



Promoting Business Responsibility in India

Assessing the development, and supporting the uptake of voluntary guidelines

Ajoy Datta, Emily Darko, Karen Ellis and John Young

Key messages

- The National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs) linked to existing legislation and implemented in the right way, can help to promote business responsibility in India
- Developing the NVGs through a multi-stakeholder engagement process involving a wide range of actors, was important in generating appropriate policy content, securing wide ownership for the approach, and promoting its uptake
- Implementation should involve activities that strengthen and capitalize on business incentives for adoption of the NVGs, and should continue to involve a wide range of actors in different ways to build awareness and promote uptake by the business community.

Acknowledgements

The authors thank Neha Kumar, Nandini Sharma, Rohan Seth and other colleagues at GIZ India for all the invaluable information about the project and its context they provided before and during the process of developing the study including, facilitating interactions with different stakeholders by way of workshops, interviews etc.. Grateful thanks also to all members of the Guidelines Drafting Committee and others who gave their time to be interviewed, and also to those who attended and contributed their knowledge and experience so generously during the workshops.

Table of contents

Acknowledgements	ii
Abbreviations	iii
Executive summary	v
1 Introduction	1
1.1 Background and objectives of this report	1
1.2 Methods used	1
1.3 Organisation of this report	2
2 Good practice in engaging with policy	3
3 Improving business responsibility	6
3.1 The IICA-GIZ Business Responsibility Initiative	6
3.2 CSR and Business Responsibility in India	7
3.3 International experience with voluntary approaches	9
3.4 Conclusions	14
4 The development of the NVGs	15
4.1 An overview of the NVG process	15
4.2 The NVG document	17
4.3 An analysis of the drafting and consultation process	17
4.4 Key lessons from the process	24
5 Promoting ‘uptake’ of the NVGs	25
5.1 From NVGs development to implementation	25
5.2 Developing goals and objectives	26
5.3 Key stakeholders to target and theory of change	27
5.4 Suggested actions	27
5.5 Monitoring and evaluating NVGs uptake	33
5.6 Implications for the IICA-GIZ-BR project	36
References	37
Figures	
Figure 1: Key components to planning policy work	3
Figure 2: Instruments available to promote business responsibility	10
Figure 3: IICA-GIZ-BR Project Phase II	26

Tables

Table 1: Key issues in stakeholder engagement processes	4
Table 2: Incentives to comply with BR codes, guidance and legislation	11
Table 3: Risks with voluntary guidelines and possible solutions	13
Table 4: GDC members	19
Table 5: Stakeholders, their interests and possible actions	28
Table 6: Tools and approaches for monitoring policy impact	33
Table 7: A possible M&E framework for the NVG project	34

Abbreviations

Abbreviation	Description
ABRR	Annual Business Responsibility Report
AIIM	Alignment Interest and Influence Matrix
BR	Business Responsibility
CEO	Chief Executive Officers
CG	Corporate Governance
CII	Confederation of Indian Industry
CSR	Corporate Social Responsibility
EG	Expert Group
ESG	Environmental Social and Governance
FISME	Federation of Indian Micro and Small & Medium Enterprises
GDC	Guidelines Drafting Committee
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GRI	Global Reporting Index
HR	Human Rights
IICA	Indian Institute of Corporate Affairs
JSW	Jindal South West
M&E	Monitoring and Evaluation
MCA	Ministry of Corporate Affairs
MNC	Multi-National Companies
MSC	Most Significant Change

MSME	Micro Small and Medium Enterprises
NGO	Non-Government Organisations
NVGs	National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business
ODI	Overseas Development Institute
ORF	Observer Research Foundation
PC	Planning Commission
PiC	Partners in Change
PSM	(ODIs) Public Sector and Markets Programme
RAPID	(ODI's) Research and Policy in Development Programme
ROA	RAPID Outcome
SEBI	Securities and Exchanges Board of India
SME	Small and Medium Enterprises
SOE	State-Owned Enterprise
TERI	The Energy and Resource Institute
TNC	Trans National Corporations
UNEP	United Nations Environment Programme
VANI	Voluntary Action Network India

Executive summary

This report reviews key trends towards Business Responsibility (BR) – defined as the commitment of an enterprise to operating in an economically, socially and environmentally sustainable manner while balancing the interests of diverse stakeholders - in India and the merits of taking a voluntary approach in its promotion. It provides a critical analysis of the process which led to the development of the (Indian) National Voluntary Guidelines (NVGs) aimed at promoting BR with reference to international good practice, and provides suggestions for promoting their uptake.

The first part of the report concludes that a voluntary approach was an appropriate way to promote BR in India because: of the need to tackle poor corporate behaviour in a context where mandatory approaches are hampered by weak legal and regulatory enforcement mechanisms; the lack of an agreed societal definition within India of what was expected of business in terms of BR outcomes and limited awareness of these issues; and growing pressure from international markets and investors which have made business more willing to engage in the development of a voluntary approach in a bid to build their own capacity for meeting international standards and to provide a credible and robust basis upon which to benchmark their performance and base claims of responsible practice.

The process of developing the NVGs was facilitated by the Indian Institute of Corporate Affairs (IICA) and supported by the Deutsche Gesellschaft für internationale Zusammenarbeit (GIZ). It featured a substantial consultation process involving multiple stakeholders. The second part of the report draws on documentary analysis and key informant interviews, and draws on lessons from international experience in running policy engagement processes to review the NVGs development process in India, and concludes with the following lessons:

- Policy drafting processes often need to be highly iterative, emphasising the need for a great deal of flexibility.
- Promoting ownership and consensus amongst a wide range of actors (including government, business, NGOs, academia, consumer associations, labour groups and the media) is challenging but necessary, not only in generating appropriate content, but also getting wide ownership and thus promoting adoption / uptake.
- Specific individuals can be pivotal in promoting a consensual process, whilst informal norms such as trust and respect are often crucial to successful engagement.
- Members of a policymaking body should ideally be appointed using a formal criteria with clearly laid out roles and responsibilities for appointed individuals.
- A multi-tier structure might enable members to specialise in their comparative advantage.
- Interactions within a group could be governed by a formal set of rules, especially in relation to conflict resolution, conflicts of interest, and commitment to the process, although the merits of this depend on existing levels of trust.
- Making processes transparent can enable a wider group to scrutinise the process, contribute to it and potentially take ownership, enhancing legitimacy.
- Different or un/under represented constituencies could be brought into the consultation process through more focussed events/workshops.

-
- The media could be engaged in a strategic and structured way to build awareness and support for the NVGs.

The third component of the report aims to make suggestions for promoting uptake of the NVGs, i.e. to encourage businesses to adopt more ethical practices in line with the principles set out in the NVGs (a process which at the time of writing had started). The recommendations are based on two participatory workshops and provide food for thought for the Project rather than aiming to set out a definitive programme of further work. Here we provide a flavour of two possible ‘high-impact pilot projects’ proposed by participants at the workshops through a facilitated discussion. The first aims to promote visibility of the NVGs through the media whilst the second focuses on how to encourage businesses to improve their reporting practices.

The objective of the first pilot would be to inform key stakeholders through the media of the existence of the NVGs, their purpose, and the business case for adopting them. The overall approach would be to identify national and regional MSME associations (to achieve a multiplier effect), journalists (radio, TV and print) and develop thematic capacities so that they could become long term ambassadors on certain issues, and to target and develop the regional media in order to reach out to MSMEs. Specific activities suggested to engage with identified stakeholders included:

- Developing support amongst key government institutions responsible for communication and engagement such as the Ministry of Information and Broadcasting;
- Developing brand ambassadors within government;
- Encouraging civil society organisations (CSOs) to write and publish relevant articles;
- Training journalists and encouraging them to write about the value and impact of the NVGs and support the work of CSOs;
- Identifying corporate sector champions and encouraging them to persuade their peers;
- Establishing a portal for relevant information and setting up a facility to enable stakeholders to provide feedback on the BR performance of businesses.

