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Crises and Opportunities: Integrating Development Aid and Corporate Social Responsibility through Public Private Partnerships

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Asia Pacific Academy of Business in Society (APABIS)
 Fourth International Annual Conference

4 & 5 November 2010
 United Nations University, Tokyo

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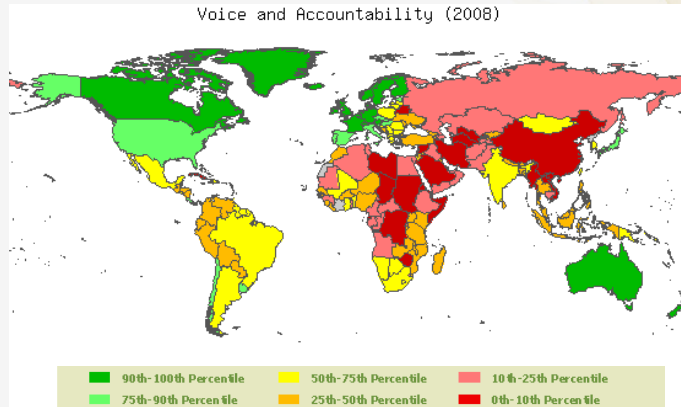


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Worldwide Governance Indicator 2008: Voice and Accountability

Voice and Accountability (2008)



Source: World Bank

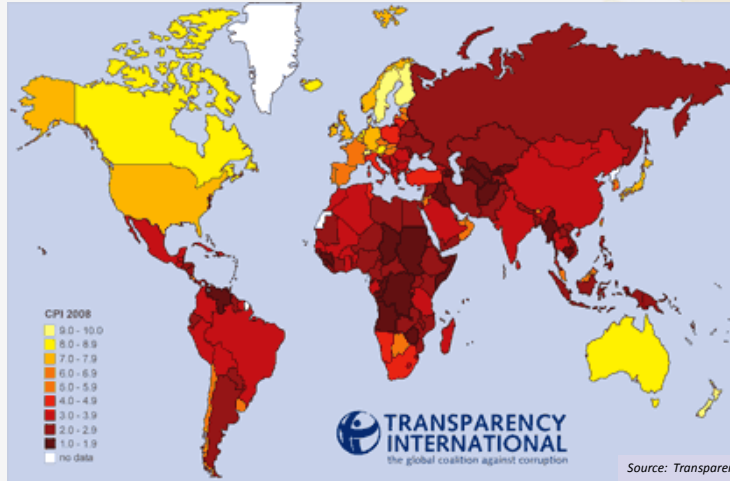
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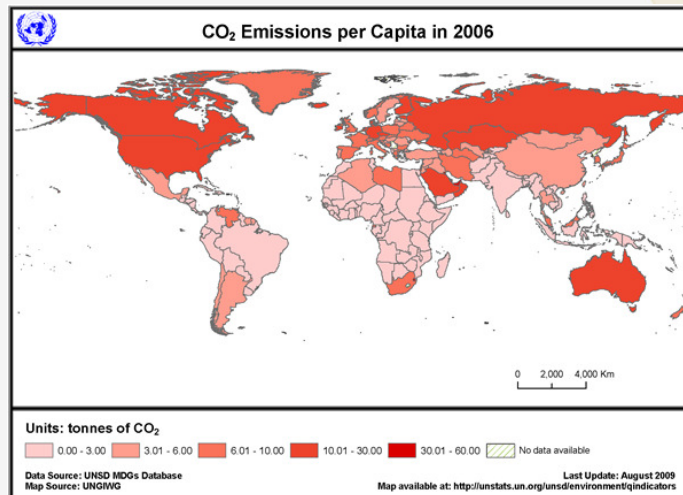
World Corruption Perception index



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World CO2 Emissions

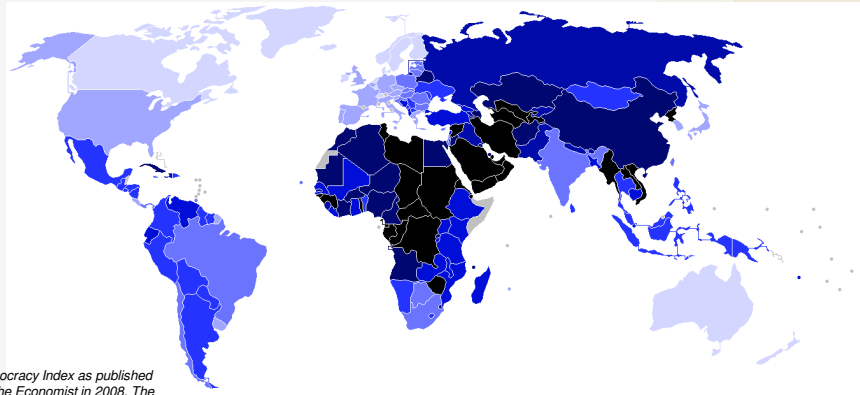




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World Democracy Map



Democracy Index as published by The Economist in 2008. The palest blue countries get a score above 9.5 out of 10, while the black countries score below 2.

