



## FOURTEENTH ITEM ON THE AGENDA

**Report of the Subcommittee  
on Multinational Enterprises**

1. The Subcommittee on Multinational Enterprises met on 18 March 2003. Ms. Kilpatrick (Government, United Kingdom) chaired the meeting, with Ms. Hornung-Draus (Employer, Germany) and Ms. Burrow (Worker, Australia) as Vice-Chairpersons.

**Promotion of the Tripartite Declaration of  
Principles concerning Multinational Enterprises  
and Social Policy: Activities report and plan  
of action 2003-05**

2. The representative of the Director-General (Mr. Hofmeijer, Director a.i. of the Multinational Enterprises Programme) introduced the paper<sup>1</sup> before the Subcommittee. He observed that the Tripartite Forum on Promoting the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, held in March 2002, had clearly set the stage for a more intensive promotion of the MNE Declaration by the Office. The French and Spanish translations of the proceedings of the Forum were now available. The Multinational Enterprises Programme was attempting to position the MNE Declaration as a key instrument in the broader debate on corporate social responsibility and was increasingly mainstreaming the MNE Declaration in the work of other programmes in the Office. The programme had developed particularly good cooperation with the Sectoral Activities Programme and the InFocus Programme on Social Dialogue, Labour Law and Administration. He acknowledged the backing the Office had received from the Government of the United Kingdom to support the activities of the programme.
3. The programme had very limited resources at its disposal to implement the proposed action plan for 2003-05 but it might be possible to finance the proposed subregional meetings from the Technical Meetings Reserve in the 2004-05 programme and budget if the Subcommittee so recommended to the Governing Body. It was obvious, however, that additional extra-budgetary resources would need to be mobilized in order to promote the MNE Declaration effectively. He was grateful for the support for the programme expressed by the Employer and Worker spokespersons and by the Government representatives of

<sup>1</sup> GB.286/MNE/1.

Kenya and South Africa in the Programme, Financial and Administrative Committee. As an illustration of the programme's ongoing efforts, he informed the Subcommittee that the Office would be participating shortly in a high-level round table on corporate social responsibility being organized by the OECD. This would provide a good occasion to promote greater understanding and appreciation of the MNE Declaration. The enhanced mainstreaming of the MNE Declaration in the Office's activities seemed to be bearing fruit, since the programme was increasingly receiving requests for information and support from other units, including from offices in the field.

4. The Worker Vice-Chairperson considered that an evaluation of past activities was necessary in order to determine priorities for the action plan for 2003-05. A strategic focus was required, placing the work of the programme in the broader context of the ongoing debate on corporate governance and accountability. The ILO should be at the centre of this debate. The proposal by the President of France to put the promotion of a "socially responsible economy" on the agenda of the next G8 meeting was significant and the discussion should help to take the ILO's work in this area forward. It was likely that the report of the World Commission on the Social Dimension of Globalization would also provide guidance in this respect. She regretted that the paper under discussion did not touch upon the broader issue of the ILO's role in relation to corporate social responsibility. Welcoming the paper's framework she suggested that the Office prepare a more detailed action plan for the next sitting of the Subcommittee that would enumerate the activities to be undertaken, set a timeline for completion and evaluation and list the budgetary requirements. It would then be easier to determine where extra-budgetary funding was required.
5. She supported the proposal to organize a series of subregional meetings. Representatives of the Southern African Development Community (SADC) and MERCOSUR had already agreed to such meetings, which she hoped could take place soon. She encouraged the Office to explore the possibility of organizing meetings in other subregions as well. In the case of national meetings it was important to ensure appropriate follow up. It would be useful for the Officers of the Subcommittee to have further consultations on the nature and objective of the proposed expert meeting. She requested that future activities reports include more detailed information on the meetings organized by other organizations and the results of the Office's participation in such meetings. She welcomed the increased cooperation with the Sectoral Activities Programme. This cooperation should also extend to follow-up on sectoral meetings, including case studies on the successful application of the MNE Declaration in different sectors. The programme should also become involved in the decent work country programmes and the Office's work on the informal economy, particularly as it related to the supply chain.
6. With respect to research and publications, it would be helpful to receive feedback on the practical use of the *Guide to the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy: Knowing and using universal guidelines for social responsibility*, published in 2002. Its translation into languages other than English, French and Spanish should be considered. It might also be useful to update some of the research undertaken in the past in cooperation with other programmes. She requested that publications, such as: *Corporate success through people: Making international labour standards work for you*, be made available to the members of the Subcommittee. Requesting a report on the relevant activities of the Management and Corporate Citizenship Programme for the next sitting of the Subcommittee, she felt that it would also be useful for the Subcommittee to know more about the relationship between the activities of this programme and those of the Multinational Enterprises Programme since there seemed to be some overlap and competition. She hoped that the Global Compact management training materials would be ready for publication by the end of the year. The

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MNE Declaration was a good complement to the Global Compact and could give further substance to the labour principles and the social dialogue approach of the Compact.

