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# GLOBALIZATION

## Numerous Federal Activities Complement U.S. Business's Global Corporate Social Responsibility Efforts



G A O

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Highlights of [GAO-05-744](#), a report to congressional requesters

## GLOBALIZATION

# Numerous Federal Activities Complement U.S. Business's Global Corporate Social Responsibility Efforts

### Why GAO Did This Study

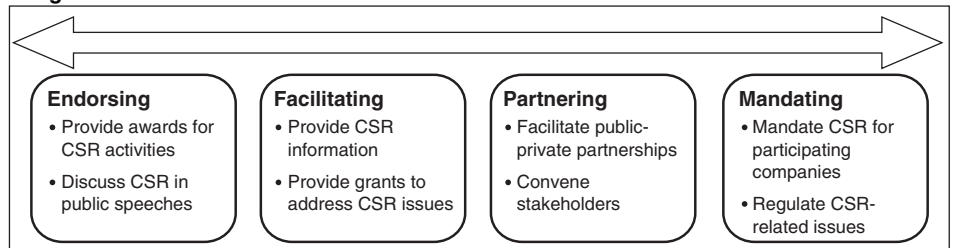
The trend toward globalization has intensified the debate about the proper role of business and government in global “corporate social responsibility” (CSR), which involves business efforts to address the social and environmental concerns associated with business operations. The growth in global trade and the dramatic increase in foreign direct investment in developing countries raise questions regarding CSR-related issues such as labor, environment, and human rights. U.S. firms with operations in many countries employ millions of foreign workers and conduct a range of CSR activities to address these issues. However, there is controversy as to the proper government role. GAO describes (1) federal agency policies and programs relating to global CSR and (2) different perspectives regarding the appropriate U.S. government role and views on the impact of current federal activities on corporate global CSR efforts.

### What GAO Found

Although there is no broad federal CSR mandate, we identified 12 U.S. agencies with over 50 federal programs, policies, and activities that generally fall into four roles of endorsing, facilitating, partnering, or mandating CSR activities. Many of these programs have small budgets and staff and aim to accomplish broader agency mission goals, rather than being specifically designed to facilitate or promote companies' global CSR activities. The U.S. government endorses CSR by providing awards to companies, such as the Department of State's Award for Corporate Excellence. Federal programs facilitate CSR by such activities as providing information or providing funding to engage in CSR. For example, a Department of Commerce program facilitates CSR by providing training on corporate stewardship. Some agencies partner with corporations on specific projects related to their core mission. For example, the U.S. Agency for International Development (USAID) partnered with one U.S. corporation operating in post-war Angola to build up the country's business sector and workforce. Other agencies, such as the Overseas Private Investment Corporation, mandate CSR by requiring companies to meet CSR-related criteria to obtain their services.

While perspectives on the government's role are tied to perspectives on CSR and its connection to profit, many we spoke with who are actively involved in global CSR desired a government role supporting business's voluntary CSR efforts. Those with a free-market economic perspective believe corporations should be primarily concerned with earning a profit and government should not promote CSR as it reduces profits. Those with a “business case” perspective often welcome government assistance with their voluntary efforts because they view their CSR efforts as increasing profits and business value. Finally, those with a social issues perspective believe that business should contribute to broader social goals but split on whether business action should be voluntary or mandatory. Most groups we spoke with at U.S. companies and others actively engaged in CSR were generally supportive of U.S. federal agency efforts to endorse and facilitate CSR and partner with companies voluntarily pursuing CSR actions. For example, several groups supported a government role in providing CSR-related information and convening stakeholders to address CSR-related issues.

Range of U.S. Government Activities Related to Global CSR



Source: GAO illustration based on World Bank report.

[www.gao.gov/cgi-bin/getrpt?GAO-05-744](http://www.gao.gov/cgi-bin/getrpt?GAO-05-744).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Loren Yager at (202) 512-4347 or [yagerl@gao.gov](mailto:yagerl@gao.gov).

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**Abbreviations**

CSR	Corporate Social Responsibility
DFI	Digital Freedom Initiative
EPA	U.S. Environmental Protection Agency
Ex-Im Bank	Export-Import Bank of the U.S.
HIV/AIDS	human immunodeficiency virus/acquired immune deficiency syndrome
IAF	Inter-American Foundation
GRI	Global Reporting Initiative
NGO	nongovernmental organization
OECD	Organization for Economic Cooperation and Development
OPIC	Overseas Private Investment Corporation
SEC	U.S. Securities and Exchange Commission
USAID	U.S. Agency for International Development
USTR	Office of the U.S. Trade Representative

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United States Government Accountability Office  
Washington, D.C. 20548

August 8, 2005

The Honorable David E. Price  
House of Representatives

The Honorable Sander M. Levin  
House of Representatives

The trend toward globalization—as evidenced by the growth in global trade and the dramatic increase in foreign direct investment in developing countries, from \$22 billion in 1990 to \$154 billion in 2002—has intensified the debate about the role of business and the U.S. government in addressing “corporate social responsibility” (CSR) related issues. Presently, for example, some opponents of the U.S.-Central American Free Trade Agreement (CAFTA) have complained that the agreement does not do enough to ensure that workers in these countries have adequate labor protections. The term CSR is often used to refer to business efforts to address the impact of business operations on such concerns as labor, environment, and human rights. U.S. multinational corporations, which conduct operations in many countries and employ millions of foreign workers, have sometimes responded to the varying pressures they face by adopting CSR efforts to address social and environmental concerns. Some advocates argue that the U.S. government should embrace CSR more actively and use policies such as trade agreements to encourage or require its adoption by U.S. multinational corporations. Others state that CSR should be a voluntary corporate activity, and the federal government should neither regulate nor promote CSR.

Given the role of U.S. corporations in the growth of trade and investment in developing nations and your interest in issues related to globalization, this report describes (1) global corporate social responsibility, (2) federal agency policies and programs relating to global CSR, and (3) different perspectives regarding the appropriate U.S. government role and views on the impact of current federal activities on corporate global CSR efforts.

To describe global corporate social responsibility, we reviewed business and ethics literature and interviewed selected corporations and other groups interested in CSR. To determine what policies and programs federal agencies have adopted that relate to global CSR, we surveyed federal legislation and spoke with agency officials and experts in CSR. We obtained information on specific agency programs and policies related to CSR using a two-step process. First, we provided a general description of global CSR

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to agency officials and asked them to identify relevant programs, policies, and efforts within their agency. We then sent a questionnaire to officials responsible for each identified program and interviewed officials to obtain further information. To identify different perspectives regarding the role of the U.S. government related to corporate global CSR efforts, we reviewed CSR-related trade and business literature and interviewed, on a nonattribution basis, representatives from 14 selected U.S. multinational corporations; 4 business interest groups; 4 investor groups; 6 nongovernmental organizations; and 4 academic institutions that are leaders in the CSR field. We conducted our work from May 2004 through May 2005 in accordance with generally accepted government auditing standards. (Appendix I provides detailed information on our objectives, scope, and methodology.)

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## Results in Brief

Global CSR is an umbrella concept that can best be described through the definitions used for the term, the actions companies take to practice CSR, and the roles of key players. CSR can be broadly defined as addressing the interests of all company stakeholders, which include not only shareholders but also customers, employees, suppliers, and the surrounding community on issues such as environmental protection, worker safety, and ethical conduct. Global CSR addresses these issues within international markets, particularly in developing countries. U.S. businesses take a variety of actions related to CSR that range from voluntary, such as philanthropic donations, to government mandated, such as disclosure of significant environmental conditions. Businesses play a central role in determining if and how to address social and environmental issues they face in their operations. Civil society, investor groups, multilateral organizations, and governments play key roles in identifying issues of concern and in encouraging businesses to adopt CSR efforts to address these issues.

Although the United States has no broad federal CSR mandate, we identified 12 U.S. agencies with over 50 programs, policies, and activities that generally fall into four key government roles of endorsing, facilitating, partnering, and mandating company CSR activities. However, many of these programs have small budgets and staff and aim to accomplish broader agency mission goals, rather than being specifically designed to facilitate or promote companies' global CSR activities. The U.S. government endorses CSR by providing awards to companies, such as the Department of State's Award for Corporate Excellence and discussing CSR in public speeches. Federal programs facilitate CSR primarily by providing information or providing funding and incentives to key players to engage in

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CSR. For example, the Department of Commerce facilitates CSR by training its commercial service officers specifically on corporate stewardship. The U.S. Agency for International Development's (USAID) Global Development Alliance provides an example of a federal program that partners with corporations to leverage additional resources. Finally, some agencies, such as the Overseas Private Investment Corporation (OPIC), mandate CSR by requiring companies to meet criteria consistent with CSR to obtain their services.

While varying perspectives of the government's role are tied to perspectives on CSR and its connection to profit, many we spoke with from groups that are actively involved in global CSR reported that a government role supporting companies' CSR efforts would be useful. Those with a free-market economic perspective state that corporations should be primarily concerned with earning profits and that government should not promote CSR because it reduces profit. Those with a "business case" perspective contend that CSR efforts can increase business long-term profits and value, and welcome government assistance with voluntary business efforts. Finally, those with a social issues perspective believe that business should contribute to broader social goals but have mixed opinions of whether this should be accomplished through voluntary CSR actions or more extensive regulation. Most representatives we spoke with at U.S. companies and other groups who were actively engaged in CSR were generally supportive of U.S. federal agency efforts to endorse and facilitate CSR and partner with companies voluntarily pursuing CSR actions. For example, several groups supported a government role in providing CSR-related information and convening stakeholders to address CSR-related issues.

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## Background

The expansion of world trade and investment has led to the increasing integration of the world economy in recent decades—a process often referred to as "globalization." Total trade in developing countries, exports and imports, rose from less than \$1.5 trillion in 1990 to \$3.8 trillion in 2002, while foreign direct investment in developing countries grew even faster during this period, from \$22 billion to \$154 billion. Some view globalization as fostering economic growth, increasing employment, and improving living standards in both developed and developing nations. At the same time, others view globalization as resulting in negative social impacts and raise concerns about the expanding activities of multinational corporations, particularly in developing countries. U.S. multinational corporations are now faced with difficult issues, such as the treatment and conditions of foreign workers in corporate supply chains, environmental

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and health issues associated with production in diverse local communities, and human rights issues associated with authoritarian governments in countries where multinationals operate. In addition, some negative incidents involving U.S.-based companies have been widely publicized, hurting their own and the United States' image, such as the use of sweatshops in the manufacture of clothing and other products. In another example, a U.S.-based company recently came under allegations that its overseas mining operations produced toxic waste that have caused illnesses.

U.S. corporations are increasingly building operations or buying products from sources in developing countries. However, the legal, regulatory and ethical environments in which U.S. businesses and their suppliers operate vary across countries. For example, some have asserted that developing countries have inadequate or poorly enforced environmental and labor laws. Given the limited capacity of some developing countries, CSR advocates argue that corporations themselves must establish and maintain codes of conduct regarding operating standards in these environments. Companies face increasing pressure from nongovernmental organizations (NGO), the media, "socially responsible" investor groups, and other stakeholders to adhere to high standards globally in their own operations and throughout their supply chains. In addition, some members of Congress have shown support for CSR-related policies, similar to those advocated by working groups convened by the Kenan Institute.<sup>1</sup>

In response to these business challenges and outside pressures, companies are increasingly adopting "corporate social responsibility" programs. For example, recently U.S. electronics companies signed a joint code of conduct to protect working conditions, workers' rights, and the environment in the electronics industry supply chain. A number of U.S. companies have instituted programs to address HIV/AIDS and other diseases in their operations in developing countries, for example, by raising awareness or providing access to treatment. Most recently, U.S. companies provided nearly \$453 million to relief efforts in the wake of the tsunami that hit South and Southeast Asia and East Africa in December 2004.<sup>2</sup> Despite these efforts, some CSR advocates call for more government action to

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<sup>1</sup>The Frank Hawkins Kenan Institute of Private Enterprise – Washington Center, [www.kenaninstitute.unc.edu](http://www.kenaninstitute.unc.edu).

<sup>2</sup>U.S. Chamber of Commerce Web site, [www.uschamber.com](http://www.uschamber.com), April 28, 2005.



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promote CSR, with some noting that several national governments in Europe have put in place mechanisms to encourage or require the adoption of CSR practices.

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## **Global Corporate Social Responsibility Is an Umbrella Concept Covering Many Business Actions and Involving Many Players**

Global CSR is an umbrella concept that can best be understood by describing the different definitions used for the term, the actions businesses take to practice CSR, and the roles of key players involved in CSR. Although groups use different definitions and terms, CSR generally involves business efforts to address a broad range of issues, including the environment, labor, and human rights. Businesses perform many different actions to address CSR concerns. The extent and type of these actions are influenced by key players in CSR that include not only businesses, but also the civil society, investor groups, multilateral organizations and governments that seek to influence them.

The term “global CSR” is sometimes used to refer to business efforts to address the social impacts of business in the global economy. Discussions of global CSR in the context of developing countries focuses on the need for business to address the gaps from inadequate or poorly enforced laws to protect the environment, labor, human rights, and other social resources.

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## **CSR Is Generally Defined as Business Efforts to Address the Interests of Its Many Stakeholders**

The term “CSR” is an umbrella concept with many different definitions. However, most definitions suggest that, in addition to addressing the interests of its shareholders, business should address the interests of its other stakeholders, including customers, employees, suppliers, and the local community. CSR definitions cover a broad range of potential social concerns, including business ethics, community development, labor, environment, and human rights. Table 1 presents sample CSR definitions.

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**Table 1: Sample Definitions of Corporate Social Responsibility**

Name of group	Definition of CSR
Business for Social Responsibility (BSR)	“Achieving commercial success in ways that honor ethical values, and respect people, communities, and the natural environment.” <sup>a</sup>
European Commission	“A concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis.” <sup>b</sup>
Institute of Business Ethics	“The voluntary actions taken by a company to address the ethical, social, and environmental impacts of its business operations and the concerns of its principle stakeholders.” <sup>c</sup>
World Bank	“The commitment of business to contribute to sustainable economic development—working with employees, their families, the local community and society at large to improve the quality of life in ways that are both good for business and good for development.” <sup>d</sup>

Source: GAO compilation from sources listed.

<sup>a</sup>Business for Social Responsibility, BSR Issue Briefs, Overview of Corporate Social Responsibility.

<sup>b</sup>European Commission, Directorate-General for Employment and Social Affairs, *Promoting a European framework for Corporate Social Responsibility, Green Paper*, July 2001, p. 8.

<sup>c</sup>Institute of Business Ethics, Web site, <http://www.ibe.org.uk>.

<sup>d</sup>The World Bank, Corporate Social Responsibility Practice, *Public Sector Roles in Strengthening Corporate Social Responsibility: Taking Stock*, January 2004, p. 3.

CSR definitions vary on whether CSR is considered exclusively voluntary or whether it includes mandatory requirements for business regarding social and environmental issues. Some definitions of CSR limit it to voluntary business decisions and actions, above and beyond what is required by law. Others organizations have reasoned that CSR should include mandatory efforts, especially because in developing countries it can be a tool to encourage compliance with laws and regulations.<sup>3</sup> This voluntary compliance with laws and regulations assumes a greater role in developing countries, because even where developing countries have adequate laws and regulations concerning social and environmental concerns, they often have limited enforcement resources.

Some groups prefer other terms to address all or some of the ethical, social, and environmental issues addressed by CSR. For example, one business

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<sup>3</sup>The World Bank, *Public Sector Roles in Strengthening Corporate Social Responsibility: A Baseline Study*, October 2002, p. 1.

group preferred the term “corporate citizenship” because business social and environmental efforts are indicative of business’s effort to be good citizens, while they believe the term “CSR” implies that those efforts are a responsibility rather than voluntary. Others prefer the terms “sustainable development” or “triple bottom line,” reasoning that business decisions and performance should be evaluated in terms of their economic, social, and environmental impacts. Other terms such as “business ethics” deal with one of the many concerns of CSR. Table 2 presents definitions of some terms related to CSR.

**Table 2: Definitions of Terms Related to Corporate Social Responsibility**

Term	Definition
Business Ethics	“The application of ethical values to business behavior.” <sup>a</sup>
Corporate Citizenship	“The conduct of business in ways that reflect proactive, responsible behavior in business and in dealings with all constituents and with respect to communities, society, and the natural environment more generally.” <sup>b</sup>
Sustainable Development	“[development that] meets the needs of the present without compromising the ability of future generations to meet their own needs.” <sup>c</sup>
Triple Bottom Line	“A method that allows companies to assess their performance against three bottom lines: environmental, social, and economic.” <sup>d</sup>

Source: GAO compilation from sources listed.

<sup>a</sup>Institute of Business Ethics, Web site, <http://www.ibe.org.uk>.

<sup>b</sup>Logan David, Roy Delwin, and Regelbrugge Laurie, *Global Corporate Citizenship – Rationale and Strategies*, The Hitachi Foundation, Washington D.C.: 1997, p. 7.

<sup>c</sup>Report of the World Commission on Environment and Development, (the Brundtland Commission) *Our Common Future*, United Nations, August 1987, p. 24.

<sup>d</sup>The Sustainable Business Network and Ministry for the Environment, New Zealand, *Enterprise<sup>3</sup> Your Business and the Triple Bottom Line, Economic, Environmental and Social Performance*, June 2003, p. 2.

