by
  - Making public procurement more sustainable;
  - Applying SRI principles to government funds;
  - Adopting CSR management systems (like EMAS) and audits in government institutions, and
  - Reporting on the SD performance of government bodies.

In addition to these five CSR policy themes, some governments also coordinate CSR policies across themes, for example by appointing a government body responsible for CSR (such as a Minister in the UK), and/or by adopting CSR policy strategies and action plans. Moreover, it is to note that traditional economic, social, environmental or sustainable development policies can also facilitate or (negatively) define the scope of CSR. However, since CSR is by definition about voluntary business practices, mandating policies should be kept conceptually apart from soft and voluntary CSR policies. This does not imply that the themes above are improper for mandatory laws and regulations, quite on the contrary. It means that laws that are both mandating and enforced should be regarded as traditional (social or environmental) policies that curtail the scope of the softer CSR policy field, not the other way round.

Policy instruments in the context of CSR

Traditional typologies of policy instruments cover informational, financial and mandating instruments, metaphorically also referred to as "sermons", "carrots" and "sticks" (Jordan et al 2003). According to Fox, Ward and Howard (2002), governments that address CSR or any of the themes mentioned above make use of the three conventional instrument types, plus a relatively new one that emphasises networks and partnerships. They show that in the context of CSR, governments make use of

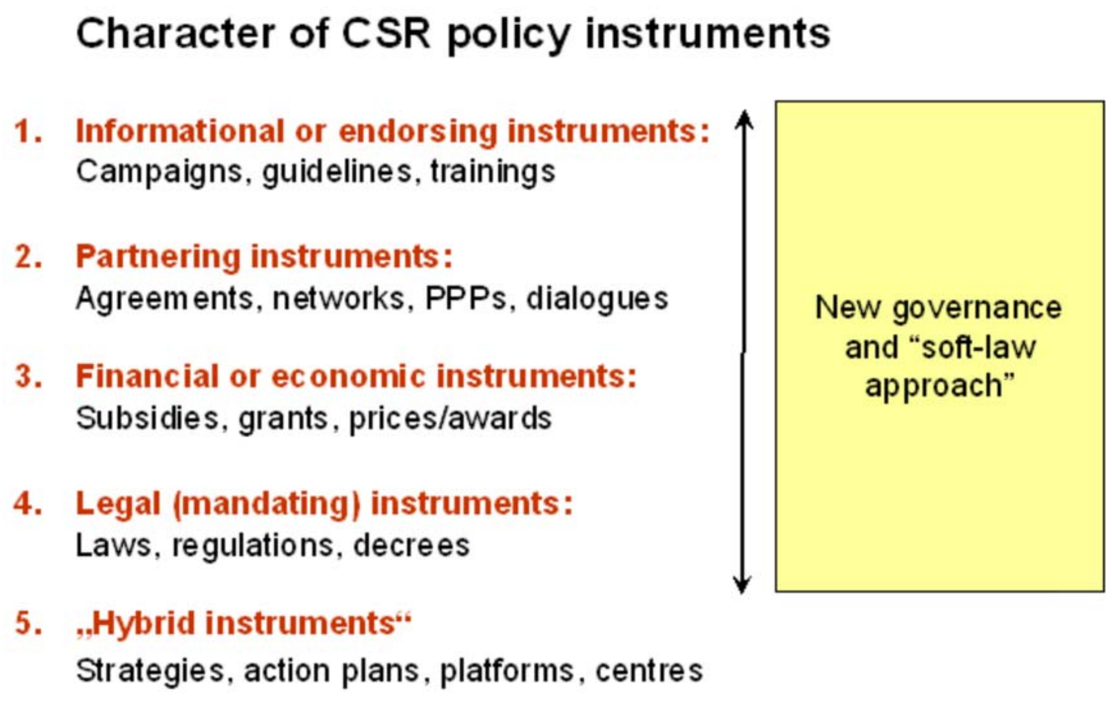
- Soft legal (rarely mandating) instruments, such as regulations, directives, laws, and decrees;
- Financial or economic instruments, such as taxes, tax abatements, subsidies and awards;
- Informational or endorsing instruments, such as websites, brochures, campaigns, guidelines, trainings, conferences or labels, and
- Partnering instruments, such as networks with other government bodies, public-private-partnerships (PPP), voluntary agreements, dialogues and stakeholder fora;

In the first study on CSR awareness raising initiatives (Berger et al., 2007) we found several initiatives that combined different other instruments, requiring a fifth type:

- Hybrid instruments, i.e. strategies or action plans, platforms or centres for CSR. (for details, see the selected cases on CSR awareness raising below)

Although legal instruments usually have mandating character, in the context of CSR policies they most often don't ("soft-law approach") because of the voluntary character of CSR. If legal CSR instruments go beyond recommendations and do have a mandating character, they either do not apply to all (businesses, for example, don't have to obey laws and regulations on sustainable public procurement because they can avoid public tenders), or law enforcement is weak, if not non-existent (see, for example, the law against anti-personnel mines and cluster munitions in Belgium below). If economic instruments are employed in the context of CSR, they are not concerned with taxes or tax breaks (the most powerful instruments of this type), but rather with granting subsidies and awards (many of the latter unfolding economic incentives only if they are prestigious).

Figure 2: CSR policy instruments



The remainder of this report shows how EU Member States use the different instruments for raising awareness for CSR, making public procurement more sustainable, and fostering Socially Responsible Investments.

Empirical research behind this report: project and method

This report is based on a tripartite study on CSR Polices in EU Member States commissioned by the DG Employment and Social Affairs (Tender No VT/2005/063). The project was conducted by RIMAS (the Research Institute for Managing Sustainability that operates the ESDN Office) between March 2006 and March 2008. The aim of the study was to support a structured exchange among the members of the EU High Level Group on CSR. The HLG consists of EU Member State representatives who meet on a regular basis to exchange information on CSR-related policies.

According to a decision taken at the meeting of the EU HLG on CSR, the three empirical studies explored

- CSR Awareness Raising initiatives (conducted between August and October 2006);
- Sustainable Public Procurement (SPP) (conducted in March and April 2007) and
- Socially Responsible Investment (SRI) (conducted between November 2007 and January 2008)

The following parts of the report are based on these three empirical analyses. All deliverables of the project can be accessed online at www.sustainability.eu/csr-policies.

Public policies on the three topics were analysed by using a *three-step policy analysis format* that is also reflected in the structure of the reports on CSR Awareness Raising and Sustainable Public Procurement:

In the *first step* a systematic review of the existing literature was conducted. Based on this review, a telephone survey among public administrators from the EU Member States dealing with the topic in question was conducted. Some of the surveyed experts also provided additional written information via email. The *key objectives of the surveys* were to

- Amend the information given in the Compendium
- Characterise different policy instruments and approaches used in the Member States,
- Derive a typology of different policy approaches,
- Identify interesting or good practice cases and to
- Get a first idea about success factors and challenges.

Based on the survey results and in co-operation with the European Commission, three interesting or good practices on Awareness Raising and Sustainable Public Procurement from different Member States were chosen and analysed in more depth in a *second step*. Here, relevant policy documents were analysed and further telephone interviews with the responsible administrators and with key stakeholders of the initiative were conducted. The *key objectives of documenting selected practices* were to

- Facilitate an in-depth discussion of different approaches,
- Facilitate the discussion on policy transfer and coherence among Member States, and to
- Highlight relevant obstacles, drivers and success factors.

In a *third step*, the survey and the case studies results were synthesized. The *key objectives* of the **synthesis** were to

- Derive conclusions;
- Facilitate an in-depth discussion by the CSR HLG and to
- Lay down the path to subsequent in-depth analyses and assessments.

This three-step study design provides both a general overview on governmental initiatives on CSR in the EU Member States, and in-depth information on selected cases and initiatives. In the third study on Socially Responsible Investment (SRI) we had to go a slightly different way. As government initiatives on SRI were found to be comparatively scarce (only 14 initiatives were found for the 27 EU Member States), we have documented all initiatives in brief instead of conducting in-depth case studies.

Overall, the studies provide a good but certainly not complete picture on CSR policies in the EU Member States. One limitation we faced was that it was not possible to survey all Member States; another is that the surveys reflect the (sometimes incomplete) knowledge of the persons interviewed. Furthermore, the surveys focused only on initiatives that were initiated by national governmental bodies.

Raising awareness for CSR

CSR implies that businesses exceed social and environmental minimum standards on a voluntary basis. Consequently, the CSR performance of companies depends essentially on how important social and environmental CSR issues are perceived by companies themselves on the one hand, and by their stakeholders (such as investors, employees, consumers and Civil Society Organisations, etc.) on the other. If companies and stakeholders are unaware of how businesses can contribute to sustainable development by incorporating environmental protection, social responsibility and consumer interests into daily management routines, CSR will remain a phrase (European Commission, 2002). For this reason, raising awareness for CSR among both businesses and their stakeholders is a key task for governments as far as they assume that CSR is a promising complementary approach in achieving societal objectives. However, since CSR is relatively new for most EU Member States (with the exceptions of the UK and Denmark), raising awareness for CSR also helps to enhance a common understanding of what CSR is about across the EU.