7. Since the programme's technical cooperation activities were highly dependent on extra-budgetary funding, it was important to sensitize donors to the importance of the MNE Declaration. She had been happy to learn that workers' organizations had been closely involved in the country-level activities described in the paper and emphasized that, in order to be successful, any country-level activity needed the full support of the tripartite constituents. She considered that the tripartite workshop for the Philippines was long overdue. It should pay particular attention to issues relating to economic processing zones. With respect to China she hoped that future activities would not be limited to non-discrimination issues. As to relations with other organizations, it was necessary to establish closer links with the World Bank and other international organizations to ensure that the MNE Declaration was increasingly recognized as a benchmark for corporate social responsibility initiatives.
8. The Employer Vice-Chairperson welcomed the positive tone of the paper, which positioned the MNE Declaration as an important element in the broader debate on corporate social responsibility. The MNE Declaration could certainly help to guide initiatives in this area. She felt, however, that it would be going too far to refer to the MNE Declaration as a benchmark, as the Worker Vice-Chairperson had just done. Corporate social responsibility was not only about labour relations and social issues. It extended to a whole range of environmental, community and other initiatives. Workers constituted one group of stakeholders in this context, but there were also consumers, shareholders, suppliers and communities. It was therefore more appropriate to use the term civil dialogue. The challenge was to make sure that all stakeholders gained a better understanding of the importance and relevance of the MNE Declaration.
9. Regarding involvement in sectoral work, her group still had reservations as it considered the MNE Declaration to be a multi-sectoral initiative. She reminded the Subcommittee that international labour standards addressed governments rather than enterprises. It was important to point this out when promoting the MNE Declaration, which referred only to the guidance that international labour standards could provide. She welcomed the Guide to the MNE Declaration and suggested editing the text to make it more user-friendly. While coordination and cooperation with other multilateral initiatives such as the Global Compact and the *OECD guidelines for multinational enterprises* were necessary and useful, each instrument had its own purpose and target group and attempts to harmonize and streamline would therefore be counterproductive.
10. Referring to the programme's activities in 2002, she welcomed the translation of the MNE Declaration into other languages. At country level the programme's technical cooperation activities should always be undertaken in consultation with the Bureaux for Employers' and Workers' Activities and through national employers' and workers' organizations rather than directly with individual enterprises, as had apparently been the case in Brazil. She supported the promotion of the MNE Declaration in the context of meetings organized by the Sectoral Activities Programme, but was opposed to the idea that the Multinational Enterprises Programme would organize meetings or other activities with multinational enterprises on a sectoral basis.
11. She endorsed the proposal by the Worker Vice-Chairperson that the Office should prepare a more detailed action plan for the next sitting of the Subcommittee. The plan should reflect the priorities set by the Subcommittee. She also agreed that the proposed expert meeting should be the subject of further consultations. Her group was supportive of the business and social initiatives database and most of the other proposed activities but

needed more information on the proposal for research on private labour inspection in the context of voluntary initiatives.