The objective of the second proposed pilot would be to encourage businesses to produce comprehensive reports under the NVGs that would be available in the public domain. A number of actions were suggested in targeting specific audiences:

- The Project could engage Chief Executive Officers (CEOs) such as those from the top 100 listed companies, to raise awareness about the NVGs, and build capacity of the companies to respond to it. (Many of the largest companies should already be reporting against the NVGs, as the Securities and Exchange Board of India (SEBI) has mandated the top 100 companies by market capitalisation to submit business responsibility reviews as part of their annual reports, or explain why they have not.)
- The Project could identify existing and potential champions to target and work with in developing case studies for an evaluation of the business case and associated costs and benefits.
- The case studies would then be publicized to ‘showcase’ the value of the NVGs to other companies. The leadership of the companies participating in the case studies would be given public recognition for demonstrating this leadership, thus providing incentives for engaging in the pilot.
- Similar forms of recognition could be provided to companies subsequently signing up to the NVGs to strengthen incentives for compliance.
- Case study companies could then be mentors of other companies beginning to engage with the NVGs. By building business support and demonstrating the business case, this process would marginalize companies who currently opposed the NVGs, and make opposition seem more publicly and politically unacceptable, as well as less commercially sensible.

-
- Stock exchanges, financial institutions and the investor community could also be engaged to raise awareness about BR issues and encourage them to build these issues into investment decisions, thus helping to mainstream NVG reporting.

Existing plans for the implementation phase need to be reviewed and refined further. It will be important to clarify the structure and management of the Project going forward to ensure that the right people are involved. Some of the strategic planning tools that were presented and piloted during the workshop might be useful for planning the next stage of the project in more detail, and could perhaps be utilized to develop further the two proposals for high-impact pilots.

1 Introduction

1.1 Background and objectives of this report

In July 2011, the (Indian) National Voluntary Guidelines (NVGs) aimed at promoting Social, Environmental and Economic Responsibilities of Business were unveiled by the Ministry of Corporate Affairs (MCA), Government of India. The process of developing the NVGs (from hereon in ‘the NVG process’) featured a substantive consultation process involving multiple stakeholders – a process facilitated by the Indian Institute of Corporate Affairs (IICA) and supported by the Deutsche Gesellschaft für internationale Zusammenarbeit (GIZ) under the bilateral co-operation Project called the IICA-GIZ Business Responsibility Initiative.

Following the launch of the guidelines, the Project commissioned the Research and Policy in Development (RAPID) and Public Sector and Markets (PSM) programmes at the Overseas Development Institute (ODI) to review the NVG process against principles of good practice in policy development processes based on wider international experience, to help consolidate the lessons from the NVGs drafting process and provide inputs to support their uptake.

This report of that work includes:

- A conceptual framework for assessing policy engagement processes;
- A brief review of the key trends towards Corporate Social Responsibility and Business Responsibility in India, and the relative merits of taking a voluntary approach in doing so – effectively putting forward the project’s theory of change;
- An analysis of the process through which the NVGs were developed and documented to identify key lessons which may be applicable to other consultative policy engagement projects;
- Suggestions with regards to promoting the uptake of the NVGs in India and how to monitor their impact.

1.2 Methods used

ODI’s work between September and December 2012 included a number of different components:

- An analysis of primary documentation related to the drafting of the NVGs including Expert Group (EG) meeting minutes and official reports as well as telephone interviews with twelve individuals including those who sat on the Guidelines Drafting Committee and those who were involved during the NVGs consultation process.
- A literature review covering peer-reviewed journals and publications and grey literature on the use of voluntary guidelines to promote improved corporate governance and social and environmental performance by private sector actors.

-
- A two day workshop in Delhi in September 2012 with people involved in drafting the NVGs to root the development of the NVGs in historical context, to discuss lessons from the NVGs drafting and consultation process and identify implications for promoting the NVGs.
 - A second two day workshop in Delhi in October 2012 with members of the Guidelines Drafting Committee to explore in more detail approaches to support the uptake of the NVGs and to develop a framework to monitor and evaluate this work.
 - Intensive discussions with Project staff involved in the NVGs process to identify approaches and tools that could be used during the work, and especially in the two workshops.

Literature reviews and workshop reports are available on request.

While a range of approaches have been used in this work to help describe the historical and current context for promoting business responsibility in India, the Project -supported work to promote the NVGs, and to explore some options for taking the Project forward (all workshop reports and reviews are available separately on request), it is important to stress that it was a relatively small piece of work. This report does not claim to present a complete historical narrative of the NVG process, nor a definitive programme of further work to promote the NVGs. In particular, the workshops involved a relatively small number and range of the stakeholders involved, and aimed to highlight some of the key elements of the story, to introduce and illustrate how some new participatory tools and approaches could be used to plan the next steps in more detail, and to introduce some of the principles of effective monitoring and evaluation of projects aiming to shape policy processes, in this case involving private sector organisations. Nevertheless the authors hope that the approach and findings described in this report will provide some useful ‘food for thought’ for IICA and GIZ as well as other organisations in India and elsewhere that are seeking to develop policy solutions in a participative way.

1.3 Organisation of this report

The remainder of this report is organised as follows:

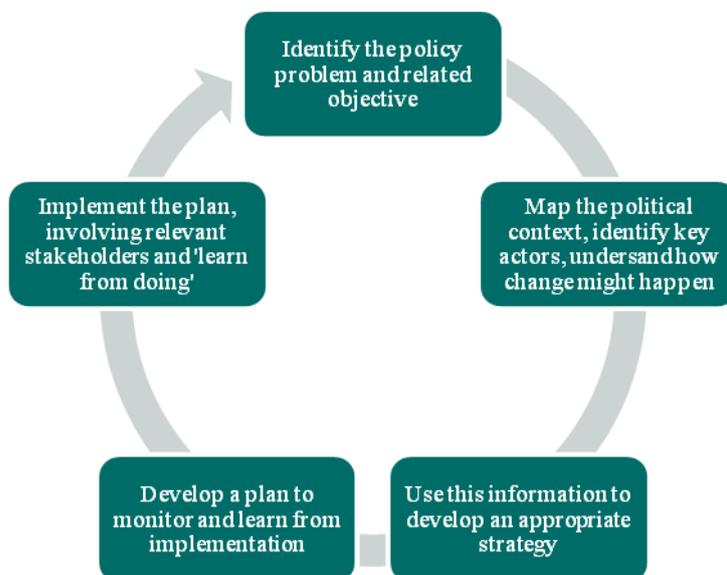
- Section two outlines a framework to help describe and assess policy engagement work
- Section three uses elements of the framework to describe the context from which the NVGs process evolved, and some of the principles underpinning the choice of the voluntary approach;
- Section four uses other elements of the framework to assess the engagement processes involved in the development and drafting of the guidelines, and identify the key lessons;
- Section five concludes by assessing implications of the above for continuing to promote the uptake of the NVGs in India

2 Good practice in engaging with policy

Here we highlight lessons from RAPID's work in two areas: planning policy work and facilitating participatory policy engagement processes amongst multiple actors. This will provide a framework for analysing the NVGs process in the following chapters.

RAPID's work on policy engagement over the last ten years including that of Ajoy Datta (2013, forthcoming) provides a 'menu' of components from which practitioners can choose in order to help them generate sufficient information to draw together a coherent plan for their policy work. Some of the key components are highlighted here and in figure 1 below. These can be undertaken iteratively and should be repeated at every stage of the policy cycle – agenda setting, formulation, implementation and evaluation. We describe these components briefly below:

Figure 1: Key components to planning policy work



1. Identify the problem and related objective. Problem identification might provide the basis for the formation of a long term vision, which in turn provides a basis for developing a more realistic and achievable objective. The objective could be about: affecting decision making regimes - i.e. encouraging a particular policy position, programme or set of recommendations to be adopted by policymakers; expanding policy capacity, which might entail the development of

skills and/or relationships amongst researchers, intermediaries and policymakers; or broadening policy horizons, which could entail encouraging policymakers to consider a new perspective..