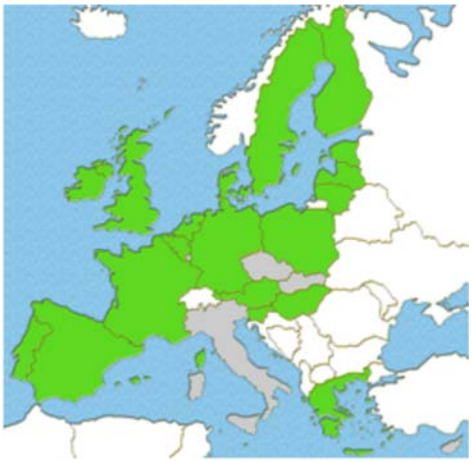
This section documents government initiatives at the national level that aim to raise awareness for CSR in EU Member States. As outlined above, it consists of the following three analytical steps:

- Overview of 85 CSR awareness raising activities in the EU-27
- An illustration of different types of instruments
- Conclusions on CSR awareness raising

Overview of 85 CSR awareness raising activities in the EU-27

The survey of governmental CSR awareness raising initiatives was based on telephone interviews with public administrators that are experts on the topic. In total 24 interviews have been conducted with public administrators from 20 EU Member States between August and October 2006. Five countries (Luxemburg, Czech Republic, Cyprus, Italy and Slovakia) were not included in the survey for various reasons. Figure 3 shows the EU Member States that were covered by the survey (in green) and the ones that are not included (in grey).

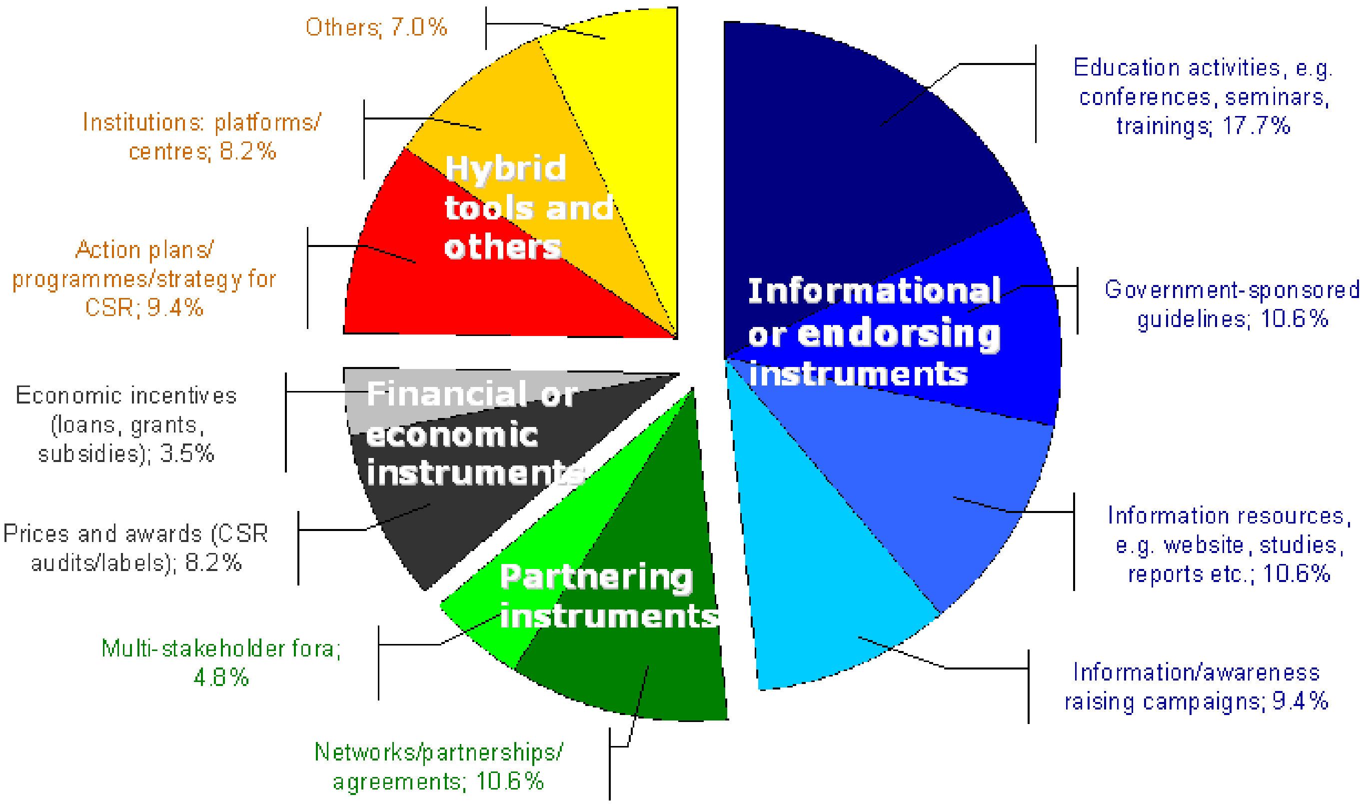
Figure 3: EU Member States covered in the survey (green: covered; grey: not covered)



In total, the interview partners mentioned 85 CSR awareness raising initiatives. On average, each surveyed country has 4.3 CSR awareness raising initiatives in place. However, the number of initiatives ranges from zero (Poland and Estonia) to nine (Spain and Ireland).

If we take a closer look at the types of the 85 initiatives on CSR awareness raising, it is apparent that most of them are informational instruments (48.3 percent), followed by hybrid tools or others combining, for example, informational and partnering instruments (25 percent). About 15 percent fall into the categories of partnering and financial/economic instruments. Legal instruments are not employed in the context of awareness raising. Figure 4 provides a graphical illustration of the shares of the different instrument categories.

Figure 4: CSR awareness raising initiatives grouped along the different public policy instruments



Selected CSR awareness raising initiatives

To make it more concrete what Member State governments do to raise the awareness for CSR, this section describes selected initiatives for all types of instruments found.

Hybrid instruments:

Knowledge and Information Centre on CSR in the Netherlands: www.mvonederland.nl

In 2000, the Social and Economic Council (SER), the main advisory body to the Dutch Government and Parliament on social and economic policies, advised the government to set up an independent centre for CSR. Three issues were considered important:

- The need to centralise the then emerging governmental CSR initiatives and to further develop CSR in the Netherlands;
- To establish an independent institution for CSR awareness raising that is not directly linked to the government or the business community;
- To foster collaboration between the different stakeholder groups on CSR issues.

In 2001, the Dutch government decided to set up the independent "Knowledge and Information Centre on CSR". It aims to disseminate knowledge on CSR to companies (in particular SMEs) and to encourage companies in implementing CSR. Due to political and legal reasons, the centre started to operate in April 2004. The Centre is managed by an organisation called CSR Netherlands (MVO Nederland), consisting of a director and 15 staff members (12 full-time equivalents). It is independent from the government, businesses as well as stakeholder groups.

The funding for the Centre was € 1 Mio in the first year (2004). For the period 2005-08, the total budget of the Centre is € 4.9 Mio, provided by the Ministry for Economic Affairs. If the Centre undertakes projects for other ministries or stakeholder groups, it allocates additional funding from these sources. From 2008 onwards, it has not yet been decided how the Centre will be financed. However, as a formal requirement for the budget provided by the government, the Centre must develop an annual work plan, which is then presented to the Ministry.

The activities of the Centre are organised around the following programme lines:

- To collaborate with existing regional and sectoral institutions for the private sector (e.g. chambers of commerce or sector trade organisations) in order to create synergies with their (communication) activities;
- To address the practical needs of companies and to offer demand-driven, tailor-made approaches and solutions;
- To promote CSR activities with an international scope with a focus on international trade relations of companies and international supply chain management;
- To disseminate information about specific CSR topics, like transparency, CSR and marketing, human resource management, etc. (for details, see the Centre's website at www.mvonederland.nl).

Along these programme lines, various activities are undertaken by the Centre. It, for example, organizes conferences on CSR, publishes reports about the situation of CSR in the Netherlands, and it contributed to the toolkit "CSR in emerging markets", which offers practical advice to Dutch companies operating in China, Brazil, South Africa, Russia or Indonesia.

The Centre was set up as a multi-stakeholder initiative with the aim to link the different parties and their various interests. Although the main target groups of the Centre are SMEs, the Centre also collaborates with business associations, chambers of commerce, trade unions, consultancies, NGOs, as well as regional and local communities. Currently, about 275 organisations are partners of the Centre. Among them are 20 major companies, 75 SMEs, approximately 60 CSR consultancies, 25 trade organisations, 20 NGOs, a few government bodies and other stakeholder groups. On the one hand, these partners of the centre receive up-to-date information on CSR. On the other hand, they are willing to share knowledge and experience on CSR with the Centre, for example through workshops.

Overall, the factors that contributed to the success of the Centre can be summarised as follows:

- It helped to centralise and coordinate the various activities on CSR in the Netherlands and to have a structured flow of information on CSR with companies.
- The Centre's collaboration with trade organisations and chambers of commerce made it easier to approach SMEs.
- Providing tailor-made, practical and understandable information on CSR in a sector-specific way is key to communicate the business-case of CSR.

Among the challenges the Centre is facing currently is the concern about continued funding after the current budget provision from the Ministry of Economic Affairs will end with 2008. Furthermore, the lack of resources (personnel, budget) is increasingly difficult to match with the increasing demands the Centre faces. In addition to that it is challenging to combine CSR awareness raising for average companies (that need basic help and information) with providing valuable help to front-runners (that need more specific and in-depth support).

People & Profit in Denmark: http://www.eogs.dk/sw26505.asp

The project "People & Profit" (P&P) was operational from 2005 to December 2007. The main objective of the project was to enhance the competitiveness of Danish companies, mainly SMEs, by providing knowledge, training and practical tools on how to integrate CSR strategically into their business activities. Although P&P was a 'coordinating initiative' which involves several activities and actors, raising awareness on CSR among SMEs was one of its key purposes. Thus, the programme was comprised of the following activities:

- *Research,* carried out by independent research organizations, aimed to provide an overview of international and

national CSR activities and to generate knowledge about the link between CSR and practical business activities in SMEs. Examples are studies mapping CSR activities among Danish SMEs and identifying CSR activities with potential economic or competitive value (in April 2008, a voluminous "practical guide to CSR" has been published, it can be downloaded here);
- *Trainings*, P&P set out to train 12,000 managers, employees and CSR teachers from vocational schools on how to integrate CSR more strategically into business activities;
- *Dissemination/awareness raising,* including widespread dissemination of P&P research throughout the country, mainly through SME networks, SME in-house training, event strategies, vocational schools, the reference group and regional channels.