12. The representative of the Government of Belgium considered that the statements by the Worker and Employer Vice-Chairpersons had shown that the relation between the MNE Declaration and the broader debate on corporate social responsibility still needed clarification. It was only natural, however, for the ILO to seek to promote the MNE Declaration in this context, since it was the only relevant instrument that the ILO had in this area. Even if the MNE Declaration could not be used as a benchmark, it should be used to encourage a tripartite approach and involvement of all three partners in corporate social responsibility initiatives. His Government would like to see the ILO become more active in promoting its standards among all enterprises, not just multinational enterprises. Regarding the proposed research on private labour inspection, he reminded the Subcommittee that governments had primary responsibility for labour inspection and could not delegate it to the private sector. He suggested that the ILO should create its own assessment criteria for private initiatives in this area. He supported the idea of undertaking more work on a sectoral basis.
13. The representative of the Government of Kenya welcomed the paper, which gave a very detailed account of the activities carried out to promote the MNE Declaration. His Government had greatly appreciated the Tripartite Forum and the other activities undertaken by the Office. He emphasized the importance of translating the MNE Declaration into other languages and suggested its translation into Kiswahili. His Government was very satisfied with the activities the programme had undertaken in Kenya to promote the MNE Declaration and social dialogue in the plantation sector. It was now necessary to follow up in order to consolidate achievements. He encouraged the programme to maintain the business and social initiatives database and to undertake studies on good practices in line with the MNE Declaration. He agreed with the Worker Vice-Chairperson that the Multinational Enterprises Programme should work closely with the Management and Corporate Citizenship Programme and stressed the need to continue cooperation with other United Nations agencies in the context of the Global Compact. He regretted that few host countries were represented in the Subcommittee and proposed that its membership be expanded to accommodate more representatives from host countries.
14. The representative of the Government of Canada welcomed the efforts to promote the MNE Declaration which were described in the paper, in particular the organization of the Tripartite Forum, the publication of the Guide to the MNE Declaration and the proposed meetings. Endorsing the request for a more detailed action plan, he proposed that, given the budget constraints, the Office prioritize activities on the basis of cost-effectiveness and impact criteria. He agreed that in future papers it would probably be useful to provide an appendix listing the meetings attended and the results obtained. Concerning technical cooperation activities, he noted with interest the described activities, in particular those in Kenya, and requested more information on the results of the mission to China.
15. The representative of the Government of Italy stressed his Government's interest in the programme and underlined the need to cooperate more closely with other ILO programmes and with other organizations, including the World Bank and the European Union as well as those in the United Nations system.
16. The representative of the Government of the United Kingdom agreed with the previous speakers that it would be useful to have a prioritized list of activities including timelines, budget needs and evaluation mechanisms. Education should be the primary goal in promoting the MNE Declaration. While agreeing with the Employer Vice-Chairperson that corporate social responsibility was broader than the principles contained in the MNE Declaration, she supported the efforts to encourage enterprises to pay greater attention to

the MNE Declaration in corporate social responsibility initiatives. The fact that the debate in this area was intensifying provided the ILO with a good opportunity to be heard. It did not matter if the approach used was sectoral, regional or another one, as long as it was effective in promoting the MNE Declaration. She agreed as a matter of principle with the comment by the Employer Vice-Chairperson that international labour standards were addressed to governments and not to enterprises directly, but once they were ratified, enterprises had to comply with the corresponding legislation. Moreover, in the United Kingdom at least, many enterprises were realizing the importance of international labour standards in the context of the “triple bottom line” approach to business. She had noted with interest the comment by the representative of the Government of Kenya that it would be desirable to have greater host country representation in the Subcommittee and was glad to note his Government’s satisfaction with the activity carried out in Kenya, as well as the call for follow-up. The Office should focus on the promotion of the MNE Declaration rather than its possible revision. Promotional efforts should target smaller companies as well since they too increasingly operated internationally. She supported the request for clarification concerning the relation between the Multinational Enterprises Programme and the Management and Corporate Citizenship Programme.

17. The representative of the Government of the United States was impressed by the breadth of the programme’s efforts to promote the MNE Declaration. In the marketplace of instruments that serve to promote labour rights and principles, the MNE Declaration had undoubtedly an important and viable role to play. While fully supporting coordination and cooperation with other international organizations, he considered that the Office needed to ensure that work in support of the MNE Declaration did not take a back seat to the promotion of similar instruments elsewhere. His Government supported the further mainstreaming of the MNE Declaration in other programmes of the Office and a greater effort was required, both in Geneva and in the field, to integrate the MNE Declaration in ILO activities more widely. This could be done through special training sessions for ILO staff.
18. The representative of the Government of Japan stressed that the MNE Declaration was important at a time of increasing globalization, as it could provide multinational enterprises with greater knowledge of social policy. In this regard it would be important for the Subcommittee to take into account the work of both the Working Party on the Social Dimension of Globalization and the World Commission on the Social Dimension of Globalization. He encouraged the Office to maintain relations with other international organizations involved in the Global Compact, in particular the UNDP and UNEP, as well as with the World Bank.
19. In reply to the observations made, the representative of the Director-General reminded the Subcommittee that the budget of the Multinational Enterprises Programme was very small, which would need to be taken into account when setting the priorities for the programme. Although the programme had managed to mobilize some extra-budgetary funding for its activities, prevailing donor criteria and the Office’s technical cooperation resource allocation mechanism made it difficult to obtain substantial funding for the type of activities the programme undertook. Regarding the discussion on sectoral activities and the MNE Declaration, he thought that there was perhaps a misunderstanding. His interpretation of the discussion was that the Multinational Enterprises Programme should intensify its cooperation with the Sectoral Activities Programme both in the preparation of and follow-up to sectoral meetings. He informed the Subcommittee that the programme was already in the process of revising the Guide to the MNE Declaration to make it more user-friendly. This revision would be undertaken in close consultation with the Bureaux for Employers’ and Workers’ Activities and the Officers of the Subcommittee. He indicated that the programme was undertaking translations of the MNE Declaration into Kiswahili and Turkish. Since the wording of the paper might be confusing, he clarified that it was not

