Public policies for scaling corporate responsibility standards

Expanding collaborative governance for sustainable development

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Abstract

Purpose – This paper seeks to provide an overview and context for the emerging field of public policies for scaling voluntary standards, or private regulations, on the social and environmental performance of business and finance, to promote sustainable development; in order to stimulate more innovation and research in this field.

Design/methodology/approach – The paper takes the approach of a literature review of texts from intergovernmental and non-governmental organisations, to develop a synthesis of issues, before literature review from management studies, development studies and international relations, to revise the synthesis and identify policy relevant future research.

Findings – Governance at all levels but particularly the international level involves corporations and their stakeholders. Together they have created non-statutory corporate social responsibility (CSR) standards which now influence significant amounts of international trade and investment, thereby presenting new benefits, risks and challenges for sustainable development. Governments around the world are now innovating public policies on these standards, which can be categorised to inform policy development: governments prepare, prefer, promote and prescribe CSR standards. Therefore, a new dimension to collaborative governance is emerging and would benefit from research and technical assistance. As concepts and practices of regulation and governance are moving beyond state versus non-state, mandatory versus voluntary approaches, so issues about transparency, accountability and democratic participation remain important for any new manifestation of regulation or governance.

Originality/value – By contextualising public policy innovations on CSR standards within new theories of governance, including "private regulation" and "collaborative governance", the paper helps to clarify a new agenda for policy making and related research.

Keywords Voluntary standards, Private regulation, Sustainable development, Corporate social responsibility, Collaborative governance, Public policy, Regulation, Standards

Paper type Conceptual paper

Introduction

In 1992 the Earth Summit in Rio de Janeiro, organized by the UN Commission on Environment and Development (UNCED) helped to establish the concept of sustainable

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development as a policy goal for nations and intergovernmental cooperation. Sustainable development has been defined in many ways (Hopwood *et al.*, 2005), but in broad terms it is an attempt to combine concerns about a range of environmental issues with socio-economic issues (Murphy and Bendell, 1997; Jallow, 2009). In the run up to the Summit, *The Brundtland Report* (World Commission on Environment and Development, 1987, p. 43) put it thus: "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs".

The Earth Summit was important in making a call for non-state actors, including business and civil society organisations, to engage with the challenge of sustainable development. This call encouraged more voluntary initiatives from companies to integrate social or environmental considerations in their operations. It also led to more partnerships between such companies, non-governmental organizations (NGOs) and government agencies to improve the social and environmental performance of companies or fund other activities towards sustainable development (Murphy and Bendell, 1997; Jeucken, 2001; Bredgaard, 2004; Gandenberger *et al.*, 2011). Given the 20th anniversary of the Earth Summit, practitioners, researchers, and policy makers reflected on what had been learned from two decades of innovation on sustainable development, and implications for future public policy and international cooperation agendas. This paper contributes to that reflection around the Rio + 20 process, by focusing on how public policy is relating to innovations made by companies and NGOs towards sustainable development. It occurs in a context where leaders in civil society, business and government, from various parts of the world, have called for a more interventionist stance by governments on the regulation and direction of markets, corporations, investment and finance (Bendell and Ellersiek, 2009; Bendell, 2010).

The key innovations from business and civil society that are examined here are non-statutory standards on the social and environmental performance of business. As this paper will document, although these corporate social responsibility (CSR) standards have not been required by law, they have spread across industries and countries, addressing social and environmental issues. Research from academic disciplines of management studies, international development and political science that we chronicle below has asked questions about the effect and legitimacy of such standards. Related questions and proposals are also found in the literature published by the non-statutory standards organisations, other expert groups, and United Nations (UN) organisations. As governments are considering new approaches to promote sustainable development, it is important for such different sets of literature, and the schools of thought they represent, to draw from and inform each other. Using academic database searches for journals in management, development and political science, the papers we examined rarely drew upon over a decade of policy research from UN agencies, government agencies and standards bodies. When they were referenced, it was as primary data for documentary analysis against a specific theoretical focus, rather than as a research agenda-shaping input. That initial research led us to attempt for this paper a synthesis of issues identified in both academic and practitioner literature on the extent and character non-statutory CSR standards, their benefits and challenges, and emerging public policies on them. Therefore, the research for this paper was conducted in two stages.

First, an analysis of the issues identified with CSR standards from studies by standards organisations, specialist organisations, and UN agencies was conducted

(ISEAL, 2011; Bertelsmann Stiftung and The UN Global Compact, 2010; Prieto *et al.*, 2003; Bendell, 2000a, b; UNCTAD, 2011b). This literature review involved general internet searches, browsing individual standards organizations' web sites, and asking practitioners for recommendations of relevant studies. In particular, suggestions from participants at an seminar of experts at the United Nations Conference on Trade and Development (UNCTAD) in Geneva in 2011 helped to identify relevant practitioner and policy-maker literature[1]. This research provided a basis of information on the extent and character of non-statutory CSR standards, their benefits and challenges, and emerging public policies on them.

The second phase of literature review focused on academic journals and books. The fields of management studies, development studies and international relations were identified as having related fields of inquiry. Therefore, academic database searches were conducted of relevant journals in these disciplines. This literature was reviewed for how it resonated with, added to, or contradicted the ideas identified from the synthesis of the first literature review. This unusual approach, where academic literature was not used to identify a theory to be debated or tested, but to further map out the range of insights on a specific issue of policy concern, is key to the value of this paper in providing an overview of issues. The aim is to broaden the information base for future academic inquiry on CSR standards and related public policies. With this purpose, rather than detailing the process of analysis, the paper presents the outcome of the synthesis of the different literature sets.

Our main findings are that academic literature has not focused on public policies for influencing or scaling, while both academic and practitioner literature has not often focused on how democratic principles can be mobilized within the governance of CSR standards and in informing how governments relate to them. Some exceptions to this latter lack of engagement with democratic theory are highlighted in our conclusion, where we call for more research on how public policy can be a tool for making CSR standards both more widespread and more democratic in their governance and effect.

The paper is structured as follows: a clarification of terms, summary of extent and nature of CSR standards, and an overview of some relevant theories from studies in management, politics and international development; subsequently, it discusses potential opportunities and limitations to existing standards and the lessons for best practice; then it reviews the different mechanisms governments are using to leverage CSR standards for public aims; and concludes these overarching themes by formulating advice on policy and research (Table I).

1. The significance of CSR standards

Since the Earth Summit, the initiatives in CSR have grown rapidly. Corporate responsibility is the field of societies' expectations of corporations, which has continued to evolve in past decades as more people recognize the power of corporations and perceive limitations on government ability to control or shape their behavior. Terms such as "sustainable business", "corporate citizenship" and "CSR" have become popular for describing the integration of social, environmental and economic considerations into the decision-making structures and processes of business, with the latter term of CSR used here for convenience. A contemporary view of CSR has emerged as not only involving diligent compliance with national law but also aspiring to meet international

BSCI	Business Social Compliance Initiative
CSR	Corporate social responsibility
ESG	Environmental, social, and organizational governance
FAO	UN Food and Agriculture Organisation
FLA	Fair Labor Association
FSC	Forest Stewardship Council
FWF	Fair Wear Foundation
GATT	General Agreement on Tariffs and Trade
GRI	Global Reporting Initiative
GSP	General System of Preferences
ICTI	International Council of Toy Industries
ILO	International Labour Organisation
IGO	Intergovernmental organizations
ISAR	Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting
ISEAL	International Social and Environmental Accreditation and Labelling Alliance
ISO	International Organization for Standardization
MSC	Marine Stewardship Council
MSI	Multi-stakeholder initiative
NGO	Non-governmental organization
OECD	Organization for Economic Cooperation and Development
UNCED	UN Commission on Environment and Development
RSPO	Roundtable on Sustainable Palm Oil
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
USAID	United States Agency for International Development
WTO	World Trade Organization

Table I.
List of acronyms

standards and the expectations of society. Business managers engage stakeholders to more effectively manage potential corporate risks, build trust within society, stimulate innovation, and enable new business models or reach new markets. Some now consider that being responsible involves innovating products and business processes to provide solutions to social and environmental challenges (Bendell, 2009). Although the term is sometimes misunderstood to imply only philanthropy, legal compliance and enhanced risk management (Porter and Kramer, 2011), we use it here because of its wide recognition.