P&P was managed by the Danish Commerce and Companies Agency (DCCA), which is part of and responsible to the Ministry of Economic and Business Affairs. DCCA is also responsible for the registration of Danish businesses and administers legislation that regulates businesses. On average, DCCA manages 30-40 projects, one of which is P&P. The total budget of the project was € 2.5 Mio, provided by the European Social Fund (ESF) and the Danish National Labour Market Authority Fund (50:50 match-funding). P&P involved four full-time employees, one half-time employee and one special advisor. Furthermore, the DCCA provided funding for the National Research Panel on CSR and SMEs, a group of 15 researchers from different Danish universities, responsible for discussing the results of P&P research and to give advice to the project management.

Among the success factors of the initiative were an increased attention in SMEs regarding how to strategically integrate CSR into their business development. This success was particularly due to the media coverage and the large number of SMEs approached. Another point was the successful anchoring of P&P in the regional and local network of existing business organisations. Moreover, the development of practical CSR management tools used by SMEs, together with the ability to identify growth potentials for Danish SMEs through CSR were highlighted as other success factors of P&P.

Concerning problems and challenges faced by P&P, it was difficult to recruit company managers for CSR trainings because of their lack of time. Consequently, the project managers had to admit that the target of training 12,000 managers and employees was very ambitious.

Partnering instruments:

Globalt Ansvar in Sweden: http://www.regeringen.se/sb/d/2657

Several years ago, there was concern in Sweden about several trends of globalisation and the coherence between trade policy, aid policy and foreign policy. This concern fostered an investigation into these issues by the Swedish Parliament called "Our Common Responsibility". One conclusion of this investigation was that it is necessary to include the private sector, especially Swedish multi-national companies, into strategies for greater social responsibility in a global context. Consequently, "Globalt Ansvar", the Swedish Partnership for Global Responsibility, was launched in March 2002 by four ministries (foreign affairs, trade, development cooperation and environment) in order to foster CSR in a global context.

Globalt Ansvar is managed by a team of five staff members from the International Trade Policy Department of the Ministry of Foreign Affairs. The secretariat of Globalt Ansvar works closely with other ministries and has established a network on CSR issues in the Government Office. The operational budget of the partnership is of about € 88,000 (SEK 800,000), not including personnel and office costs, which are covered by the general budget of the Ministry of Foreign Affairs. The budget is negotiated on a yearly basis.

The homepage of Globalt Ansvar (http://www.regeringen.se/sb/d/2657) provides information for target groups and stakeholders (in Swedish). Some background material is also available in English.

The main goals of Globalt Ansvar are threefold:

- Swedish companies should be made familiar with the OECD Guidelines and the UN Global Compact;
- Swedish companies should be won as ambassadors of human rights, decent labour conditions, environmental protection and anti-corruption security.
- The inclusion of CSR in business activities should enhance the competitiveness of Swedish industry.

Globalt Ansvar undertakes several key programmes and activities aiming to provide Swedish companies (mainly MNCs) with information about CSR:

- *Seminars and workshops* on various CSR issues are co-organised together with companies, academic institutions or UN organisations. So called "open seminars" usually attract between 100-130 participants from companies, academics, journalists and NGOs. In addition, Globalt Ansvar organises customized, "closed workshops" for selected company executives only.
- *Training and education:* in cooperation with Swedish embassies inter-governmental training sessions for (new) diplomatic personnel are being organized as well as bi-lateral development co-operations and trade promotion programmes with China, South Africa and Vietnam.

- *Awareness raising* comprises several activities as seminars, workshops and trainings described above, it is being fostered throughout the partnership's website and also plays a role in the bi-lateral collaborations through the Swedish embassies.

Companies can join the Globalt Ansvar partnership by expressing their will to adhere to the OECD Guidelines and the UN Global Compact, and by committing to describe an example of their work on CSR. The company names are displayed prominently on the partnership's website. Currently, 18 Swedish companies are members of the Partnership for Global Responsibility. Many large companies and an increasing number of SMEs who do not belong to the partnership but have signed the Global Compact also consult the Globalt Ansvar office with questions on importing from different parts of the world and show concern for supply chain issues.

Although the main target group of Globalt Ansvar are companies, other stakeholders, such as business associations, trade unions and NGOs, are also involved in various activities of the partnership. Additionally, the partnership has established a research platform in which it cooperates with universities on research and curriculum development.

According to the interviewees, the partnership's success is achieved by a 'non-discriminatory' approach, meaning that it not only works with companies that have signed up to Globalt Ansvar, but also with other companies (including SMEs) that are interested in CSR issues. Furthermore, Globalt Ansvar benefits from possessing a common view on CSR with the Swedish Government. It acts as the national focal point for CSR and, therefore, attracts all related issues. In addition, approaching important topics with different formats (open seminars and closed workshops) guarantees both, broad discussion and information distribution on the one hand, and in-depth and confidential discussions on sensitive issues on the other.

Regarding challenges it is to mention that the Globalt Ansvar faces a rather low number of signatories to the partnership and weaknesses regarding monitoring CSR activities, which are particularly important with regard to implementing international standards.

Informational and endorsing instruments:

The three initiatives summarised above are based on three case studies documented in the CSR Awareness Raising Report in detail (for more information click here) To complete the picture of CSR Awareness Raising initiatives, we briefly illustrate two more types of instruments with examples that were not covered by case studies.

Guidelines for SMEs in Austria: http://www.respact.at/content/site/projekte/kmu/article/2182.html

In 2006, the Austrian Ministry of Economics and Labour, the Austrian Chamber of Commerce and respACT Austria (the Austrian platform for CSR) have developed 11 sector-specific guidelines for SMEs, e.g. for the wood-production or the tourism industry. The guidelines have been distributed among a target group of 120,000 companies during 2007. The total funding for this initiative was approx. € 100,000.

Financial or economic instruments:

Export credits in Sweden

Swedish companies are confronted with CSR when they want to export or invest abroad. Export credits and state guarantees for foreign investments are provided only if companies sign an anti-corruption agreement. By linking foreign investments to CSR, the government raises awareness for CSR among companies usually hard to reach.

Conclusions on CSR awareness raising initiatives

By synthesising the findings of the survey and the case studies, the following conclusions can be drawn:

CSR instruments applied
Policy makers can choose from a broad spectrum of CSR policy instruments (from informational to legal instruments). Although most interviewees agreed that CSR awareness raising is an important political task, and that a mix of instruments should be applied, some emphasised that CSR policy making is more than this. Therefore it can be concluded that awareness raising is an important, but overall rather soft CSR policy approach.

The role of small and medium sized enterprises (SMEs)
On the one hand, the interview partners considered SMEs as the most important target group of CSR awareness raising initiatives. On the other hand, the survey showed that only 12.4 percent of the 85 awareness raising initiatives specifically address SMEs, whereas 40.3 percent are aimed at companies of all sizes. Thus, we conclude that the target groups of the surveyed CSR policy initiatives do not match with the general prioritisation of target groups. Future CSR awareness raising initiatives should focus on SMEs to correct this mismatch.

Lack of cooperation with the media
Although the media is regarded as an important target group for CSR awareness raising in general terms, only very few initiatives (such as the Austrian CSR guideline initiative for SMEs and the Danish programme "People & Profit") target it explicitly. We conclude that awareness raising initiatives would be more effective if they cooperated more closely with a broad variety of media channels, including business-specific magazines or newsletters of chambers of commerce, as well as trade and labour unions.

Success factors
The success factors for effective CSR awareness raising initiatives mentioned were diverse, and the most prominent ones are the following two:

- CSR initiatives should focus on the specific needs of companies of different sizes from different sectors;
- New platforms or centres for CSR should cooperate closely with existing institutions and structures (such as chambers of commerce or regional trade unions).

Obstacles
The obstacle stated most often is, not surprisingly, resource constraints in governments and businesses. This obstacle can have serious implications because it interferes negatively with one of the success factors identified above, i.e. the need to offer tailor-made resources for different companies, which is often a time-consuming exercise.

Sustainable Public Procurement (SPP)

Public procurement is an important area of the European economy. In the EU, spending on public procurement amounted to about 16 per cent of the gross domestic product (GDP) of the Member States, or €1,500 billion in 2002. This sum equals the GDP of several smaller EU Member States, or half the GDP of Germany (European Commission, 2004). Therefore, the purchasing power of public institutions can have significant impacts on the market.

For a long time, public procurement had to be economical and efficient only. Due to the growing acceptance of SD as an overarching guiding model, environmental and social aspects have become increasingly important, also for public procurement. The UK's Sustainable Procurement Task Force (2006), for example, defines SPP as "a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits, not only to the procuring organisation, but also to society and the economy, whilst minimising damage to the environment". If both social and environmental aspects are taken into account, one can speak of SPP. If only environmental aspects are taken into account, one can speak of Green Public Procurement (GPP), and it can be regarded as a contribution to SPP.

The rationale behind Sustainable Public Procurement (SPP) is not only that governments can use their purchasing power as an economic incentive for SD in general, and for Sustainable Consumption and Production (SCP) as well as CSR in particular. In addition, SPP gives them the opportunity to "walk the talk", or to "lead by example" in achieving SD and sustainable consumption.

Both SPP and SCP are increasingly taken into account in the EU policy and legal framework. References to SPP/GPP can be found in the Presidency Conclusions of the European Council of March 2006, in the renewed EU SD Strategy, and in two EU Directives on public procurement, i.e. Directive 2004/18 (the so-called "procurement directive" addressing contracting authorities) and Directive 2004/17 (the so-called "utilities directive" addressing special sectors of contracting authorities). Although the two directives do not prescribe SPP, they open possibilities to consider social and/or environmental issues at an early stage of the procurement process in transparent ways so that the rules of the European Single Market are not violated (McCrudden, 2007; van Asselt et al, 2006). As will be shown below, both directives have facilitated the renewal of public procurement laws in the Member States in recent years, resulting in a high share of legal instruments in the context of SPP.