## Many U.S. Businesses’ Actions Address CSR Concerns

U.S. businesses conduct many different types of actions that address CSR concerns that range from voluntary, such as philanthropic donations, to government mandated, such as disclosure of significant environmental conditions. These actions may or may not be part of a formal CSR effort. Although groups categorize business actions addressing CSR concerns differently, they can broadly be grouped as relating to (1) business ethics, (2) community development, (3) environment, (4) governance, (5) human

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rights, (6) marketplace, and (7) workplace.<sup>4</sup> In our discussions with representatives of U.S. corporations, which are noted as leaders in CSR, we identified illustrative examples of U.S. companies' actions that address these categories of CSR concerns.

### Business Ethics

Business actions addressing the CSR concern of business ethics involve values such as fairness, honesty, trust and compliance, internal rules, and legal requirements. Among the actions taken to address business ethics are incorporating ethics into corporate value and mission statements, developing ethics codes, conducting ethics training, and monitoring ethical performance. In one example from the companies we interviewed, the company had recently trained its workforce—including all levels of management—on its standards of business conduct and now publishes these standards in 20 languages.

### Community Development

Business actions addressing the CSR concern of community development involve business policies and practices intended to benefit the business and the community economically, particularly for low-income and underserved communities. Community development activities include employing and training disadvantaged workers, partnering with minority- and women-owned businesses, and locating facilities in underserved communities. One business we interviewed with a factory in South Africa works with its employees to develop the physical structures of schools for youth and adults in that community.

### Environment

Business actions addressing the CSR concern of the environment involve company policies and procedures to ensure the environmental soundness of its operations, products, and facilities. Examples include pollution prevention, energy efficiency, and supply-chain environmental management. One company we interviewed stated that it strives to exceed minimum U.S. government standards for toxic emissions, even in foreign countries. The company stated that it had sent a team of specialists to Mexico to bring a Mexican facility to the U.S. standard.

### Corporate Governance

Business actions addressing the CSR concern of corporate governance involve the broad range of policies and practices that boards of directors use to manage themselves and fulfill their responsibilities to investors and

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<sup>4</sup>Business for Social Responsibility Education Fund, *Corporate Social Responsibility: A Guide to Better Business Practices*, 2000.

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other stakeholders. Examples include developing processes for communication with stakeholders, adopting formal board guidelines, and implementing board and Chief Executive Officer (CEO) performance evaluations.

## Human Rights

Business actions addressing the CSR concern of human rights involve assuring basic standards of treatment to all people, regardless of nationality, gender, race, economic status, or religion. Among the concerns in developing human rights policies are to avoid child labor in manufacturing, government action depriving citizens of basic civil liberties, and forced or prison labor. For example, a company we interviewed said it had signed the United Nations Global Compact, which requires businesses to comply with human rights requirements as one of its 10 principles.

## Marketplace

Business actions addressing CSR marketplace concerns involve business relationships with its customers and such issues as product manufacturing and integrity; product disclosures and labeling; and marketing, advertising, and distribution practices. Marketplace-related actions include establishing ethical marketing and advertising policies, ensuring safety and efficacy of products, and employing ethical sales tactics. One company we interviewed that views water, health, and hygiene as their business stated it had developed low-cost water purifying systems and products to save water in hand washing and improve the lives of consumers in developing countries.

## Workplace

Business actions addressing CSR workplace concerns generally involve human resource policies that directly impact employees, such as compensation and benefits, career development, and health and wellness issues. Examples of workplace CSR actions include adoption of global workplace standards, involvement of employees in business decisions, and establishment of employee grievance policies and procedures.

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## Business, Civil Society, Investor Groups, Multilateral Organizations and Government Play Important Roles in Shaping CSR

Businesses play the central role in determining their efforts to address CSR concerns, but these efforts can also be influenced by the actions of civil society, investor groups, multilateral organizations, and government.

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## Businesses' Role in CSR

Businesses play a central role in CSR by determining which social and environmental issues are addressed and how they are addressed. CSR literature notes that there is a growing recognition by businesses that CSR includes the way the company runs its core business, not just its philanthropic activities. Businesses can further influence CSR in their relationships with other firms through business networks, intermediaries, and supply chains. For example, a business may require or promote CSR among its business partners.

Available but not necessarily representative data on U.S. business efforts to address CSR concerns suggests that many firms conduct some CSR efforts and that a small number of firms hold themselves to more rigorous non financial reporting standards on social, economic and environmental information. A 2002 survey of U.S. firm involvement in sustainability (a closely related term to CSR) included responses from 140 U.S.-based firms that were likely among the most active U.S. companies in CSR.<sup>5</sup> Three-quarters of responding firms reported practicing some form of sustainability. Large firms, defined as those having revenues over \$25 billion annually, were more likely than smaller firms to issue sustainability reports, according to that same survey. Over half of the firms issuing a sustainability report indicated that they were following Global Reporting Initiative (GRI) guidelines. The GRI is an independent institution that disseminates globally applicable sustainable reporting guidelines for companies use in reporting on economic, environmental and social dimensions of their activities, products, and services. As of March 2005, 69 U.S. firms had registered to use the GRI guidelines for reporting CSR Issues. Similarly, 71 U.S. firms have signed onto the United Nations Global Compact. Signatories to the Global Compact voluntarily agree to support its 10 principles in areas of human rights, labor, environment, and anticorruption policies.

Available information from some surveys suggest that business leaders address social issues for business as well as for other reasons, including consistency with their core operating values. Two recent surveys of business executives reported that businesses practiced corporate citizenship or sustainable business practices for a variety of reasons. The voluntary nature of these surveys makes it impossible to project to the universe of all firms. In the first survey, the majority of business respondents concurred with the statement that “good corporate citizenship

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<sup>5</sup>2002 *Sustainability Survey Report*, August 2002, PricewaterhouseCoopers, LLP.

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helps the bottom line.”<sup>6</sup> Similarly, the majority of the respondents to the second survey indicated “cost savings” as a reason for adopting sustainable business practices.<sup>7</sup> The majority of firms responding to the first survey also indicated that their founding traditions and core organizational values of their companies dictate their commitment to corporate citizenship. Similarly, the second survey reported that the majority of responding firms indicated the CEO/Board commitment as a contributing reason for their sustainable business practices. Further, this survey reported that a number of respondents stated that one reason for adopting sustainable practices was because it was “the right thing to do.”

Despite over 30 years of research, no consensus has been reached on the relationship between business social and financial performance. Numerous empirical research studies have attempted to determine whether those firms that engage in socially responsible practices also do well in terms of financial performance. A 1997 study that surveyed 25 years of research observes that, many studies find a negative relationship between these practices and financial performance, although the largest number of studies find a positive relationship.<sup>8</sup> More recent studies also reach a range of conclusions with some finding a positive association,<sup>9</sup> some finding at least a neutral association, and others finding no significant or a mildly negative relationship.<sup>10</sup> A recent paper on the business justification for CSR

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<sup>6</sup>*The State of Corporate Citizenship in the U.S.: A View from inside 2003-2004*, The Center for Corporate Citizenship at Boston College and the U.S. Chamber of Commerce Center for Corporate Citizenship, 2004.

<sup>7</sup>*2002 Sustainability Survey Report*, August 2002, PricewaterhouseCoopers, LLP.

<sup>8</sup>They further caution, “Even though there is hope in the large number of studies that have shown a positive relationship, academics and practitioners alike should be concerned with the variability and inconsistency in these results. Some of the reasons for these contradictory results stem from conceptual, operationalization, and methodological differences in the definitions of social and financial performance.” Griffin, Jennifer J., and John F. Mahon, “The Corporate Social Performance and Corporate Financial Performance Debate: Twenty-Five Years of Incomparable Research,” *Business and Society*, Mar. 1997, pp. 5-31.

<sup>9</sup>Association of Chartered Certified Accountants, *Corporate Social Responsibility: Making the Business Case*, London, 2002; Orlitzky, Marc, Frank L. Schmidt and Sara L. Rynes, “Corporate Social and Financial Performance: A MetaAnalysis,” *Organization Studies*, Vol. 24, no. 3 (May-June 2003).

<sup>10</sup>Laffer, Arthur B., Andrew Coors and Wayne Winegarden, “Does Corporate Social Responsibility Enhance Business Profitability?” Laffer Associates, 2004 available via [www.csrwatch.com](http://www.csrwatch.com).

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concludes, “It has not yet been possible to make a strong, causal, quantitative link between CSR actions and financial indicators such as share price, stock-market value, return on assets and economic value added.”<sup>11</sup>

The difficulty in accurately measuring CSR benefits to business complicates any assessment of CSR. CSR literature, as well as discussions with CSR experts, indicates that it can be very difficult to assess the profitability of CSR actions because benefits may occur far into the future and involve intangibles such as enhanced brand and company image or other goodwill. Furthermore, the authors of a recent study suggest that the provision of CSR will vary across industries, products, and firms. For example, they argue that larger, more diversified firms, and those that produce more highly differentiated products, may be more likely to engage in CSR practices than smaller firms or those that produce in less differentiated markets. The authors further suggest that if a firm is successful in implementing a CSR action, competitors may adopt similar measures, and this may have the effect of eroding any profit advantage. As a result, they argue that there should be a neutral relationship between CSR activity and firm performance.<sup>12</sup>

## Civil Society’s Role in CSR

CSR literature recognizes the impact of civil society on raising awareness of social issues among businesses. The World Bank defines civil society as the wide array of nongovernmental and not-for-profit organizations that express the interests and values of their members or others based on ethical, cultural, political, scientific, religious, or philanthropic considerations. Civil society organizations include community groups, nongovernmental organizations (NGO), labor unions, indigenous groups, charitable organizations, faith-based organizations, professional associations, and foundations. A recent report by the Kennedy School of Government notes that the growth in civil society is one of the drivers making CSR more mainstream.

Civil society groups can serve to strengthen the links between CSR activities and business profits by increasing the transparency of corporate

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<sup>11</sup>Association of Chartered Certified Accountants, *Corporate Social Responsibility: Making the Business Case*, London, 2002.

<sup>12</sup>McWilliams, Abigail and Donald Siegel, “Corporate Social Responsibility: A Theory of the Firm Perspective,” *Academy of Management Review*, 2001, Vol. 26: No. 1, pp. 117-127.



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operations. For example, civil society activities exposing sweatshops or other questionable corporate activities can provide an incentive for firms to act in ways that would not damage their reputation. Further, civil society sometimes establish standards that business can use to signal compliance or to enhance their reputation with their customers and other stakeholders, potentially increasing profits and firm value. In 1997, the Council on Economic Priorities Accreditation Agency<sup>13</sup> released its Social Accountability (SA) 8000, a voluntary standard to help companies monitor a variety of workplace concerns. The SA 8000 provides verification of corporate performance. The Coalition for Environmentally Responsible Economies (CERES) partnered with the United Nations Environmental Program (UNEP) to oversee the development of the GRI<sup>14</sup> reporting guidelines in the late 1990's. The Interfaith Center for Corporate Responsibility<sup>15</sup> (ICCR), composed of over 275 religious institutions, published a guide to be used as a reference tool by companies to monitor policies in such areas as community development, environment, ethics, human rights and workplace issues.

#### Investor Groups' Role in CSR

Investor groups such as mutual funds and pension plans are responsible for a growing proportion of U.S. investments and therefore, are a potentially increasing influence over business's CSR actions. According to a report by the Social Investment Forum,<sup>16</sup> a national membership organization of social investment practitioners and institutions, firms using some type of socially responsible investment strategy manage over 11 percent of all U.S. investment assets under professional management. The report further indicated that between 1995 and 2003 social-invested assets grew faster than all other types of professionally managed investment assets in the United States. CSR literature notes the increased activism of some institutional investors and their calls for increased corporate accountability and transparency.

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<sup>13</sup>[www.cepaa.org](http://www.cepaa.org).

<sup>14</sup>[www.globalreporting.org](http://www.globalreporting.org).

<sup>15</sup>[www.iccr.org](http://www.iccr.org).

<sup>16</sup>[www.socialinvest.org](http://www.socialinvest.org).

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## The Role of Multilateral Organizations in CSR

Multilateral organizations have played an active role in developing standards relating to CSR and in promoting the concept of CSR. The Organization for Economic Cooperation and Development<sup>17</sup> (OECD) first published its guidelines for multinational enterprises in 1976. These guidelines include recommendations by OECD-member governments to multinational enterprises on appropriate business conduct in such areas as business ethics, labor relations, environmental practices, and information disclosure. The OECD revised the guidelines in 2000 to include a call for companies to respect human rights, abolish forced and child labor, and take a more active role in promoting environmental sustainability. The United Nations launched its Global Compact<sup>18</sup> in 1999, and it now consists of 10 principles covering concerns with human rights, labor, environment, and anticorruption. The World Bank also has a number of program goals related to CSR, including supporting the development of environmental and social practices in individual businesses in emerging markets, working with national governments to help countries better understand and address CSR, and cosponsoring (with the OECD) the Global Corporate Governance Forum,<sup>19</sup> which helps countries improve standards of governance for their corporations.

## The Role of Governments in CSR

A 2002 World Bank study identified four major CSR roles for government: endorsing, facilitating, partnering, and mandating. Government endorsement of CSR can take a variety of forms, including direct recognition of businesses with awards. In their facilitating role, governments enable or provide incentives to companies to engage in CSR to obtain social and environmental improvements. Government partners with the private sector and civil society in tackling complex social and environmental problems. In the mandating role, governments require minimum CSR-related actions in laws and regulations.

Some industrialized countries have established programs to foster CSR. For example, in 2001, the European Commission published a green paper to launch debate on how the European Union could promote CSR. Subsequently, the commission held a forum to foster dialogue among the business community, trade unions, civil society organizations, and other

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<sup>17</sup>[www.oecd.org](http://www.oecd.org).

<sup>18</sup>[www.unglobalcompact.org](http://www.unglobalcompact.org).

<sup>19</sup>[www.gcgf.org](http://www.gcgf.org).

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stakeholders on CSR.<sup>20</sup> In May 2001, France became the first country to require all publicly listed companies to report on the social and environmental consequences of their activities. In 2000, the United Kingdom appointed a Minister for Corporate Social Responsibility, who maintains a central Web site that highlights government departments with CSR responsibilities.

Although the social and economic priorities vary among developing countries, the high incidence of poverty and weak civil society means there are often fewer conventional drivers for CSR. Most developing country governments seek foreign investment to help them grow and develop and must attempt to balance development with other social and environmental goals. A 2002 World Bank report notes that developing country governments do not often participate in the development of CSR policies and standards.<sup>21</sup> Another report on public sector support for CSR among global supply chains states that the lack of resources for developing country governments, which do not view export sector workplaces as the highest priority for social and environmental intervention, hinders progress in addressing CSR-related issues in global supply chains.<sup>22</sup>

The effectiveness of government programs supporting CSR in achieving public policy goals has not been established, in part because of the difficulties inherent in such assessments. CSR literature notes that it is difficult to assess the impact of CSR-related partnerships on public policy goals because it is difficult to measure or compare their intangible inputs and outputs. Representatives from the four academic institutions we interviewed agreed that it was difficult to assess the impact of CSR on social goals. Several of these academicians also noted that they had not seen good work measuring the benefit of CSR to society. One noted that CSR is incremental and that it is hard to measure incremental improvements.

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<sup>20</sup>[http://europa.eu.int/comm/employment\\_social/soc-dial/csr/](http://europa.eu.int/comm/employment_social/soc-dial/csr/).

<sup>21</sup>*Public Sector Roles in Strengthening Corporate Social Responsibility: A Baseline Study*, the World Bank, October 2002.

<sup>22</sup>*Public Sector Support For The Implementation of Corporate Social Responsibility (CSR) in Global Supply Chains: Conclusions from Practical Experience*, the World Bank, December 2004.

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## Although No Broad Federal CSR Mandate Exists, Federal Agencies Conduct Many Activities Related to Global CSR

While the federal government does not have a formal role in global corporate social responsibility, we identified over 50 programs, policies, and activities at 12 agencies that are related to global CSR using a data collection instrument completed by agency officials. We narrowed down the programs to those that were ongoing in fiscal year 2003 or afterwards, those that may affect U.S. corporations' CSR efforts overseas, including their supply chains, and those that touch on key components of CSR, such as labor, environment, human rights, community development and corporate governance. As illustrated in the text below, most of these activities can be loosely categorized into the four key roles of governments in global CSR identified by the World Bank: endorsing, facilitating, partnering and mandating.<sup>23</sup> Appendix II catalogs all the programs we identified by agency.

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## There Is No Comprehensive Mandated Federal Role, Definition, or Agency Coordination in Global CSR

There is no comprehensive legislation mandating a federal role in global corporate social responsibility, and few agencies actually define CSR. Many agencies work with the private sector on issues that are generally covered by the concept "corporate social responsibility," such as labor, environment, human rights and corporate governance, but few agencies define corporate social responsibility or label their activities CSR. Some agencies noted that they use other terms, such as corporate stewardship or corporate citizenship, to refer to similar issues.

While there is no law designating a lead agency to coordinate federal government activities related to global corporate social responsibility, United States agencies are currently in the initial stages of creating a Web site to catalogue federal CSR initiatives. This informal interagency initiative, led by staff at the Inter-American Foundation (IAF), initially involved the Department of State, USAID, the Department of Commerce, the Environmental Protection Agency (EPA), and the Overseas Private Investment Corporation (OPIC). The purpose of the initiative is to publicize the U.S. government programs and resources that promote good corporate practices or CSR to businesses and NGOs. The IAF expects to make the Web site publicly available sometime in 2005.