Non-statutory standards are key to the development of CSR, and have proliferated in the past 20 years, nationally and internationally (Murphy and Bendell, 1999; Dale and Hill, 2002). One of the earliest examples is the Forest Stewardship Council (FSC), which is an international non-profit, multi-stakeholder organization which promotes responsible management of the world's forests through standard setting, independent certification, and labeling of forest products (Murphy and Bendell, 1997; Pattberg, 2005; Taylor, 2005). It was established in 1993 after collaboration between environmental groups, timber retailers, foresters and others to provide customers around the world the ability to choose products from socially and environmentally responsible forestry and thereby reduce deforestation.

Recently, there are thousands of non-statutory CSR standards in existence (UNCTAD, 2011b). They address different concerns, ranging from environmental to labor standards and human rights, and in many ways, differing not only in terms of initiating and leading parties but also in the operational areas they address, e.g. investment, production, or purchasing and supply. Such standards can be developed and set by governmental and intergovernmental organizations (IGO) (e.g. UN, International Labour Organization (ILO), Organization for Economic Cooperation and Development (OECD)); by industry associations (e.g. Business Social Compliance Initiative (BSCI), Electronic Industry Citizenship Coalition); individual companies (e.g. corporate reporting, codes of conduct, etc.); and increasingly by the joint initiatives of multiple stakeholders from civil society, industry, labour, and consumers (e.g. the FSC and the Marine Stewardship Council (MSC) or the Global Reporting Initiative (GRI)). This latter form of multi-stakeholder initiative (MSI), have been defined as "cross-sectoral partnerships created with a rule-setting purpose, to design and steward standards for the regulation of market and non-market actors" (AccountAbility, 2007, p. 3). The standards they develop often address non-product-related process and production methods concerning developmental, social and environmental practices[2].

In addition to the source of their creation, CSR standards also differ in the ways that compliance is promoted or assured. Some standards require no compliance (e.g. guidelines and aspirational standards), with others involving some compliance mechanisms (e.g. mandatory reporting, incident reporting mechanisms), and other standards involving pro-active compliance mechanisms (e.g. certifications, inspections, audits, and labelling procedures) (UNCTAD, 2011b)[3]. An illustration of some CSR standards by their source and compliance mechanism is shown in Table II.

While compliance mechanisms can be an integral part of a standard, they can also be associated to a standard by third parties. Looking at the connection between standard source and compliance mechanisms, IGO-based standards tend to set broad principles, while multi-stakeholder and industry standards bring the principles down to the operational level. As shown by the UNCTAD (2011b) research, the main IGO standards, for example, are the basis or key reference points for many industry standards, and for the certifiable standards of the MSI. In this way, voluntary investor compliance with IGO standards (viz. international soft-law) is often driven by independent CSR standards with pro-active compliance mechanisms. Thus, one can observe an iterative relationship between the different types of standards, the initiating parties,

	Pro-active mechanisms (audits, inspections)	Reporting requirements/redress mechanisms	No formal compliance mechanisms
Intergovernmental organizations	–	UN Global Compact, OECD Guidelines ILO Tripartite Declaration	–
Multi-stakeholder/ NGO	ISO 14000, MSC, FSC, FLA, RSPO, SA8000, 4C Assoc.	–	ISO 26000 GRI
Company/ industry association	C.A.F.E. Practises, Leather Working Group, BSCI, ICTI	–	Pharmaceutical Industry Principles for Responsible Supply Chain Management

Source: UNCTAD (2011b)

Table II. Typology of CSR standards by source and compliance mechanisms and changing depth of compliance. For example, the MSC used the UN Food and Agriculture Organization Code of Conduct for responsible fishing operations for the development of their initial standards and standards from the International Organization for Standardization (ISO) on suitable processes for certification. The labour standard SA8000 draws on IGO standards in a complementary way. Specifically some of the multi-stakeholder standards seek to adapt IGO standards, which are often written with governments in mind for application by enterprises. While multi-stakeholder standards typically reference IGO standards, the opposite is also true: some IGO standards now reference multi-stakeholder standards. For example, the recommendations on the OECD Guidelines (OECD, 2011) now reference the standards put forward by the GRI (UNCTAD, 2011b).

1.2 Analysis of CSR standards by studies in management, development, and international relations

The term "voluntary standards" is often used in both academic and practitioner literature to describe CSR standards. The accuracy of the term "voluntary" has been questioned as for many enterprises the standards are mandatory, as they are required in contracts and thus enforceable by courts (Webb and Morrison, 2004). Therefore, two other terms are sometimes used: "civil regulation" and "private regulation". Civil regulations have been described as those "pressures exerted by processes in civil society to persuade, or even compel, organizations to act differently in relation to social and environmental concerns" (Bendell, 2000a, b, p. 241). The term "civil" refers to civil society, and the importance of civil society being part of a regulatory process, rather than businesses simply regulating themselves, as "self-regulation" suggests, or by governments through state regulations (Bendell, 2001). Civil regulation is a form of "private regulation", a term that covers all forms of rule making by non-state actors. Private regulation describes how private actors play a key role – at stages before implementation or compliance – in a "regulatory process" (Abbot and Snidal, 2009) or "governance sequence" (Büthe, 2010), involving agenda setting, rule making, implementation, monitoring, adjudication, and enforcement. The global reach of such private regulations led Murphy and Bendell (1999, p. iv) to write that "the Forest Stewardship Council (FSC) and Marine Stewardship Council (MSC), will probably be replicated in other industrial sectors and come to be known as systems of global private regulation".

The term "private regulation" can also be challenged given the role of IGOs in setting standards that are then adopted in "private" regulatory systems, and the increasing role of state institutions, such as regulators, customs offices and courts, in enforcing them (Webb and Morrison, 2004). Therefore, an accurate way of describing the full universe of these standards is that they are "non-statutory" as they are not required by law, and in this paper we refer to them simply as "CSR standards".

CSR standards are increasingly recognised to be significant because of the volume of world trade that they regulate (Table III). Both academic and practitioner literature suggest many advantages for sustainable development from the spread of these standards. They provide ways for consumers, investors, business partners, and staff to recognize best practice in the social or environmental performance of business, and thus encourage such performance. Whereas national regulations provide a baseline below which performance should not fall, CSR standards are less static, aspirational, evolving, and point towards the types of enterprise needed for a more just