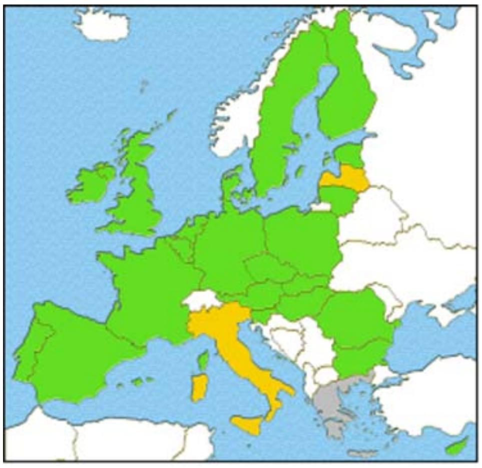
This section on SPP consists of the following three analytical steps:

- An overview of 103 SPP initiatives in the EU-27
- An illustration of different types of instruments
- Conclusions on SPP

Overview of 103 SPP initiatives in the EU Member States

The survey of governmental SPP initiatives was based on telephone interviews. In total 24 interviews have been conducted with public administrators from 24 EU Member States in March and April 2007. By taking into account existing benchmark/overview studies and surveys on SPP/GPP initiatives in Europe, two additional countries were covered (Latvia and Italy). Figure 5 shows the EU Member States that were included in the survey (in green with telephone interviews and in orange with existing studies and surveys), and that Greece was the only country not covered (in grey).

Figure 5: EU Member States covered in the survey
(green: covered with telephone interview; orange: covered with written information; grey: not covered)

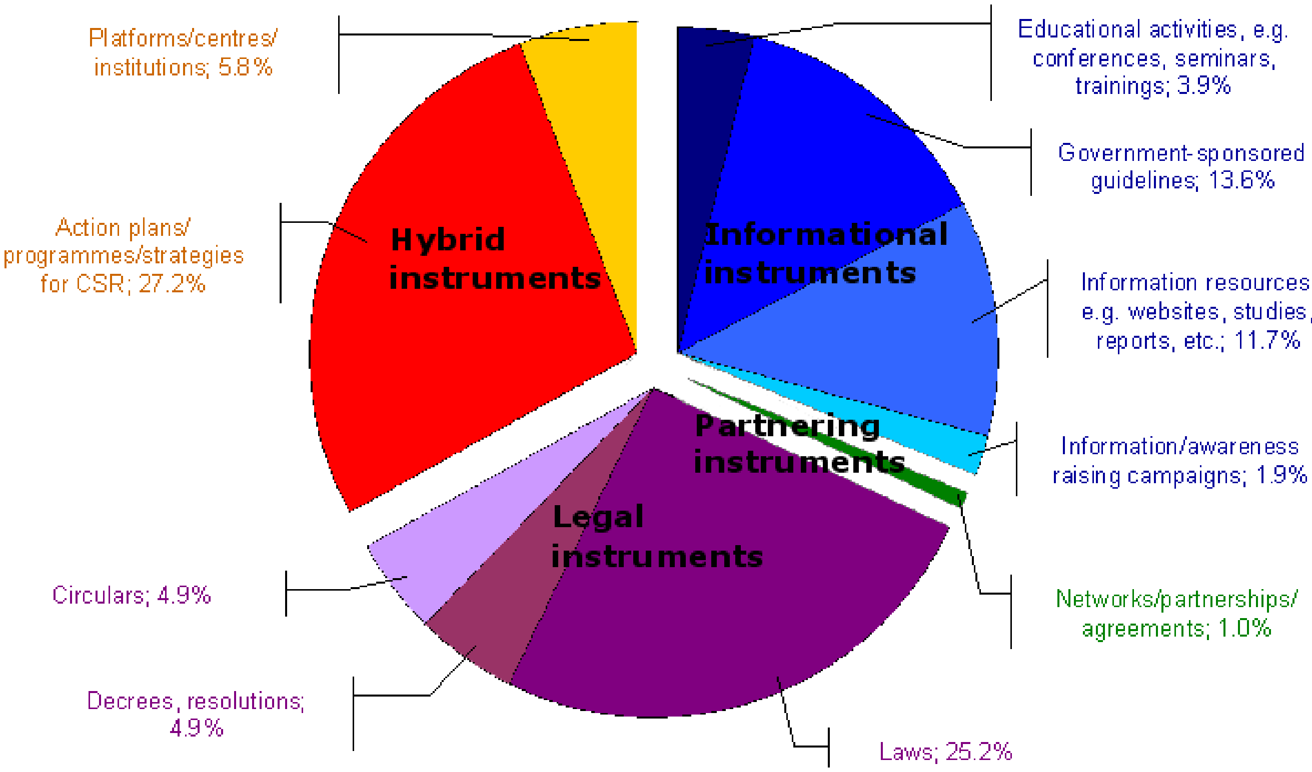


The survey revealed details about 103 governmental SPP initiatives in 26 EU Member States. Therefore, the average number of SPP initiatives per country is 3.96. The number of initiatives is, however, very different across Europe, ranging form one (Latvia, Luxemburg, Portugal, Romania, Slovak Republic and Spain) to nine in the UK.

The 103 initiatives for SPP identified in the survey are mostly legal (35 percent), hybrid (33 percent) and informational instruments (31.1 percent). Partnering and financial/economic instruments hardly exist in this context. However, all SPP initiatives provide economic incentives for CSR in an indirect way.

Figure 6 provides a graphical overview of the instrument categories.

Figure 6: SPP initiatives grouped along the different public policy instruments



Most of the laws we found in the survey are a direct response to the EU Directives 2004/18 and 2004/17, and as the directives they do not prescribe SPP but open possibilities to consider social and/or environmental issues in public procurement (McCrudden, 2007).

Most of the hybrid instruments are national action plans (NAPs) and programmes on SPP. Figure 6 in the final report on

SPP shows that nine Member States have adopted NAPs and seven are currently drafting their NAP, most of them focussing on GPP. The European Commission (2003) encouraged Member States to adopt NAPs on GPP in its Communication on integrated product policy in 2003.

Selected SPP initiatives

To make it more concrete what Member State do with regard to SPP, this section describes selected initiatives for all types of instruments found.

Legal instruments:

The legal framework on SPP in France

In France, more than 50,000 public authorities from all political levels summing up to about 200,000 purchasers are responsible for public procurement. France established a legal framework that aims to guide these actors towards SPP. Like many other EU Member States, France decided to include SPP in general procurement instead of issuing particular SPP laws or decrees. The two major legal texts that include SPP are the Public Procurement Contracts Code ("Code des marches publics" in French) and the Ordinance 2005-649, both of which implement the EU Directives 2004/17 and 2004/18. In addition to that, two circulars are directly linked to SPP.

The PPCC was first issued in 2001 and provides general legal provisions for public procurement in France. Legally, it has the status of a decree, defining the public procurement rules for central state authorities, central administrative bodies and several local authorities. The PPCC was amended twice, in 2004 and in 2006. In 2004, some provisions on environmental and social issues were included. With the last amendment of the PPCC in 2006, SD objectives were included. Regarding social issues, reference is made to the employment of previously unemployed persons by companies awarded with a public contract and also to public procurers reserving parts of the contract to companies that employ disabled persons (Article 15). Regarding environmental issues, the technical specification in the PPCC enables procurers to specify their needs by using eco-labels. EMAS certifications can be used only when selecting suppliers and only in work and service contracts. Moreover, Article 53 states that criteria of "global costs of utilization" can be applied when awarding public contracts.

Another legal text that includes provisions for SPP is the Ordinance 2005-649 that was issued on 9 June 2005. The law complements the PPCC in its goal to offer legal provisions including SD in public procurement processes. It targets public institutions with a commercial purpose that do not fall under the PPCC, such as the French electricity company, French Railways, the Banque de France, and various business associations.

Circulars complement the legal SPP framework in France. Although they have no mandatory character, state administrations are compelled to comply with them. Circulars are used to specify the general provisions laid out in the legal texts and usually include practical advice and recommendations on how to implement them. Currently, two circulars are directly related to SPP, i.e. the *Circular on wood and wood-based products* and the *Circular on energy efficiency*, both from 2005. The latter gives guidance on how to purchase energy efficient vehicles and equipment as well as construct energy efficient public buildings. Additional circulars on food and on the implementation of the National Action Plan on SPP have been developed in 2007.

In the case study we found that the EU procurement directives and the "Charter for the Environment", an annex to the French Constitution from 2005 that requires all ministries to include SD in their policies, were two important driving forces for including SD prominently in the French procurement laws. Regarding success factors, developing guidelines that specify the general legal provisions in terms of practical application was mentioned as important. Furthermore, it was stated that the national level could learn from good SPP practices at the local level. For instance, some municipalities (like the city of Nantes) pay particular attention to employment issues in procurement contracts.

Regarding challenges, the complexity of SD and its application in the context of procurement, the perceived costs of SPP and legal uncertainties were mentioned. Overall, the interviewees stated that fostering SPP crucially depends on training public procurers so that they gain legal certainty and understand the fact that the cheapest product may not always be the best and most durable one.

Hybrid instruments:

Strategies and action plans for SPP in the UK

Public sector purchasing in the UK amounts up to approx. £150 billion per year, or 13 per cent of the country's GDP (DEFRA, 2006). The major impact of the public sector in procurement and its potential contribution to the delivery of SD objectives was recognised in the UK's national SD strategy from 2005, which sets the goal that the UK should be one of the leaders in SPP within the EU by 2009. For achieving this goal, the UK has developed several strategies and action plans, including the “UK Government Sustainable Procurement Action Plan”, the strategy document “Transforming Government Procurement” and SD Action Plans of individual government departments.