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<sup>23</sup>In trying to categorize programs into these roles, we identified 9 programs that did not clearly fit into these categories. We also identified 13 programs that appear to have elements of more than one category.

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Some agencies also reported that while they do not have a formal program focused on global corporate social responsibility, they have a number of initiatives that relate to global CSR. For example, officials at the Department of State, which had the greatest number of initiatives related to global CSR, told us that they house their CSR-related activities in several bureaus linked through informal coordination. Likewise, at the EPA, which also had a large number of related initiatives, an official told us that the agency does not have a specific CSR program, but acknowledged there were many links between EPA programs on the environment and the goals of CSR. Further, EPA recently completed an internal inventory of its voluntary initiatives that partner with corporations to improve coordination and policy consistency.

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### While Agency Perspectives on CSR Vary, Many Federal Programs in Pursuit of Broader Mission Goals Are Related to Global CSR

Agency perspectives on global corporate social responsibility vary from active endorsement to reluctance to labeling their programs CSR. For example, several bureaus in the Department of State foster corporate CSR practices as a means to enhance their own efforts aimed at public diplomacy, protecting human rights, and other areas. Similarly, the Department of Commerce has officially endorsed corporate social responsibility, stating that American companies must follow the highest standards of conduct anywhere they do business and that American companies contribute to the communities in which they do business. Through good corporate governance and global corporate social responsibility, the Department of Commerce maintains that American companies are helping to spread democratic values and prosperity around the globe, which leads to greater economic freedom, higher standards of living, and greater social and political freedoms. However, other agencies do not want their programs to be labeled CSR because they do not see it as part of their mission or believe they lack authority to engage in CSR activities. For example, while officials from the Office of the U.S. Trade Representative acknowledged that the agency undertakes some activities that might complement CSR, they stated that the agency's mission is to negotiate trade agreements, not to engage in CSR efforts. Similarly, a senior official at the Department of Labor said that, while the department has many activities that could conceivably be seen as supporting global CSR, the department is not doing them for that reason. He believes the department lacks specific authority to do work on CSR.

Some agencies without a formal position on CSR actively take advantage of mutual interests between their missions and company CSR practices to achieve their broader mission goals. For example, USAID and the IAF

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leverage resources from corporations for development missions, and EPA intends to control pollution through voluntary programs with corporations. Specifically, USAID's Global Development Alliance aims to achieve the agency's development goals by leveraging resources from the private sector and other partners. USAID's alliances address a range of issues, such as encouraging economic growth, developing businesses and workforces, addressing health and environmental problems, and expanding access to education and technology. To illustrate, USAID partnered with one U.S. corporation operating in post-war Angola to build up the country's business sector and equip Angola's workforce with necessary business skills. The company and USAID each agreed in 2002 to provide \$10 million over 5 years for a series of projects to strengthen small and medium-sized businesses, including helping refugees and former soldiers to return to agriculture, developing an enterprise development bank, and supporting the creation of an agricultural training center. From fiscal years 2002 to 2004, USAID reported funding approximately 290 public-private alliances with over \$1.1 billion in federal money and over \$3.7 billion in partner contributions.<sup>24</sup> Figure 1 illustrates how federal agency programs sometimes complement company CSR practices.

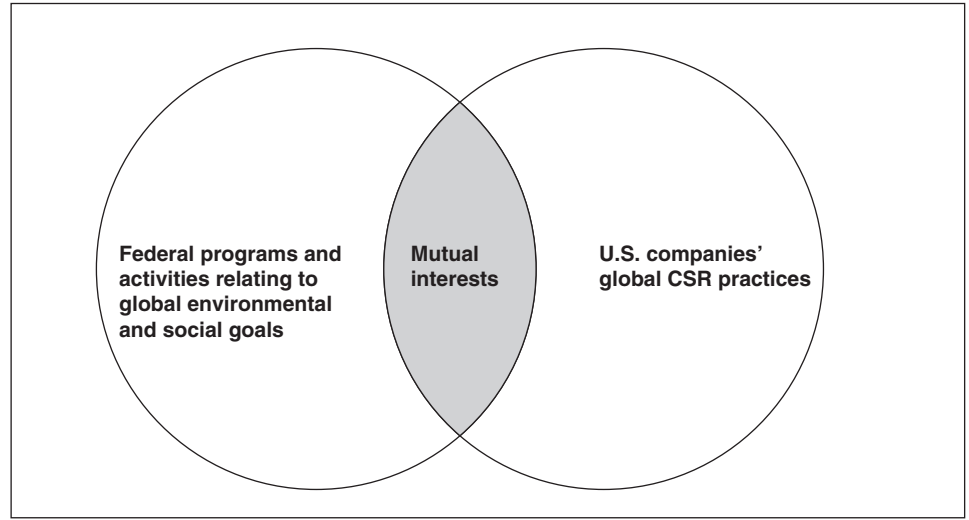
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<sup>24</sup>Funding reported by USAID includes moneys obligated in the planning stage as well as actual expenditures. The partner contributions include committed contributions that are projected for future years as well as contributions already expended by partners.

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**Figure 1: Some Federal Programs and Activities Complement U.S. Corporate CSR Practices**



Source: GAO.

Other agencies, such as OPIC, the Export-Import Bank of the United States (Ex-Im Bank), and the U.S. Securities and Exchange Commission (SEC) engage in activities that are related to CSR, generally in response to statutory or congressional requirements rather than based on a formal agency decision on CSR.

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### Many Federal CSR-Related Programs Are Recent, Focus on a Range of Countries and Sectors, and Have Small Budgets and Staffs

Many of the programs we identified started in the last 5 years. For example, the Department of State's Partnership to Eliminate Sweatshops Program started in 2000 to provide grants to address unacceptable working conditions in manufacturing facilities overseas that produce goods for the U.S. market. In fiscal year 2003, the program funded the development of a confidential database of factory monitoring reports that would be accessible by companies seeking compliance information on factories in their supply chains. The effort was in response to U.S. companies that have cited lack of information about factory compliance as an obstacle to improving their own compliance efforts and responsible behavior.

Since 2001, several presidential initiatives aimed at foreign assistance have partnered with companies to achieve the initiative goals, which also complement corporate CSR practices. For example, one interagency

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presidential initiative led by the Department of Commerce,<sup>25</sup> the Digital Freedom Initiative, was announced in 2003 to partner with U.S. businesses to transfer the benefits of information and communication technology to businesses in the developing world.<sup>26</sup> The program has over 90 U.S. corporate and nonprofit organization partners that provide volunteers and other resources to support its activities. As part of the initiative, in Senegal, a U.S. information technology company is developing 12 academies to train Senegalese to install, manage, and maintain modern computer networks.<sup>27</sup>

Federal agency activities related to CSR focus on a range of countries and sectors. For example, the International Child Labor Program at the Department of Labor funds projects in Bangladesh, Pakistan, Central America, and West Africa that work with various industry associations to address the use of child labor. The Department of State funds a number of projects in China and other countries in various sectors, including the apparel industry and the extractives sector. Federal programs and activities assist U.S. companies with their philanthropic efforts, as well as with their efforts to be socially responsible in their core business operations, including their supply chains. None of the programs we identified were specifically designed to monitor company CSR activities.

Most federal programs, policies, and activities related to CSR have small budgets and staffs. Many programs do not specifically track budget and staffing information for their CSR-related activities. Of the programs reporting budget and staffing information, most are relatively small. The Departments of Commerce and State and EPA, which identified the largest numbers of discrete initiatives related to CSR, reported relatively modest budgets and staffing for their initiatives. In total, only four programs reported budgets at or over \$2 million in fiscal year 2003 for CSR-related activities. The two programs that reported the largest annual budgets of

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<sup>25</sup>Members of the Digital Freedom Initiative Interagency Working Group include the Department of Commerce, USAID, the Department of State, the Peace Corps, the Small Business Administration, and the Federal Communications Commission.

<sup>26</sup>The Digital Freedom Initiative is part of the Volunteers for Prosperity Initiative. Managed by USAID's Office of Volunteers for Prosperity, this is also an interagency Presidential initiative that promotes international voluntary service by highly skilled American professionals in support of the nation's global health and prosperity agenda.

<sup>27</sup>According to a Commerce official, the Digital Freedom Act (DFI) has no specific funding. The program uses some USAID money already assigned to projects that complement the DFI program. For example, these training efforts are a component of an ongoing alliance the company has through the USAID Global Development Alliance.



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around \$20 million and \$30 million are at the Department of Labor<sup>28</sup> and USAID, respectively. Similarly, many federal CSR efforts are staffed by agency officials with multiple responsibilities, working part time on the effort.

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### Federal Agencies Conduct a Range of Activities that Endorse, Facilitate, Partner and Mandate Company CSR Activities

Most U.S. government programs, policies, and activities related to global CSR can be loosely categorized into the World Bank's four public sector roles: endorsing, facilitating, partnering, and mandating.<sup>29</sup> These roles range from the least government involvement—endorsing companies' voluntary efforts above and beyond compliance with laws and regulations—to the most government involvement through mandating behavior consistent with CSR. Although some federal efforts related to CSR can be classified as serving more than one role, roughly two-thirds of the U.S. government programs, policies, and activities, that we identified fell in the middle of the spectrum by either facilitating and/or partnering with companies on their voluntary CSR efforts. The remainder either fell into the mandating and endorsing roles, or outside the World Bank's roles. Figure 2 illustrates the range of U.S. government activities in the World Bank framework. See appendix II for a complete listing and brief description of the 54 CSR-related programs and activities that we identified at 12 U.S. agencies.

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<sup>28</sup>However, an official from the Protecting the Basic Rights of Workers program at the Department of Labor, which reported a \$20 million budget in fiscal year 2003, said the program received no funding from the fiscal year 2005 appropriations.

<sup>29</sup>See Fox, Tom; Ward, Halina; and Howard, Bruce. *Public Sector Roles in Strengthening Corporate Social Responsibility: A Baseline Study*. The World Bank, 2002. The report describes four principle public sector roles as follows (The report acknowledges overlaps across the four categories):

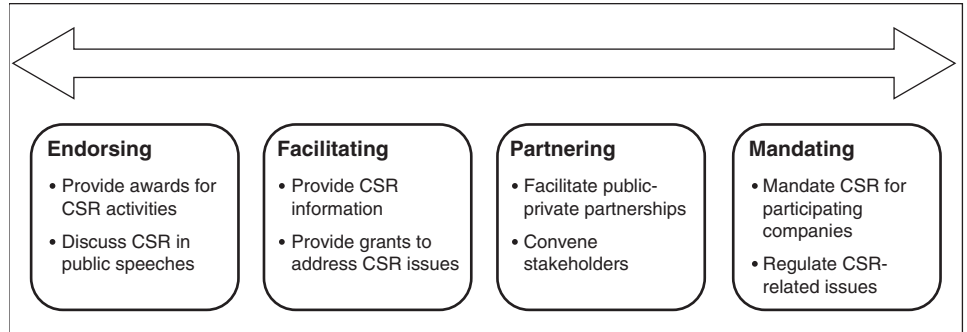
Endorsing: Political support and public sector endorsement of the concept of CSR and in particular, CSR-related initiatives.

Facilitating: Enabling or incentivizing companies to engage with the CSR agenda or to drive social and environmental improvements.

Partnering: Bringing the complementary skills and inputs of the public sector, the private sector, and civil society in tackling complex social and environmental problems.

Mandating: Defining minimum standards for business performance embedded within the legal framework.

**Figure 2: Illustrative U.S. Government Activities Related to CSR Range from Endorsing CSR to Mandating CSR**



Source: GAO illustration based on World Bank report.

## Endorsing

The U.S. government has a number of awards programs that endorse CSR by recognizing companies for socially responsible activities. U.S. officials also endorse the concept to audiences through public speeches on an *ad hoc* basis. Some examples of endorsing include:

- The Department of State’s annual Award for Corporate Excellence, which emphasizes the role U.S. businesses play to advance good corporate governance, best practices, and democratic values overseas. Since 1999, 12 businesses have received the Award for Corporate Excellence,<sup>30</sup> following nominations submitted by Chiefs of Missions at U.S. Embassies and Consulates abroad. In fiscal year 2004, the Department of State received 50 award nominations from Chiefs of Missions.
- The EPA’s Climate Protection and Stratospheric Ozone Protection Awards, which encourage and recognize outstanding corporate environmental efforts in climate protection. For example, a 2002 corporate recipient of EPA’s Climate Protection Award reduced its energy use by over 30 percent internationally and offset all the remaining greenhouse gas emissions both in the United States and overseas.

<sup>30</sup>Typically, one award is given to a multinational enterprise and one award is given to a small and medium-sized enterprise each year, but that is flexible and up to the selection committee to decide.

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## Facilitating

The U.S. government facilitates CSR by providing information, funding or incentives to companies and other players to engage in CSR-related issues. Some examples include:

- The Department of Commerce’s training on rule of law, human rights, and corporate stewardship for commercial service employees. The training helps these officers provide information on corporate stewardship issues to companies involved in the export promotion process. Additionally, commercial service officers can use this information in their work with overseas chambers of commerce. As of March 2005, 260 commercial service employees had received the training since the program’s inception in 2003.<sup>31</sup>
- The Ex-Im Bank’s Environmental Exports Program, which began in 1993. The program enhances the Ex-Im Bank’s financing package for such U.S. goods and services, thereby encouraging foreign buyers to purchase U.S. exports that are beneficial to the environment. Specifically, the program extends loan repayment terms, finances the interest accrued during the disbursement period, and finances local costs to an amount equal to 15 percent of the contract price. Exports eligible for the program include renewable energy projects, water treatment projects, air quality monitoring instruments, equipment for waste collection and clean up, services for environmental assessments and ecological studies, and other projects that meet specified emission thresholds. During fiscal year 2003, Ex-Im Bank supported over \$173 million of environmentally beneficial goods and services, including \$13 million in products and technologies related to renewable energy.

## Partnering

Several U.S. government programs partner with corporations or convene partnerships with key stakeholders, which can help companies accomplish their CSR initiatives. In addition to USAID’s Global Development Alliance discussed earlier, representative examples include:

- EPA’s Climate Leaders Program, which partners with companies to achieve EPA’s goal of protecting the environment. The Climate Leaders Program is a voluntary government partnership that enlists major U.S. companies to set an aggressive greenhouse gas reduction target. EPA established inventory protocols to assist the companies in tracking their

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<sup>31</sup>This figure includes 183 commercial officers, 56 foreign service national commercial specialists, and 21 domestic trade specialists.

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success toward their greenhouse gas target. Partners receive training and technical assistance in completing the greenhouse gas inventories, and EPA works with each partner to develop standard Inventory Management Plans. EPA plans to provide recognition in later years after partners have met or exceeded their targets, which are publicly available on the EPA Web site.

- The Voluntary Principles on Security and Human Rights, which provide guidance to oil and mining companies on how to ensure respect for human rights in their security procedures. In 1999, together with the government of the United Kingdom, the Department of State convened international NGOs with U.S. and United Kingdom oil and mining companies concerning human rights abuses by hired security forces. A set of voluntary principles was developed through collaboration with the relevant stakeholders. According to a State Department official, nearly every major oil and mining company is now a participant in the Voluntary Principles process.

## Mandating

While there is debate over whether complying with laws and regulations constitute CSR, a number of federal requirements and regulatory mechanisms that mandate social and environmental issues could fall under the CSR umbrella. Examples of regulations and agencies that require participating companies to comply with CSR-related requirements include:<sup>32</sup>

- An SEC rule,<sup>33</sup> which provides anyone who owns more than \$2,000 in a company's stock for more than 1 year with the opportunity to propose issues for shareholders to vote on. SEC ensures that companies do not exclude shareholder proposals for vote at annual company meetings, unless they meet the legal criteria for exclusion outlined in the rule. According to an investor group that tracks shareholder proposals, out of 1,052 shareholder proposals that were filed at U.S. companies for 2005 meetings, approximately 350 proposals focused on issues related to

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<sup>32</sup>In addition to the regulations listed here, various respondents also mentioned the Foreign Corrupt Practices Act; the Sarbanes-Oxley Act of 2002; the Alien Tort Claims Act; and import controls, such as those prohibiting the importation into the United States of merchandise produced by forced or indentured child labor as laws or regulations that impact companies' CSR activities.

<sup>33</sup>Rule 14a-8 of the Securities Exchange Act of 1934.

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corporate social responsibility, such as global warming and global labor standards.

- The Overseas Private Investment Corporation (OPIC), which provides long-term financing and/or political risk insurance to U.S. companies investing in over 150 emerging markets and developing countries, requires that all beneficiary companies comply with certain CSR criteria. These requirements cover issues that include host country development impact, environmental protection, international labor rights, and human rights. The requirements are written into contracts, and OPIC specifies that they must be carried down to the subcontract level.