Standard	Compliance mechanisms Certification/ audits	Public reporting	Market impact
Multi-stakeholder initiative standards			
4C Association (2004)	Yes	Annual report with performance data of member companies	Covers 30 percent of global coffee production
Fair Labor Association (1998)	Yes	Annual report audit results	Covers 75 percent of the branded athletic footwear industry
Fair Wear Foundation (FWF) (1999)	Yes	Annual report audit results	FWF affiliates source from a total of 1,153 factories, with an estimated total of 300,000 workers (growth rate of 60 percent in the last three years)
Forest Stewardship Council (1993)	Yes	Annual report audit results	Covers 11 percent of global forests used for productive activities
ISO 14001 (1996)	Yes	Annual report	223,149 organizations in 159 countries are certified to ISO 14000
Marine Stewardship Council (1997)	Yes	Annual report audit results	Covers 6 percent of global landed fish
SA8000 Standard (1997)	Yes	Annual report	Over 1.4 million workers are employed in over 2,400 SA8000 certified facilities in 65 countries, across 66 industrial sectors
Roundtable on Sustainable Palm Oil (2004)	Yes	Audit results	Covers 8 percent of global palm oil production
UTZ CERTIFIED (1999)	Yes	Annual report	Covers 5 percent of global coffee production
Industry association codes			
Business Social Compliance Initiative (BSCI) (2002)	Yes	Annual report	11,200 suppliers audited according to the BSCI code of conduct and 4,000 suppliers trained in nine different countries
International Council of Toy Industries (ICTI) (2004)	Yes	Biennial report	75 percent of the global toy business is committed to only source from suppliers certified by ICTI in the future
Pharmaceutical Supply Chain Initiative (2007)	No	No	Member companies represent at least 45 percent of the pharmaceutical industry
Individual company codes			
Nike supplier code of conduct	Yes	Corporate responsibility report	31 percent of the global market for branded athletic footwear; through its supplier code of conduct Nike influences the conditions of more than 800,000 employees in 700 factories in 45 countries
Adidas supplier code of conduct	Yes	Corporate responsibility report	22 percent of the global market for branded athletic footwear; through its supplier code of conduct Adidas influences the conditions of more than 775,000 employees in 1,200 factories in 65 countries

Source: UNCTAD (2011b)

Table III.
The market influence of selected CSR standards

and sustainable world (Bendell, 2004). CSR standards also present ways for citizens and organizations to act on their concerns about practices in other countries, without falling foul of international trade law. World Trade Organization (WTO) rules allow mandatory standards on non-product-related production methods to be issued by governments in only very limited cases. In practice, however, such rules can be challenged by other WTO member states, making them difficult to implement, so most governments do not impose restrictions on imports on the basis of the social or environmental conditions of their production[4]. CSR standards, on the other hand, are less open to challenge by WTO trade agreements and this has indirectly created an incentive for the creation of CSR standards (Bendell and Font, 2004). Governmental budget constraints also make private CSR regulations attractive, as explained by Murphy and Bendell (1999, p. 58):

> The standard-setting process is paid for by donations from governments, companies, trust funds and so forth. Companies pay for the actual certifications, and eventually pass on the costs to the end consumer. In this way, companies or individuals pay for the regulation of a particular product when they buy that product. Independent certification of business against multi-stakeholder defined sustainability standards represents a privatization of the regulatory function of government, while protecting the democratic participation of citizens.

The potential of private CSR regulation has therefore been widely discussed. More recent analysis has focused on questions about their effectiveness, efficiency, accountability, and comprehensiveness, as we highlight later in the paper. Some of these analyses have found CSR standards to be of limited scope in coverage or issues and industries, and not sufficiently accountable to the stakeholders in the economic activity involved (Bendell, 2005).

Such CSR standards are widely regarded as beyond the interest of government, because of their non-statutory character (Blumenthal, 2006). However, as both the usefulness and limitations of CSR standards is more widely recognized, governments are beginning to experiment with new ways of promoting the development, uptake, and compliance with such standards (Bendell and Font, 2004; Steurer, 2009). The appropriate role of government in relation to CSR standards has therefore become a new policy issue (UNCTAD, 2011b).

Concepts of governance have evolved since the Earth Summit, to reflect shifts in the exercise of control in a globalizing economy. Economic governance is increasingly understood as multi-playered and multi-layered, so that it is not only the state who steers and regulates, but also the private sector and civil society groups such as NGOs, trade unions, and professional associations (Rosenau and Czempiel, 1992; Mayntz, 2006). Terms used to reflect this awareness include not only private regulation and civil regulation, but also shared governance (Booher, 2004), co-regulation (Bernstein and Cashore, 2007), and collaborative governance (Ansell and Gash, 2008). Our preferred conceptual framework here is "collaborative governance" as it provides a platform for considering not only the role of voluntary or CSR standards, but also the role of government in relation to them. Having originated as a way of describing attempts to provide opportunities for community involvement in public policy making on matters as diverse as land use planning, community policing, and youth development, "collaborative governance" was hailed as a way to "empower, enlighten, and engage citizens in [. . .] self-government" (Smith and Ingram, 1993, p. 1). Since then, various classifications and typologies of collaborative governance have been proposed, ranging from policy or program-based cooperation, standards and norms, to individual place-based regional collaboration between stakeholders and public-private partnerships, drawing from diverse realms of practice and research (Ansell and Gash, 2008; Emerson *et al.*, 2011; Huxham *et al.*, 2000). In general, the word "collaborative" denotes an approach to governance that is seen as distinct from, but potentially complementary to, more adversarial or managerial modes of governmental policy making and implementation (Ansell and Gash, 2008). However, collaborative governance does not have to involve governments as a participant. In the field of "economic governance" – the governance of economic activity – it has been shown above that many CSR standards did not directly involve governments during their development and early implementation. Therefore, collaborative economic governance exists when the interconnected processes[5] of governing an enterprise or investment are conducted with the meaningful participation or prior agreement of affected stakeholders and often, but not always, involving governments in some capacity.

It is important to note that our review of the literature on collaborative governance did not reveal in depth studies on the role of governments in scaling CSR standards. Indeed, the role of governments in collaborative economic governance was sparse in comparison to other areas (Donahue and Zeckhauser, 2011). Although Dahl (1957) made it clear in the 1950s that assumptions about what is a political organization or not is not tenable, it was only since the late 1990s that international relations researchers have considered how private bodies play regulatory functions within the global economy (Murphy and Bendell, 1999; Bendell, 2000a, b; Cutler *et al.*, 1999; Hall and Biersteker, 2002). In recent years it has gained more attention within international relations scholarship (Vogel, 2008, 2010; Mayer and Gereffi, 2010; Büthe and Mattli, 2011), but few cases of private regulation "have been studied in depth" (Vogel, 2008, p. 275) with a focus on key issues of effectiveness, efficiency, or accountability, and resultant public policy implications. Some international relations theorists have asked "what is the effect of the rise of private regulation on public regulatory authority and capacity" (Büthe, 2010, p. 3) but we did not find a study of how governments can use private CSR regulations for public aims. Instead, questions and theorisations in international relations theory appear to be more philosophical, about the nature of power and legitimacy, and whether the state is in retreat or not (Büthe, 2010).

Our review of other relevant literature on CSR standards revealed studies focusing on organizational issues for businesses or their stakeholders (Brammer and Millington, 2003; Clarkson, 1995), with some literature considering the democratic dimensions of the new arrangements (Bendell, 2000a, b, 2001, 2004, 2009; Bogason and Musso, 2006; Scherer and Palazzo, 2007), and some considering policy environments conducive to the uptake of CSR in general and comparatively across countries and regions (Chen and Bouvain, 2009; Jackson and Apostolakou, 2010). Absent was a summary of the opportunities and pitfalls of CSR standards from a practical public policy perspective, considering how governments can and increasingly do use such standards in pursuit of their national and international sustainable development aims. Therefore, this paper sets out this emerging field of policy and research, adumbrating a new dimension to collaborative economic governance, where governmental and intergovernmental bodies leverage CSR standards for common cause.

2. Opportunities and challenges of CSR standards from the perspective of public policy for sustainable development

As CSR standards have proliferated, there has been more analysis and discussion of their implications for investment and development (AccountAbility, 2007; Bendell, 2004; Moon, 2007; Newell, 2005; Prieto-Carron *et al.*, 2007; UNCTAD, 2011a, b). Most noticeable, one observes a turn in theory and practice towards a more cautious discussion about whether the various innovations in CSR standards may be reaching the limits of what they can do to promote wider change. Table III indicates that although CSR standards have become widespread, they still only regulate relatively small percentages of their respective world trades. This limited scope raises the question of how governments might be able to influence their uptake (Vermeulen *et al.*, 2010), and in turn, the need to identify the specific benefits and drawbacks of CSR standards for public goals, in particular sustainable development.