The development of the national action plan for SPP benefited essentially from a Sustainable Procurement Task Force that was established in May 2005. It consisted of 33 members with different backgrounds, including supply chain practitioners, suppliers to the public sector, central government departments, local governments, NGOs and trade unions. Their task was to develop a report and provide recommendations to the UK government on how to make public procurement more sustainable.

Based on the report from the Sustainable Procurement Task Force and responding to the European Commission’s communication on integrated production policy, the “UK Government Sustainable Procurement Action Plan” (SPAP) was issued in March 2007. It is an overarching action plan that describes actions to be undertaken collectively by the central government and its departments. The SPAP describes actions in eight key areas: Comprehensive spending review, priorities and future plans, strengthening leadership, budgeting and accounting practices, building capacity, raising standards, market engagement and capturing innovation, scrutiny and reporting. Local authorities and the health sector are expected to publish their responses to the Task Force report in the form of respective action plans.

In January 2007, the strategy document “Transforming Government Procurement” was issued by HM Treasury. It focuses on building capacity and capability among procurement professionals and must be seen in close context of the SPAP. The document comprises two parts: Part one on ‘setting the scene’ offers an overview of general public procurement and the challenges to include SD as well as mapping out new structures for the Office of Government Commerce (OGC). Part two outlines the transformation in procurement that will consistently deliver high quality public services at good value for money.

The UK’s national SD strategy also includes the commitment that each government department has to draw up its own departmental SD action plan. These action plans specify what individual departments will do to deliver the national SD strategy, including efforts for SPP.

Three main success factors were identified in developing the SPAP, namely

- The involvement of stakeholders (including businesses) through consultations and a cross-departmental board;
- The strong sense of ‘learning from experience’ by listening to what businesses can or cannot achieve; and
- The political commitment to make SPP a government priority.

Regarding challenges of implementing the strategies and action plans, uncertainties about costs and benefits of SPP were mentioned. In addition, several financial barriers hindering SPP had been identified by the Task Force, in particular short-term budgeting and insufficient facilitation of the transfer of benefits and savings between departments.

Informational instruments:

Guidelines on GPP/SPP in Austria

Informational instruments, such as guidelines, are regarded to be key instruments for the implementation of SPP and GPP. In Austria, three main guidelines on GPP, namely the General Government Guidelines on GPP, the criteria catalogue “Check it” and “Greening Events” have been developed in recent years. They all aim to inform procurers about GPP. The guidelines can be understood as a device for implementing the latest amendment of Austrian Public Procurement Law of 2006, which was a response to the EU directives 2004/17 and 2004/18.

The General Government Guidelines on GPP inform public authorities on environmental issues in public procurement. The first version was developed in 1998, following the OECD recommendations on “improving the environmental performance of government”. Due to developments at the international and national levels, the General Guidelines were updated and revised in 2004. The guidelines comprise two parts. Part A offers general guidelines for GPP including general requirements that apply to all products and services. This section refers to the Austrian Public Procurement Law as well as to the significance of eco-labels and environmental management systems for purchasing decisions. Part B outlines the main terms for GPP and provides specific requirements for nine product groups and services (such as office equipment and material, the building industry, cleaning material, etc.). However, the updated guidelines have an informal character only because the Austrian council of ministers did not adopt them due to unclear follow-up costs of GPP.

The criteria catalogue “Check it”was published in 2001 and provides environmental information for various products, services and systems. “Check it” comprises 11 modules with background and legal information, recommendations and suggestions on how to formulate tender specifications. Additionally, planning and evaluation instruments are defined in order to support public authorities when integrating ecological issues in the purchasing process.

The guideline “Greening Events” was developed specifically for the organisation of events during the Austrian EU Presidency in the first half of 2006. It offers advice on how to organise socially and environmentally friendly events at low costs. The booklet covers 10 environmental topics (including waste management, energy and climate, and mobility, etc.) and two social topics (accessibility for disabled people and gender mainstreaming). For each of the 12 topics, the guidelines contain key principles and recommendations.

Asked for the success factors of the various GPP guidelines, the interviewees mentioned that the level of expertise that went into the development of the General Guidelines and “Check it” was very high. Regarding the criteria catalogue “Check it” it was mentioned that it offers clear and readily applicable parameters for GPP.

One of the challenges identified in the case study was concerned with the practical usefulness of GPP guidelines. One interviewee mentioned critically that the guidelines are rarely used because they are too detailed and a bit remote from practice. Therefore the aim should be to make them as detailed as necessary and as simple as possible, also by involving affected stakeholders and practitioners. Another challenge is the cost-benefit ratio of GPP. As public procurement involves large amounts of money, the decisive factor is most often value for money, and it is not always clear whether the benefits of GPP are worth the often higher costs.

Partnering instruments:

The three initiatives summarised above are based on detailed case studies (for more information, see the final report on SPP). To complete the picture of SPP initiatives, we briefly describe a partnering initiative that was not covered as a case study.

Network for Public Procurers in the Netherlands: www.pianoo.nl

The Network for Public Procurers (PIANOo) is an important network for public procurement in the Netherlands. It was established in 2005 as a follow-up to the increasingly professional approach to public procurement in the context of the two EU directives. The network fosters the exchange of information mainly via its homepage. Although the network focuses on public procurement in general, SD issues are covered as well.

Conclusions on SPP

By synthesising the findings of the survey and the case studies, the following conclusions can be drawn:

Number and type of SPP initiatives
The number of SPP initiatives in EU Members States is significant (103 in total, or about 4 per country surveyed). While CSR awareness raising, for example, depends on a broad mix of policy instruments (including economic and partnering instruments) (for details see above), policies on SPP are dominated by laws, action plans and informational tools such as guidelines and websites. Each of the three types of SPP instruments accounts for roughly one quarter of all initiatives found in the survey. Twelve of the 26 surveyed EU Member States make use of all three types of SPP instruments, and eight countries of two. Therefore, it can be concluded that legal provisions, action plans and guidelines/websites on SPP are complementary instruments that have developed into a standard set of SPP policy-making across the EU in recent years.

SPP is dominated by GPP
The survey and the case studies both confirmed that many SPP initiatives still focus on integrating environmental issues into procurement, neglect social issues. About half of the 16 newly developed National Action Plans, for example, focus entirely on GPP.

Key success factors of SPP
Among the most frequently mentioned success factors of SPP initiatives were

- High-level political commitment (as the French case shows, legal or constitutional provisions for SD can help as a concrete expression of political backing);
- Bottom-up ownership and a commitment to learning among those who are responsible for public procurement;
- The involvement of public procurers, businesses and NGOs in developing SPP initiatives in order to obtain new, demand-driven and practical ideas on the one hand and to secure the ownership of practitioners on the other;
- Informational SPP instruments (such as guidelines, trainings and websites) can change procurement routines only when the information provided is compatible with existing day-to-day routines of public procurers, i.e. they must be up-to-date, have to speak a similar language and take (legal) uncertainties and (economic) concerns of public procurers into account.

Key obstacles of SPP and possibilities to overcome them
Among the most commonly stated obstacles for SPP were

- Overall weak or missing political commitment to SPP;
- Perceptions that SPP/GPP is more expensive than conventional procurement;
- Lack of awareness and limited qualifications of public procurers regarding SPP;
- Time pressure hindering public procurers to gain expertise on SPP (e.g. by participating in trainings).

Consequently, it appears to be vital that SPP initiatives address the value for money argument pro-actively, and that public procurers are trained regarding SPP in application-oriented and time-efficient ways.

Socially Responsible Investment (SRI)

This section describes public policies in the EU-27 that aim to promote SRI, a concept that combines investors' financial objectives with their concerns about social, environmental and ethical (SEE) issues (Eurosif, 2006). SRI can be regarded as an application of CSR and sustainable development principles in investment decisions. It is a potentially powerful concept as it merges the concerns of a broad variety of stakeholders with shareholder interests. SRI embeds CSR in the functioning of shareholder capitalism.

The market for SRI is currently in a stage of rapid growth, making it difficult to estimate future developments (Flotow et al., 2001). A detailed analysis of the European SRI market shows an increase of 36% over the time period of 2003-2006. In 2006 responsible investments by European institutional investors (excluding the Nordic region) accounted for EUR 1,138 billion (Eurosif, 2006). Many of the major stock markets have established SRI or sustainability indices that assemble companies with an outstanding CSR record. Among the most significant SRI or sustainability indices are, e.g., the Dow Jones Sustainability Index (DJSI), the FTSE4Good Index, and the DAXglobal Sarasin Sustainability Index.

Overall, the current market share of SRI is estimated to be around 10-15% of total investments in European funds under management. Thus, SRI is still a niche market, although it is a significant and rapidly growing one (EIRIS, 2007; Eurosif, 2006). Significant growth rates on SRI investments in Europe are primarily observed in Great Britain, Belgium, the Netherlands, Italy, Spain and Sweden (EIRIS, 2007; CSR Europe et al., 2003).

Although SRI has gained importance across Europe at a considerable pace, this development is not fully reflected in the political debates and actions at both the EU and Member State levels. In May 2000, the European Commission organised the First European Conference on Triple Bottom Line Investing in Europe in Lisbon (European Commission, 2001). Shortly afterwards the European Commission invited trustees of pension schemes and retail investment funds to disclose to what extent they considered social, environmental and ethical issues in their investment decisions (European Commission, 2002). Furthermore, in its first communication on CSR the European Commission (2002) expressed itself as being in favour of CSR-monitoring and benchmarking initiatives with regard to pension and investment funds. Therefore, the Commission called on the EU Multi-Stakeholder Forum on CSR to establish principles on a common EU approach on disclosure of SRI pension and retail funds practices. These and other pro-active initiatives came to a halt with the new communication on CSR (European Commission, 2006), which does not even mention SRI.