#### Strengthening Enforcement and Compliance with CSR-Related Regulations in Other Countries

In addition to the four roles discussed above, a number of U.S. programs foster a business environment conducive to CSR by working with other national governments to strengthen compliance and enforcement of social and environmental regulations in countries where U.S. companies operate. These efforts serve to protect U.S. businesses from competing with companies that are not complying with weakly enforced laws and regulations. Some examples include:

- The Department of Labor's program on Protecting the Basic Rights of Workers, which works with host country ministries of labor to improve adherence to international core labor standards and acceptable conditions of work in developing countries. In accordance with a congressional appropriation, in fiscal year 2003 the office allocated \$20 million for these efforts worldwide, including in a number of countries in Africa, the Americas, Asia, and in Ukraine. However, according to an agency official, the budget decreased significantly in subsequent years to \$2.5 million in fiscal year 2004 and no funding in fiscal year 2005.
- EPA's International Compliance Assurance Division, which works with governments to ensure compliance of companies with environmental standards. Since 2001, approximately 20 trainings have been held for officials from a wide range of countries, including South Africa, Nigeria, Indonesia, Vietnam, Brazil, Guatemala, and Egypt, among others.

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## Perspectives on the Appropriate Government Role in CSR Vary, but Many Support Federal Assistance for Voluntary Efforts

Our review of CSR literature revealed support for government involvement in CSR varied with views of CSR's connection to business profit. Opinions of those we interviewed on the impact of existing federal agency efforts and the appropriate government role related to CSR generally revealed a desire for government involvement and the widest support for federal agency activities that assist businesses in their voluntary efforts.

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## Perspectives on the Appropriate Government Role in CSR Vary with Views of CSR's Connection to Business Profits

Based on our review of CSR literature, perspectives on the appropriate role of government in CSR vary, but generally correlate with three major perspectives on the connection of CSR to business profits: (1) free-market economic, (2) "business case," and (3) social issues.

### Free-Market Economic Perspective

Those with a free-market economic perspective generally view businesses engaging in CSR as a potential taking of profits from the business owners that will ultimately diminish the effectiveness of the business and a free-market economy. The well known economist, Milton Friedman refers to the doctrine of "social responsibility" as fundamentally subversive in a free society, stating, "there is one and only one social responsibility of business—to use it[s] 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."<sup>34</sup> According to this free-market economic perspective, business managers have a primary duty to maximize value for shareholders and in doing this businesses serve the general welfare by directing resources to produce goods and services society wants. In this view, engaging in CSR actions that are not based on profitability can affect not only business performance but also potentially reduce the general welfare of society. David Henderson, an economist who has written extensively questioning the value of CSR, recently wrote "The general adoption of CSR, in response to social pressures, would undermine the market economy and make businesses

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<sup>34</sup>Friedman, Milton, "The Social Responsibility of Business is to Increase Profits." New York Times Magazine, September 13, 1970.

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less effective in performance of their primary role.”<sup>35</sup> While this free-market economic perspective recognizes that government has a role in structuring the legal framework of a market economy, those with this view do not support government involvement in the general adoption of the concept of CSR.

## Business-Case Perspective

Many CSR proponents cite a “business-case” perspective, in which business CSR efforts are supported based on their contribution to business profit and value. Those with the business-case perspective reason that businesses can undertake CSR actions that will increase businesses’ value or return on investment in terms of increased revenue, increased asset value, or reduced cost. Business leaders often indicate that their CSR practices help their bottom line. Supporters of the business-case perspective assert that addressing important social issues in the business environment can contribute to the long-term value of the firm. Supporters of this perspective have developed many different lists of potential benefits to a business in adopting CSR. For example, one discussion of the business case identified the following six potential business benefits:<sup>36</sup>

- **Operational cost savings**—Investment in environmental efficiency measures such as waste reduction and energy efficiency can save money as well.
- **Enhanced reputation**—Good company performance in relation to sustainability issues can build reputation, while poor performance, when exposed, can damage brand value.
- **Increased ability to recruit, develop, and retain staff**—These can be direct results of introducing ‘family friendly’ policies. Also, volunteering programs may improve employee morale and loyalty to the company.

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<sup>35</sup>Henderson, David, “The Role of Business in the Modern World: Progress, Pressures and Prospects for the Market Economy.” (Landover Maryland, Competitive Enterprise Institute) 2004, p. 20.

<sup>36</sup>Raynard, Peter and Forstater, Maya, *Corporate Social Responsibility: Implications for Small and Medium Enterprises in Developing Countries*, The United Nations Industrial Development Organization, Vienna, 2002, pp. 8 and 9, with reference to: Raynard, P & Forstater, M (2001) *The Business Case for Sustainability*. London, SIGMA.

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- **Better relations with government**—More favorable government relations and regulatory rulings are key for many companies looking to extend their business in politically unstable conditions.
  - **Anticipation and management of risk**—Managing risk is increasingly complex in a global market environment. Greater oversight and stakeholder scrutiny of corporate activities makes managing risk key to company success.
  - **Learning and innovation**—The interaction required with a wide range of individuals and organizations outside the traditional business relationships can encourage creativity, which can lead to increases in profitability.

The benefits of CSR can also be viewed in a global context, with the interaction between multinational businesses and foreign host-country governments concerning issues of foreign direct investment and business operations in host countries, generally. Engaging in CSR practices may help the multinational business manage certain political and reputation risks in their operations, particularly with regard to host countries in the developing world.<sup>37</sup>

Negative publicity can seriously undermine the reputation of multinational business internationally, and it can create a political climate that may lead a host government to take actions, such as regulation or other restrictions, that can undermine the firm's efficiency and profitability. In addition, some developing countries may not have adequate laws to address concerns about workers rights or the local environment, and even where they do, these countries may not have the resources, technical expertise, or the willingness to adequately enforce their laws and regulations. By demonstrating a commitment to good business practices, such as through CSR, multinational businesses may send a signal that they are committed to helping mitigate problems or issues that may arise regarding their operations, thus creating a more positive climate in which to pursue business opportunities.

Those with a “business case” perspective view a major role of government as supporting business's voluntary CSR-related efforts. Surveys of business

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<sup>37</sup>Haufler, Virginia, *A Public Role for the Private Sector: Industry Self-Regulation in a Global Economy* (Washington, D.C.: Carnegie Endowment for International Peace) 2001.



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leaders indicate that they believe that CSR should be completely voluntary. This perspective stresses business involvement in the development of CSR efforts because the business knows its resources and constraints and can best identify potential benefit to the business. Supporters of this perspective look for business to work with civil society and government to develop CSR approaches that address relevant social issues. Supporters to this view see advantages of government working with business. For example, in a recent book *Walking the Talk the Business Case for Sustainable Development*, the authors state, “Governments too, have a vested interest in collaborating with companies. Governments are spending less time on command-and-control regulations and more on forms of cooperation with industry to produce workable, incentive based solutions. They are finding that historically intractable social and environmental problems, such as poverty, disease, and threats to biodiversity, can only be solved through partnership.”<sup>38</sup>

## Social Issues Perspective

Those with a social issues perspective focus on the extent to which business addresses social issues, but opinions within this group are mixed on whether to rely on voluntary or mandatory CSR approaches. A 1999 survey of 25,000 consumers worldwide found that two-thirds of the population in countries surveyed indicated that “they want companies to go beyond their historical role of making a profit, paying taxes, employing people and obeying all laws; they want companies to contribute to broader societal goals as well.”<sup>39</sup> Some supporters of the social issues perspective cite successes of some business voluntary CSR efforts in contributing to social issues. Some also call on business to voluntarily adopt CSR practices to address social issues beyond what might be justified by business profit. Such organizations see a role for government in fostering voluntary corporate CSR actions.

Others with a social issues perspective take a very different view. They believe that business is primarily concerned with profit and thus should not be trusted to develop solutions for important social issues on their own. According to those with this view, business involvement in CSR efforts can become merely a branch of public relations instead of effectively

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<sup>38</sup>Holiday, Charles O. Jr.; Schmidheiny, Stephan; and Watts, Phillip, *Walking the Talk: The Business Case for Sustainable Development*, Greenleaf, Sheffield; 2002, p. 156.

<sup>39</sup>The Millennium Poll on Corporate Social Responsibility, Conducted by Environics International Ltd. In cooperation with the Prince of Wales Business Leaders Forum and the Conference Board. Consumers in 23 countries were surveyed.

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addressing social problems.<sup>40</sup> As a result, they feel that governments should move to mandate CSR. Several groups have argued for increased government engagement in CSR initiatives aimed at ensuring that business adhere to international norms. For example, one consumer group's position paper on CSR calls on governments and international agencies to introduce legislation to set standards that transnational corporations must observe and also a framework for monitoring corporate behavior.<sup>41</sup> Similarly, another group noted that there is a need for increased government engagement in CSR initiatives aimed at ensuring that businesses adhere to international norms because governments are the only actors with jurisdiction over the private sector.<sup>42</sup> Another human rights NGO states that voluntary initiatives will often be ineffective and insufficient. This organization further states that more attention should be given to the role international law can play in anchoring these responsibilities in a legal framework that crosses national boundaries.<sup>43</sup>

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### Views of Groups Actively Engaged in CSR Vary on the Appropriate Role of the U.S. Government and the Impact of Current Federal Activities Related to CSR

In addition to reviewing the available literature, we also interviewed 32 individuals representing groups actively engaged in CSR to obtain their views on the appropriate role for the federal government and the impact of current federal activities on their CSR efforts. Specifically, we interviewed 14 companies, 4 business groups, 6 NGOs focused on environmental, human rights and labor issues, 4 investor groups, and 4 academic institutions (See app. I for a complete list of the respondents).<sup>44</sup> A majority of respondents supported a government role in global CSR, yet views varied regarding the appropriate federal role and the impact of current activities. Most respondents generally supported government assistance

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<sup>40</sup>*Behind the Mask: The Real Face of Corporate Social Responsibility*, Christian Aid, p. 2.

<sup>41</sup>Consumers International and Corporate Social Responsibility, Consumers International.

<sup>42</sup>Calder, Fanny and Culverwell, Malaika, *Following Up the World Summit on Sustainable Development Commitments on Corporate Social Responsibility, Options for Action by Governments*, Royal Institute of International Affairs, February, Chatham House, 2005, p. 36.

<sup>43</sup>International Council on Human Rights Policy, "Beyond Voluntarism, Human Rights and the Developing International Obligations of Companies," Versoix, Switzerland, 2002, p. 2.

<sup>44</sup>We selected these groups and organizations to help us obtain a broad range of knowledgeable and informed views on global CSR and the federal government's role in global CSR; our selection was not intended to be representative in any statistical sense. Groups that are not active in global CSR may have different views and opinions, especially in terms of the federal government's role.

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with voluntary CSR efforts such as endorsing, facilitating, and partnering, while some also expressed an interest in government-mandated CSR, especially to increase disclosure of CSR-related information. Most respondents saw a need for the U.S. government to encourage foreign governments to enforce CSR standards to help level the playing field for U.S. companies adhering to high CSR standards.<sup>45</sup> Some respondents based their discussion of the government role on their knowledge of current U.S. government activities related to global CSR, yet we found that several were unaware of these efforts. Also, some said they were aware of U.S. government efforts, but primarily cited domestic CSR efforts or initiatives that are not led by the U.S. government. Several respondents called for a greater U.S. government role in CSR, as in some other countries, and greater coordination of existing U.S. efforts.

#### Mixed Reactions Regarding the Impact of U.S. Government Efforts to Endorse CSR through Awards

A number of respondents were aware of U.S. government award programs that endorse CSR, but had mixed reactions regarding their effectiveness. Whereas a majority of companies we interviewed who commented on awards<sup>46</sup> said they have a positive impact, for example, by motivating employees and validating the company's efforts, some were not motivated by awards. One company in favor of government endorsing CSR through awards said that, although there are a lot of awards given to companies for corporate social responsibility, an award from the U.S. government or another government is credible and valuable. However, another company said it receives so many awards that receiving one more is not very useful, unless it is accompanied by significant media attention. Most of the business groups reacted positively to federal government awards, stating that awards call attention to success stories and provide a signal of the type of behavior the government likes, help to motivate companies, and provide a positive counterbalance to regulations and compliance by rewarding voluntary efforts. Most of the NGOs that were aware of federal government awards for global CSR activities were skeptical of the impact of the awards, questioning the nominations and selection processes and whether the awards are a good indicator for companies' CSR performance. The two investor groups that were aware of federal government awards programs

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<sup>45</sup>For example, see The Frank Hawkins Kenan Institute of Private Enterprise, Washington Center, *Statement of Findings: Promoting CSR in China*, Sept. 2004 and *Promoting Global Corporate Social Responsibility: The Kenan Institute Study Group Consensus*, Sept. 2003.

<sup>46</sup>Respondents tended to speak generally of U.S. government and non-U.S. government awards, as they were not always clear whether or not a particular award was given by the U.S. government.

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thought they were a positive influence. In addition to awards, a few respondents also suggested the government should more actively endorse CSR in its own procurement processes and in government pension investments.

**Respondents Viewed Government Efforts to Facilitate CSR Favorably**

Many respondents from the various groups expressed support for federal government efforts to facilitate CSR, especially through providing information. Representatives from companies and other groups suggested that the government could play a more active role in providing information on setting benchmarks in areas such as the environment and human rights, providing information on best practices and how to start CSR activities in other countries, or establishing a clearinghouse with CSR-related information. A few respondents suggested that providing information or assistance would be particularly helpful for small and medium-sized companies and companies just getting started with CSR.

**Respondents Generally Viewed Partnerships with Government on CSR Favorably**

Many respondents viewed government partnerships with companies and efforts to convene stakeholders to accomplish CSR goals favorably and thought it was an appropriate role for the U.S. government. One company that has worked with USAID and the Centers for Disease Control on a health-related issue in Haiti said that the government is well placed to help companies focus on the needs of those living in poverty and that companies have a lot to contribute by helping to provide safe drinking water, fight HIV/AIDS, and improve education and economic welfare. Two NGOs that are aware of partnership programs had mixed reactions. For example, while one NGO said partnerships are helpful in bringing parties together and leveraging private sector resources, another NGO was concerned about potential conflicts of interest. Respondents from business groups, investor groups, and academic institutions who commented on federal efforts to partner with companies on CSR issues were generally positive about these partnerships. Many organizations supported a federal role in partnering by convening stakeholders to address specific CSR issues or to share information. For example, the Department of State's involvement in developing the Voluntary Principles on Security and Human Rights was cited as an example of a positive effort by the U.S. government to convene stakeholders to address a CSR-related issue.

**Mixed Views on Government Mandating CSR through Laws and Regulations**

Companies and business groups generally held mixed views regarding the impact of laws and regulations on company global CSR efforts, whereas NGOs and investor groups largely believed that laws have a positive impact on CSR. In general, these latter groups desired a government role in

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mandating CSR, especially to increase disclosure and transparency of company CSR activities. A few respondents cited the lack of U.S. legislation or involvement in CSR as an impediment to companies' CSR efforts.

While some companies were concerned about burdensome mandates, several said that certain existing regulations and government efforts create minimum standards and level the playing field internationally, which is helpful to companies with active CSR programs.<sup>47</sup> According to one director of CSR, the company's initial reaction to CSR requirements, such as import controls, is negative because they are costly and burdensome. However, the company recognizes that new rules can help level the playing field, as not all companies voluntarily adopt high standards. Another company said the Foreign Corrupt Practices Act has had a positive impact on the company's CSR activities by enhancing the visibility of CSR and helping to raise standards of transparency and governance. Similarly, customs legislation that set minimum criteria allows the company to discuss CSR standards with its suppliers and ensures that it is not the only company focusing on these issues, which could create a competitive disadvantage. A business group expressed concern that codes can also lead to two moral principles conflicting with each other, such as policies to prevent harm to animals or the environment may inhibit the ability of companies from discovering life-saving treatments or technologies. One multinational company said it upholds homogenous standards globally, so in that sense, U.S. programs could affect its global standards in reporting, building design standards, and worker health and safety. However, the company also noted that its own standards often exceed legal standards.

Many respondents agreed that government should play a role in promoting transparency and disclosure of companies' CSR efforts. Some companies strongly supported a federal role in promoting transparency, yet others warned against regulation and adverse consequences, for example, if U.S. companies face regulatory burdens and are forced to disclose more than their foreign competitors. For example, the Sarbanes-Oxley Act of 2002 was cited by companies as a costly and burdensome mandate. However, some NGOs and investor groups supported government mandating that companies should disclose information on CSR-related issues. Three

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<sup>47</sup>Some companies held both views: that some regulations are burdensome, while other regulations are useful in setting minimum standards and leveling the playing field.

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academic institutions cited recent European regulations on disclosure of CSR issues as a model for the U.S. government.

A majority of respondents from the various groups supported a government role in encouraging other governments to enforce their own laws and standards related to common CSR issues. A few suggested that trade agreements offer an opportunity to encourage other governments to enforce CSR standards. According to one business group,

“The single most useful activity of the U.S. government to promote corporate responsibility would be to promote the implementation and enforcement of existing national laws in other countries and to assist national governments in this regard. The majority of countries around the world have adequate laws, but such laws are not implemented or enforced. Commercial activity and private enterprise depend on national governments to set a level playing field so that competitive markets can flourish for the benefit of consumer and society. This requires . . . appropriate legal frameworks in areas such as corporate governance, financial disclosure, bribery and corruption, environmental protection and labor rights.”