There are at least six ways that analysts observe implications for international development from the use of CSR standards. On the positive side, these include budget-neutral improvements in corporate practices, higher value market access, and enhancing local economies or social provisions, on the negative side, threaten protectionist effects on trade, blind spots, duplication and variance, and a distraction from legislation. We briefly describe these here as they help to outline the contours of an emerging public policy agenda to increase the benefits and counter the drawbacks.

2.1 Opportunities

2.1.1 Budget-neutral improvements in corporate practices. Private CSR regulations can help raise the environmental, social, and organizational governance (ESG) performance of enterprises and investors. This occurs if the standards directly concern, or drive, improvements in actual performance, rather than generating processes of dialogue and reporting that do not relate to such impacts. If ESG performance is increased, this has positive implications for the experience of various human rights, including economic rights, for employees (Bredgaard, 2004; Maclagan, 1999), farmers (Giovannucci and Ponte, 2005) and communities (Brammer and Millington, 2003; van der Voort *et al.*, 2009) throughout global value chains. As mentioned in the introduction, because these mechanisms are paid for by businesses and consumers themselves, these private CSR regulations provide a budget-neutral mechanism to governments for the achievement of important sustainable development outcomes. For this opportunity to be realized requires CSR standards to be appropriate to the types of companies in a country, to deliver real improvements in performance, and be accountable to stakeholders. These issues mean that governments can assess standards to see if they are aligned with national aims or not, and therefore how to respond through policy innovations.

2.1.2 Premium market access. Because of CSR standards, exporters from across the global south have the opportunity to sell to corporate clients (and their customers) that are prepared to pay premiums and/or give contract conditions that are better than the industry norm, such as longer contracts, longer lead times and in some cases, mostly “fair trade” schemes, agree to share the initial costs of improvements (Drost *et al.*, 2010). This has been a motivation for firms from the global south, whether large, medium or small, to seek certification to relevant private standards (Giovannucci and Ponte, 2005; Jenkins, 2006; Kivuitu *et al.*, 2005). This opportunity means that governments can assess their industries' readiness and barriers for meeting relevant standards, and therefore how to respond through policy innovations.

2.1.3 Contributing to local social and economic development. In the last few years, more CSR initiative has focused on improving an enterprise's contributions to the local economy or unmet social needs (Lund-Thomsen, 2005). Voluntary initiatives seeking to develop mutually beneficial business with the poor, whether as consumer or producer, are growing. Examples include some forms of micro finance or insurance (Kuriyan *et al.*, 2008), and products and services designed for the poor to afford, such as the initiatives by companies such as Unilever's Project Shakti, EDF's "Access to Energy"-Programme, and the Grameen Danone Limited Food partnership (Prahalad, 2004). Related, in response to the Millennium Development Goals, some larger firms are seeking to broaden inclusiveness by involving more local suppliers in their value chains and thus generate and enhance greater local employment and revenue (Bendell *et al.*, 2010b). In addition, more "social entrepreneurs" are using their entrepreneurial skills to address unmet public needs in ways that do not require philanthropy or state funding (Elkington, 2008).

Although this is a relatively new field of practice, already analysis suggests that not all attempts at promoting local economies or enterprise solutions to social problems are successful, and government can play a role in shaping the approach of business as well as market context for their efforts. It is likely that more standards will be developed for social enterprise and inclusive business as these fields develop, and more donors and investors seek credible projects and companies to support (Bendell *et al.*, 2010b).

2.2 Challenges

2.2.1 Possible barriers on trade. Some have identified the potential for private CSR regulation to create barriers for trade and investment, weather intended or not (Fox, 2004; Newell and Garvey, 2006). For enterprises in low-income countries, a lack of technical capacity and management know-how, along with compliance costs, can make adherence to international CSR standards prohibitively difficult (Drost *et al.*, 2010). An indicator of this could be that only 11 percent of FSC-certified forest is in tropics. Some of the organizations and corporations involved in private CSR regulation have been responding to such concerns with efforts to facilitate participation by a wider base of small- and medium-sized enterprises within lower income countries (Fox, 2004; Jenkins, 2006).

In addition, analysis of ethical investment advisers shows that some of them require firms from lower income countries to demonstrate compliance with a greater range of social and environmental standards, because they perceive greater risk of poor practice; an approach which could influence investment flows in questionable ways (UNCTAD, 2011a). The extent of this issue is unclear, as some comparative evidence shows that their larger corporations are rather similar in their CSR practices to those of high-income countries (Lindgreen *et al.*, 2009). Nevertheless, the nature of private CSR regulations that help (not hinder) responsible trade and investment, and the type of measures taken to support developing countries' actors and small- and medium-sized enterprises to meet them, will be an important future consideration for governments and development agencies that seek to influence the development effects of private regulations on CSR.

A related concern is whether CSR standards actually deliver more accountability of business activity to affected stakeholders or serve to undermine their power in the emerging processes of CSR-aware markets (Prieto *et al.*, 2003; Bendell, 2005, 2010; Bendell *et al.*, 2010c). This means that standards need to be examined for how they deliver opportunities for holding firms to account (Bendell, 2004). It is important therefore to realise that private standard setting is a political process and has a political effect, and to analyse and guide it with attention to matters of political principle, such as democratic participation (Büthe and Mattli, 2011).

2.2.2 Blind-spots, duplication and variance of private CSR regulations. While competitive dynamics with regard to standard setting and certification among companies and industries are often posited as a driving force for change, a side effect can be duplication and centralization of focus on certain issue and geographical areas, while neglecting others (Khan *et al.*, 2007; UNCTAD, 2011b). On the one hand, many areas of concern are left uncovered, particularly where consumer awareness is low, or where traceability is particularly difficult, such as with precious metals, that voluntary CSR initiatives are absent or ineffectual (Vermeulen *et al.*, 2010). In sectors that generate attention, suppliers can be faced with multiple CSR standards from their corporate customers, with different issues and inspection regimes (Prieto *et al.*, 2003). These can come in the form of individual private CSR policies from companies or requirements for certification to private standards. Often the costs of meeting and demonstrating compliance with standards are born by the supplier. Therefore, variance and duplication of private CSR regulations and their inspection regimes can add unnecessary costs to business, reducing value accrued at the base of value chains (Fox, 2004; UNCTAD, 2011b). These challenges and opportunities for development arising from a proliferating of private CSR regulations means that their net impact on development may depend on effective governmental and intergovernmental measures to support or influence them (Hamann and Acutt, 2003; Vermeulen *et al.*, 2010).

A range of initiatives are focused on promoting streamlining and standardised CSR reporting frameworks, including UN initiatives (e.g. UNCTAD's ISAR working group)[6] and MSI (e.g. the GRI, the Carbon Disclosure Standards Board, and the International Integrated Reporting Committee)[7], in order to increase uniformity, standardization and comparability, and thus usefulness. However, as noted by the *World Investment Report* (UNCTAD, 2011b), the uptake among companies however is far from universal, and even among companies adopting a voluntary CSR reporting framework, implementation of the framework can be selective and incomplete. While some useful examples exist for CSR reporting frameworks, ensuring widespread uptake and consistent implementation remains a challenge. Improved disclosure would allow stakeholders, including governments, to evaluate and compare the performance of the initiatives, which can lead to higher credibility and support of particular standards and a more precise identification of gaps in standards and effective streamlining of efforts and government support for these issues. A more comprehensive and pro-active public policy agenda on private policies and standards is needed to address these challenges (Moon, 2004; Nidasio, 2004; Steurer, 2009; UNCTAD, 2011b). Examples of how governments can develop such a policy agenda is outlined in Section 4.