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Below Poverty Line (1,25 USD per day, UN standard, 2005):

- 340 mio in East Asia = 18% of total population
- 500 mio in South Asia = 40% of total population
- 380 mio in Sub-Sahara Africa = 50% of total population
- 23 mio in Russia = 16% of total population
- 96 mio in Latin America/Caribbean = 19% of total population

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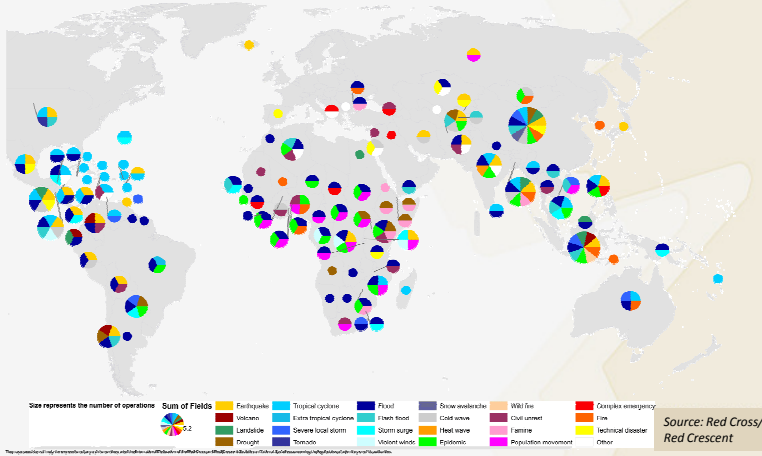
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World Disaster Map

+ International Federation of Red Cross and Red Crescent Societies
 Fédération internationale des Sociétés de la Croix-Rouge et du Croissant-Rouge
 Federación Internacional de Sociedades de la Cruz Roja y de la Media Luna Roja
 الاتحاد الدولي لجمعيات الصليب الأحمر والهلال الأحمر

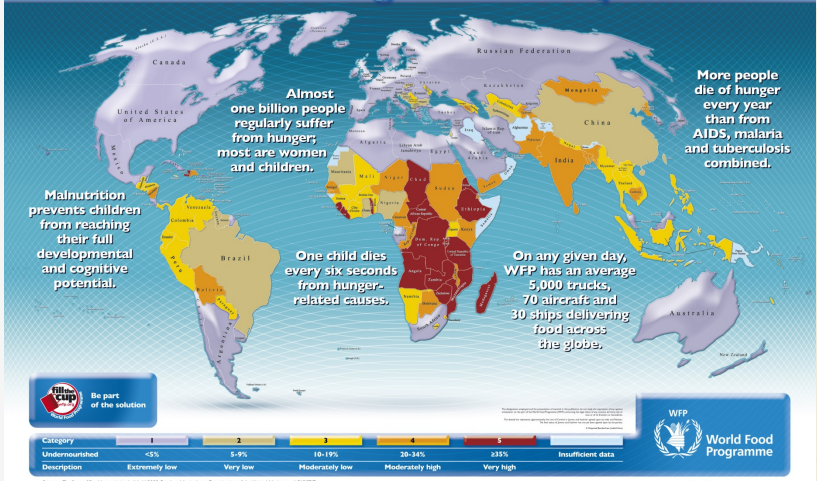
Responses to disaster in 2008



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2009 Hunger Map





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• **ODA Disbursements of EU**

Over 2007-2013

- In the ASEAN: €5.19 billion
- In Africa, Caribbean, Pacific (ACP): € 1.78 billion
- In Russia: € 210 million
- In Latin America: €2.65 billion

• **ODA Disbursements of US**

2007

- In Asia: \$ 3.57 billion
- In Africa: \$ 5.03 billion
- In Russia: NA
- In Latin America: \$ 721.5 million

• **ODA Disbursements of China**

2002-2007

- In Southeast Asia: \$ 231 million
- In Africa: \$ 1.85 million
- In Russia: NA
- In Latin America: \$ 421 million

• **ODA Disbursements of Japan**

2007

- In Asia: \$ 1.44 billion
- In Africa: \$ 1.79 billion
- In Russia: NA
- In Latin America: \$ 343 million

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• **Total Trade of EU with**

Over 2007-2013

- ASEAN: € 710 billion
- Africa, Caribbean, Pacific (ACP): € 143.92 billion
- Russia: € 278 billion
- Latin America: € 188.8 billion