### Some Respondents Want More Coordination among U.S. CSR Activities and Greater Role in Global Leadership on CSR

Some respondents expressed a desire for more coordination among U.S. activities related to global CSR and pointed out that other countries are more involved in CSR than the U.S. government. Some noted that federal efforts are not well coordinated, which can make it difficult for companies to participate in U.S. government activities, and called for increased coordination among U.S. government agencies for CSR activities. Several respondents also expressed a desire for a greater U.S. government role in CSR, stating that the United States is absent from world leadership, especially the European Union, on this issue. According to one company, many European countries are involved in CSR activities; and if the U.S. government does not play a role regarding U.S. companies’ international CSR activities, leadership will go elsewhere. Similarly, another company wanted the U.S. government to participate in the global debate on CSR and to continue its efforts to represent U.S. interests in the face of the European Union’s more regulatory approach to CSR.

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## Concluding Observations

The globalization of recent decades has increased the breadth and extent of U.S. corporations’ operations in foreign markets, through both increased investment and trade. These globalization trends have led to increased pressure on U.S. multinational corporations to adopt more CSR-related activities in their global operations, particularly for developing countries. Nevertheless, the extent that U.S. multinationals adopt CSR practices continues to vary by industry, location, and by individual firm priorities. At

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the same time, if the recent CAFTA debate in Congress is any guide, the U.S. government also faces calls to strengthen labor, environmental, and social conditions abroad. Thus, the debate over the right balance between private sector and government roles in achieving these CSR-related goals will likely continue.

Important public policy questions have been raised by the trends in globalization and global corporate social responsibility such as whether the U.S. government should adopt an official position regarding global CSR. However, the dichotomy of views regarding the benefits of CSR to business and society complicates any consensus on the appropriate government role. Our research shows that U.S. federal agencies already conduct a number of programs and activities that overlap and/or interact with corporate global CSR efforts. In addition, our interviews with agency officials indicate many view CSR as a useful complementary tool for attaining their broader policy missions. Key private sector players in CSR, meanwhile, indicate that they generally found current U.S. government activities helpful in their voluntary CSR efforts. More generally, it appears that CSR—even if not a substitute for regulation—has resulted in the commitment of U.S. multinational resources, and focus on issues of importance to the U.S. and to host countries. The challenge for the U.S. government is to determine how global CSR fits within the broader range of policy tools directed at achieving sustainable improvements in the quality of life for both U.S. and foreign citizens.

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## Agency Comments and Our Evaluation

We provided a draft of this report to the Administrator, Agency for International Development; the Administrator, Environmental Protection Agency; the President, Export-Import Bank; the President, Inter-American Foundation; the President, Overseas Private Investment Corporation; the Executive Director, Securities and Exchange Commission; the U.S. Trade Representative; and the Secretaries of the Departments of Commerce, Energy, Labor, State, and the Treasury. We received technical comments from the Agency for International Development; the Environmental Protection Agency; the Export-Import Bank; the Inter-American Foundation; the U.S. Trade Representative; and the Departments of Commerce, Labor, and State. We revised the text based on these comments, where appropriate.

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As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the date of this letter. At that time, we will send copies of this report to interested Congressional Committees and to the Agency for International Development; Environmental Protection Agency; the Export-Import Bank; the Inter-American Foundation; the Overseas Private Investment Corporation; the Securities and Exchange Commission; the U.S. Trade Representative; and the Departments of Commerce, Energy, Labor, State, and Treasury. We will also make copies available to others upon request. In addition, this report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staff have any questions concerning this report, please contact me at (202) 512-4347 or at [yagerl@gao.gov](mailto:yagerl@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix III.

A handwritten signature in black ink that reads "Loren Yager". The signature is written in a cursive style with a large initial "L" and "Y".

Loren Yager, Director,  
International Affairs and Trade



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# Objectives, Scope, and Methodology

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Members of the House of Representatives asked us to provide information on the federal involvement in global corporate social responsibility. This report describes (1) global corporate social responsibility (CSR), (2) federal agency policies and programs relating to global CSR, and (3) different perspectives regarding the appropriate U.S. government role and views on the impact of current federal activities on corporate global CSR efforts.

To describe global corporate social responsibility, we reviewed business and ethics literature and interviewed corporations and other groups interested in CSR. Specifically, we reviewed documentation from academic institutions, business associations, and multilateral organizations, including the European Commission and the World Bank CSR Practice. However, the information on foreign law in this report does not reflect our independent legal analysis, but is based on interviews and secondary sources. We collected major definitions and descriptions of CSR and global CSR and related terms and obtained information on different perspectives that have led to different definitions for CSR and CSR-related terms.

To determine what policies and programs U.S. federal agencies have adopted that relate to global CSR, we surveyed federal legislation, reviewed literature, and spoke with agency officials and experts in CSR. To select the federal agencies to involve in our review, we first considered which agencies' missions suggest possible involvement with promoting, facilitating, or monitoring global corporate social responsibility efforts, which yielded seven agencies. We then added two additional agencies to include all of the agencies that participate in the interagency working group developing a Web portal to publicize the U.S. government programs and resources that promote good corporate practices or CSR. We added the remaining three agencies, following referrals by agency officials or CSR experts, and had discussions with some agency officials to determine if their agencies had relevant programs for this review. The agencies we identified with CSR-related programs were:

- Department of Commerce,
- Department of Energy (DOE),
- U.S. Environmental Protection Agency (EPA),
- Export-Import Bank of the U.S. (Ex-Im Bank),

- Inter-American Foundation (IAF),
- Department of Labor,
- Overseas Private Investment Corporation (OPIC),
- U.S. Securities and Exchange Commission (SEC),
- Department of State,
- Department of the Treasury,
- U.S. Agency for International Development (USAID), and
- Office of the U.S. Trade Representative (USTR).

We identified specific agency programs and policies related to CSR using a two-step process. First, we provided a standard Data Collection Instrument (DCI) with a general description of global CSR to agency officials and asked them to identify current programs, policies, and efforts within their agencies that directly or indirectly promote, facilitate, or monitor global CSR efforts. The description discussed the general elements that a global CSR program can involve, including labor, human rights, environmental and corporate governance efforts. In addition, we also asked agencies about programs that we identified through interviews or literature review. We then sent a more detailed DCI to officials responsible for each identified program to obtain further information, such as the program's objective, start year, legal basis, targeted groups, and activities. Most of the programs have other goals and objectives, and some only relate to CSR in particular aspects of their activities. We collected budget information and staffing levels, where available, to estimate the level of effort dedicated to the CSR activities by the agency.

After we received the responses from the agencies, we followed up with many of the identified federal programs to obtain additional information, which helped us determine whether we should include the program in our review. We also obtained additional documentation from a subset of the programs to verify the information and conducted a thorough review of all of the responses identifying the legal basis for the program/activity. We narrowed down the programs to those that met the following criteria: (1) were ongoing in fiscal year 2003 or afterwards; (2) may affect U.S. corporations' CSR efforts overseas, including their supply chains (e.g.,

government to government efforts); and (3) touch on key components of CSR, such as labor, environment, human rights, community development and corporate governance. We also obtained agency concurrence that the program is related to CSR.

We excluded programs or activities that are primarily aimed at U.S. corporations' CSR efforts within the United States, although they may influence a company's CSR efforts overseas, and efforts that are primarily targeted at the federal government, such as government procurement policies. Due to the lack of federal legislation on, and a generally accepted definition of, corporate social responsibility, there are likely additional programs, policies, and efforts related to global CSR within the federal government that we did not identify.

To obtain different perspectives regarding the role of the U.S. government in corporate global CSR efforts, we reviewed CSR literature. In addition, we conducted and synthesized information from a structured interview with 32 individuals representing a diverse variety of groups actively engaged in CSR. We initially identified 25 U.S. companies that were (1) leaders in CSR, based on companies that appeared on the *Business Ethics Magazine's* Top 100 to Corporate Citizens list each year from 1999 to 2004 and (2) had international operations. Fourteen of these companies agreed to participate in interviews with us. However, their views may not represent those of all 25 leaders we identified, or those of all U.S. companies. We identified representatives from other groups actively engaged in CSR through a review of CSR literature and referrals from experts and agency officials. We selected these groups and organizations to help us obtain a broad range of knowledgeable and informed views on global CSR and the federal government's role in global CSR; our selection was not intended to be representative in any statistical sense. Groups that are not active in global CSR may have different views and opinions, especially in terms of the federal government's role. Specifically, we interviewed:

- Fourteen U.S. multinational corporations that appeared on the *Business Ethics Magazine's* Top 100 Corporate Citizens list for each year from 1999 to 2004—Brady Corporation; Coors Brewing Company; Cummins, Inc.; Deere & Company; Herman Miller, Inc.; Hewlett-Packard Development Company, L.P.; International Business Machines Corporation; Intel Corporation; Merck & Co., Inc.; Modine Manufacturing Company; Motorola, Inc.; Procter & Gamble; The Timberland Company; and Whirlpool Corporation;

- Four business interest groups that have been active in CSR—Business for Social Responsibility; the Conference Board; the U.S. Chamber of Commerce Center for Corporate Citizenship; and the U.S. Council for International Business;
- Four investor groups—Calvert Group, Ltd.; Domini Social Investments, LLC ; Dow Jones Sustainability Index; and the Interfaith Center on Corporate Responsibility;
- Six nongovernmental organizations—Coalition for Environmentally Responsible Economies; Fair Labor Association; Human Rights Watch; Social Accountability International; World Resources Institute; and Worldwide Responsible Apparel Production; and
- Four academic institutions—Center for Corporate Citizenship, Boston College; Center for Responsible Business, the Haas School of Business, University of California at Berkeley; the Corporate Social Responsibility Initiative, John F. Kennedy School of Government, Harvard University; the Frank Hawkins Kenan Institute of Private Enterprise, University of North Carolina’s Kenan-Flagler Business School.

The structured interview instrument included questions designed to obtain information from these organizations on their definition of CSR and similar terms; efforts related to evaluating the effectiveness of CSR activities; the impact of current U.S. government programs, policies and practices; and opinions regarding the appropriate U.S. government actions or role regarding U.S. companies’ global CSR activities. However, in this report, we do not evaluate the concept of CSR nor the justification or efficacy of any government role with regard to CSR activities.

We conducted our work from May 2004 through May 2005 in accordance with generally accepted government auditing standards.

# Federal Agency CSR-Related Programs and Activities

This appendix provides a listing and brief description of the 54 programs and activities we identified at 12 U.S. agencies that relate to global CSR. Currently, an inventory of U.S. government efforts related to global corporate social responsibility is unavailable. To develop this list, we provided a standard DCI to 12 agencies with a general description of global CSR to obtain information on current programs, policies, and efforts within their agency that directly or indirectly promote, facilitate, or monitor global CSR efforts. For programs or activities that are interagency in nature, we list the program or activity with the lead agency and indicate other agencies involved with a footnote. Due to the lack of federal legislation on, and a generally accepted definition of, corporate social responsibility, we do not consider this list exhaustive. See appendix I for a more detailed description of our data-collection process.

**Table 3: Responses from Department of Commerce**

CSR-Related program/activity	Objective	Start year	Legal basis	Groups targeted	Activities	Budget information <sup>a</sup>	Staff level <sup>b</sup>
Training on Human Rights, Rule of Law and Corporate Stewardship  <a href="mailto:Sarah.Murphy@mail.doc.gov">Sarah.Murphy@mail.doc.gov</a> , Foreign Commercial Service	To train commercial service officers and foreign service nationals on rule of law, human rights and corporate stewardship.	2003	15 U.S.C. 4051 et seq. <sup>c</sup>	Commercial officers, foreign service nationals, domestic trade specialists.	Trainings. Since inception, 260 commercial employees have been trained. The office is planning both a certificate and an award program to recognize companies and commercial officers, respectively, for corporate stewardship activities.	\$500,000	One full-time equivalent (FTE) divided among three people plus contractor support.
The President's Export Council's Report on Corporate Stewardship  <a href="http://www.ita.doc.gov/td/pec/">http://www.ita.doc.gov/td/pec/</a>	To disseminate information on good citizenship activities of U.S. corporations.	2003 <sup>d</sup>	Executive Order 11753.	U.S. and foreign companies, U.S. missions, foreign governments.	Report production and public awareness through the report's launch. The Council maintains subcommittees to pursue its own interests and, in 2003, created a subcommittee on corporate stewardship to produce this report.	\$18,311 for publication expenses.	One staff works full time, and four staff work part time on all of the Council's activities, which are ongoing.

**Appendix II  
Federal Agency CSR-Related Programs and  
Activities**

(Continued From Previous Page)

CSR-Related program/activity	Objective	Start year	Legal basis	Groups targeted	Activities	Budget information <sup>a</sup>	Staff level <sup>b</sup>
Digital Freedom Initiative <sup>e</sup> <a href="http://www.dfi.gov">www.dfi.gov</a>	To promote economic growth by providing information and communications technology to businesses in the developing world through partnership with U.S. business volunteers.	2003	Executive Order 13317.	U.S. business community, government agencies and business community in four partner countries.	Placing business and NGO volunteers in small businesses in partner countries. For example, in Senegal, an E-market training program was implemented in partnership with two large U.S. information technology companies.	No specific funding. <sup>f</sup>	One person works 50 percent on this program. <sup>f</sup>
Good Governance Program <a href="http://www.ita.doc.gov/goodgovernance">www.ita.doc.gov/goodgovernance</a>	To increase market access and ensure a level playing field for U.S. companies in emerging markets by training foreign companies on business ethics, corporate governance and rule of law issues.	2000	15 U.S.C. 1512.	Foreign companies and individual entrepreneurs, business associations, civil society groups, and foreign federal and regional governments.	Training, providing tools and resources, capacity building, awareness building, and outreach. In FY 2003, over 1,000 companies/individuals were trained directly through the program or indirectly through train the trainer programs. <sup>g</sup>	\$1,065,585 for FY 2002-2003 <sup>h</sup>	Three full time, <sup>i</sup> one part time staff. <sup>j</sup>
HIV/AIDS Initiative <a href="mailto:shalizeh.nadjmi@mail.doc.gov">shalizeh.nadjmi@mail.doc.gov</a>	To further private sector engagement on HIV/AIDS by fostering public-private partnerships with other key stakeholders focused on HIV/AIDS.	2003	U.S. Leadership Against HIV/AIDS, Tuberculosis and Malaria Act of 2003, See P. L. 108-25.	U.S. companies and trade associations, and chambers of commerce.	Information publication and dissemination, liaison between businesses and other U.S. government organizations, multilateral organizations, NGOs and academia. Hosted 2004 forum on business involvement in HIV/AIDS for more than 200 companies and other entities.	No specific funding. However, \$15,000 from the \$500,000 appropriation listed above for training commercial service officers was spent on the Forum.	Five people work on this initiative ranging from 15 percent to 80 percent of their time <sup>k</sup> [Estimate].

**Appendix II  
Federal Agency CSR-Related Programs and  
Activities**

(Continued From Previous Page)

CSR-Related program/activity	Objective	Start year	Legal basis	Groups targeted	Activities	Budget information <sup>a</sup>	Staff level <sup>b</sup>
Implementation of the Labor Standards Provision of the Bilateral Textile Agreement with Cambodia  <a href="mailto:Ross_Arnold@ita.doc.gov">Ross_Arnold@ita.doc.gov</a>	To provide incentives to the Government of Cambodia to improve working conditions in the Cambodian textile and apparel industry through effective enforcement of local labor laws and internationally recognized core labor standards.	1999	U.S.-Cambodia Bilateral Textile Agreement, paragraph 10, as notified under Article 2.17 of the World Trade Agreement on Textiles and Clothing.	Government of Cambodia	Two consultations every year between the governments of the United States and Cambodia to discuss labor standards, specific benchmarks, and the implementation of the program. Based on those consultations, the U.S. Government made a determination as to whether working conditions in the Cambodia textile and apparel sector substantially comply with such labor law and standards, and apply quota increases commensurate with progress on labor issues. <sup>i</sup>	\$7,500 [Estimate].	One staff for 2 weeks. Five staff for 1 day apiece. [Estimate].

Source: GAO based on information provided by agency officials.

<sup>a</sup>Budget information is for fiscal year 2003 unless otherwise noted.

<sup>b</sup>Staff located in the Russia and Independent States Division.

<sup>c</sup>The conference committee for H.J. Res. 2, the Consolidated Appropriations Resolution, 2003, instructed the department to establish this program. See p. 684 of H. Rept. 108-10.

<sup>d</sup>This is the year when the Subcommittee on Corporate Stewardship was created to work on this report. The report was released in September 2004.

<sup>e</sup>In addition to the Department of Commerce, members of the Digital Freedom Initiative Interagency Working Group include USAID, the Department of State, the Peace Corps, the Small Business Administration, and the Federal Communications Commission.

<sup>f</sup>Other agencies, such as USAID, contribute resources to this initiative, which are not reflected here. For example, there are local Digital Freedom Initiative coordinators in Senegal and Peru that are funded through USAID funds.

<sup>g</sup>Since 2003, the Program has expanded to additional countries in Eastern Europe and Latin America, published manuals on Corporate Governance and on Business Ethics, and is facilitating institutional capacity building through partnerships with private sectors, government and nongovernmental organizations, and international institutions. In fiscal years 2005 to 2006, the Business Ethics manual will be translated and published in five other languages.

<sup>h</sup>The 2003 program initiatives were fully funded through Freedom Support Act Funds through the Department of State.

<sup>i</sup>Staff located in the Russia and Independent States Division.

<sup>j</sup>Staff located in the Latin America Division. In FY 2004, the program had three full time and two part time employees.