2. Map the policy context around the specific issue and understand how change is likely to come about. The context shapes the ‘push’ and ‘pull’ factors influencing the preferences and interests of individual actors, who are key in bringing about change. As such identifying the full range of actors involved in policy deliberations is important and so too is understanding how much influence and power they have and what motivates their behaviour. Key also is identifying what kinds of behaviour change are required to bring about the broader policy objective. Behaviour changes could relate to attitudes, beliefs, awareness, interest, knowledge, incentives, relationships with others and actions. This could be followed by developing and refining assumptions about how such changes in behaviour might come about – in other words, a theory of change.

3. Develop a strategy: a theory of change can be extrapolated to specify how a project or programme could be designed to influence this - a theory of action (Shaxson and Clench, 2011). The approach taken to policy engagement will depend on the type and scale of behaviour change sought, whilst different actors may well need to be targeted with different strategies. The aim here is not to ‘control’ the targeted actors but to help them bring about progressive change by creating an enabling environment through, for instance, providing them with access to new resources, ideas or opportunities (Earl et al, 2001).

4. Develop an M&E plan: As Young and Mendizabal (2009) highlight, policy drafting processes are rarely linear – i.e. they do not often progress in a sequential way as initially planned. While many policy processes do involve sequential stages – from agenda setting through to decision-making, and implementation and evaluation – some stages take longer than others, and several may occur more or less simultaneously, and there maybe reversals in progress or changes in direction along the way. Many actors are involved: ministers, parliament, civil servants, the private sector, civil society, the media, and in the development sector, also donors – all of them trying to influence the process, and each other. To ensure interventions remain relevant, an on-going monitoring and evaluating system should help sense shifts in the wider context, monitor relationships, weigh up different sources of evidence, search for unexpected effects, and inform decisions as to whether any adaptation to the interventions being implemented is required.

5. Implement the strategy involving all relevant stakeholders: Involving all stakeholders is key in policy engagement processes. Some of the key issues and questions which have emerged from RAPID’s work in understanding and facilitating such processes are documented in Datta (2011) – and outlined in table 1 below.

Table 1: Key issues in stakeholder engagement processes

Principle	Key questions
Intentions	What were the intentions of engagement? Was engagement seen as normative, instrumental, substantive or a combination?
Approach and methods	What methods were used to promote engagement? What type were they – one way, consultative or participatory? How were the methods implemented? How comfortable were participants with the methods employed? How much control did participants have over them?
Representation	Who was represented during the engagement process? What groups or interest groups were involved? How were they identified, invited and/or recruited? Were participants representing diverse voices and views? Were marginalised and socially excluded groups involved? If so, how did the project reach out to them?
Supporting	What steps will the project take to support different stakeholders to engage

Stakeholders	effectively?
Working with public institutions	What role did public institutions, such as government ministries, departments and agencies have in the process?
Managing engagement effectively	How did the team plan and manage engagement? What was the composition of the team? Were skills brought into the team for the engagement work?
Promoting wider uptake	Did the project make any attempt to distribute learning from deliberations beyond the group that was convened? If so, how was this done?

In the next section we start to assess the NVGs process in relation to the concepts set out in this section:

- In section 3 we focus on mapping the policy context around business responsibility, first within India, and then internationally, to analyse drivers of change, and how the NVGs process engages with them, as set out in step 2 of policy engagement planning process outlined above.
- In section 4 we examine how the policy was developed involving all relevant stakeholders, as set out in step 4 of the policy engagement planning process.
- In section 5 we take a more forward looking approach to discuss the implications for maximising uptake of the NVGs, with reference to several of the steps outlined above.

3 Improving business responsibility

In this section we:

1. provide an overview of the IICA-GIZ Business Responsibility Initiative from which the NVG process emerged;
2. review the evolution of the concept of BR in India and discuss the drivers of change;
3. review international experience on how voluntary guidelines and similar approaches can help to promote business responsibility in India.

3.1 The IICA-GIZ Business Responsibility Initiative

Initial dialogue about jointly implementing a project started between GIZ and the Government of India's Ministry of Corporate Affairs (MCA) as early as 2003. During this time the Government of India (GoI) was looking increasingly at the private sector to play a proactive role in delivering on the national development priorities. GoI hoped this could be done if the private sector adopted responsible business practices that led to inclusive and sustainable growth. The GIZ, a strong proponent of this view with considerable experience in the area of BR was chosen by GoI as a 'natural' co-operation partner.

The Project aimed to help level the playing field globally by working with intermediary organisations in India (such as associations, in a bid to promote a multiplier effect) to implement good practice and help improve their competitiveness and better engage with international markets. This included supporting an India focal point for the Global Reporting Initiative (GRI) - providing office space and a salary - to help disseminate knowledge of international frameworks available to mainstream the concept of sustainability.

A formal project agreement was reached in 2007 between GIZ and the IICA. The IICA was established by the MCA as a think tank and capacity building institution with a focus on ethical corporate governance, corporate social responsibility, inclusive growth and sustainable development with an emphasis on innovation and entrepreneurship in SMEs.

The four year project (2008-2012) was initially called the IICA-GIZ Corporate Social Responsibility project, but later came to be known as the IICA-GIZ Business Responsibility Initiative. Business Responsibility is based on the 'triple bottom line approach', considering environmental, social and economic concerns in the core of businesses' operations, unlike 'Corporate Social Responsibility', which is often associated with corporate philanthropy. This is discussed further in section 3.2 below.

The project aimed to build a common understanding of the concept of Business Responsibility and responsible business conduct amongst multiple stakeholders in India, and foster an enabling environment for mainstreaming the adoption of responsible business practice in pursuit of balanced and sustainable development.

To provide direction to the project, IICA constituted an Expert Group (EG) which met for the first time in July 2008 and convened every quarter to review the progress made and provide strategic advice on the way forward. The EG comprised experts and practitioners from different constituencies to ensure a broad based representation of a cross section of perspectives. They were invited to guide and share their experiences and knowledge as experts in the field, and also to represent the views, interests/concerns of certain constituencies (such as MSMEs and large corporates). The EG provided inputs to the Project on the overall project strategy, implementation methodology and corresponding activities based on the overarching Project aim.

The EG defined the following core activities for the initiative:

1. Establishment of a multi-stakeholder platform for dialogue and debate to determine the Indian concept of Business Responsibility ;
2. Development of a set of guidelines on social, economic and environmental responsibilities for companies to adopt with a system of voluntary disclosure – termed the NVGs;
3. Pilot projects to test and evaluate different methods for promoting business responsibility;
4. Scaling up successful approaches through meso-level institutions (such as think tanks and the media) as well as public events and competitions.

The next part considers the context in which the NVG process was rooted.

3.2 CSR and Business Responsibility in India

Business involvement in social welfare and development has arguably been embedded within Indian culture since ancient times, when a paternalistic attitude amongst the monarchy encouraged them to provide for the basic needs of communities. Then, as industry developed in the first half of the 20th Century, some largely family-owned businesses started supporting the less well off in their communities and helped establish good working conditions. In 1966, after independence, a national conference on “social responsibility of business” opened by the Prime Minister, emphasised Corporate Social Responsibility (CSR), while in the 1970s tax breaks were given to those companies investing in CSR which in turn saw a growth in community development programmes being run by business (primarily as peripheral business activities) . However, the concept of ‘business responsibility’ in its current guise – focusing on the social and environmental impacts of core business , started to develop in the 1980s.

3.2.1 Market liberalisation and its consequences

A concern for economic, social and environmental responsibility or BR emerged most visibly in the early 1980s after a series of environmental disasters including Bhopal Gas Tragedy¹ in 1984. This saw the government become increasingly concerned about protecting the environment. The government subsequently mandated environmental provisions in public sector businesses while preferring voluntary codes in the private sector.