the intention of the Office to revise the MNE Declaration but rather to propose an update in 2004-05 to take account of developments and instruments adopted by the International Labour Conference since the last update.

20. Regarding the questions raised concerning possible overlap between the activities of the Multinational Enterprises Programme and the Management and Corporate Citizenship Programme, he explained that the mandate of the former was strictly limited to activities aiming at the promotion and follow-up of the MNE Declaration, whereas the latter had traditionally dealt with management development issues more generally and was at present working mainly on issues related to productivity improvement, socially responsible restructuring and supply chain management. It had over the years produced a number of best-selling ILO publications such as *Introduction to work study*, *How to read a balance sheet* and *Management consulting: A guide to the profession* and targeted mainly medium-sized enterprises in developing countries. As requested, the Office would provide more information on the proposed research on private labour inspection in the paper to be prepared for the Subcommittee's next sitting. Regarding the questions raised in connection with the size and composition of the Subcommittee, he suggested that the Office could be asked to prepare a paper outlining the rationale for the creation of the Subcommittee and developments since its establishment. In connection with the discussion on the relation between the MNE Declaration and the broader debate on corporate social responsibility, he reminded the Subcommittee that the Working Party on the Social Dimension of Globalization had before it an information note on initiatives in this area and their relevance to international labour standards.<sup>2</sup>
21. The Employer Vice-Chairperson expressed her satisfaction with the clarifications provided by the representative of the Director-General.
22. The Worker Vice-Chairperson noted that the debate on this agenda item had been very interesting and was glad to note that there seemed to be broad agreement on the course to follow. She reassured the Employer Vice-Chairperson that she did not consider the MNE Declaration to be the only instrument in the field of corporate social responsibility but rather, as some Government representatives had mentioned, a crucial instrument. While social dialogue was crucial, it was clearly part of a broader civil dialogue. There had been no intention on her part to focus exclusively on promoting sectoral activities, but rather to make sectoral activities part of a wider range of activities. Detailed knowledge and best practice examples of great relevance to the MNE Declaration could emerge from sectoral initiatives and such an opportunity should not be lost. She reminded the Subcommittee that multinational enterprises, like domestic enterprises, had to comply with existing legislation, which included international labour standards agreed to on a tripartite basis by the International Labour Conference. Although, technically, governments were responsible for the ratification and application of international labour standards, there was a tripartite commitment to international labour standards because of the very process of negotiation at the Conference. Although she could unfortunately not be optimistic about a "harmonized supercode" for corporate social responsibility, she reminded the Subcommittee that work was already under way to develop international accounting standards and that, sooner or later, such standards would also cover corporate governance issues, including those covered in the MNE Declaration. It was in this context that she hoped that the ILO could play a strategic role, taking the MNE Declaration as a starting point.

<sup>2</sup> GB.286/WP/SDG/4(Rev.).