2.2.3 Distraction from legislation. At times in the past decade, private CSR regulations and their associated partnerships and initiatives have been championed to policy makers and donors as a magic bullet for encouraging responsible trade and investment. Some analysts have warned that such enthusiasm is not only unsubstantiated at this time (Davies, 2007; Dill, 2009; Mc Lennan and Ngoma, 2004; Newell and Garvey, 2006), but can undermine discussion and innovation of complementary policy interventions by government (Bendell, 2004). Generally, assessing the concrete impact of private CSR regulation and standards is difficult. For example, market impact expressed in global market share may understate the regional or country level impact. The *Goodweaves* standard for example, while applying to a relatively small percentage of the global carpet industry, has a significant impact on the country of Nepal where 50 percent of the total carpet production capacity is covered by the *Goodweaves* inspection and monitoring system[8]. For some standards, such as MSC and FSC, the relatively small global market share, indicates the continuing challenge of promoting adoption. With global market shares ranging between 5 and 10 percent, some of these standards have passed the "proof of concept" phase, and now face the challenge of how to reach widespread uptake (UNCTAD, 2011b).

Despite this progress and potential, private CSR regulation appears to have a limited scope of effect in terms of the issues that firms can voluntarily address in current market contexts, while certain types of company and business sectors are less subject to global public opinion and to lesser extent affected by the commercial drivers for uptake of private CSR regulations (Roberts, 2003; Bendell, 2004; Kolk *et al.*, 2008). The limited extent of CSR standards shown in Table III also provides a reminder of the partial impact of such standards at present. Hence, private CSR regulations should not be regarded as comprehensive solution on trade and development, but as a useful complement to national and international rules and initiatives.

3. Criteria for significant CSR standards

Significant CSR standards are those that enjoy broad support among stakeholder groups and lead to rapid uptake and voluntary compliance among businesses (Moon, 2007). Our summary of the opportunities and challenges arising for sustainable development from the spread of CSR standards shows that effective public policy will start by discriminating between poor and best practice in the governance and operation of such standards. Therefore, five key criteria for successful standards that could be useful to the policy-making process were identified from the relevant academic literature and NGO studies, previously cited, including codes developed by the ISEAL Alliance: accountability, independence, appropriateness, impact and interoperability[9].

3.1 Accountability

The inclusiveness of the standard-setting process, with broad involvement of value chain stakeholders and authoritative bodies, such as IGOs, is an important success factor. This is important for ensuring that the standards are accountable, and seen to be accountable, to the affected stakeholders in the industry sector or issue domain that is being addressed by the standard (Bendell, 2000a, b). Such accountability is key for legitimacy, as standard setting is not a mere technical exercise but a social-political exercise involving compromise and affecting power relations in society (Büthe and Mattli, 2011). Transparency, active consultation and openness to feedback are key elements recognised by the International Social and Environmental Accreditation and Labelling Alliance (ISEAL) Standard-Setting Code (ISEAL, 2010a). However, accountability means more than consultation or giving an account, it involves abilities for affected parties to hold decision makers to account or participate meaningfully in such decision making. Therefore, real accountability to affected stakeholders depends on the way the standard-setting agency is governed. Membership structures like the FSC, where stakeholders can join and vote in the organisation, provide greater accountability than non-membership bodies like the MSC, where the secretariat chooses who and how to consult.

Pro-active compliance promotion mechanisms through methods such as standardized reporting requirements, incident reporting facilities and third-party auditing, ensure that companies voluntarily adopting standards also comply with them. Weak compliance mechanisms can lead to high rates of voluntary adoption of the standard, but low, unclear and/or immeasurable rates of implementation. Companies making the effort to comply with CSR standards can benefit from pro-active compliance mechanisms that ensure that all companies adopting a standard also meet the same level of compliance (UNCTAD, 2011b).

3.2 Independence

Given that CSR standards are not typically set by governments, the non-traditional nature of these mechanisms can give rise to questions of their legitimacy on the grounds of their independence from those for whom the standards apply (Bendell, 2000a, b). Therefore, the organisation developing the standards needs to maintain independence from the industry that the standard is being developed for, including independence in its funding and governance. This poses challenges for organisational governance, funding and conflict of interest policies.

In addition, the independence of the auditing, conformity assessment, or certification agents from the firms being assessed is important. As the assessed firms often pay for the assessment, the regulation of the assessors by an independent body, such as an accreditation agency, is an important factor in achieving some independence (ISEAL, 2010a).

3.3 Appropriateness

The standards agreed at IGOs are important authoritative references, but industry specific standards are often more aligned with and successful at providing practical actionable guidance for the unique issues faced by each industry (UNCTAD, 2011b). They also tend to more easily generate buy-in by key industry players fulfilling an example function for the rest of the industry. The ability of the standard to be adopted by enterprises where requirements are relevant to enhancing social or environmental performance, rather than constituting unnecessary bureaucracy or cultural bias, is key to their success in different economies around the world. Key here is "balancing the need to adapt the standard so that it is locally applicable with the desire for global consistency in its interpretation" (ISEAL, 2010a, p. 1) In addition, their appropriateness to those, providing market demand for standards is also key (ISEAL, 2010a). Standards that are specific to a particular issue of consumer interest, such as organic and "fairtrade" agriculture have proved successful at gaining significant market share.

3.4 Impact

As CSR standards expand around the world, their actual impacts in improving business social or environmental performance becomes more readily scrutinised. Those standards that can be tied to demonstrable beneficial impacts for the businesses, its stakeholders and wider society, will be the ones that continue to succeed in a new era of such standards (ISEAL, 2010b). At a minimum, it is important that standards incorporate national law but require significantly superior performance (ISEAL, 2010a). As social and environmental performance issues are socially contested, clarity of principles and methodology for assessing impact is important (Lund-Thomsen, 2007).

3.5 Interoperability

As mentioned above, the proliferation of standards can cause difficulties for users in operationalising or implementing multiple standards. Industry specific standards, based on IGO principles, should be designed with certifiable implementation criteria in mind to enable value chain members to avoid the need for multiple audits for different codes of conduct (including different supplier codes of conduct that may be imposed by downstream value chain firms). "Working to harmonise standards where their content or scope overlap" is a key attribute of significant standards organisations (ISEAL, 2010a, p. 1).

4. Public policy innovations for scaling CSR standards

In recent years governments around the world have been using new approaches to support CSR standards, as documented outside academia (The World Bank, 2003; ISEAL, 2008; Bertelsmann Stiftung and The UN Global Compact, 2010; Vermeulen *et al.*, 2010; UNCTAD, 2011b). Analysis of these research papers, identify four main categories. First, governments can "prepare" conditions suitable for the development and uptake of standards. Second, governments can "prefer" CSR standards by using them for their own operations, procurement and wholly owned enterprises. Third, governments can "promote" CSR standards, by assisting their adoption by enterprises or influencing the standards in some way. Fourth, government can "prescribe" the use of a standard by enterprises through new regulations (ISEAL, 2008).

4.1 Government prepares

The rule of law, basic human rights such as freedom of assembly, expression and association, good educational levels, and independent media, are important for civil society to function well and engage business on matters of public concern (Bendell, 2000a, b). Without such factors, it is not easy for credible CSR standards to emerge.

Beyond these fundamentals, nation states can support each other with technical assistance to promote the development of the regulatory infrastructure necessary to facilitate standards and certification. Strengthening the ability of developing countries to implement and enforce their own policies and regulations, and to improve the monitoring of industries (e.g. provide statistical data and overview) can advance the adoption of international standards as for some standards (e.g. MSC) the lack of regulatory infrastructure (e.g. well regulated and documented fisheries) can create significant barriers to certification (UNCTAD, 2011b).