However, market-based economic reforms in 1991 led to deregulation, privatisation and liberalisation. Although this helped India become one of the fastest growing global economies, this also gave rise to a number of unintended consequences including rising inequality, negative social and environmental impacts, a lack of ‘trickle-down’ effect and corporate scandals which

¹ The Bhopal gas tragedy, was a gas leak incident in India where over 500,000 people were exposed to methyl isocyanate gas and other chemicals. It occurred between 2 and 3 December 1984 at the Union Carbide India Limited (UCIL) pesticide plant in Bhopal, Madhya Pradesh and is considered the world's worst industrial disaster.

in turn resulted in increasing demand for information transparency and government regulation (Goswami, 2002).

In response, the Indian government, wanting an equitable and accelerated growth story and increased integration with international markets to attract investment, sought to improve business practice and applied steady pressure to prompt companies' action (including, more recently, contentious measures to mandate CSR giving) (Van Zile, 2012). Recognition of the importance of integrating social, environmental and economic considerations into core business strategy and decision making increasingly took hold. In the mid-2000s several government regulations were introduced on different issues (though not through an integrated approach) aimed at improving business practice. These and others are detailed in the annex of the NVGs document.

3.2.2 Growth of regulation but weak enforcement

However, there was a growing perception that government had failed to regulate and enforce many of the laws it had issued on promoting business responsibility. Although according to Som (2006), the Securities and Exchanges Board of India (SEBI), the apex market regulating body, was proactive in keeping India up to date with global best practice, it was perceived to have insufficient powers to police violations and regulations of corporate governance (Khanna and Palepu, 2004; Goswami, 2002). SEBI rarely initiated enforcement action for breaches of the requirements, and even when they initiated actions, these tended not to be successful (Varottil, 2010).

3.2.3 Growing business case for business responsibility

Nevertheless, market forces have also driven positive changes in business practice. Goswami (2002) cites the force of competition as an important driver for Indian businesses on corporate governance issues in particular. Alongside restructuring within corporate India resulting from crises and scandals, improving business practices have been driven by increased foreign investment, particularly pressure from foreign pension funds, the influence of India's strong financial press and the fact that banks and Development Finance Institutions (DFIs) would not continue to support poor management and accounting practices. Moreover, this coincided with Indian suppliers taking up an increasing share of global production which helped to drive business responsibility as supplier firms had to cooperate with the Indian government, western governments and major MNCs in order to meet global Business Responsibility requirements.

The case of Infosys illustrates how its decision to adopt global standards of corporate governance led to increased exposure to global capital markets. In addition, by adopting good corporate governance measures, Infosys gained credibility with customers and was able to attract high-calibre employees. Its director played a significant role in driving this agenda. The company has gone on to play an important role in promoting good corporate governance externally and has helped SEBI to draft guidelines (Khanna and Palepu, 2004). Industry leaders have thus often been key to shifting norms and engaging a wider range of actors.

Civil society has also played a key role. NGOs have been increasingly monitoring business activity and publicising corporate scandals. In addition, the print media has evolved as an important watchdog and helped popularise various social movements. NGOs have also challenged central government to promote a range of social and environmental issues (GTZ, 2007). By raising the stakes, civil society has helped to create a stronger business case to take action, as the probability of scandals becoming public, and the potential reputational risks associated with these are now much greater, which means that businesses are willing to invest in BR as a risk management strategy.

However, the business case for business responsibility has not been clear to all companies, and despite improvements, pressure from other market actors such as consumers and investors remains fairly weak – an issue we return to later in this section.

3.2.4 Changing roles and new instruments

Some key informants suggest that the government appears to be transitioning from a command and control approach to governing the economy, towards creating an enabling environment with appropriate incentives for business to improve their practices. A recognition of government's other roles (for instance, to endorse, facilitate, incentivise and encourage) in addition to law enforcement has started to emerge. For instance, many look to the state as an information broker enabling stakeholders such as civil society and the media to secure information on company performance (through for instance the Right to Information Act) and expose bad practices. However, some informants feel these are signs of government abdicating its responsibility in policing the corporate sector, with voluntary approaches seen as merely a signal to appease public opinion and NGO activists (rather than using harder measures such as laws and regulations to achieve these objectives, which may generate corporate opposition). Nevertheless, GTZ (2007) suggested that given India's large volume of legislative activity and evidence of weak implementation and enforcement, greater emphasis would have to be put on voluntary agreements and codes as a way to achieve lasting change.

The next section discusses lessons from international experience on promoting business responsibility through voluntary approaches.

3.3 International experience with voluntary approaches

This section discusses international experience in the use of voluntary guidelines and similar approaches to promote improved corporate governance and social and environmental performance by private sector actors. (Internationally, the phrase most commonly used to describe this agenda is Economic, Social and Governance (ESG), but we take this phrase to be synonymous with the general understanding of Business Responsibility in the Indian context, and thus use the phrase BR throughout.) It is based largely on a literature review covering peer-reviewed journals and publications and grey literature. The key findings are presented below.

3.3.1 Key trends

Interest in the BR agenda in relation to business practice from a range of stakeholders has been on the rise from 1970s. The 1980s saw the development in countries like the US and UK, of 'ethical investment' through 'negative screening', whilst the 1990s saw increased firm level reporting and global initiatives. Many of these were driven by social movements, NGOs and civil society groups and more recently, positive investment approaches such as impact investment initiatives.

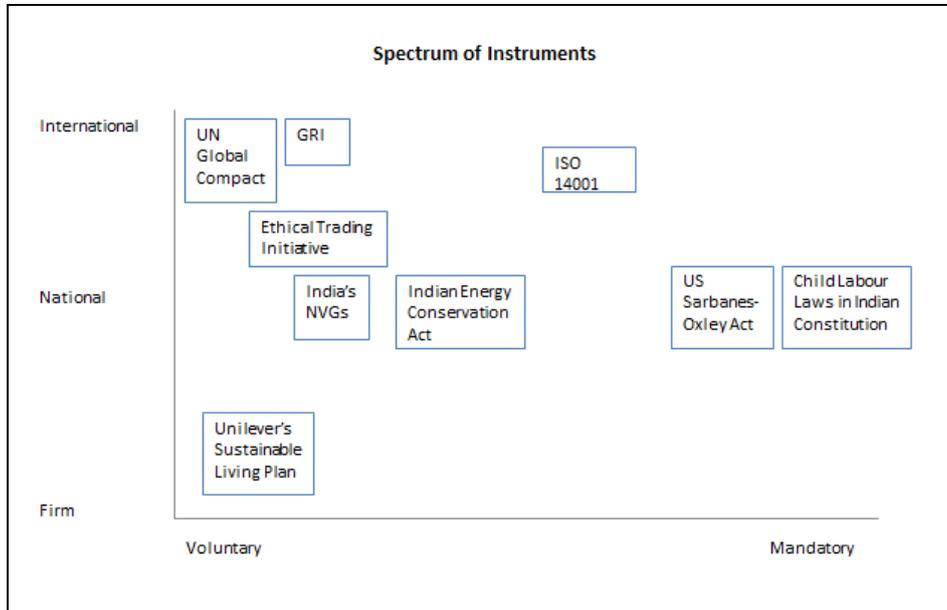
High profile corporate scandals and the recent global financial crisis have heightened mistrust of companies and their propensity to effectively self-regulate, resulting in renewed discussion and activity around mandated approaches to Corporate Governance (CG) and BR. Increasing numbers of businesses report on sustainability and there is an increasingly dense network of national and international standards, codes and guidelines on BR practice, as well as on reporting itself (UNEP et al, 2010). However, concern exists that the proliferation of codes is generating inefficiencies and confusion (World Bank, 2003). More recently there seems to be a trend towards combined voluntary and mandatory approaches ('mixed approaches') to promoting business responsibility, and more governments are making sustainability reporting mandatory (UNEP et al, 2010). There is also increased focus on the need for integration of financial and non-financial reporting by companies, although that currently remains aspirational to a large extent.

3.3.2 Mandatory and voluntary approaches to promoting business responsibility

Mandatory regulation of the private sector has been the traditional approach to managing the societal impacts of business activity and overcoming market failures. However, over time, softer forms of control such as self-regulation gained more attention, particularly in relation to BR requirements. In practice, a wide range of instruments exist which can be used, in various forms, to influence business behaviour. These instruments can be mapped across a range of spectrums:

voluntary to mandatory; firm-level to international; and in terms of the actors involved in developing and implementing them (see figure 2 below).