## Options for the Eighth Survey on the effect given to the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy

23. The representative of the Director-General introduced the second paper,<sup>3</sup> observing that it was a very preliminary document, a kind of “zero draft”, as it had been impossible to complete the intended process of consultations between the Officers of the Subcommittee in time.
24. The Employer Vice-Chairperson indicated that her group would submit comments and suggestions in the coming months. Noting the importance of proceeding with efficiency, she said that although a survey was a useful tool, she was open to other suggestions as well. She appreciated that the list of questions in the paper was more concise than in the past. Concerning questions 8 and 11 of the appendix, she pointed out that in most countries the consultation framework for general policy matters did not envisage direct consultations between individual enterprises and governments, but rather between employers’ organizations and governments. This point would need to be clarified in the final questionnaire. She did not see the relevance of question 7 of the appendix in the context of the MNE Declaration.
25. The Worker Vice-Chairperson recognized the zero draft nature of the paper. Further consultations on the questionnaire between the Officers of the Subcommittee were needed to allow a concrete framework to emerge before the questionnaire could be submitted for approval at the next sitting of the Subcommittee.
26. The representative of the Government of Kenya considered that the appendix covered all the critical areas of the MNE Declaration and that the survey should therefore produce a clear picture of the application of the MNE Declaration.
27. The representative of the Government of the United Kingdom agreed on the need for further consultations. She noted that a survey was an expensive exercise and questioned its usefulness as a promotional tool. Perhaps other ways could be found to obtain the same type of information at a lower cost. The representative of the Government of the United States supported the comments made by the representative of the Government of the United Kingdom. He believed that there were better ways than a survey to produce the report and that it would be useful to explore alternatives. The representative of the Government of Canada supported the two previous speakers.
28. The representative of the Government of Kenya, in response to the previous three speakers, noted that there was a need to ascertain whether multinational enterprises were behaving in accordance with the provisions of the MNE Declaration, especially in developing countries. Without a survey every four years, there was a chance that important information would not come to light.
29. The representative of the Director-General indicated that informal consultations would be held on the issue with the Officers of the Subcommittee and other interested members of the Subcommittee. He clarified that the cost of the survey alluded to by some governments referred to the total cost of undertaking the survey, including printing, translation and other

<sup>3</sup> GB.286/MNE/2.

costs. The Multinational Enterprises Programme and the support units concerned shared the amount of US\$100,000 in corresponding non-staff costs.

## Developments in other organizations

30. The Worker Vice-Chairperson welcomed the paper<sup>4</sup> before the Subcommittee but hoped that in future papers of this kind would be more analytical in nature and also cover developments in terms of relevant private initiatives. While recognizing that the use of the word benchmark had met with resistance from the Employer Vice-Chairperson, she considered that the MNE Declaration did in fact provide a benchmark against which private initiatives could be measured. Perhaps this issue could be discussed by the proposed experts' meeting.
31. The Employer Vice-Chairperson considered the paper very informative since it had added value for her group by highlighting activities in other organizations. It would be useful to make the subject a permanent item of the agenda. She expressed concern regarding the activities of the United Nations Commission on Human Rights, which not only seemed to duplicate work done at the ILO but also gave rise to concern as regards their substance. The International Chamber of Commerce and the International Organisation of Employers had jointly issued a statement on the issue which she would gladly make available to those interested. She welcomed the study by UNIDO on corporate social responsibility in small and medium enterprises in developing countries since it was important to avoid creating the impression that the issue was relevant only to enterprises based in industrialized countries. She pointed out that CSR Europe, referred to in the context of European Union activities, was a relatively small organization that did not represent the mainstream view of employers. In a future paper it would be useful to highlight the important role of UNICE in this context and refer to the outcome of the multi-stakeholder forum on corporate social responsibility being organized by the European Commission.
32. The representative of the Director-General, in response to the Worker Vice-Chairperson, explained that the paper did not include references to private initiatives since the Working Party on the Social Dimension of Globalization had received a detailed information note on this subject and the Office had therefore wanted to avoid duplication.
33. *The Subcommittee recommends that the Governing Body request the Office to prepare for the 288th Session of the Governing Body, in consultation with the Bureaux for Employers' and Workers' Activities, a detailed action plan for the period 2004-05 that lists in order of priority proposed activities to be undertaken by the Office and that includes a timeline for completion of activities, an evaluation plan, and corresponding budget estimates and funding sources.*
34. *The Subcommittee recommends that the Governing Body request the Office to include in the proposals for use of the Technical Meetings Reserve, to be submitted to the 288th Session of the Governing Body, allocations to finance three subregional meetings to promote the MNE Declaration in the biennium 2004-05.*
35. *The Subcommittee recommends that the Governing Body request the Office to prepare a brief paper for the 288th Session of the Governing Body, outlining the*

<sup>4</sup> GB.286/MNE/3.



*history of the Subcommittee on Multinational Enterprises and setting out the reasons and developments that led to its establishment and its current size and composition, with a view to giving consideration to possible changes.*

- 36. *The Subcommittee recommends that the Governing Body request the Office to undertake consultations with the Bureaux for Employers' and Workers' Activities and with the Officers of the Subcommittee with a view to submitting to the 288th Session of the Governing Body proposals for the Eighth Survey on the Effect given to the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy.***

Geneva, 21 March 2003.

*Points for decision:* Paragraph 33;  
Paragraph 34;  
Paragraph 35;  
Paragraph 36.