Governments can also signal to its industry that it wishes to see improvements in certain sectors on certain issues, and therefore stimulate collaboration amongst business and civil society to improve practices through standards development (Vermeulen *et al.*, 2010). Additionally, governments can provide support for the creation or further development of CSR standards. This can take different forms, including material support, technical expertise, and convening power to mobilize the participation of relevant stakeholders. Development agencies have helped fund the development of standards covering international trade (Litovsky *et al.*, 2007; UNCTAD, 2011b) with, for instance, the German development corporation funding processes to create new CSR standards in India and Africa (Bertelsmann Stiftung and The UN Global Compact, 2010), and the Dutch, British and Mexican Governments funding processes to develop international certification on forests (Vermeulen *et al.*, 2010).

Governments can also encourage new standards on hitherto unaddressed sectors or issues, and for influencing standards in development or review, to meet best practices for success, as described above, including key issues of transparency and accountability. For instance, a government can fund participation by certain stakeholders in the standards negotiation process to help make the standard more accountable to them (Vermeulen *et al.*, 2010).

4.2 Government prefers

Public spending is typically between 15 and 25 percent of gross domestic product. Some governments have recognized the potential of public procurement to promote national sustainable development goals. Consequently, many governments have issued voluntary public procurement guidelines defining CSR criteria government officials should take into consideration when making purchasing decisions. Some governments have even gone further and integrated sustainability criteria into national public procurement law. For instance, the German and Dutch Governments have developed sustainable public procurement policies for timber, specifying the need for all timber suppliers to be certified to CSR standards (Vermeulen *et al.*, 2010). On a local level, British authorities are requiring schools to buy MSC certified fish (ISEAL, 2008, 2010a).

In addition, entities owned and managed by governments are using CSR standards, often as a result of government passing regulations that require them to do so (Heath and Norman, 2004). In Sweden for example, state-owned enterprises are required to prepare CSR reports using the GRI standard (Gulbrandsen, 2005).

Government agencies can also use CSR standards to help streamline the collection and interpretation of data on social and environmental performance by state-owned banks, enterprises, development agencies, and export credit departments, and thus be used as a tool for efficient and coherent policy implementation (Heath and Norman, 2004).

4.3 Government promotes

Apart from the practice of using standards for their own state-owned companies and institutions, governments can further engage in active promotion of specific private standards. This is done in at least seven ways.

Governments can help increase general interest and demand for CSR standards, through funding public advocacy campaigns. Examples in UK and Germany include "Fairtrade fortnight" and Fairtrade schools' initiatives (Vermeulen *et al.*, 2010).

Second, policy makers sometimes develop capacity building and training programs to assist enterprises to meet the qualifications of one or more popular private standards. To do so can help enterprises in lower income countries more easily access premium markets, thereby advancing poorer communities through trade (Fox, 2004; Lindgreen *et al.*, 2009). In Bolivia, for example, the government worked with United States Agency for International Development (USAID) support to promote FSC certification among its forestry industry; this included capacity building for companies that wanted to be certified, and assistance linking certified companies with export markets. As a result, Bolivia now has the largest area of FSC-certified tropical forest in the world (Wander and Hemann, 2004). In Gambia, USAID is assisting the Gambian Ministry of Fisheries in its efforts to obtain MSC certification for the country's fisheries (USAID, 2010; UNCTAD, 2011b). These examples illustrate the role of development agencies and donors in assisting developing countries to meet emerging private standards.

Another way for governments to promote CSR standards is to use them as the basis for awarding grants. Across Europe, young and innovative businesses have been supported through government subsidies based on standard-informed criteria for firm selection (Albareda *et al.*, 2007, 2009).

A fourth way governments are promoting standards is through international investment and trade promotion. Governments can incorporate standard compliance as a criterion in outward investment promotion schemes (UNCTAD, 2011b). For example, US companies that apply for financial support at the Overseas Private Investment Promotion Corporation, have to undergo an assessment of their sustainability management systems to verify that environmental and social aspects of a project can be effectively managed by the applicant (OPIC, 2010).

Governments can also use preferential trade agreements to provide incentives to encourage trading partner governments to comply with international soft-law. The European Union for example has complemented its general system of preferences (GSP) with the "GSP Plus" scheme, which offers additional tariff reductions for countries that have ratified and implemented 27 key international conventions related to sustainable development and responsible business practices (UNCTAD, 2011b). Bilateral trade agreements can contain commitments or requirements on CSR issues. The EU-Colombia trade agreement, for instance, includes requirements on CSR, which can be demonstrated through adoption of CSR standards. That follows the decision of the European Parliament (2010) for the European Commission to include a CSR clause in all of the European Union's trade agreements.

A sixth way for governments to promote the uptake of private standards is to provide tax incentives for those that purchase retail certified products. Such incentives may help offset the additional premium paid for certain certified products (Vermeulen *et al.*, 2010).

An altogether different form of government promotion of CSR standards is to play a role in influencing their appropriateness, according to their view of success criteria, as described above. Therefore, governments can encourage the streamlining and harmonising of private CSR regulations, and streamline systems of monitoring and verification (Hamann *et al.*, 2005). The Dutch Government, for instance, has developed a standard establishing minimum criteria for what is considered a credible standard worthy of acceptance by government (Vermeulen *et al.*, 2010).

4.4 Government prescribes

Governments are combining public sector regulation with private sector standard setting to arrive at a mixed regulatory regime. Such a regime utilizes standard setting by the private sector and civil society, while using public sector rule making to compel adherence. Among the advantages for governments of this type of arrangement is that the costs for standard setting and compliance are born by the private sector itself.

A key way for governments to do this is to require certification to a voluntary standard for the issuing of a permit. For example, the Government of Guatemala has made FSC certification mandatory for forestry firms operating in the Mayan Biosphere reserve (UNCTAD, 2011b). In other countries local authorities have made certification to a private CSR standard a requirement for obtaining a license for operating a tourist enterprise in a nature reserve (Bendell and Font, 2004).

At a more generic level, the listing rules for corporations on stock markets can be upgraded to require compliance with a voluntary CSR standard. For instance, the corporate reporting rules of South Africa require listed companies to prepare annual reports using the *Sustainability Reporting Guidelines* of the GRI. Similar mixed regulatory regimes for CSR reporting exist in Denmark and Sweden, and are being developed around the world (GRI, UNEP, KPMG and Stellenbosch Business School, 2010). Using GRI in this way raises the issue of whether it is a suitable tool for promoting transparency on CSR performance rather than processes, as GRI does not require full coverage of key issues, or for stakeholders to determine the issues that are relevant (beyond consultations), or for the comprehensive use of metrics that determine actual impacts and performance, while there are doubts about methods used for the verification of reports (Bendell, 2009).

In some instances governments can take over the standard-setting process itself, transforming it into a government standard. For example, in most countries organic food standards originated as CSR standards from civil society or industry associations, but today have become government standards. This way, governments can use the dynamic space of CSR standards as a laboratory for future government regulations (UNCTAD, 2011b).

Initial indications are that each form of engagement, from preparing, to preferring, to promoting, to prescribing, requires a deeper level of involvement by governments and offers potentially wider impact in economy and society (Vermeulen *et al.*, 2010).