**Appendix II  
Federal Agency CSR-Related Programs and  
Activities**

<sup>k</sup>The one staff person who worked 80 percent of her time on the HIV/AIDS Initiative in fiscal year 2003 noted that her time dedicated to the initiative decreased in fiscal years 2004 and 2005 to 33 percent of her time.

<sup>l</sup>The International Labor Organization and the Departments of State and Labor provided input into this process.

**Table 4: Responses from Department of Energy**

CSR-Related program/activity	Objective	Start year	Legal basis	Groups targeted	Activities	Budget information	Staff level <sup>a</sup>
Office of Energy Efficiency and Renewable Energy - Select Activities within the Office of Technology Development <a href="mailto:michael.mills@ee.doe.gov">michael.mills@ee.doe.gov</a>	To strengthen America's energy security, environmental quality, and economic vitality in public-private partnerships that enhance energy efficiency.	Not available.	Various acts. <sup>b</sup>	Private sector, academia, states, local governments, trade organizations, research organizations, other federal agencies and the U.S. Congress, foreign governments and multilateral agencies. <sup>c</sup>	Select programs work with the U.S. private sector on global energy issues, such as the Clean Cities Program and Freedom Cooperative Auto Research (CAR). <sup>d</sup>	No discrete budget.	Not available. <sup>e</sup>
Carbon Sequestration Leadership Forum <a href="mailto:cslfsecretariat@hq.doe.gov">cslfsecretariat@hq.doe.gov</a>	To develop and make available internationally improved cost-effective technologies for the separation and capture of carbon dioxide, a greenhouse gas, for its transport and long-term safe storage.	2003	Presidential initiative.	Foreign governments, intergovernmental organizations, U.S. and foreign-owned companies that produce and/or utilize energy, environmental organizations, and international experts on energy and environment.	Under development. Ten projects that were proposed by Carbon Sequestration Leadership Forum members have been endorsed. Stakeholder registry is forthcoming. U.S. companies have participated in discussions as observers, but a formal role for companies is yet to be developed.	Not available.	Six people work part time on this effort [Estimate].



**Appendix II  
Federal Agency CSR-Related Programs and  
Activities**

(Continued From Previous Page)

CSR-Related program/activity	Objective	Start year	Legal basis	Groups targeted	Activities	Budget information	Staff level <sup>a</sup>
Secretariat for the International Partnership for Hydrogen Economy  <a href="mailto:michael.mills@ee.doe.gov">michael.mills@ee.doe.gov</a>	To organize and coordinate multinational research and projects among 16 member nations to advance the transition to a global hydrogen economy. <sup>f</sup>	2003	Presidential initiative.	Governments, international organizations, civil society, companies.	Under development. However, seven companies sponsored the inaugural meeting of the member nations, and the Department of Energy engages in ongoing discussion with U.S. companies to obtain their input.	No discrete budget.	Two to three FTE plus two full-time contractors [Estimate].

Source: GAO based on information provided by agency officials.

<sup>a</sup>Staff levels are for fiscal year 2003 unless otherwise noted.

<sup>b</sup>See Department of Energy Organization Act of 1977 (See P.L. 95-91), The Energy Policy Act of 1992 (P.L. 102-486), Energy Security Act of 1980 (P.L. 96-294), Hydrogen Research, Development and Demonstration Act of 1990 (P.L. 101-566) and the Hydrogen Future Act of 1996 (P.L. 104-271).

<sup>c</sup>The office's efforts with foreign governments and multilateral agencies are indirect via relationships established and maintained by the U.S. Department of State and USAID.

<sup>d</sup>The Clean Cities program promotes public-private partnerships to increase the use of alternative fuel vehicles. Freedom Cooperative Auto Research (CAR) partners with automobile companies to research cleaner, more efficient transportation systems.

<sup>e</sup>According to an agency official, it would be difficult for anyone to identify how much time they spend on CSR activities. The office takes on a broad portfolio of activities, and with the problem of defining what constitutes CSR, it is not possible to identify budget and staffing for the office's CSR activities.

<sup>f</sup>Hydrogen is considered an alternative, cleaner energy source.

**Appendix II  
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**Table 5: Responses from U.S. Environmental Protection Agency**

<b>CSR-Related program/activity</b>	<b>Objective</b>	<b>Start year</b>	<b>Legal basis</b>	<b>Groups targeted</b>	<b>Activities</b>	<b>Budget information<sup>a</sup></b>	<b>Staff level<sup>b</sup></b>
Climate Leaders Program  <a href="http://www.epa.gov/climateleaders/">www.epa.gov/climateleaders/</a>	To enlist major U.S. companies to voluntarily set and track their success toward meeting an aggressive greenhouse gas reduction target.	2002	Clean Air Act, section 103.	Large U.S. companies.	Training and technical assistance to help partners complete greenhouse gas inventories. By the end of fiscal year 2003, close to 50 partners had signed up. EPA plans to provide recognition in later years for partners who meet or exceed their targets.	15 percent of the total budget of \$900,000 was used for international efforts [Estimate].	15 percent of three full time staff members' time was spent on international efforts [Estimate].
Climate Protection Awards  <a href="http://www.epa.gov/cppd/awards/climproawards.htm">http://www.epa.gov/cppd/awards/climproawards.htm</a>	To recognize and provide incentive to businesses, organizations and individuals who voluntarily make significant achievements in climate protection.	1998	Section 13103(b)(13) of the Pollution Prevention Act of 1990, Pub. L. 101-508.	U.S. and foreign companies, foreign governments, institutions, nonprofit organizations, individuals.	To date, over 100 individuals, companies, and organizations from all over the globe have received awards. Award winners are recognized at a special dinner, along with the Stratospheric Ozone Protection Award winners.	\$25,000 [Estimate].	One staff person works 2 months per year on this program [Estimate].
Stratospheric Ozone Protection Awards  <a href="http://www.epa.gov/docs/ozone/awards/">http://www.epa.gov/docs/ozone/awards/</a>	To recognize and provide incentive to businesses, organizations, and individuals who voluntarily make significant achievements in protecting the ozone layer.	1990	Section 13103(b)(13) of the Pollution Prevention Act of 1990.	U.S. and foreign companies, foreign governments, institutions, nonprofit organizations, and individuals.	To date, 477 individuals, companies, organizations, and teams from over 40 countries have earned the award.	\$25,000 [Estimate].	One staff person spends about 150-200 hours per year on this program, plus some additional support [Estimate].

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<b>CSR-Related program/activity</b>	<b>Objective</b>	<b>Start year</b>	<b>Legal basis</b>	<b>Groups targeted</b>	<b>Activities</b>	<b>Budget information<sup>a</sup></b>	<b>Staff level<sup>b</sup></b>
Energy Star Program - International Efforts  <a href="mailto:schmeltz.rachel@epa.gov">schmeltz.rachel@epa.gov</a>	To promote international consistency in specifications for energy efficient products in voluntary programs. <sup>c</sup>	1995 <sup>d</sup>	Various acts. <sup>e</sup>	U.S. manufacturing companies, retailers, energy efficiency program sponsors/utilities, foreign governments.	The program has signed international agreements with the European Commission, Japan, Canada, Australia, New Zealand and Taiwan and is starting to harmonize product specifications with China. The program is working with international partners on a common database of Energy Star qualified products.	\$30,000 was spent on international efforts <sup>f</sup> [Estimate].	One staff member spends 25 percent of her time on the international efforts [Estimate].
Bilateral and Regional Trainings on Environmental Compliance, Inspections and Enforcement  <a href="mailto:jones.davis@epa.gov">jones.davis@epa.gov</a>	To increase the capacity of governments to ensure compliance with environmental standards.	1990	Various acts. <sup>g</sup>	Government officials.	In fiscal year 2003, EPA trained officials from several countries including Panama, Nicaragua, Honduras, Costa Rica, El Salvador, Belize, Guatemala, Mexico, India and Brazil.	Not available.	One full-time <sup>h</sup> staff plus additional support.
Co chair of the International Network for Environmental Compliance and Enforcement (INECE)  <a href="http://www.inece.org">www.inece.org</a>	INECE is a network of government and non-government enforcement and compliance practitioners from over 100 countries. It aims to increase the capacity of governments to monitor and detect violations of domestic environmental laws by corporations.	1989	1985 Memorandum of Understanding between EPA and Dutch Ministry of Housing, Spatial Planning and the Environment led to creation of INECE. <sup>i</sup>	Governmental environmental enforcement authorities, including prosecutors, investigators, environmental ministries, and nongovernmental organizations working to increase environmental compliance.	INECE connects developed and developing governments' environmental compliance and enforcement authorities. Specifically, INECE provides training, holds conferences, and issues publications.	EPA and the Dutch government each provide about half of the expenses totaling \$200,000-250,000 a year <sup>j</sup> [Estimate].	One FTE spread among several people working on INECE.

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<b>CSR-Related program/activity</b>	<b>Objective</b>	<b>Start year</b>	<b>Legal basis</b>	<b>Groups targeted</b>	<b>Activities</b>	<b>Budget information<sup>a</sup></b>	<b>Staff level<sup>b</sup></b>
China-U.S. Cooperation in Industrial Pollution Prevention and Energy Efficiency Cooperative Agreement <a href="mailto:giannini-spohn.suzanne@epa.gov">giannini-spohn.suzanne@epa.gov</a>	To assist China to develop voluntary government-industry partnership programs in industrial pollution prevention and energy efficiency.	2001	Clean Air Act, Section 103 and National Environmental Policy Act, Sec. 102(2)(f).	Companies in China, including U.S. companies, and the Chinese government.	Training, awards, <sup>k</sup> and information provision.	\$300,000 total approved costs for the project. <sup>l</sup>	One staff person works 25-50 percent of her time [Estimate].
Chair of the American National Standards Institute (ANSI)'s Ad Hoc Group on CSR <a href="http://www.ansi.org">www.ansi.org</a>	To track the strategic and policy implications of CSR work in the International Organization for Standardization (ISO).	2004	The National Technology Transfer and Advancement Act (NTTAA) of 1995 and <i>OMB Circular A-119</i> .	ANSI members, including consumer groups, industry, government, and NGOs.	As a member of the Interagency Committee on Standards Policy composed of the Standards Executives from all federal agencies, the EPA member coordinates input from federal agencies regarding the development and utility of an international standard in CSR.	No discrete budget.	One staff person works part time on this effort.
Party to Commission for Environmental Cooperation, Financially-Relevant Environmental Information Project <a href="mailto:correa.sylvia@epa.gov">correa.sylvia@epa.gov</a>	To improve voluntary corporate disclosure of environmental information that is financially relevant.	2003	A side agreement to the North American Agreement on Environmental Cooperation (NAFTA) established the Commission for Environmental Cooperation, See P. L. 103-182, title V.	Corporations in the U.S., Canada, and Mexico, as well as institutional and other investors who are users of financially relevant information.	The commission held a workshop of experts in early 2003 and published background papers for the workshop, as well as a report.	No specific budget.	Two staff work part time on this effort.

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CSR-Related program/activity	Objective	Start year	Legal basis	Groups targeted	Activities	Budget information <sup>a</sup>	Staff level <sup>b</sup>
U.S.-Chile Free Trade Agreement (FTA) - CSR Project  <a href="mailto:Hill-Macon.Cam@epa.gov">Hill-Macon.Cam@epa.gov</a>	The objective is to facilitate exchange of information and expertise on best practices that have been used by companies to promote sustainable development.	The U.S.-Chile FTA went into effect in January 2004. This project is likely to start in spring/summer 2005.	Annex 19.3, Section 1(d) of the U.S.-Chile Free Trade Agreement.	Companies, in particular business councils for sustainable development, Chilean National Environmental Council (CONAMA).	The project will try to build and promote networking and exchange of information between business councils. EPA, USTR, the Department of State and CONAMA held a workshop on corporate responsibility in Chile in 2004 as part of the FTA.	\$25,000 through FY 2005.	Three staff work part time on this effort.
Partnership for Clean Fuels and Vehicles  <a href="mailto:metcalfe.jane@epa.gov">metcalfe.jane@epa.gov</a>	To address vehicular air pollution worldwide by eliminating lead in gasoline and phasing down sulfur in diesel and gasoline, and adopting cleaner vehicle technologies.	2002	Clean Air Act, Section 103; National Environmental Policy Act, Section 102.	Governments, private sector, NGOs, international organizations.	Clearinghouse of information, publications, technical assistance to African countries to phase out lead in Africa, and related projects in other countries. U.S. companies participate on the Advisory Board, which steers the partnership.	\$700,000	Two FTEs.

Source: GAO based on information provided by agency officials.

<sup>a</sup>Budget information is for fiscal year 2003 unless otherwise noted.

<sup>b</sup>Staff levels are for fiscal year 2003 unless otherwise noted.

<sup>c</sup>The objective of the Energy Star product labeling program is to reduce greenhouse gas emissions in the United States by encouraging consumers and businesses to purchase and use more efficient products.

<sup>d</sup>The Energy Star program was introduced in 1992. The first agreement with another country to recognize the Energy Star label internationally was in 1995 with Japan.

<sup>e</sup>Statutory Authorities for EPA's Climate Programs: Clean Air Act, 42 U.S.C. 7401 ct sew. - section 103(a), (b), (g); National Environmental Policy Act, 42 U.S.C. 4321 ct seq. - section 102(2)(F); - Global Climate Protection Act of 1987, 15 U.S.C. 2901 - section 1103.

<sup>f</sup>The total budget for the Energy Star program was approximately \$50.3 million in FY 2003.

<sup>g</sup>Clean Air Act § 103; Clean Water Act § 104; Solid Waste Disposal Act § 8001; Federal Insecticide, Fungicide, and Rodenticide Act § 20; Toxic Substances Control Act § 10; National Environmental Policy Act § 102(2)(f).

<sup>h</sup>This staff person works full time on these efforts as well as efforts related to the International Network for Environmental Compliance and Enforcement (INECE), although more of the time is spent on this effort.

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<sup>i</sup>See also Clean Air Act § 103; Clean Water Act § 104; Solid Waste Disposal Act § 8001; Federal Insecticide, Fungicide, and Rodenticide Act § 20; Toxic Substances Control Act § 10; National Environmental Policy Act § 102(2)(f).

<sup>j</sup>This figure does not include resources for staffing or additional funding that came from the State Department.

<sup>k</sup>The awards are incentives offered by China's State Environmental Protection Administration to companies operating in China (including U.S. companies) named "China Environmentally Friendly Enterprises." The local environmental protection bureau reduces the frequency of routine inspections and gives a higher priority to loans for capital environmental improvements to these companies.

<sup>l</sup>A total of \$200,00 had been funded as of March 2005.

**Table 6: Responses from Export-Import Bank of the United States**

<b>CSR-Related program/activity</b>	<b>Objective</b>	<b>Start year</b>	<b>Legal basis</b>	<b>Groups targeted</b>	<b>Activities</b>	<b>Budget information<sup>a</sup></b>	<b>Staff level<sup>b</sup></b>
Environmental Procedures and Guidelines  <a href="http://www.exim.gov/products/policies/environment/environment.html">http://www.exim.gov/products/policies/environment/environment.html</a>	To take into account the potential beneficial and adverse environmental effects of goods and services for which support is requested under its direct lending and guarantee programs.	1995 <sup>c</sup>	Export-Import Bank Act of 1945, as amended, codified at 12 U.S.C. 635.	Foreign buyers and U.S. exporters participating in foreign projects.	During FY 2003, Ex-Im Bank screened approximately 70 applications for their potential environmental effects. The Bank's Engineering and Environment Division undertook formal environmental evaluations of the projects related to 21 separate applications for financing.	\$531,000 [Estimate].	Three FTEs [Estimate].

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<b>CSR-Related program/activity</b>	<b>Objective</b>	<b>Start year</b>	<b>Legal basis</b>	<b>Groups targeted</b>	<b>Activities</b>	<b>Budget information<sup>a</sup></b>	<b>Staff level<sup>b</sup></b>
Environmental Exports Program <a href="http://www.exim.gov/products/policies/environment/environment.html">http://www.exim.gov/products/policies/environment/environment.html</a>	To encourage the use of its programs to support the export of goods and services that have beneficial effects on the environment or mitigate potential adverse environmental effects.	1993	Export-Import Bank Act of 1945, as amended, codified at 12 U.S.C. 635.	U.S. suppliers of environmentally beneficial products, and participants <sup>d</sup> undertaking projects that are beneficial to the environment.	The Environmental Exports Program was instrumental in enabling Ex-Im Bank to support over \$173 million of environmentally beneficial goods and services in FY 2003, including \$13 million in products and technologies related to renewable energy.	\$148,000 [Estimate].	0.80 of an FTE [Estimate].

Source: GAO based on information provided by agency officials.

<sup>a</sup>Budget information is for fiscal year 2003 unless otherwise noted.

<sup>b</sup>Staff levels are for fiscal year 2003 unless otherwise noted.

<sup>c</sup>Interim guidelines were established in 1993.

<sup>d</sup>Participants refer to both U.S. suppliers and/or foreign buyers.