Figure 2: Instruments available to promote business responsibility



At the mandatory end of the spectrum, laws and regulations can be used by governments to mandate BR practices which are perceived as essential. Mandatory reporting can be a component of wider legislative requirements; it can also be the only requisite component of a voluntary approach.

At the opposite end of the spectrum, government can endorse guidelines (with material encouragement for adoption), propose or recommend voluntary guidelines, or delegate the process of developing and regulating codes to other entities such as business associations, or even individual firms. Codes can also be developed by business itself, without any government involvement. Codes differ widely in scope, from having very specific requirements to consisting of loose guidelines.

Measures can be developed unilaterally or in consultation, can be developed at the global, national, local, sectoral or even firm level, and can be extremely broad in scope, or focussed on specific components of the BR agenda.

Voluntary approaches have the benefits of allowing businesses the flexibility to develop suitable approaches to BR reforms at their own pace, lowering compliance costs as well as eliminating external enforcement costs. Consultative voluntary processes can be a good starting point for bringing together a range of key stakeholders to reach initial consensus and define parameters for business and societal expectations of the BR agenda.

Voluntary approaches are, however, criticised widely for their failure to ensure compliance, for giving way to business pressure to maintain low standards, for failing to address conflicts of interest and for not producing reporting of sufficient or rigorous quality to allow effective monitoring by civil society or investors, for example. Yet effective mandatory methods can be difficult to develop and enforce given informational asymmetries, and limit innovation by businesses in the way they address BR issues.

As such, there is a growing recognition that mixed approaches – the use of combined voluntary and mandatory tools across different sectors or areas of the BR agenda – are more effective. Eijsbouts (2011) argues that the voluntary versus mandatory discussion is a non-debate and that what matters is not ‘what’ is used to instigate change, but ‘how’ change happens, how prevailing norms exist and how they can be changed.

To achieve this, some argue that a combined approach may prove the most effective:

“An ideal outcome would be to provide for a combination of mandatory rules as well as a voluntary code of conduct that may operate in conjunction. The mandatory rules may lay down the basic minimum inviolable standards, while the voluntary code of conduct may build upon the basic foundation in order to set out standards of good desirable conduct. Yet, it is often difficult to draw the line between mandatory rules and voluntary codes and to achieve the appropriate balance”
(Varottil, 2010).

3.3.3 Evidence of impact

There is in fact, limited evidence that voluntary guidelines by themselves, result in change to sustainability or governance practice. However, there are two caveats to this. The first is that the evidence base is weak, partly because it is very difficult to robustly establish causation between voluntary guidelines and changes in business behaviour, when many other things are changing at the same time. The second caveat is that there is evidence that voluntary guidelines can provide a good starting point for discussion and awareness-raising, and are a way to increase pressure on both government & business to act to improve business behaviour. They provide a good way to collectively define societal expectations of business behaviour, and change accepted norms – thus lending themselves to a participatory approach. There is also evidence that drafting a sustainability report can catalyse organisational change, so to the extent that voluntary guidelines encourage sustainability reporting, this can have a tangible impact on business conduct.

Overall, the literature suggests that voluntary guidelines are most likely to have an impact when:

- A strong business case is established and demonstrated (e.g. through incentives like certification);
- It is accompanied by mechanisms for external monitoring and scrutiny (e.g. by the media, by NGOs or by auditors);
- It is accompanied by some mandatory elements or some form of mixed mandatory / voluntary approach is adopted.

3.3.4 The business case

The business case for BR— or how it is perceived and understood — plays an important role in determining the willingness and motivation of companies to change their practices (World Bank, 2003). For many firms there is no clear incentive to explore whether improved BR practice could benefit their bottom line; they tend to be motivated by other, related, factors. Table 2 below summarises some key incentives to change, and comments on the situation in India with regard to each.

Table 2: Incentives to comply with BR codes, guidance and legislation

Incentive	What it depends on	Situation in India
Cost saving and competitive advantage	Type of firm, sector, current practices, operating environment, existence of certification and labelling schemes. Also awareness of the benefits of BR, and support in overcoming unavoidable costs (for example, large upfront costs for longer term gains)	Many firms are not aware of the potential business benefits of BR and because of limited investor, shareholder or consumer pressure are unlikely to spend much time or resource exploring them

Linking to international supply chains, complying with requirements	Integration into world markets	Strong incentive for some sectors
Investor pressure	Investor awareness and influence over business	High predominance of majority shareholders in India reduces strength of this incentive
Reputational Risk	Consumer awareness, reporting of performance by media or NGOs; Trade Union activity	Limited consumer interest, and NGO engagement to date; increasing media attention ()
Threat of (enforced) regulation	Firms seek to pre-empt costs of legislation either through undertaking extra activities to avoid the need for it, or getting ahead by implementing change before it is legally required; needing the threat of legal enforcement to be real	India's legal system has poor compliance and enforcement, limiting the threat of regulation
Awareness and changing norms	Positive BR activity (and specific components within it) becoming the accepted norm	Most Indian firms are in the early stages of developing BR practice, the prevailing norm is one of lax BR standards
Public sector pressure and engagement	Whether the government and public sector more widely are able to manage and support processes driving change	BR legislation and guidance is disparate; co-ordination between government departments seems weak; corruption is rife
Examples set by individuals and industry leaders	Motivated individuals can drive change	Head of Infosys has been instrumental in the firms' leadership in BR
Complexity and cost of compliance	Complexity of legislation and codes and relevance of content may limit uptake	Indian firms face a very complex set of firm-level, national and international requirements of varying degrees of compulsion
Free rider problem	Ability of firms to capitalise on activities of other, more progressive firms whilst not taking substantive action, or having benefitted for free, for example, from new technology or management approaches developed at cost by other firms	Firms such as Infosys and Tata are leading the BR agenda; the greater risk is of firms not really complying whilst pretending to and thus undermining genuine activities of other firms
Transparency may increase scrutiny	Degree of monitoring and extent and detail of transparency required	Monitoring mechanisms currently unclear, and reporting requirements not particularly detailed or specific.

3.3.5 Monitoring and reporting

Almost universally, registered firms are required to submit reports of their financial performance (audits) and typically these reports must be verified by a third party. In many countries, aggregated versions of these reports are made public. The same is rarely the case for Business Responsibility (or ESG) indicators. Usually they are not even captured, let alone publically reported. Many firms that do provide BR information publically do so for self-benefit, focusing on a limited sample of positive aspects, by, for example, producing case studies of CSR projects, with responsibility often falling to the companies' public relations departments.

The main role of reporting as envisaged in most voluntary guidelines and initiatives is to:

- inform stakeholders of a firm's BR status, allowing investors and consumers to make decisions about their engagement with the firm,
- allow policy makers to review aggregate progress, and also drive change by both highlighting bad practice and exemplifying industry leaders.

- Provide a framework for businesses to implement the Business Responsibility agenda across all its functions and operations
- Enable businesses to self-monitor, measure and manage progress towards becoming a responsible business

However, to be useful, reports need to achieve certain standards. For example, use of standardised hard indicators are a widely accepted method of ensuring that reporting is comprehensive, and also that it is comparable. Equally, third party monitoring is important in preventing strong incentives for firms to partially report, focussing on positive elements only.

Reporting standards such as the Global Reporting Index G3, and KMPG's example of integrated reporting (where BR is reported alongside financial performance as an on-going part of business strategy), are useful international frameworks for firms. Yet mandating a comprehensive reporting standard is probably an overly demanding start to the process of increasing firm reporting. Metrics need to be appropriate and achievable, and the process should also be iterative, allowing experimentation and improvement over time.

3.3.6 Risk management

Table 3 below lists first some general risks associated with voluntary guidelines, and then some associated with their implementation in India specifically, along with suggested solutions.