In recent years, SRI was also addressed by the UN. In 2005 the United Nations Secretary-General launched the Principles for Responsible Investment (PRI) (UNEP FI et al. 2005). They represent a menu of possible actions for increasing transparency and for incorporating environmental, social and governance (ESG) criteria into mainstream investment decision-making.

This section on SRI consists of the following four analytical steps:

- An overview of 14 SRI initiatives in the EU-27;
- An illustration of different types of instruments;
- Conclusions on SRI.

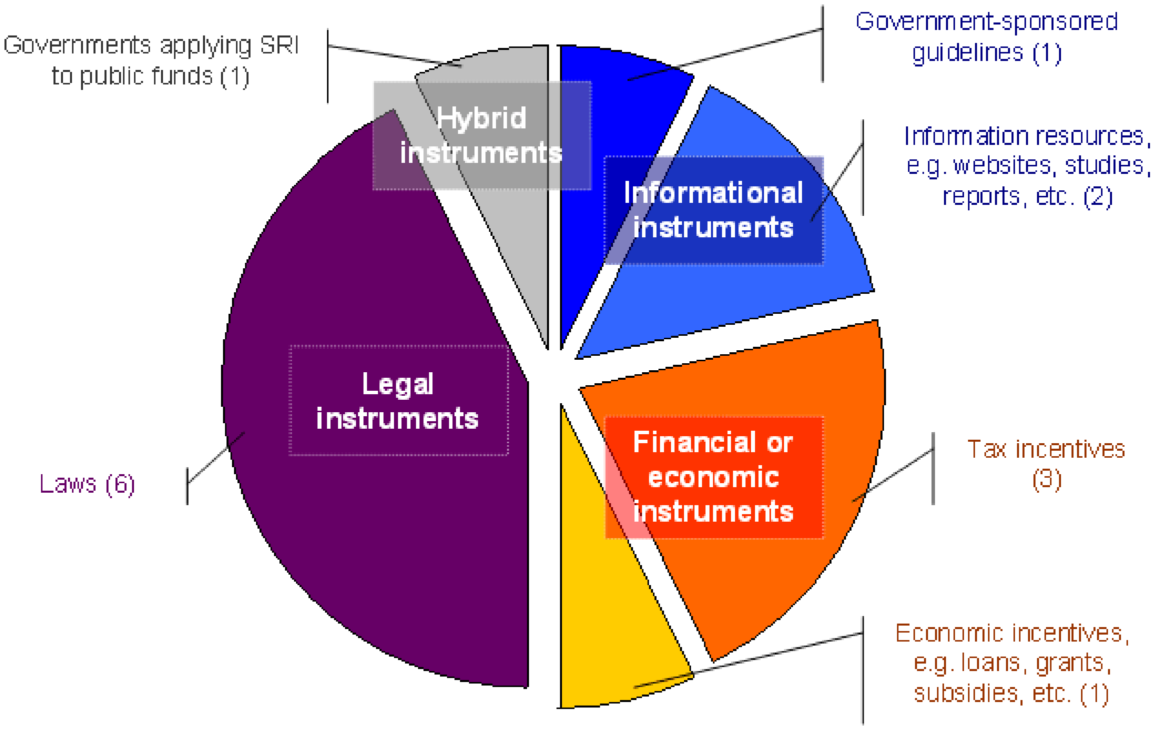
Overview of 14 SRI initiatives in the EU Member States

Between November 2007 and January 2008 we have contacted more than 90 public administrators that are experts on the topic from all 27 EU Member States to learn more about what national governments do regarding SRI. Finally, 16 Member States provided us with detailed information on more than 40 initiatives. However, more than 30 of the initiatives did not fit into the scope of the study and we were not able to consider them as governmental SRI initiatives (countries we had to exclude at this step are displayed in orange in figure 7). Finally, 14 initiatives on SRI from 7 countries remained (see the green countries in figure 7). The number of initiatives ranges from one (Austria, Spain, and Sweden) to three (the Netherlands and the UK).

Figure 7: EU Member States covered in the survey
(green: SRI initiatives in place; orange: no SRI initiative found; white: not covered)

The 14 initiatives for SRI identified in the survey are mostly legal (42.85 percent), followed by financial/economic (28.58 percent), informational (21.43 percent) and hybrid initiatives (7.14 percent). Partnering instruments do not exist in this context. Figure 8 illustrates this finding graphically.

Figure 8: SRI initiatives grouped along the different public policy instruments



Selected SRI initiatives

As government initiatives on SRI were found to be comparatively scarce, we have documented all initiatives in brief instead of conducting in-depth case studies. The 14 initiatives are documented in the Socially Responsible Investment Report in detail (for more information click here). To make it more concrete what Member State do with regard to SRI selected SRI initiatives are summarised below.

Informational and endorsing initiatives:

Online platform for SRI in Austria: www.gruenesgeld.at

In 2001, the Austrian Society for Environment and Technology (OEGUT) together with the Austrian Ministry of Agriculture, Forestry, Environment and Water Management established the website www.gruenesgeld.at ("green money"), an online SRI platform on "ethical-ecological investment" ("Ethisch-ökologische Veranlagung").

The website

- Clarifies the term SRI and provides an overview of different types of investment, investment products (e.g. investment funds or life insurance), and pension funds, etc.
- Aims to foster SRI by pointing out its added value for investors, including positive ecological and social effects;
- Lists certifications of SRI products and funds (e.g. pension funds) and offers several links and reading suggestions.

The main target groups consist of potential investors in general, though initially private investors were considered to be most important, as they often perceive financial topics to be very complex and have difficulties in choosing suitable investment products. Given that the financial capacity of this target group is limited, the focus was broadened to Austrian institutional investors (e.g. pension funds).

One of the main success factors of this initiative is considered to be the experience built up over many years, constant exchange and communication within working groups, as well as good relationships with institutional investors (mainly pension fund managers). The main challenge for this initiative is to reduce the complexity of SRI by offering up-to-date guidance.

Sustainable Money Guide in the Netherlands

The "Sustainable Money Guide" is an informational initiative introduced by the "Vereniging van Beleggers voor duurzame Ontwikkeling (VBDO)" in 2002 and sponsored by the Dutch Ministry of Environment. It contains an overview of Dutch SRI funds that are available for private investors, who are regarded to be the primary target group of the initiative.

The Money Guide's main objective is to promote transparency by providing detailed information on SRI and respective funds. In addition, the guide aims to present different screening methodologies applied by various Dutch institutions for their funds (e.g. positive vs. negative screening criteria, etc.). It is pointed out that SRI funds often have different foci, some focusing more on social aspects and others concentrating more on environmental ones.

Overall, the Sustainable Money Guide helped to increase the popularity of SRI funds amongst individual investors within the last few years.

Legal instruments:

Law against anti-personnel mines and cluster munitions in Belgium: www.netwerkvlaanderen.be/

In 2007, the Belgian government published a law that prohibits the financing of the production, trade and use of anti-personnel mines and cluster munitions. According to this law it is forbidden to finance or invest in any Belgian or foreign company that produces, uses, repairs, offers, sells, distributes, imports, exports or stocks the weapons mentioned above. The law is applicable to any Belgian investor (i.e. Belgian citizens, banks registered in Belgium, investment funds or insurance companies operating under Belgium law).

The Belgian government helps (major) investors by publishing a list of producers of anti-personnel mines and cluster munitions, and it expects them to develop and apply screening methods which enable them to fulfil the regulation. However, the effectiveness of the regulation is limited because (i) transparency requirements for investment portfolios of professional investors are rather limited and (ii) no penalties are foreseen for offenders.

The Public Pension Funds Act in Sweden: http://www.ap3.se/en/

The Public Pension Funds Act (2000/192) was developed and finally adopted by a group of five political parties (centre-right and as well as the big social democratic party) in the year 2000. It requires all Swedish National Pension Funds (AP1-AP5 and AP7) to dispose an annual business plan expressing how environmental and ethical issues are considered in the pension fund's investment activities and what impact such considerations have on the management of the funds. The regulation also states that the AP funds should consider environmental and ethical issues without compromising their return objective.

In 2007, four of the Swedish AP funds (AP1- AP4) established a Joint Ethical Council in which they were represented by one member each. Primarily, the Ethical Council engages in a dialogue with foreign companies, in which the AP funds wish to engage. Through the Ethical Council, the AP funds aim to influence those foreign companies in which they invest to act responsibly and to focus on environmental, social and governance issues. The Ethical Council can make recommendations to the respective funds if it believes investments are compromising the funds policies. If the engagement process turns out to be ineffective and desired results cannot be achieved, the individual AP fund may decide to divest its holdings in concerned companies.

In December 2007, an investigation committee was established to evaluate the implementation of the regulation. Its terms of reference and composition were prepared by the Ministry of Finance and decided on by the government. Its report is scheduled for November 2008.

SRI Pension Disclosure Regulation in the UK

On 3 July 2000, the Secretary of State for Social Security introduced the "SRI Pension Disclosure Regulation", an amendment to the 1995 Pension Act. According to paragraph 2 (4) of this legal enactment, trustees of occupational pension schemes are required to disclose additional content to their Statement of Investment Principles, with regard to: *"The extent (if at all) to which social, environmental or ethical considerations are taken into account in the selection, retention and realization of investments; and their policy (if any) in relation to the exercise of the right (including voting rights) attaching to investments"* (the wording of the law can be obtained at http://www.opsi.gov.uk/si/si1999/19991849.htm). In other words, the law requires pension funds to explain their investment principles, also with respect to SRI.

Due to the new regulation, pension funds started to demand more accurate information from companies regarding social, environmental and ethical performance. The SRI Pension Disclosure Regulation is considered to be a major driver for the growth of SRI in the UK.