5. Policy implications

Rio 1992 played a role in promoting collaborative governance for sustainable development by encouraging non-state actors to join the effort (Porras, 1992), and subsequent UNCED summits have reiterated the partnership approach (Elander, 2002). Yet, the focus on sustainable development attained in 1992 was since sidelined by a primary focus on trade liberalisation in the 1990s, on geopolitics and security in the 2000s, and an over-riding focus throughout that time on increasing economic growth. In particular, the exuberance and hopes generated by the end of the Cold War at the time of the Earth Summit very effectively shifted the focus away from the economic root causes of social and environmental problems: discussing the flaws of capitalism was seen as neither helpful nor hopeful. Instead, the focus was on practical action on broad menu of social and environmental problems. At the same time, the dominant Western nations were embracing a *laissez faire* approach to economic governance, so the focus for action was shifted to non-state actors (Bendell, 2004).

Later by 20 years, the continued lack of major global progress towards sustainable development, towards true integration of environmental and developmental priorities, makes many question this lack of attention to economic systems and government roles. Some leaders in business and civil society are calling for government to become involved to help mainstream the innovations in sustainable development governance (Bendell, 2009, 2010, 2011). Whereas Rio 1992 was about governments calling non-state actors to act, the run up to Rio + 20 witnessed non-state actors calling on governments to join them in creating greater change (ITUC, 2011). In response, governments have been considering what they can do to scale positive sustainable development initiatives, in particular by providing incentives for a "green economy" involving clean technology and ecosystem services (UNEP, 2011). In addition governments can examine further how to take steps to mainstream innovations in CSR and responsible investment. Given the global nature of trade and investment, and the potential and risks with CSR standards to promote sustainable development, it makes sense for international cooperation on this agenda from Rio + 20 onwards.

Some of the key issues that governments will need to address when further implementing measures to scale CSR standards include: (i) clarity on effectiveness, fairness, and relevance of standards, along with the (ii) selection, coordination and evaluation of government measures. The effectiveness of standards in delivering real improvements in business performance in efficient and scalable ways will need to be assessed, incorporating the criteria for significance – accountability, independence, appropriateness, impact and interoperability – mentioned in Section 3. As impact is often contested (Lund-Thomsen, 2007), governments will need to develop their own approaches to assessing impact. The fairness of standards will need assessment in terms of the independence, appropriateness and accountability criteria mentioned above. In addition, the compatibility of various government measures with their international trade obligations will be necessary to analyse, to ensure measures are not contested and overturned (Bendell and Font, 2004).

The relevance of standards to the goals of the country will also need assessment. This is particularly important given that voluntary standards may not address the industry sectors or issues that are of most concern to the government, as they have arisen due to consumer concern, rather than a science-based or politically debated assessment of what the key social or environmental challenges are (Vermeulen *et al.*, 2010). Policy makers should consider further familiarizing themselves with private standards (using for example, tools such as the International Trade Centre's Standard's Map) with the goal of avoiding duplication and engaging with those standards that are most relevant to their national priorities and international commitments. One cross-cutting area for the development of credible and certifiable MSI-developed standards is the fields of impact investing, responsible asset management, and responsible project finance.

The selection, coordination and evaluation of government measures will also require more informed assessment. Quick progress could be achieved by measures to support the uptake and implementation of existing standards, but an assessment of their relevance may lead to identification of a need to facilitate the creation of new standards, or new market demand for standards, where they do not yet exist. As CSR standards relate to the mandates of various government departments, including industry, trade, development assistance, foreign affairs, environment and agriculture, governments will benefit from an inter-departmental strategy on this new form of policy making (ISEAL, 2008). Governments will also need to develop capacities for measuring the impact of their policy innovations to scale CSR standards, in order to learn what impacts on the standard and what impacts on outcomes for national objectives. These last three issues of public administration effectiveness have been largely absent due to the novelty of this policy agenda (Vermeulen *et al.*, 2010).

In developing their competence in this new policy arena, governments could learn from those nations where consumer demand for CSR standards has been high for some years and where development agencies have been trialling some of the policies described above: in particular The Netherlands (Vermeulen *et al.*, 2010), Germany (Bertelsmann Stiftung and The UN Global Compact, 2010) and the UK (DFID, 2000). It appears from our review that more governments worldwide are now experimenting with new policies in this field, and so more international sharing is warranted. The creation of a "standards academy" with ISEAL and the German Government, to train policy makers on standards, is an illustrative initiative.

There is a potential role for intergovernmental (and possibly multi-stakeholder) negotiation of principles for government policies to support and scale CSR and responsible investment in ways that align with existing international commitments. Given concerns about potential protectionist effects from standards that were highlighted earlier, there is a need for an internationalist approach that is driven neither by export promotion or import protectionist interest, but on common sustainable development aims. This approach cannot be left to market, or even the leading organisations in CSR standards such as the ISEAL members, as issues of fairness and accountability need to be examined, discussed and decided by a broader group of stakeholders, involving specialists with no conflicts of interests in the voluntary standard system. Achieving international consensus on these matters will help in the potential integration of CSR considerations into the existing bilateral trade agreements, of which there are over 6,000. All parties to such agreements will need confidence that any integration of CSR will be appropriate and beneficial. Therefore, international principles on how to incorporate CSR into trade agreements, alongside other governmental measures, could help this aspect of a new era of collaborative economic governance.

On the basis of such principles, regulatory guidance (including model laws) could be developed, and followed by general outreach with appropriate technical assistance provided to government officials and other interested persons. Various nations would benefit from this process to help them upgrade their own and trade partners policies on CSR and responsible investment in ways that support international trade and foreign relations. Intergovernmental organisations could even:

> [. . .] establish best practice in this area, including what organizational structure is appropriate for a credible international non-governmental standards and certification body. This should then lead to the creation of a UN accreditation agency which might also help promote the consolidation of schemes (Bendell, 2000b, p. 1).

For companies and investors, there is a strategic case for encouraging government action to help reinforce the commercial drivers for investments and efforts in CSR. The commercial drivers, such as consumer concern, are not autonomous givens, but co-created through various social processes which governments can influence (Bendell, 2004, 2009). Companies and investors may also recognise a strategic use for intergovernmental cooperation in this area, to provide consistency and predictability for government interventions in support of CSR standards. Conversely, as the public policy agenda on CSR continues to develop, the way a company or investor relates to this policy agenda, through advocacy, lobbying, and political contributions, will become more central to an understanding of whether they are being responsible organisations – the "political bottom line" of CSR (Bendell and Kearins, 2005). Corporations have a long history of public policy engagement to achieve changes in legislation, and sometimes with clear beneficial public outcomes (Moon, 2004; Utting and Marques, 2010).

However, what constitutes responsible public policy engagement will require further analysis, and attention to potential conflicts of interest. The highest forms of corporate responsibility may come to be understood as lobbying for greater corporate accountability, including by support for this policy agenda (Bendell, 2004), a form of "radical corporate citizenship" (Bendell, 2000a, b).

6. Implications for research and theory

Although an orthodoxy for academic research is to derive research questions from theory and to work towards conclusions for whether theories are affirmed, rejected, or in need of refinement, our approach was different. The aim here is to identify the variety of knowledge needs from an emerging area of policy practice, which could be usefully served through applied and inter-disciplinary research.

An observatory of CSR standards, to map the diversity of standards, and to develop and deploy metrics for measuring their scale and impact would be a useful central resource. Research for such an observatory could analyse standards in terms of the criteria for success and legitimacy discussed above, as well as other issues arising from their expansion. A second broad theme of research could be on public policy innovations related to such CSR standards. This could be informed by a more comprehensive and global mapping of public policy innovations for mainstreaming CSR standards. Then case studies of policy innovations could be conducted to develop criteria for assessing the impacts of policies, and when and why they work in certain contexts. From cross-case analysis a broader framework for assessing the impact of policy innovations could be developed and even insights into the appropriate time and place for selection of certain policy measures. In addition, as programmes of work are developed in this field, there will be a need for the evaluation of attempts at technical assistance for governments, perhaps contextualised by theories on the dissemination of policy approaches. Theoretical elaboration of principles for public policy innovation and exploration of expressed or innate principles by various governments would be helpful to promote critical reflection on this emerging policy arena.