Table 3: Risks with voluntary guidelines and possible solutions

Risks associated with voluntary guidelines	Possible solution
Only leading firms respond	Introduce mandatory elements or create stronger business case e.g. through certification and labelling mechanisms
Lack of sanctions means worst performers won't comply	Introduce mandatory reporting and monitoring to increase reputational costs of non-compliance, or encourage NGOs or media to shine a spotlight on non-compliant firms
Monitoring truthfulness of compliance is costly, and reports not sufficiently robust for investors to take seriously, which weakens the business case	Introduce requirement for third party audit or some mechanism to undertake verification even e.g. spot checks. Simple reporting requirements that are more easily verifiable (e.g. tick boxes, yes / no answers)
Cost of reporting too high so nobody bothers	Keep it simple
Interpretations of compliance are subjective and not comparable	Include more quantifiable indicators
'Comply or explain' approach results in uninformative explanations, or companies only present 'good news' stories	Raise the bar for 'explanation'
Specific risks in India	
Weak enforcement record of government and SEBI means there is limited reporting uptake	Create incentives through monitoring and publicising non-reporting firms, and through mechanisms such as certification. Use carrots rather than sticks
Complexity and lack of coherence increases compliance costs	Make indicators clear, limit the number to reduce costs, link indicators to existing legislation
Limited investor interest or influence	Corporate law reform, build links to international investors
Only 1% formal firms on stock exchange, many informal firms are below the radar	Create incentives through the NVGs to pass standards down the supply chain e.g. large firms are responsible for the compliance of their suppliers incl. SMEs
Weak scrutiny by government / media / NGOs /	Awareness raising, stakeholder involvement

consumers	Increased consultation and transparency would build awareness and support
Poor regulation of auditors	Regulatory reform

3.4 Conclusions

This section has considered the policy context – both domestically and internationally - within which the NVGs process was developed. It helps to illustrate why the NVGs approach is seen as an appropriate way to promote business responsibility given the current juncture within India:

1. the perceived growing need to tackle the failings in corporate behaviour, hampered by constraints in terms of strengthening mandatory approaches associated with weak legal and regulatory enforcement;
2. the lack of an agreed societal definition within India of what was expected of business in terms of BR outcomes, and limited awareness of these issues;
3. growing pressure from international markets and investors which made business more willing to engage in the development of the guidelines as that will build their own capacity to meet international standards, and provide a credible and robust basis upon which to benchmark their performance and base claims of responsible practice.

These factors point to the need for a participative approach, in which society and the business community come together to establish an agreed definition of what is expected in terms of business responsibility, and develop joint approaches for achieving it. Where civil society is part of the process, it will more effectively hold business to account in implementing it through monitoring of reporting and compliance. At the same time, linking the NVGs to underpinning legislation can help improve the impact of the guidelines, and provide a basis for raising the bar over time, as awareness, capacity and compliance increases. Thus the NVGs process in fact provides a good example of the kind of ‘mixed approach’ to achieving improved business responsibility that was described above. The next section considers how the policy engagement process was undertaken through a multi-stakeholder process to develop the NVGs.

4 The development of the NVGs

This section analyses the participative processes used to develop the NVGs using the conceptual framework set out in section 2 to derive lessons that may be relevant for future policy engagement processes. But first we describe the process through which the NVGs were developed and the nature of the NVGs themselves.

4.1 An overview of the NVG process

As set out in final part of Section 3.1, the IICA-GIZ Business Responsibility Project set out to develop a set of guidelines on social, economic and environmental responsibilities for companies to adopt with a system of voluntary disclosure – termed the NVGs. To facilitate this process a sub-committee was set up in February 2009, comprising five members from the EG. The sub-committee discussed, debated and laid out the structure and a process for developing the guidelines

The sub-committee unanimously agreed that the guidelines should not be called the ‘CSR’ guidelines as the term in India was associated with philanthropy – as noted above. The project subsequently adopted a more encompassing and appropriate term in place of CSR – Business Responsibility. In June 2009, the guidelines sub-committee decided to call the proposed guidelines: “National Voluntary Guidelines for the Social, Environmental and Ethical Responsibilities of Business” (or the GDC Draft Guidelines).

Between February and November 2009 several studies were commissioned by the Project to inform the guidelines drafting process. Later in 2009, with deliberations already underway, the guidelines sub-committee was reformulated as the Guidelines Drafting Committee (GDC) and was formally notified by the IICA. The GDC was made up of some members of the Project’s Expert Group as well as others who were formally invited by the IICA.

In November 2009, the former Secretary of the MCA – Mr. R. Bandyopadhyay - stated his Ministry’s intention to issue a voluntary code on CSR and called upon the project to submit its proposal to the Ministry. The GDC subsequently met several times during November and December 2009 to draft an input to this - essentially an early version of the **GDC Draft Guidelines**. The GDC Draft Guidelines were presented to the MCA as technical inputs to the National Voluntary CSR Guidelines (although the GDC, as noted above, had moved on to using the term BR in place of CSR). The voluntary code - quite different to that provided as an input by the GDC - was released by the Honorable former president of India, Ms. Pratibha Patil at the India Corporate Week on 21st December 2009.

The Voluntary CSR Guidelines were essentially a statement of intent and were intentionally kept brief and simple, indicating the GoI’s interest in creating an enabling policy environment for

businesses to adopt responsible conduct. The guidelines carried a provision for review and elaboration based on the feedback from stakeholders and the uptake of the guidelines.

The GDC continued to deliberate and improve upon the GDC draft they submitted to the MCA, which brought phase 1 to an end. The second -review and elaboration - phase of the process aimed to collect feedback on the draft from a range of stakeholders. The more elaborate GDC Draft Guidelines were used as the starting point for collecting feedback. An initial consultation was held in March 2010 in New Delhi , whilst subsequent consultations were held in Delhi, Mumbai, Bangalore and Kolkata, ending in October 2010 and organised with the help of other stakeholders such as business associations. These included a consultation Chaired by Mr Shri Bandyopadhyay, former Secretary of MCA, and his team of senior officials, where a revised NVG was presented, followed by discussion. The overall feedback received from the Ministry was encouraging.

Consultations proceeded using a prescribed format and aimed to reach out to businesses, CSOs, associations, academia and government bodies. The guidelines were also uploaded on the IICA/Ministry website in August 2010 for written comments, whilst written feedback was sought through email. According to a report on the Consultation and Feedback on the Draft National Voluntary Guidelines for the Social, Environmental and Economic Responsibilities of Business written by IICA and GIZ, a total of 5000 comments both written and verbal were received. As a result of these consultations, various substantive changes were made to the NVGs. The guidelines were reviewed, revised and ready for submission to MCA by the end of 2010. The NVGs were finally launched at a high profile event in July 2011 by Mr. Murli Deora, the former Minister of Corporate Affairs.

On the request of the MCA and in part drawing on feedback during the consultation phase, the GDC was reconstituted to design a disclosure framework based on the NVGs. This follows international good practice: the rationale for the creation of a disclosure framework to support the implementation of voluntary guidelines was set out in Section 3 above. Two additional members joined the committee from the Project EG. It was proposed that the disclosure framework integrated with the MCA 21² online platform, would serve as an information exchange platform where information on non-financial parameters of registered businesses would become publicly available for wider stakeholders in one place. Such data could potentially be used for policymaking and by non-state actors to hold businesses to account.

The first meeting of the committee preparing the disclosure framework was convened on October 17, 2011. The framework was submitted to the MCA for publishing on their website by March 2012. The framework aimed to be simple and easy to fill in to promote its rapid adoption. However, some informants suggested that the quality suffered with for instance, many questions requiring yes/no responses which did not allow monitoring over time, and the perception that the information generated was not necessarily useful for stakeholders, such as NGOs and the media who could hold businesses to account.

The disclosure framework came to be known as the Annual Business Responsibility Report (ABRR).³ Once this was finalised, SEBI announced in November 2011 that the top 100 companies in terms of market capitalisation were mandated to submit business responsibility reviews as part of their annual reports or explain why they did not (a 'comply or explain' approach). Following this, SEBI released a circular on August 13, 2012 mandating the preparation and submission of business responsibility reports as part of their annual reports from December 2012.