Economic or fiscal initiatives:

Kringloopfonds in Belgium: www.kf-fesd.be

In May 2003, the federal government of Belgium established the Kringloopfonds (KF-FESD), an initiative that fosters social and sustainable funds. Initially, the main objective was to grant investors focusing on social issues easy access to credits and venture capital below the market interest rates. By the end of 2005, the Secretary of State for Sustainable Development widened the focus of the KF-FESD to the financing of sustainable matters. This allowed the KF-FESD to open up its portfolio to undertakings concerned with fair trade, biological food, renewable energies, etc. Furthermore, the KF-FESD aimed to stimulate banks to develop ethical investment products, as close cooperation with financial initiatives undertaken by banks (e.g. Triodos Bank) are perceived to be of great value to the KF-FESD. The activities of the KF-FESD are currently limited to national initiatives although foreign investors may also receive better conditions, as long as they establish an office in Belgium.

A considerable challenge for the KF-FESD is to maintain the government's belief in the importance of KF-FESD as a financial facilitator for SRI. Another challenge is seen with regard to weak CSR reporting standards and requirements. The KF-FESD is currently working on CSR reporting requirements for its clients.

The Green Funds Scheme in the Netherlands: http://www.senternovem.nl/-greenfundsscheme/Contact.asp

The Green Funds Scheme was developed jointly by the Dutch Ministry of Housing, Spatial Planning and the Environment (VROM), the Ministry of Finance and the Ministry of Agriculture, Nature and Food Quality (LNV), and it was introduced by the Dutch tax office in 1995. It aims to foster green investments in the Netherlands (such as investments in wind farms or organic agricultural businesses) with tax exemptions, and to make stakeholders understand that green investments are profitable both for investors and the environment.

Interested persons can take part in the Green Funds Scheme, either by saving money or by borrowing it for green projects. Projects accepted in the scheme have to meet environmental, technical and financial terms and they must be innovative. If projects comply with these premises they are certified by VROM. In most cases, certificates are valid for 10 years. If the government considers a project to be eligible, it grants tax reductions for both savers and borrowers. Tax reductions for investors are 1.2% on capital gains tax, and borrowers receive a tax reduction of 1.3% on the value of the green investment. The investment volume is limited to a maximum of € 52,579 per person (2006) and investments can be made nationally or internationally.

As usual, banks act as intermediates between savers and investors also in the Green Funds Scheme. On the one hand, they offer green bonds, green certificates at fixed value, terms and favourable interest rates for savers. On the other hand, they grant green loans at lower interest rates to investors (the interest rate for loans is between 1-2% lower than commercial rates). By doing so, banks that receive tax-exempt funds are obliged to invest at least 70% of the respective assets in certified green projects. The remaining 30% can be invested in other projects in order to spread the risk and to compensate for projects that are financially less profitable. So far, the Green Funds Scheme has attracted about 200,000 savers and enabled around 5,000 green projects accounting for up to 5 billion Euros.

Hybrid instruments:

The Pension Reserve fund in France: http://www.fondsdereserve.fr

In July 2001, the French Pension Reserve fund (Fonds de réserve pour les retraites - FRR) was separated from the French Old Age Solidarity Fund (Fonds de Solidarité Vieillesse – SV), which had been established in 1999. Since then, the FRR is an independent, publicly owned administrative agency that is funded and controlled by the French ministries in charge of social security, economy and budget. The FRR sees its role in investing its financial resources on behalf of the public and to use its assets to support finance the general old age insurance plan and affiliated plans as of 2020. By doing so, it applies an SRI investment strategy.

In its latest SRI investment strategy from June 2005, the FRR refers to the following two main objectives:

- "to maximize investment returns over the long term and under the best possible conditions of security";
- to pursue "certain shared values that promote economically, socially and environmentally sustainable development".

Before the FRR invests in companies it examines them with regard to their social and environmental performance by following the UN Principles for Investment. In order to safeguard its own commitments towards SRI, the FRR has developed five SRI principles companies should fulfil.

Conclusions on SRI initiatives

By synthesising the findings of the survey of public administrators and SRI experts from the financial services sector (for the latter, see part III of the final report on SRI), the following conclusions can be drawn:

Number and type of SRI initiatives
Compared to CSR awareness raising and SPP initiatives, SRI is clearly the least developed theme of CSR policies because respective initiatives are comparatively scarce. However, many of the few existing SRI initiatives are quite significant in qualitative terms.

SRI and governments "leading by example"
Pension funds obviously play an important role in the context of SRI. On the one hand, 5 of the 14 initiatives are concerned with SRI in pension funds. On the other hand, the interviewed SRI experts from the financial services sector emphasized that pension funds are by far the most important target group of governmental SRI initiatives because they are by definition long-term investors, and because they have large amounts of money at their disposal. Furthermore, it was mentioned, that governments could use public pension schemes as flagships to demonstrate their commitment to CSR and SRI. In other words, "walk the talk" or "lead by example" in achieving SD is a motto not only applicable to SPP, but also regarding how governments invest their own or public pension fund assets.

SRI and disclosure requirements
SRI experts from the financial services sector emphasise the importance of reporting and disclosure requirements because SRI strategies require reliable information on the social and environmental performances of companies. Thus, government initiatives on reporting should be regarded also as key instruments to foster SRI.

Drivers behind SRI and the role of governments
Asked for the key drivers behind SRI, several interviewees mentioned that governments should play an active role, but they fail to do so. In conclusion, governments in the EU are followers rather than driving forces behind the SRI agenda. This conclusion is based not only on the perception of those working on SRI in the financial services sector, but also on the fact that we found relatively few government initiatives on SRI.

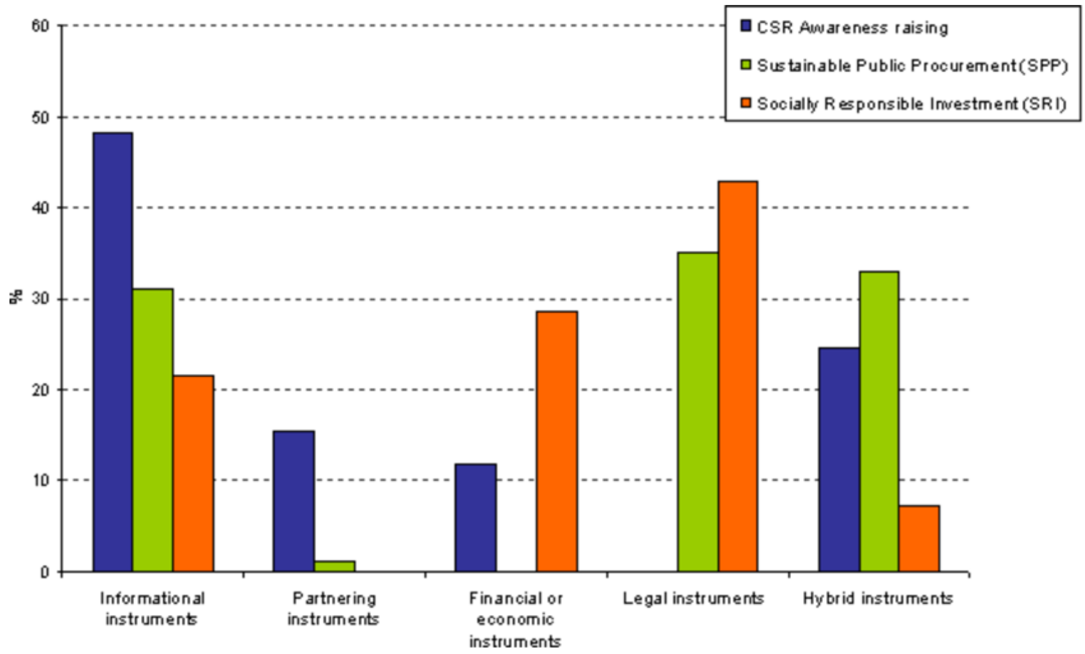
Comparison of the three studies and conclusions

The three studies on CSR awareness raising, Sustainable Public Procurement (SPP) and Socially Responsible Investment (SRI) summarised above show that EU Member States facilitate CSR with a broad variety of soft policy instruments. Thus, one can indeed speak of CSR policies as a relatively new policy field. On closer inspection, however, the following four conclusions become apparent.

Conclusions on the use of policy instruments

Informational, legal and hybrid instruments dominate CSR policies, while partnering and economic instruments are relatively scarce (for details, see figure 9). Although partnering features are sometimes hidden in, for example, informational and hybrid instruments, their overall rare occurrence is a surprise because CSR policies are by definition characterised by voluntary and partnering relations between governments and businesses. Obviously, the partnering character of CSR policies materialises rather in the way (non-partnering) initiatives and instruments are developed and applied than in the type of the instrument itself.