In the fields of CSR, further examination of corporate political activity, now and in historical context, would be helpful to better understand firms orientations towards this public policy agenda. On this issue, some sociological theories of power and political theories of democratic governance would be useful. Clearly there will be paradoxes arising from corporations becoming more involved in supporting governments to support CSR standards. If a shift in power imbalances in global value chains, or between some companies and some stakeholders, is essential for substantial progress on social or environmental issues, then as these voluntary initiatives receive more state backing, a critical eye will be helpful to avoid abuses of power and protectionist behaviours.

Stepping back to less applied and more theoretical discussions of this field, there is a clear need for more attempts at synthesising of the different strands of thought in management studies, development studies, international relations and other disciplines. In particular, there are insufficient attempts at integrating concepts of private regulation and collaborative governance, while mobilising insights from both practical issues and more theorised concerns with good governance, arising from, for instance, democratic theories. The lack of synthesis appears to be because of some academic tunnel vision, with neither much interaction between disciplines, or much reading outside academic journals. For instance, management studies has only recently recognised the political role of the corporation in economic governance, or the relevance of political theory for management, yet it in development studies and economic history the political dimensions of corporations have always been widely recognised and researched (Bendell, 2004; Utting and Marques, 2010). Therefore, to be useful at advancing knowledge research in this area needs to be more inter-disciplinary, and to draw upon the variety of informed studies coming from NGOs and IGOs.

As there a many new apparently well-intentioned initiatives in the field we have covered in this paper, and the concept of "collaborative governance" may also appeal on an emotional level to some, we should be careful not to approach developments and analyses without a critical eye. Much research in this field from management studies has exhibited a form of "partnerism" where difficult issues of power differentials and accountability are overlooked and a vague hope that conflicts can be overcome by collaboration frames the research questions and analysis (Bendell *et al.*, 2010a). This also suggests that as public policies for mainstreaming CSR standards grows, a critical discourse analysis of the evolution of this paradigm of policy making will be helpful, to reflect on how the agenda is defined, in whose interests, what is included or excluded, and how we can learn from that.

Most of the academic and practitioner literature we reviewed did not consider how democratic principles can be mobilized within the governance of CSR standards and in informing how governments relate to them. Therefore, we recommend more applied research that mobilises democratic theory to inform discussions on how public policy can be a tool for making CSR standards both more widespread and more democratic in their governance and effect.

7. Conclusions

The paper has provided an introductory mapping of issues associated with an emerging paradigm of collaborative economic governance for sustainable development. Governance at all levels but particularly the international level is involving corporations and stakeholders who have innovated CSR standards which now cover significant amounts of international trade, thereby presenting new benefits, risks and challenges for sustainable development. Such standards, which include certifications and labels concerning sustainability and human rights, have proliferated since the call of the 1992 Rio Earth Summit for non-state actors, including businesses, to promote sustainable development. Previously such standards were often regarded as beyond public policy concern, and even counteracting calls for government intervention in markets. However, the rapid growth and positive impacts, yet limitations and challenges, of voluntary standards in shifting markets towards sustainable development has led to more-related government policy innovations in recent years. These policy innovations can be categorised to inform future policy development.

Therefore, a new dimension to collaborative economic governance is emerging. This dimension involves governments becoming more involved in collaborative governance initiatives that they themselves did not convene, in order to scale their influence over the relevant industry sectors, for their public goals. This development presents the possibility that, in time, non-statutory CSR standards could become a major influence on global trade and investment. Questions of effectiveness, transparency, accountability and democratic participation are important for any new manifestation of regulation or governance, and therefore need to be mobilised in future analysis of collaborative economic governance.

Notes

1. Meeting on "Public Policies on Voluntary Responsible Investment and Enterprise", 18th of April, Geneva. Participants represented by the following organizations included Danish International Development Agency (DANIDA), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), European Commission, FSC, Incite, GRI, Griffith Business School, International Labour Organisation, ISEAL, Lifeworth Consulting Marine Stewardship Council, Maplecroft, Policy Research Centre for Environment and Economy (Ministry of Environmental Protection, China), Portland State University, Raoul Wallenberg Institute of Human Rights, Ryerson University, Social Accountability International, Swiss State Secretariat for Economic Affairs (SECO) Trucost, UNCTAD, UN Environment Programme, UN Food and Agriculture Organisation, UN Research Institute for Social Development, University of Lausanne.
2. The sector of the source organizations for standards is not always clear. For instance, the International Organization for Standardization (ISO) is an influential standard-setting body for business practices. In the 1990s, ISO produced the ISO 14001 standard on environmental management, a certifiable management system standard that has been adopted by tens of thousands of companies across around the world (Corbett and Kirsch, 2001). ISO is officially a non-governmental organization, but as it has government-mandated national standards organizations amongst its members, some regard it as a quasi-IGO. Others point out that its members are industry-dominated organizations and as such it is best understood as an industry body (Bendell *et al.*, 2010a). These semantic debates are relevant because some view the independence of a standard from industry interests to be key to its credibility (Bendell, 2000a, 2004). In the case of ISO, some other standards organizations such as the FSC highlight how ISO 14001 does not guarantee specific levels of environmental performance, only that a management system is in place. They suggest that FSC standards are stricter because the organisation is governed by its member stakeholders. The role of ISO in the field of CSR standards is set to grow with the launch in 2010 of the ISO 26000 standard on social responsibility, which provides a comprehensive guidance on the subject, referencing and incorporating many of the intergovernmental standards mentioned above. ISO 26000 also creates a source upon which national standard setters have begun creating certifiable version through combination with quality management systems (Gracia and Nof, 2009).
3. It is important to note that even "pro-active" compliance mechanisms differ depending on what the standard focuses on or requires. If the standard focuses on a management process, such as ISO 14001, rather than defined social or environmental impact criteria, such as the FSC, the compliance systems will not guarantee a level of social or environmental impact – just the existence of a comprehensive management system on the issues covered.
4. See WTO case Nos 58 and 61 on the 1998 "shrimp/turtle" case, where US restrictions on imported shrimp were upheld by the WTO. See also the 1991 "tuna/dolphin" case of Mexico and others vs the US under the General Agreement on Tariffs and Trade (GATT). The panel report in the latter case was not adopted, so it does not have the status of a legal interpretation of GATT law. (The USA and Mexico settled "out of court".)
5. For example, by clarifying expectations, granting power, monitoring performance, verifying compliance, resolving dispute, and providing endorsement, reward or penalty.
6. Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR). See web site: www.unctad.org/isar for more information.
7. The most popular and comprehensive CSR reporting framework is that of the GRI, which in 2010 was used by at least 1,800 corporations to produce CSR reports, up from only 376 in 2005 (www.globalreporting.org). This includes 65 percent of the world's largest 100 TNCs (UNCTAD, 2010, p. 12), and 31 percent of leading large TNCs from emerging markets

(UNCTAD, 2008, p. 30). Despite this positive trend in uptake among large TNCs, the vast majority of enterprises in the world are not producing standardized CSR reports, thus obtaining high-quality corporate reporting on CSR issues remains a challenge.

8. In 2004/2005 the Nepali carpet industry accounted for 30 percent of Nepal's total exports, and contributed approximately 3 percent of Nepal's GDP (www.label-step.org/en/news/newsletter/january-2010/petition-for-carpet-industry-advancement-in-nepal/).
9. Founding Members of ISEAL including: Fairtrade Labelling Organizations International, FSC, International Federation of Organic Agriculture Movements, International Organic Accreditation Service, Marine Aquarium Council, MSC, Rainforest Alliance, Social Accountability International.

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