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**Table 7: Responses from Inter-American Foundation**

<b>CSR-Related program/activity</b>	<b>Objective</b>	<b>Start year</b>	<b>Legal basis</b>	<b>Groups targeted</b>	<b>Activities</b>	<b>Budget Information</b>	<b>Staff level<sup>a</sup></b>
U.S. Government CSR Web Portal <sup>b</sup> <a href="mailto:ajones@iaf.gov">ajones@iaf.gov</a>	To provide public access to U.S. government CSR programs, case studies, events, and contacts.	2003	Authorizing legislation, See 22 U.S.C. 290f.	U.S. companies and other organizations operating in the U.S. and abroad.	A web portal will be launched in 2005 housing each agency's activities related to CSR or corporate stewardship.	\$37,000 was obligated in FY 2003, but activities were carried out in FY 2004.	20-25 percent of one staff person's time [Estimate]. <sup>c</sup>
Program Office - Corporate Outreach <a href="mailto:ajones@iaf.gov">ajones@iaf.gov</a>	To meet IAF's mandate of providing grants to support grassroots initiatives by cofunding projects with corporations interested in developing or enhancing their CSR efforts in the region.	1991	Authorizing legislation, See 22 U.S.C. 290f.	U.S., Latin American and Caribbean corporations and business associations, local governments and NGOs.	Supports innovative projects in Latin America and the Caribbean in partnership with companies that want to invest in grassroots development; Facilitates tax-deductible contributions by U.S. corporations to support grassroots development programs in Latin America and the Caribbean; Provides technical assistance to corporate partners to create more sustainable, participatory CSR programs.	\$1,039,500. <sup>d</sup>	0.75 of an FTE divided among several staff persons [Estimate].
RedEAmérica Initiative <sup>e</sup> <a href="mailto:wprice@iaf.gov">wprice@iaf.gov</a>	To encourage companies and corporate foundations to take leadership in grassroots development in the Americas.	2002	Authorizing legislation, See 22 U.S.C. 290f.	U.S. and foreign companies and corporate foundations.	Learning exchanges among members, strategy formulation, development of trainings in all countries, mobilizing corporate and other resources; At the end of FY 2004, 52 companies were in the network, several of which represented multiple companies.	\$1,848,560 for FY 2004	Two full time staff starting in FY 2004.



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CSR-Related program/activity	Objective	Start year	Legal basis	Groups targeted	Activities	Budget Information	Staff level <sup>a</sup>
Cosponsor for CSR Americas Conference <sup>f</sup> <a href="mailto:ajones@iaf.gov">ajones@iaf.gov</a>	To bring together government, civil society, business, the academic world and other institutions to develop effective and sustainable CSR principles for the Western hemisphere.	2002	Authorizing legislation, See 22 U.S.C. 290f.	Private, public and nongovernmental sectors.	Provides funding, participated on steering and operating committee.	\$35,800 for FY 2004. <sup>g</sup>	10-15 percent of one staff person's time [Estimate]. <sup>h</sup>

Source: GAO based on information provided by agency officials.

<sup>a</sup>Staff levels are for fiscal year 2003 unless otherwise noted.

<sup>b</sup>The Inter-American Foundation is leading this interagency effort. Additional participating agencies include the Departments of Commerce and State, USAID, and EPA.

<sup>c</sup>This estimate includes only IAF staff time.

<sup>d</sup>This figure represents grants from IAF for which corporations are cofunding part of the activities with cash or in-kind contributions. These figures are not exhaustive as not all foundation representatives had submitted their figures.

<sup>e</sup>The full name of the RedEAmérica Initiative is the Inter-American Network of Corporate Foundations and Companies for Grassroots Development.

<sup>f</sup>The Inter-American Development Bank is the lead organizer for the conference. The U.S. Department of State has also played a role coordinating U.S. government involvement in the conference.

<sup>g</sup>This figure does not include resources dedicated to the conference from the Department of State.

<sup>h</sup>This estimate does not include staff time dedicated to the conference from the Department of State.

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**Table 8: Responses from Department of Labor**

<b>CSR-Related program/activity</b>	<b>Objective</b>	<b>Start year</b>	<b>Legal basis</b>	<b>Groups targeted</b>	<b>Activities</b>	<b>Budget information<sup>a</sup></b>	<b>Staff level<sup>b</sup></b>
Bureau of International Labor Affairs (ILAB) – Protecting the Basic Rights of Workers program  <a href="http://www.dol.gov/ilab">www.dol.gov/ilab</a>	To improve the capacity of developing country governments to achieve compliance with national labor laws and internationally –recognized workers rights.	2000	Annual appropriations legislation. Current authority is P. L. 108-447, Div. F, Title 1 (Department of Labor Appropriations Act, 2005).	Foreign Governments, workers and employers.	Training, equipment provision, <sup>c</sup> drafting of training materials and promotional activities. The program works in a range of sectors and countries in Africa, the Americas, Asia, and in Ukraine. One project in Cambodia is establishing an independent monitoring system to generate reliable information on the implementation of core labor standards in the garment sector.	\$20 million <sup>d</sup>	Nine staff work part time on this program.

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<b>CSR-Related program/activity</b>	<b>Objective</b>	<b>Start year</b>	<b>Legal basis</b>	<b>Groups targeted</b>	<b>Activities</b>	<b>Budget information<sup>a</sup></b>	<b>Staff level<sup>b</sup></b>
ILAB - International Child Labor Program – activities working with industry associations <sup>c</sup>  <a href="http://www.dol.gov/ilab">www.dol.gov/ilab</a>	To support efforts to eradicate exploitive child labor worldwide.	1993	Annual appropriations legislation. Current authority is P. L. 108-447, Div. F, Title 1 (Department of Labor Appropriations Act, 2005).	Children, parents, community leaders, government officials, and industry associations.	The program has funded several projects for various lengths of time in Bangladesh, Pakistan, Central America, and West Africa that involve industry associations to combat child labor. For example, the program provided a \$6 million grant to the International Labor Organization to prevent child labor in the coffee industry in Central America and the Dominican Republic, which included the creation of a child labor monitoring system, among other activities.	About \$35 million between fiscal years 1999-2004 for all projects working with industry associations.	Not available.

Source: GAO based on information provided by agency officials.

<sup>a</sup>Budget information is for fiscal year 2003 unless otherwise noted.

<sup>b</sup>Staff levels are for fiscal year 2003 unless otherwise noted.

<sup>c</sup>Examples of equipment include computers or vehicles to access workplaces.

<sup>d</sup>The budget for this program decreased significantly in fiscal years 2004 and 2005 to \$2.5 million and no funding, respectively.

<sup>e</sup>The International Child Labor Program generally provides technical assistance and funds international projects designed to eliminate the most hazardous and exploitive forms of child labor; researches and reports information to inform U.S. foreign policy, trade policy, and development projects; and raises awareness of the U.S. public to increase their understanding of the issues relating to international child labor and recent efforts to combat the problem. For example, the program works with foreign governments to improve their capacity to handle the issue of child labor and has provided funds to the International Labor Organization to address trafficking of children for labor exploitation. However, the program informed us that they consider their work with industry associations to be most relevant to global corporate social responsibility.

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**Table 9: Responses from Overseas Private Investment Corporation**

<b>CSR-Related program/activity</b>	<b>Objective</b>	<b>Start year</b>	<b>Legal basis</b>	<b>Groups targeted</b>	<b>Activities</b>	<b>Budget information</b>	<b>Staff level</b>
Corporate social responsibility requirements  <a href="http://www.opic.gov">www.opic.gov</a>	To develop and implement policies and procedures to comply with OPIC statutory mandates and management policies with respect to host country development impact, environmental protection, international labor rights, human rights and related risk management responsibilities.	1971 <sup>a</sup>	Various acts <sup>b</sup>	Companies receiving OPIC support in the form of direct loans, loan guaranties, political risk insurance and “subprojects” obtaining funds from OPIC-supported financial intermediaries.	Evaluates each project’s expected impact on development, the environment, and requires projects to meet all applicable host country labor laws or international conventions on labor rights.	Not available.	Not available.
Corporate governance requirements  <a href="http://www.opic.gov">www.opic.gov</a>	To ensure that OPIC users’ corporate governance policies and practices follow and implement OPIC policies and procedures in compliance with OPIC’s statutory responsibilities and risk management requirements.	1971 <sup>c</sup>	Overseas Private Investment Corporation Amendments Act of 1977, See P. L. 95-268, Sec. 237(1).	U.S. investors that receive OPIC support and the companies in which they invest.	All major sponsors of an OPIC financed project must answer questions relating to the Foreign Corrupt Practices Act and OPIC ensures that support does not go to persons and practices restricted by Treasury’s Office of Foreign Assets Control. OPIC monitors loan projects on an ongoing basis.	Not available.	Not available.

Source: GAO based on information provided by agency officials.

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<sup>a</sup>Certain policies and procedures have been in effect since OPIC began operations in 1971 with periodic updates in response to evolving statutory requirements, U.S. executive branch requirements and international best practices

<sup>b</sup>Foreign Assistance Act of 1969, OPIC Amendments Act of 1985, Export Enhancement Act of 1999, Jobs through Exports Act of 1992, and annual appropriations since 1992.

<sup>c</sup>Certain policies and procedures have been in effect since OPIC began operations in 1971 with periodic updates in response to subsequent statutory requirements.

**Table 10: Responses from U.S. Securities and Exchange Commission**

CSR-Related program/activity	Objective	Start year	Legal basis	Groups targeted	Activities	Budget information	Staff level
Implementation of Rule 14a-8 on Shareholder Proposals <sup>a</sup> <a href="mailto:lynnd@sec.gov">lynnd@sec.gov</a>	To ensure that companies do not exclude shareholder proposals for vote at annual company meetings, including those related to global CSR, unless they meet the legal criteria for exclusion outlined in Rule 14a-8.	Late 1960s [Estimate]	Rule 14a-8 of the Securities Exchange Act of 1934, See 17 C.F.R. 240.14a-8.	SEC reporting companies.	The Shareholder Proposal Taskforce corresponds with companies regarding requests to exclude shareholder proposals that do not meet the criteria according to Rule 14a-8.	Not available.	Not available.
Full Disclosure Program - Office of Global Security Risk <a href="mailto:blyec@sec.gov">blyec@sec.gov</a>	To ensure that companies disclose all material information regarding their operations in, or contacts with, countries identified as supporting terrorism or associated with the production or proliferation of weapons of mass destruction or human rights abuses.	2004 <sup>b</sup>	Securities Act of 1933 and the Securities Exchange Act of 1934 <sup>c</sup>	Foreign companies and U.S. companies with foreign subsidiaries that have contacts with countries of concern.	Review company documents to ensure that companies are aware of the disclosure standard applicable to their operations or contacts.	Not available.	Three full time staff in FY 2004.

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<b>CSR-Related program/activity</b>	<b>Objective</b>	<b>Start year</b>	<b>Legal basis</b>	<b>Groups targeted</b>	<b>Activities</b>	<b>Budget information</b>	<b>Staff level</b>
Full Disclosure Program <a href="mailto:ParrattS@sec.gov">ParrattS@sec.gov</a>	To ensure that companies whose securities trade in the U.S. capital markets or that sell securities through public offerings provide appropriate narrative and financial disclosure regarding their operations, their financial condition, and the terms of their securities offerings.	1933	Securities Act of 1933 and the Securities Exchange Act of 1934.	SEC reporting companies.	Review company disclosure and provide comments to companies.	Not available.	Not available.

Source: GAO based on information provided by agency officials.

<sup>a</sup>Rule 14a-8 provides shareholders owning more than \$2,000 of company stock for more than 1 year with the opportunity to place a proposal in the company's proxy materials for presentation to a vote at an annual or special meeting of shareholders. The rule generally requires the company to include the proposal unless the shareholder has not complied with the rule's procedural requirements or the proposal falls within 1 of the 13 substantive bases for exclusion contained in the rule. For some or most of the proposals, the company accepts the proposal or negotiates with the shareholder and the issue never reaches the SEC. However, if a company intends to exclude a proposal from its proxy materials, the company must submit its basis for excluding the proposal to the SEC. The Shareholder Proposal Taskforce reviews these requests for exclusion. Accordingly, the task force considers proposals that address a range of issues, including global CSR issues.

<sup>b</sup>The Office of Global Security Risk was established in 2004. However, the Division of Corporate Finance began focusing on this type of disclosure in 2001.

<sup>c</sup>See conference report at H. Rept. 108-221. The conference committee considering the Commerce Justice State Appropriations Act, 2004 (enacted in Div. B of P. L. 108-299) requested the establishment of this initiative.

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**Table 11: Responses from the Department of State**

<b>CSR-Related program/activity</b>	<b>Objective</b>	<b>Start year</b>	<b>Legal basis</b>	<b>Groups targeted</b>	<b>Activities</b>	<b>Budget information<sup>a</sup></b>	<b>Staff level<sup>b</sup></b>
Bureau for Democracy, Human Rights and Labor (DRL) - Partnership to Eliminate Sweatshops Program  <a href="mailto:camponovocn@state.gov">camponovocn@state.gov</a>	To address unacceptable working conditions in manufacturing facilities overseas that produce goods for the U.S. market.	2000	State Department Basic Authorities Act of 1956, as amended, See 22 U.S.C. 2651a(c)(2) and 22 U.S.C. 2151n(d)(3).	NGOs, governments, U.S. and foreign companies.	The Partnership has provided several million dollars to support public and private sector initiatives to establish codes of conduct, encourage effective workplace monitoring and auditing systems, and conduct research, training and education initiatives. The program has funded projects in a number of countries, including China and other Asian countries, Central America, the Middle East and Africa.	\$1,994,554 <sup>c</sup>	One staff person works 60 percent of his time and one staff person works 25 percent of her time on this effort [Estimate].
DRL - Voluntary Principles on Security and Human Rights  <a href="mailto:camponovocn@state.gov">camponovocn@state.gov</a>	To provide guidance to extractives companies on how to ensure respect for human rights in the creation and implementation of security procedures.	1999	State Department Basic Authorities Act of 1956, as amended, See 22 U.S.C. 2651a(c)(2).	NGOs, U.S. and U.K. oil and mining companies, and corporate responsibility organizations.	The bureau convenes companies, NGOs, and local governments to implement the principles, and is working to include additional governments. Nearly every major oil and mining company is a participant in the Voluntary Principles process.	\$10,000 in FY 2004	One staff person works 15-20 percent of his time on this effort [Estimate].
DRL - Bilateral efforts  <a href="mailto:camponovocn@state.gov">camponovocn@state.gov</a>	To utilize private investment to strengthen human rights and the rule of law in select countries.	2001	State Department Basic Authorities Act of 1956, as amended, See 22 U.S.C. 2651a(c)(2).	U.S. companies, NGOs, foreign governments.	Ongoing or planned projects in Equatorial Guinea, Oman and China.	Equatorial Guinea - \$225,000; Oman - N/A; China - \$400,000 in FY 2004.	One staff person works 20 percent of his time on this effort [Estimate].

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<b>CSR-Related program/activity</b>	<b>Objective</b>	<b>Start year</b>	<b>Legal basis</b>	<b>Groups targeted</b>	<b>Activities</b>	<b>Budget information<sup>a</sup></b>	<b>Staff level<sup>b</sup></b>
DRL – Work Within Multilateral Institutions  <a href="mailto:camponovocn@state.gov">camponovocn@state.gov</a>	To promote and protect U.S. government interests in the area of CSR and human rights within multilateral institutions.	Not available.	State Department Basic Authorities Act of 1956, as amended, See 22 U.S.C. 2651a(c)(2).	Multilateral organizations and their member states.	Prepares guidance for U.S. delegations and responds to requests for information from United Nations organizations when issues arise related to corporate responsibility. DRL also represents the State Department and the U.S. Government at a variety of conferences and meetings related to corporate responsibility, where human rights issues are directly relevant.	No specific budget.	One staff person works 5 percent of his time on this effort [Estimate].
Bureau of Economics and Business Affairs (EB) – Secretary of State’s Award for Corporate Excellence  <a href="mailto:smith-nissleyn@state.gov">smith-nissleyn@state.gov</a>	To promote best business practices, good corporate governance, and democratic values overseas.	1999	Mission of the Bureau of Economics and Business Affairs.	U.S. small and medium-sized companies and multinational corporations.	Award nominations, public ceremony. In FY 2004, the Department received a record number of 50 nominations from U.S. Chiefs of Mission worldwide.	\$6,000 <sup>d</sup>	One staff person works 30-40 percent of her time on this effort <sup>e</sup> [Estimate].
EB - US-Mexico Good Partner Award  <a href="mailto:smith-nissleyn@state.gov">smith-nissleyn@state.gov</a>	To recognize the role that U.S. and Mexican enterprises, business associations, and academic institutions play in advancing the goals of the Partnership for Prosperity <sup>1</sup> to boost the social and economic well-being of Mexican citizens.	2003	Presidential initiative.	U.S. and Mexican businesses, associations and academic institutions.	Award nominations, public ceremony. Seventy nominations were received in FY 2003. More than 900 people attended the Award Ceremony and Gala, which received extensive media coverage, especially in Mexico.	Not available. <sup>9</sup>	One staff person works 100 percent on the award program from April – June and 30 percent for the remainder of the year [Estimate].