*Figure 9: Distribution of types of policy instruments across different CSR policy themes (n=212) **

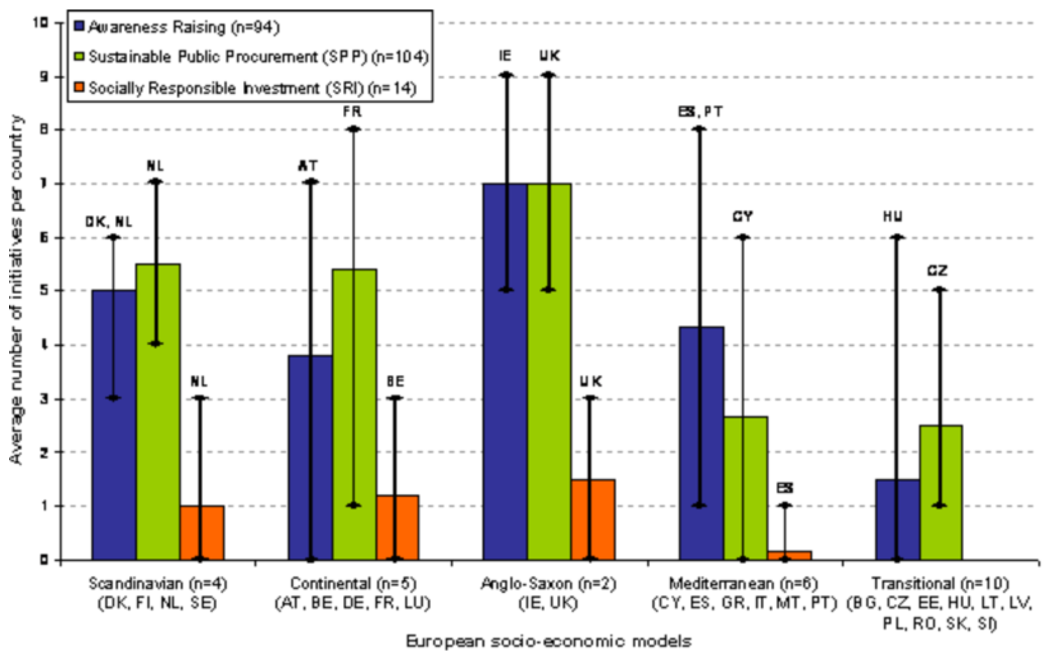


Conclusions on different levels of activity across Europe

If we explore how the total of 212 CSR policy initiatives we found in the three surveys* are distributed across the EU, the survey results show significant differences between single EU Member State (the initiative count ranges from 0 to 9), but considerable consistencies within the same socio-economic models (corresponding loosely with EU regions) as described in the welfare state literature (see in particular Esping-Anderson 1990, 26-33; Sapir 2006; Pierson 1998, 173-178 and Aiginger & Guger 2005). Figure 10 shows the distribution of the 212 CSR policy initiatives across five European socio-economic models.

Figure 10: Distribution of 212 CSR policy initiatives across Europe

Please note that figure 10 groups countries not geographically, but based on the literature on socio-economic models in Europe (see in particular Esping-Anderson 1990, 26-33; Sapir 2006; Pierson 1998, 173-178 and Aiginger & Guger 2005). The lines reaching out of the bars indicate the range of initiatives found in the different countries, and the letters at the upper end of the range indicate the countries with the most initiatives.



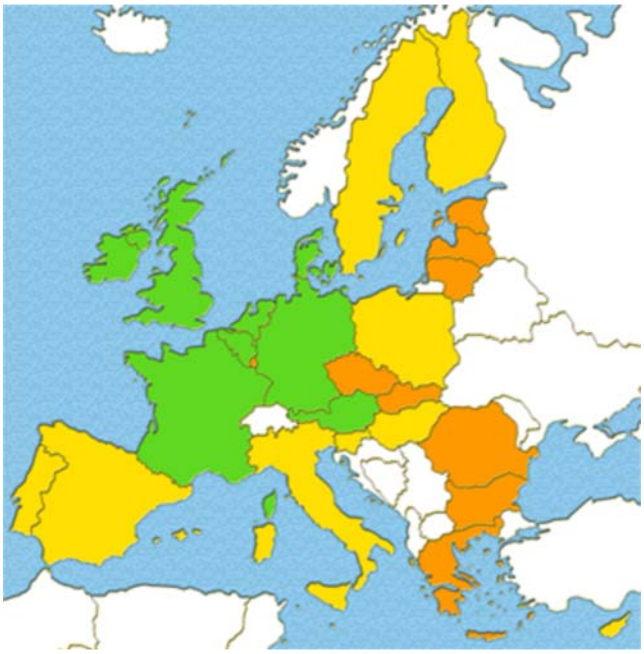
Some groups of EU Member States are obviously more active in CSR policies than others. Table 1 below emphasises that countries from the Anglo-Saxon socio-economic model (i.e. Ireland and the UK) are most active in all three CSR policy themes, followed by those that share features of the Scandinavian model, and those that constitute the Continental model. Obviously, Mediterranean and Transition countries from Central-Eastern Europe pay the least attention to CSR (for an in-depth exploration of the "CSR gap" between Western and Central-Eastern Europe, see Steurer 2008).

Table 1: Ranks of 5 socio-economic models based on the distribution of 212 CSR policy initiatives

		Rank based on number of initiatives			
		Overall	Awareness Raising	SPP	SRI
Socio-economic model	Anglo-Saxon	1 (1.0)	1	1	1
	Scandinavian	2 (2.3)	2	2	3
	Continental	3 (2.7)	3	3	2
	Mediterranean	4 (3.7)	3	4	4
	Transitional	5 (5.0)	5	5	5

If we take this benchmarking exercise further to the Member State level, the following picture emerges (see the colour-coded map in figure 11). Figure 11 also highlights some exceptions to the observations made above. While Spain has adopted some far-reaching CSR initiatives in recent years, the Continental country Luxembourg seems to pay hardly any attention to CSR policies. Of course, these two exceptions help the Mediterranean and hamper the Continental socio-economic model in the benchmarking exercise above.

Figure 11: Overview of CSR policy initiatives in EU Member States
(green: more than 10 activities; yellow: 6-10 activities; orange: 1-5 activities; white: not covered)



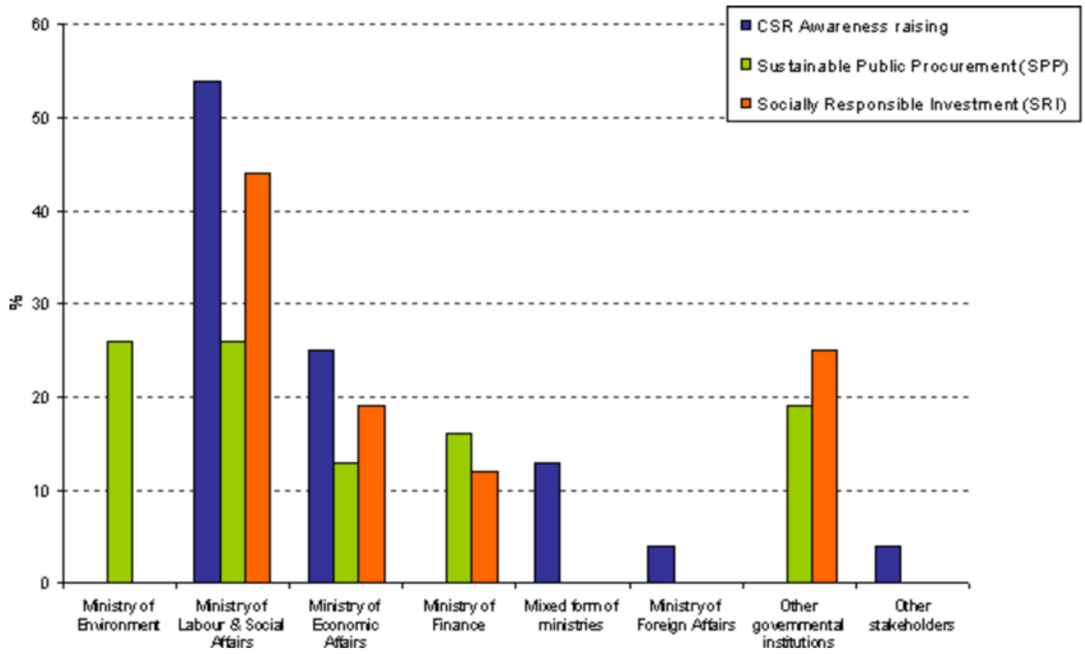
Conclusions on the institutionalisation of CSR and SD policies

EU Member States organise and coordinate CSR policies in very different ways. While in most countries several actors pursue a variety of initiatives in a decentralized way, some (mostly leading) countries approach CSR policies in a more coordinated way. The UK, for example, has appointed a Minister for CSR, and the Netherlands and Sweden have established CSR platforms that bundle several government activities. Overall, it seems that centralised approaches help to better coordinate and focus activities, and to capture the attention of the media and companies more effectively.

Although SD and CSR both aim to better integrate economic, social and environmental issues, joint efforts still face sectoral and institutional barriers. While the SD agenda is often dominated by environmental issues and ministries, expertise on CSR policies is mainly affiliated with Ministries of Labour and Social Security. For SD, this conclusion is based on the institutional affiliation of ESDN members and ESDN conference participants; and for CSR policies it is based on the institutional affiliation of the experts we have surveyed for the three studies summarised above. As figure 12 shows, experts from Environment Ministries were encountered only in the context of Sustainable, or rather Green Public

Procurement.

Figure 12: Institutional affiliation of the surveyed experts



The weak institutional link between SD and CSR policies is certainly one explanation for the fact that CSR is hardly mentioned in SD strategies across Europe. A look into a database on SD strategy objectives revealed that 8 out of 19 SD strategies from across Europe do not contain a single objective on CSR, and most of the remaining 11 SD strategies contain only one vague reference to “promoting CSR” with unspecified means (for methodological details of the underlying study, click here). The close conceptual link between SD and CSR given (for details see the introduction of this report by clicking here), ignoring CSR policies in SD strategies is a missed chance of bridging the obvious gap between the two closely related policy fields.

Conclusion on the political scope of CSR policies

Although all EU Member States agree on the voluntary character of CSR and the soft-law approach of CSR policies, the scope governments have is nevertheless considerable. As the policy change of the European Commission from Prodi to Barroso has illustrated more vigorously than policy changes in Member States, the public sector can facilitate CSR either pro-actively and challenging (as expressed in the first Communication on CSR from 2002) or passively and unaspiring (since the second Communication on CSR from 2006). In other words, like other, more traditional policy fields, CSR is a politically contested issue, and actual CSR policies are determined not only by socio-economic features (see above) but also by government majorities and respective political positions and ideologies.

Note

* In the telephone surveys we have found 202 CSR policy initiatives as described above. After the surveys were completed we have added 9 awareness raising and 1 SPP initiative, bringing the total number to 212.

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