² MCA 21 is the e-governance initiative from the Ministry of Corporate Affairs, Government of India. It is one of the 27 Mission Mode Projects of the National e-Governance Plan.

³ http://www.sebi.gov.in/cms/sebi_data/attachdocs/1344915990072.pdf

4.2 The NVG document

The NVGs are an aspirational and comprehensive set of guidelines to encourage socially and environmentally responsible business behaviour in India. They are intended to have an ‘India-specific’ focus, which takes the Indian context into account, and be relevant to businesses irrespective of size, sector or location, including Indian multinational companies (MNCs) operating abroad and foreign-owned MNCs operating in India. The NVGs also address Micro, Small and Medium Enterprises (MSMEs) and their ability to meet requisite standards to participate in national and global supply chains. They are not prescriptive but are intended to encourage businesses to taken into account environmental and social considerations in addition to financial imperatives.

The NVGs comprise nine principles covering ethical corporate governance and interaction with public policy, minority shareholders, the environment, and positive social practices (human rights, labour rights and fair treatment of producers in the supply chain, consumers, and the promotion of inclusive and equitable growth.). The NVGs also offer guidance on implementation, through four actions – leadership, integration, engagement and reporting, and provides a set of eight indicators, which broadly identify what basic compliance and good performance, respectively, should look like in terms of management, uptake and governance structures, policy and process management, training, M&E, analysis, innovation and disclosure and stakeholder involvement. The annexes set out the business case for adopting the NVGs, existing legislation relevant to the various principles and a set of resources, indicating sources of BR thinking incorporated in the NVGs.

4.3 An analysis of the drafting and consultation process

In this section we provide some analysis of the consultation and policy development process, drawing on the good practice framework set out in section 2.1 (Table 1) above.

4.3.1 Intentions of engagement work

As set out in section 2.1, one of the first key issues to consider in designing or analysing policy engagement processes, are the intentions of the engagement. According to theory, (Datta, 2011), there are broadly three motivations behind engagement processes: normative, instrumental and substantive. From a normative point of view, engagement is ‘the right thing to do’. From an instrumental perspective, it is a better way to achieve particular ends. From a substantive viewpoint, it leads to better ends. These are not necessarily mutually exclusive: deliberative engagement can have several and often unanticipated impacts.

In the context of the NVGs, a voluntary mechanism to promote change, it seemed clear that a participatory and inclusive approach would be essential if the initiative was to obtain the buy in needed to ensure it would be adopted. The more participatory and more consensus based it was, the more effective it was likely to be.

This kind of consideration appears to have influenced the NVGs process. Although there were existing guidelines (such as the UN’s Global Compact and the Global Reporting Initiative), that could have been adopted or adapted to the Indian context, it was felt by the EG that there would be more buy-in if the guidelines were home grown, with GRI and other global frameworks used only as an input into the process.

So, even though some argued that the use of international guidelines would prevent businesses ‘shopping around’ for appropriate codes and guidelines, and instead promote standardisation and comparability amongst businesses across national boundaries, it seemed that in practice it was felt that an independently developed approach may prove more effective. As one informant suggested, the content within the guidelines was not necessarily ‘new’ and could potentially have been written more quickly and efficiently by an independent consultant based on models from elsewhere, but the collaborative process of developing them was an important end in itself.

As such the NVG process not only aimed to develop a coherent set of guidelines to inform more responsible business practice (substantive ends), but also promote their implementation amongst a wide range of stakeholders (instrumental ends).

4.3.2 Approach and methods used to engage stakeholders

The second issue set out in Table 1 relates to the approach and methods used to engage stakeholders. For example, was the process consultative or participatory? How were the methods implemented? How comfortable were participants with the methods employed? How much control did participants have over them?

The methods used and approach taken will vary according to the intentions, the issue at hand, local contextual factors and the stage of the policy process at which the engagement takes place. Those being engaged have to feel comfortable with the methods employed. Imported strategies developed elsewhere can have potentially different and unintentional outcomes. A mixed methodological approach can help to capture a range of perspectives from different stakeholders, in which participatory methods are combined with one-way communication and/or consultative or information gathering processes.

One way to categorise the approaches taken to policy dialogue/engagement is to distinguish those that take the ‘inside track’, working closely with stakeholders versus ‘outside track’ approaches that seek to influence change through pressure and confrontation. Inside track approaches might include participation in negotiations or meetings, direct communications with stakeholders, or informal discussions with close collaborators and other contacts.

Outside track approaches might target large numbers of individuals, or the political debate on an issue, through public messaging and campaigning. They might try to build public support for a new policy, use public meetings and speeches to communicate the rationale for a proposed reform, or use the television and radio to raise public awareness of an issue. There is also a distinction between approaches that are led by evidence and research versus those that involve primarily, values and interests.

As noted above the guidelines development process was split into three phases. The first saw the deliberation and drafting of key principles amongst a relatively small group of stakeholders. The discussion initially took place within the GDC. This was made up of Mr. Bharat Wakhlu, Mr. Dinesh Agarwal, Mr. Shankar Venkateswaran and Mr. Viraf Mehta – members of the EG who expressed interest in drafting the guidelines.

In early 2010, the GDC was expanded for the review and elaboration phase to include 12 members. Later an Anchor team was also constituted. Having a small number of committed people as members of the GDC made for a more streamlined and productive process – one that was more in line with an ‘inside track’ approach to policy engagement, drawing on a mixture of expertise, interests (of particular constituents) and values (such as ethical concerns as well as the greater good of the country). Even the slightly larger GDC created synchronisation problems.. Thus an even larger number of people on the GDC might have made consensus building much more difficult and could ultimately have slowed down the drafting process.

The second phase consisted of a number of in-person consultation events in addition to the collection of online comments, whilst the final phase comprised the revision of the guidelines and their publication – constituting a more ‘outside track’ approach – suitable for achieving greater awareness amongst the general population, and wider buy-in. Feedback was sought on the introduction and context of guidelines; principles and core elements; implementation and guidance; application of the draft NVGs to MSMEs; and adoption models, which highlighted the need for reporting and voluntary disclosure, incentives, awareness raising and capacity building. Some of the changes made as a result of feedback from consultations were the inclusion of an additional principle on consumer protection; a business case matrix and; an indicative list of relevant laws.

4.3.3 Representation and consultation

The third issue is representation: who was represented during the engagement process? What groups or interest groups were involved? How were they identified, invited and/or recruited? Were participants representing diverse voices and views? Were marginalised and socially excluded groups involved? If so, how did the project reach out to them?

Some argue that, if stakeholder engagement is to have any legitimacy in national policy processes, it needs to go beyond convening small groups of people and engage with many thousands. However, what is gained from smaller, more interactive processes is a depth of discussion that is often lost in large-scale stakeholder engagement – as alluded to above.

Processes which aim to promote broad based ownership need to reach out to ‘hard to reach’ stakeholder groups (such as non-formal small and often family owned businesses) who face a number of barriers to participating. Such barriers could be overcome by providing them with support to engage effectively or working with representatives or intermediaries.

Table 4: GDC members

No.	Name	Organisation	Role
1	Viraf Mehta	BHRI	Advisor
2	Bharat Wakhlu (chair)	TATA Services	Resident Director
3	Seema Arora	Confederation of Indian Industry (CII)	Head, CII-ITC Centre of Excellence for Sustainable Development
4	Anil Baradwaj	Federation of Indian Micro and Small & Medium Enterprises (FISME)	Secretary General
5	Dinesh Agrawal	National Thermal Power Corporation (NTPC)	General Manager
6	Manoj Arora	Ministry of Finance; former Ministry of Corporate Affairs (MCA)	Additional Deputy General
7	Annapurna Vancheswaran	The Energy and Resource Institute (TERI)	Director, Sustainable Development Outreach Division
8	Vikas Goswami	Indus Towers	VP – CSR
9	Harsh Jaitli	Voluntary Action Network India (VANI)	CEO
10	Shankar Venkateswaran	PWC; formerly Partners in Change	Director, Sustainability and Climate Change
11	Paresh Tewary	Jindal South West (JSW)	Vice President for JSW, Group CSR, Sustainability and Head JSW Foundation
12	Neha Kumar	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH	Senior Technical Expert

The GDC sought to be representative in part through working with representatives of key stakeholder groups. Although there were no formal rules in recruiting members to the GDC (see Table 4 above for a list of members), invitees were generally seen to have a track record with BR and were champions in taking it forward. Representation of business was strong and appeared to reflect the types of businesses found in India (summarised in box 1 below). There was a feeling amongst the group that since the guidelines would have to be followed by companies, their views should be considered first. Not doing so was likely to lead to the guidelines being shelved.