• **Total Trade of US with**

2008

- ASEAN : \$ 169.16 billion
- Africa: \$ 137.67 billion
- Russia: \$ 35.45 billion
- Latin America: \$ 285.01 billion

• **Total Trade of China with**

2007

- Asia: \$ 1.19 trillion
- Africa: \$ 73.66 billion
- Russia: \$ 48.15 billion
- Latin America: \$ 102.65 billion

• **Total Trade of Japan with**

2008

- Asia : \$ 689.83 billion
- Africa: \$ 34.11 billion
- Russia: \$ 29.66 billion
- Latin America: \$ 68.13 billion

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- **Investments of EU**

- In the ASEAN: €12.1 billion
- In Africa, Caribbean, Pacific (ACP): €20 billion
- In Russia: €10.4 billion
- In Latin America: €12 billion

- **Investments of US**

- In Asia: USD 454 billion
- In Africa: USD 31 billion
- In Russia: USD 7 billion
- In Latin America: USD 202 billion

- **Investments of China**

- In Asia: \$43.55 billion
- In Africa: \$5.49 billion
- In Russia: \$359.23 million
- In Latin America: \$3.68 billion

- **Investments of Japan**

- In Asia: \$23.3 billion
- In Africa: \$1.5 billion
- In Russia: \$306 million
- In Latin America: \$29.6 billion

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Conclusion I

The vast amount of Trade and Investment dwarfing the amount of Development Aid suggests an improved relationship of the two in view of current and expected crises.

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Then Prime Minister Hatoyama:

“I wish from the bottom of my heart that people in developing countries pursue greenhouse gas reductions based on “common but differentiated responsibilities”. By doing this, they will help tackle climate change even as they achieve sustainable growth. They can take advantage of advanced energy-saving technologies, smart grid systems, water purification techniques and other environment-friendly technologies owned by Japanese companies.”

Japan’s New Commitment to Asia - Toward the Realization of an East Asian Community
15 November 2009 Singapore

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Charter of Corporate Behavior - Nippon Keidanren (The Japan Business Federation) -

Member corporations of Nippon Keidanren believe that corporations exist not only as economic entities designed to pursue profits through fair competition, but also as social entities which must make a contribution to society at large. Members are expected to respect human rights and to conduct themselves in a socially responsible manner toward the creation of a sustainable society, observe both the spirit as well as the letter of all laws and regulations applying to their activities both in Japan and abroad.

4th version released: May 18, 2004

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UN Global Compact:

Human Rights
Labor Rights

Environment
Corruption

10 lofty principles
Perhaps too political?

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Definition of CSR?

“CSR starts where Laws and Regulations end.”

(Implying that CSR is not compulsory)

(Prof. Dr. Alexander Rinnooy Kan, Chair Netherlands Socio-Economic Council, 30 June 2009, Jakarta, Universitas Indonesia/PA CSR)

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Could be, but the poverty-stricken part of the world is low on democracy, transparency and governance. Exactly because Administrations do not function properly, investing and trading industries must take on something.

That something must be typically 'corporate'.

What is more corporate than a **business plan**?

Better still:

What is more corporate than a **double business plan**?

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Definition of CSR!

CSR starts where all existing laws and regulations end; it is an organic link between enterprising, profit-making and social development that is conducted as a win-win solution in areas where a company requires something from society that cannot be bought and requires investment through a double business plan.*

**This is the emerging definition as of 25/2/2010 following further and in-depth research*

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Key Elements of CSR

- CSR is an *integral* part of a successful and sustainable business strategy, pre-empting social and environmental problems while optimising conditions for long term profitability
- It is an *organic link* between enterprising, profit-making and social development
- The more *organic* this link is, the more long-term profit is secured
- Organic implies that the inter-relationship between company and society is *systematically managed on the basis of in situ research*
- CSR research helps *steer* the realisation of basic conditions for long term profitable enterprising
- CSR is an integrated *management tool* for long term profitability and development while supporting short term goals in the areas of government relations and corporate communications
- A corporate CSR strategy *cements* corporate accountability to shareholders and corporate responsibility to all other stakeholders

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So who benefits from CSR?

Everyone and everything

- The *private company* and its *shareholders*
- The *public sector*, through public-private partnerships
- The *local community* in the area of the firm's operation
- The national and *regional policy* makers as a CSR strategy will assist them in obtaining their development goals
- The company's *employees*
- The company's *consumers* at large
- The CSR based relationship between regulators/legislators and the firm promotes transparency and excludes corruption
- The international community as structured local/regional CSR projects fit in with global development goals – leading to co-funding of civic society projects.

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CSR compulsory?