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<b>CSR-Related program/activity</b>	<b>Objective</b>	<b>Start year</b>	<b>Legal basis</b>	<b>Groups targeted</b>	<b>Activities</b>	<b>Budget information<sup>a</sup></b>	<b>Staff level<sup>b</sup></b>
EB - OECD National Contact Point <sup>h</sup>  <a href="mailto:usncp@state.gov">usncp@state.gov</a>	To raise awareness among U.S. companies of the OECD Guidelines for Multinational Enterprises' and to facilitate resolution when parties raise issues concerning U.S. companies' treatment of the guidelines.	1976	Requirement as signatory to the OECD Declaration and Decisions on International Investment and Multilateral Enterprises.	Companies, labor unions and NGOs.	Promotes understanding of the OECD Guidelines and helps companies, labor unions and NGOs in their efforts to resolve issues that may arise with respect to the Guidelines; From 2000-2004, 16 specific instances were brought to the attention of the National Contact Point.	No discrete budget.	One staff person spends 33 percent of his time on this effort and one office director spends 10-15 percent of his time on this effort [Estimate].
EB-U.S. Lead to OECD Working Group on Bribery <sup>j</sup>  <a href="mailto:brownpa@state.gov">brownpa@state.gov</a>	To combat transnational bribery of foreign public officials and monitor enforcement of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (Antibribery Convention).	1999	See Pub. L. 100-318, The Omnibus Trade and Competitiveness Act of 1988, asking the Executive Branch, led by State, to negotiate a convention on bribery at the OECD. See also Senate Resolution of Advice and Consent to the OECD Antibribery Convention, of July 31, 1998.	Foreign governments, companies.	Leads U.S. delegation <sup>k</sup> to the OECD Working Group on Bribery to monitor implementation and enforcement of the OECD Antibribery Convention, and to assess areas where the Convention could be amended to decrease bribery and other corrupt activity. Meet with the private sector and civil society groups regarding implementation of the OECD Antibribery Convention.	No separate funding.	One deputy office director spends 50 percent of his time on this effort [Estimate].

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<b>CSR-Related program/activity</b>	<b>Objective</b>	<b>Start year</b>	<b>Legal basis</b>	<b>Groups targeted</b>	<b>Activities</b>	<b>Budget information<sup>a</sup></b>	<b>Staff level<sup>b</sup></b>
EB-U.S. Lead to G-8 Anticorruption and Transparency Pilots  <a href="mailto:brownpa@state.gov">brownpa@state.gov</a>	To reduce corruption and enhance transparency to ensure that development assistance resources and budget revenues achieve their intended purposes.	2003	22 U.S.C. 2656.	Georgia, Nicaragua, Nigeria, Peru, other G-8 governments.	Provide assistance through the Bureau of International Narcotics and Law Enforcement Affairs to develop a series of projects with four countries that signed compacts with G-8 countries in 2004 committing to reduce corruption and enhance transparency in their budgets, government procurements and concession-letting procedures. <sup>1</sup>	\$150,000 (cost of contractor who serves as project coordinator).	1.25 FTEs.
EB – Coordinate U.S. input to the United Kingdom’s Extractive Industries Transparency Initiative (EITI)  <a href="mailto:brownpa@state.gov">brownpa@state.gov</a>	To increase transparency over payments and revenues in the extractives sector in countries heavily dependent on these resources.	2002	Presidential initiative.	Governments, companies, industry associations, international organizations, civil society, investors.	Liaise with USAID, Treasury, the private sector and civil society, coordinate U.S. policy toward the EITI, a United Kingdom-led initiative.	No separate funding.	0.25 of an FTE.
Bureau of Oceans and International Environmental and Scientific Affairs (OES) – CSR-Related Activities  <a href="mailto:lbrutten@state.gov">lbrutten@state.gov</a>	To promote corporate responsibility through its efforts on sustainable development, particularly through voluntary public-private partnerships, and on making trade liberalization and natural resource protection mutually supportive of our Free Trade Agreement (FTA) objectives.	2001	Foreign Assistance Act of 1961, as amended.	U.S. companies and business groups, civil society, foreign governments, and international organizations.	Meets with representatives from the private sector and civil society on a regular but ad hoc basis, includes representatives from the private sector and civil society on official U.S. delegations relating to sustainable development, provides information about and encourages sustainable development partnership efforts. In addition, OES leads negotiations for environmental side agreements to trade agreements.	No specific budget.	Not available.

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<b>CSR-Related program/activity</b>	<b>Objective</b>	<b>Start year</b>	<b>Legal basis</b>	<b>Groups targeted</b>	<b>Activities</b>	<b>Budget information<sup>a</sup></b>	<b>Staff level<sup>b</sup></b>
Office of Private Assistance, Iraq  <a href="mailto:GramagliaTR@state.gov">GramagliaTR@state.gov</a>	To coordinate U.S. private donations and private partnerships intended for the Iraqi people, including financial and in-kind donations, and mentoring.	2004	Coordinating function operating through the bureau.	U.S. commercial, academic or cultural contacts and civic groups.	Manages a Web site for donations, coordinates referrals from Congress, and with other agencies, presents to gatherings of individuals or organizations with an interest in supporting reconstruction and humanitarian needs in Iraq.	No specific budget.	One full-time person.
Middle East Partnership Initiative – Business Internship Program  <a href="mailto:FranceskiS@state.gov">FranceskiS@state.gov</a>	To provide women from the Middle East with skills to promote successful businesses in the region while promoting mutual understanding and ongoing relationships between people in the United States and the Middle East.	2003	Emergency Wartime Supplemental Appropriations Act, 2003 (See P. L. 108-11) and chapter 4 of Part II of the Foreign Assistance Act of 1961, as amended.	U.S. companies.	U.S. companies host interns for three months at their own expense. In fiscal year 2003, more than 35 companies hosted interns.	\$2,000,000	One part time plus contractor support.
Middle East Partnership Initiative – Junior Achievement Program  <a href="mailto:FranceskiS@state.gov">FranceskiS@state.gov</a>	To help the Middle East region's youth gain the skills required to build and succeed in their nations' economies and to become productive and participative citizens.	2003	Emergency Wartime Supplemental Appropriations Act, 2003 (See Pub. L. 108-11) and chapter 4 of Part II of the Foreign Assistance Act of 1961, as amended.	U.S. and foreign companies.	Through a cooperative agreement to the Junior Achievement program, MEPI is setting up chapters throughout the region to promote entrepreneurship, such as job training, among high school-aged youth. U.S. and foreign companies serve as long-term sponsors and mentors for this program.	\$2,400,000 <sup>m</sup>	One part time plus contractor support.

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CSR-Related program/activity	Objective	Start year	Legal basis	Groups targeted	Activities	Budget information <sup>a</sup>	Staff level <sup>b</sup>
Bureau of International Organization Affairs – select activities  <a href="mailto:DaleyPB@state.gov">DaleyPB@state.gov</a>	To ensure that initiatives related to CSR at the United Nations and its affiliated organizations remain consistent with the imperatives of the marketplace and compatible with United States interests.	Not available. <sup>n</sup>	United Nations Participation Act of 1945.	United Nations programs, funds, agencies and other organizations.	Negotiations over resolutions, work programs and budgets in United Nations organizations, and reviews of programs and activities.	No specific budget.	Several staff in this bureau devote time to CSR on an ad hoc basis.
Office of the U.S. Global AIDS Coordinator (OGAC) – Public-Private Partnerships <sup>o</sup>  <a href="mailto:Moloney-KittsMA@state.gov">Moloney-KittsMA@state.gov</a>	To combat HIV/AIDS, promoting integrated prevention, treatment and care interventions with an urgent focus on 15 countries that are among the most afflicted nations in the world.	2004	The U.S. Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act of 2003, See Section 101 of P.L. 108-25.	Private sector.	The private sector is a critical partner at the country level. <sup>p</sup> These partnerships facilitate company workplace programs to create awareness about the spread of HIV/AIDS, decrease stigma among those who know their HIV status, and provide antiretroviral therapy to employees and their families. The office began keeping track of the number of partnerships in FY 2005.	No specific budget.	Not applicable.

Source: GAO based on information provided by agency officials.

<sup>a</sup>Budget information is for fiscal year 2003 unless otherwise noted.

<sup>b</sup>Staff levels are for fiscal year 2003 unless otherwise noted.

<sup>c</sup>This represents grants that were funded in fiscal year 2003. Grants funded in fiscal years 2001 and 2002 were also ongoing in fiscal year 2003.

<sup>d</sup>This figure represents expenses only, incurred by the Bureau of Economics and Business Affairs. This figure does not include staff salaries or the Secretary's representation funds for ceremony hospitality and the design, manufacture and shipping of the awards.

<sup>e</sup>More than 50 additional staff help to plan and organize the award ceremony.

<sup>f</sup>The Partnership for Prosperity is a bilateral initiative between Mexico and the United States designed to leverage private sector resources and expertise to boost the social and economic well-being of Mexican citizens, particularly in regions where economic growth has lagged.

<sup>g</sup>The cost is the responsibility of the host country. The U.S. will host the ceremony in 2005, but the program had not yet established a budget for the costs.

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<sup>h</sup>In addition to the Department of State, USTR, EPA and the Departments of Treasury, Commerce, and Labor help resolve complaints against companies.

<sup>i</sup>The guidelines are a set of nonbinding recommendations that have been agreed upon by OECD member countries. Their aim is to provide guidance for companies on a range of business activities, including industrial relations, human rights, environment, information disclosure, competition, taxation, and science and technology.

<sup>j</sup>The Department of State also coordinates with the Departments of Commerce and Justice to address, as appropriate, alleged incidents of bribery of foreign public officials (by foreign-based corporations) that adversely affect the opportunity for U.S. companies to compete on a transparent and level playing field for international tenders and contracts.

<sup>k</sup>The Departments of Commerce and Justice are also members of the U.S. delegation.

<sup>l</sup>These projects implement the Evian Declaration on Fighting Corruption and Improving Transparency that was signed by G-8 leaders in 2003, and proposes specific actions to reduce corruption and enhance transparency as part of a strategy to ensure that development assistance resources and budget revenues achieve their intended purpose. According to a State Department official, the Declaration proposed a partnership between donor and recipient countries to change the incentives to make corruption less attractive to public officials, expose the economic and political costs of corruption, and institutionalize effective checks and balances on corrupt regimes.

<sup>m</sup>Fiscal year 2003 funds are also being spent in fiscal year 2004.

<sup>n</sup>According to an agency official, this has been a continuing effort that has become more or less intense as CSR issues have become larger or smaller pieces of the work programs at these UN agencies.

<sup>o</sup>OGAC is not an implementing office. Actual implementation of partnerships with the private sector and other workplace activities are put forth from its implementing agency partners, primarily USAID and The Department of Health and Human Services (HHS).

<sup>p</sup>At the local level, U.S. government offices work with pharmaceutical companies on an *ad hoc* basis to facilitate drug donations in specific countries.

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**Table 12: Responses from the Department of Treasury**

CSR-Related program/activity	Objective	Start year	Legal basis	Groups targeted	Activities	Budget information	Staff level <sup>a</sup>
Implementation of the Clean Diamond Trade Act and Executive Order 13312 by the Treasury Department's Office of Foreign Assets Control (OFAC) - (with the Department of State) <sup>b</sup> <a href="http://www.treas.gov/ofac">www.treas.gov/ofac</a>	To implement the Kimberley Process Certification Scheme, pursuant to which participating countries, including the United States, seek to prevent rough diamonds used to fuel armed conflict aimed at undermining or overthrowing legitimate governments from entering the legitimate world diamond trade.	2003	Clean Diamond Trade Act (P.L. 108-19), Executive Order 13312, and Rough Diamonds Control Regulations, 31 C.F.R. part 592 (Regulations).	Companies or individuals involved in the export from and/or import into the United States of rough diamonds.	The Regulations provide that trade in rough diamonds is prohibited unless the rough diamond is controlled through the Kimberley Process Certification Scheme as set forth in the Regulations. <sup>c</sup> The U.S. also participates in Kimberley Process multilateral working groups on Monitoring and Statistics. <sup>d</sup>	No specific budget. <sup>e</sup>	Three FTEs. <sup>f</sup>

Source: GAO based on information provided by agency officials.

<sup>a</sup>Staff levels are for fiscal year 2003 unless otherwise noted.

<sup>b</sup>OFAC administers the Rough Diamonds Control Regulations. In addition, pursuant to the Clean Diamond Trade Act (Act), OFAC (as the designee of the Secretary of the Treasury) and the Department of State cochair a Kimberley Process Implementation Coordinating Committee to coordinate implementation of the act and the Kimberley Process Certification Scheme for the United States. The Committee meets periodically to evaluate implementation issues, and, if necessary, take steps to improve performance. Other agencies, including the U.S. Census Bureau and Customs and Border Protection (CBP) are also involved with the implementation.

<sup>c</sup>The Kimberley Process Certification Scheme as set forth in the regulations includes, among other requirements, trading rough diamonds only with other Kimberley Process participants having a validated Kimberley Process Certificate accompanying all exports and imports, and keeping accessible records about these transactions for at least 5 years.

<sup>d</sup>As part of the Kimberley Process, the diamond industry undertook to implement a voluntary system of self-regulation through a system of warranties that allows for the traceability of rough diamond transactions.

<sup>e</sup>This does not capture the resources of additional agencies involved in the implementation of the Clean Diamond Trade Act.

<sup>f</sup>According to an official at Treasury, most of the staff time is at the Department of State. This does not capture the resources of additional agencies involved in the implementation of the Clean Diamond Trade Act.

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**Table 13: Responses from U.S. Agency for International Development**

<b>CSR-Related program/activity</b>	<b>Objective</b>	<b>Start year</b>	<b>Legal basis</b>	<b>Groups targeted</b>	<b>Activities</b>	<b>Budget information<sup>a</sup></b>	<b>Staff level<sup>b</sup></b>
Global Development Alliance <a href="http://www.usaid.gov/gda">www.usaid.gov/gda</a>	To encourage public-private partnerships for development projects.	2001	Foreign Assistance Act of 1961 (P. L. 87-195), as amended.	Foundations, for-profit firms, civil society organizations, foreign governments.	Trains USAID staff on public-private alliances and conducts outreach to private sector and civil society partners. For fiscal years 2002-2004, USAID leveraged over \$3.7 billion in partner assets through \$1.1 billion in agency funding.	\$29.8 million. <sup>c</sup>	Six full time staff plus contractors and field support. <sup>d</sup>
Volunteers for Prosperity <sup>e</sup> <a href="http://www.volunteersforprosperity.gov">www.volunteersforprosperity.gov</a>	To deploy skilled volunteers in U.S. foreign assistance programs. <sup>f</sup>	2003	Executive Order 13317.	U.S.-based organizations, including corporations.	By the end of FY 2004, Volunteers for Prosperity recruited nearly 200 for-profit and nonprofit organizations, representing a pool of at least 34,000 skilled American professionals available to serve as volunteers. Participating organizations reported having deployed nearly 7,000 volunteers.	No specific budget.	Three full time staff. <sup>g</sup>

Source: GAO based on information provided by agency officials.

<sup>a</sup>Budget information is for fiscal year 2003 unless otherwise noted.

<sup>b</sup>Staff levels are for fiscal year 2003 unless otherwise noted.

<sup>c</sup>In addition, according to officials, USAID overseas missions and USAID/Washington funded alliances to the total amount of \$360 million.

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<sup>d</sup>Each USAID mission office and bureau has a Global Development Alliance point of contact, and each mission office manages at least one public-private alliance.

<sup>e</sup>USAID serves as the interagency coordinator for this initiative. Per the executive order, USAID, the Departments of State, Commerce and Health and Human Services were required to set up Volunteers for Prosperity offices or operating units.

<sup>f</sup>The volunteers serve to support efforts related to six presidential initiatives: The Emergency Plan for AIDS Relief, the Trade for African Development and Enterprise Initiative, the Water for the Poor Initiative, the Digital Freedom Initiative, the Middle East Partnership Initiative, and the Millennium Challenge Corporation. Organizations that become Volunteers for Prosperity participants and support the deployment of highly skilled American volunteers are given priority for federal funds for these initiatives.

<sup>g</sup>As of March 2005, three full-time staff were approved, although two staff were in place.

**Table 14: Responses from Office of the U.S. Trade Representative<sup>a</sup>**

CSR-Related program/activity	Objective	Start year	Legal basis	Groups targeted	Activities	Budget information	Staff level <sup>b</sup>
Negotiating Free Trade Agreements <a href="http://www.ustr.gov">www.ustr.gov</a>	To ensure that negotiating objectives on labor and the environment laid out in the Trade Act of 2002 and issues of concern to trading partners are included in free trade agreements.	2002.	Trade Act of 2002.	Foreign governments.	Negotiating terms of trade agreements with U.S. trading partners. USTR will consider including CSR issues and projects in trade agreements if the issue is raised by trading partners. For example, CSR language is included in the US-Chile and US-Singapore free trade agreements.	No discrete budget.	FTA negotiators address CSR as warranted during negotiations.
Outreach to Business Associations <a href="http://www.ustr.gov">www.ustr.gov</a>	To improve labor standards and business conduct in U.S. business overseas.	Not available.	Not available.	Business groups.	USTR meets with business groups on an ad hoc basis to discuss a range of issues. On occasion, this includes encouraging businesses to implement corporate codes of conduct.	No discrete budget.	One percent of one staff person's time.

Source: GAO based on information provided by agency officials.

<sup>a</sup>Officials from the USTR acknowledged that the agency undertakes some activities that might complement CSR, but emphasized that the agency's mission is to negotiate trade agreements, and not to engage in CSR-related efforts.

<sup>b</sup>Staff levels are for fiscal year 2003 unless otherwise noted.



# GAO Contact and Staff Acknowledgements

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## GAO Contact

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