Current worldwide practice:

- Only employee rights, product safety and environmental protection are mandatory
- CSR is voluntary – exception is Indonesia

Main arguments *for* compulsory CSR:

- Too important to leave to the goodwill of business.
- Mandatory character brings in certainty.
- Certainty and equality among all companies, foreign or domestic.

Main arguments *against* compulsory CSR:

- CSR is about *output*, not *input*.
- Open to interpretation and manipulation
- Budgetary space can not be ordered by law; no alternative to taxes
- Intellectual initiative and insight can not be ordered by law

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Conclusion II

Double business plan-based CSR ensures sustained long-term corporate and societal profitability.

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Conclusion III

Governments from established and emerging economies may wish to connect their ODA/ regional development budget and programs to industry's CSR 'double business plans'.

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ODA-CSR: How to Connect

- *Top-down* through structured cooperative government/business inspired frameworks
- *Bottom-up* through business/civic society inspired and research based local and regional plans and projects
- *Result driven* ongoing reporting and analysis system strengthening both

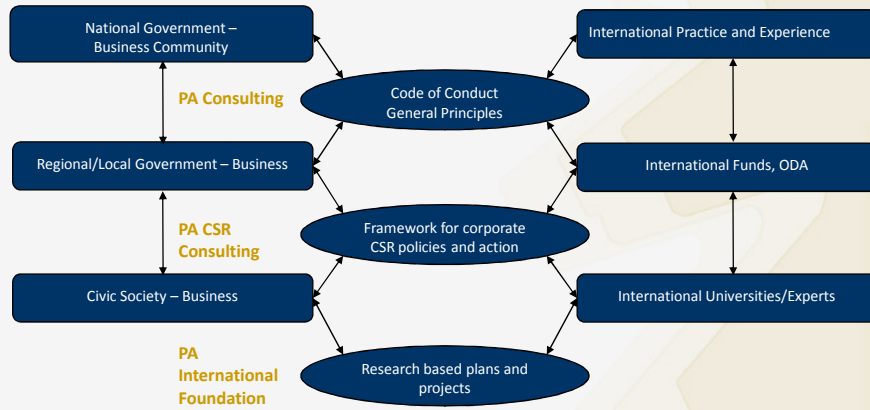
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Bottom-Up / Top-Down Approach → Alliances



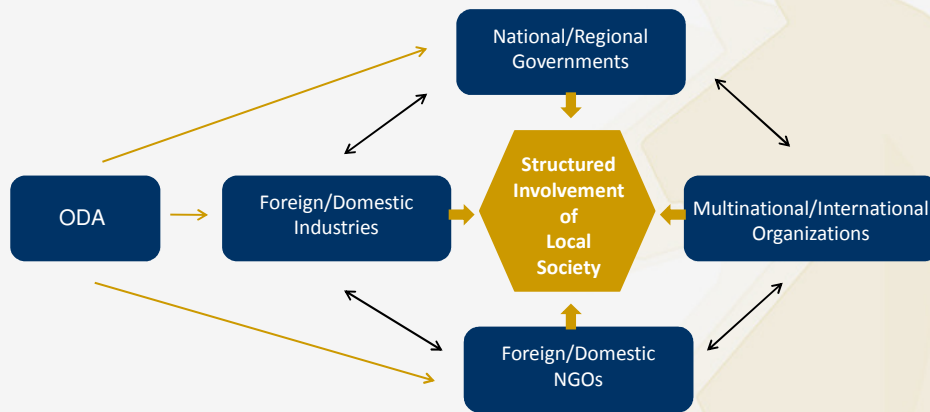
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Alignment ODA/CSR per Project



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Applicable to Crises?

- Preparedness (natural disasters)
- Prevention (man-made crises)
- Emergency assistance to local industries through alliances with foreign industries/investors/trade



Preparedness Example





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Prevention Example

Ban of all fish export
↓
In situ research
↓
Alignment Governments/ buyers/ sellers
↓
Donation/ investment of and in new measuring instruments and clean water facilities
↓
Joint 'pre-inspections'
↓
Growth of fish export

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Emergency Assistance through Industrial Cooperation/ ODA Support

- Emergencies cannot be foreseen but can be prepared
- Aid communities do not create sustained solutions
- Local entrepreneurs are the last to leave and the first to return to emergency areas
- Re-tool and re-fund local entrepreneurs leads to employment/ income/ food/ shelter/ healthcare
- Industrial alliances per industrial sector with ODA can promote early practical results on a sustained basis

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The PA Group:

- 20 years of practical experience
- Global network of former (Prime) Ministers, Ambassadors, industrialists, scientists etc. assisting Governments and industries in 11 countries

www.pa-asia.com



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