Box 1: Nature of businesses in India

In spite of an increase over the past two decades in professionally managed firms, family-controlled businesses remain significant, as do state-owned enterprises (SOEs). Ownership in the corporate sector generally tends to be concentrated in the hands of a small set of promoters and investors, with high prevalence of cross-holding of ownership, heavy owner participation and cross-investment (Som, 2006), meaning that investor pressure is less prevalent than in the West. Further, there are over a million firms registered in India, (only 1percent of which are traded on the stock exchange (Berad, 2011)), and there are a great many more unregistered firms. For instance 90 per cent of micro, small and medium sized enterprises (MSMEs) are unregistered.

While the committee included social activists who had connections to civil society and had authoritative views on business responsibility, they were not necessarily considered champions in those sectors, and some well-known advocacy organisations were not involved. But civil society, like most groups, is not a homogenous entity and securing adequate representation of a diverse sector is inevitably challenging. The consultation process was considered to be very open, with representatives from different constituencies encouraged to provide comments on the draft guidelines. However, key informants felt that a number of key stakeholder groups were left out of the consultation process or were not consulted effectively.

Consumer groups who had the potential to make demands of businesses (which was to some extent triangulated by our earlier analysis of the context and how change in the area of business responsibility has tended to come about), were largely absent from the consultations. For instance, the Consumer Unity Trust Society (CUTS), which is probably amongst the top five consumer associations in India, was not formally invited - although its Director did make a contribution informally to the GDC via GDC's Anchor group during the external consultation phase.

Nevertheless, although such groups may not have been formally involved in the development of the NVGs, given the openness of the consultation phase there was considerable scope for them to provide feedback, and key issues of concern to such groups were incorporated into subsequent revisions. For instance, the NVGs did include an additional principle on consumer protection.

Investors have significant power over companies and could use company information about environmental and social performance to inform investment decisions. However, their participation in the process was cited by some informants as inadequate. Scholars (and experts from business schools) were also largely absent from the guidelines drafting process, although they were formally invited to contribute later on, when the Observer Research Foundation (ORF) – one of India's leading think tanks - held a roundtable to bring in scholarly opinion.

Moreover, international observers could have been brought in to provide external perspectives, although there was a strong preference for this process to be home-grown and not unduly influenced by western perspectives. Inputs from a wide range of specific sectors or industries would also have been useful. The involvement of these groups could have been strengthened by encouraging them to feed in more information to, and critique, the process. Some informants suggested if representation from these other stakeholders was stronger, some issues (such as land acquisition, displacement, indigenous rights etc.) may have featured more strongly within the guidelines.

In sum, the formal process could have been made more inclusive by involving a wider range of civil society groups, but this could also have potentially slowed down the process of drafting the NVGs. Instead, this wider set of stakeholders were given an opportunity to respond to an existing draft, and their comments were taken into account at this later stage. This is arguably a reasonable balance to strike between these two approaches to incorporating stakeholder interests – although there is no 'right answer' here – but this approach does seem to have secured a fairly widely agreed approach in a relatively timely way.

4.3.4 Supporting stakeholder engagement

The fourth issue relates to what support was provided to facilitate effective stakeholder engagement. Stakeholders often need support to improve the effectiveness of their engagement. This might include giving participants more control over the process, the provision of information and training, logistical support, financial incentives and/or effective marketing. Essential to building a good engagement process is the development/fostering of trust and mutual respect.

In the context of the NVGs, an anchor team, comprising three members was established to help the GDC deliberate and draft the guidelines. Initially, Partners in Change (PiC) were the anchor. They were asked to suggest the draft architecture of the guidelines, suggest principles of relevance and provide an overview of the broad terminology used. However, within a year, the anchor role was taken up in full by the Project, partly because Mr. Viraf Mehta had left PiC (although he remained a member of the GDC). The IICA steered the process, and GIZ played a facilitative and backstopping role – helping to keep the process moving, and providing technical inputs and information on a range of issues to strengthen dialogue.

Understanding the complexity of the problem that the project was tackling, and that a linear approach was unlikely to be optimal, information was generated in various ways. For example, given that information was often key, individuals were occasionally commissioned to, for instance, undertake a survey of the business responsibility landscape, analyse the key stakeholders, and identify international and national good practices in the field of business responsibility.

A number of studies were commissioned. These included a mapping of the various laws that had been established to promote different components of the business responsibility agenda, what global frameworks said about certain issues and the economic case for being a more responsible business. These would feature as inputs to the drafting process - through emails to GDC members or as short presentations during meetings. These were designed to inform participants during deliberations and the drafting process.

The Anchor team also consolidated the guidelines in the final stages of their development, pulling together the different principles and ensuring appropriate language without altering the spirit of what was being said. However, some informants suggested that the anchor team, who were either seconded from other organisations or working for GIZ could have spent more of their time supporting the GDC.

Although they have been visible throughout the process, GIZ were very conscious that the process had to be Indian-led and were careful to stand aside and disempower themselves where necessary and enable Indian stakeholders such as government and business to take the lead in setting and moving ahead with the agenda and process.

Moreover, with most GDC members' paths having crossed previously, this helped to develop a high degree of trust amongst the group fairly quickly and create what one informant called 'creative discomfort' to facilitate healthy debate and the transparent airing of divergent arguments.

4.3.5 Working with public institutions

What role did public institutions, such as government ministries, departments and agencies have in the process? Even if the guidelines were voluntary to promote BR of largely non-governmental actors, developing links between deliberative processes and more formal arenas, such as representative politics or bureaucratic processes of policy-making, is crucial if engagement is to be effective in the long run. This raises the question of how businesses engage with public institutions as well as how public institutions engage with the wider business environment. Both of these depend largely on the culture and capacity of the public institutions in question.

In the context of the NVGs, GIZ initially worked with ad hoc structures within the MCA. Nevertheless, a strong relationship developed with a range of people there (including Ministers and Secretaries). There was a need to develop a common understanding of BR within the Ministry, but maintaining momentum during turnover within government was challenging. There were four different Ministers and Secretaries at MCA in the course of the NVGs development process. However, Manoj Arora, a Former Director within the MCA, was the main and constant point of contact for GIZ on BR issues. Through him, a shared understanding of the concept of BR developed over time, and he served as a key intermediary between the GDC, GIZ and key political figures.

Through having their awareness of the potential benefits of improved business practice increased during the project, (which GIZ and the GDC contributed to), government showed signs of increasing interest in the issue of CSR and business responsibility. For instance Mr. Bandyopadhyay, a Secretary at MCA, agreed to be part of a delegation from India to Germany and the GRI's headquarters in May 2010 to better understand international experiences and practices, whilst, during India Corporate Week in December 2010, the secretary for MCA appeared to publicly endorse the BR agenda during his speech to delegates.

However, some respondents suggested that apart from a few individuals from the MCA and IICA, Government was not actively involved during the drafting process. Although Ministries such as those for Finance, Labour and Enterprises were likely notified through internal memos throughout the process, more pro-active consultation with relevant policymakers and regulatory bodies across Government could have helped to promote broader Government buy-in.

4.3.6 Managing engagement effectively

How did the team plan and manage engagement? What was the composition of the team? Were skills brought into the team for the engagement work?

Effective stakeholder engagement requires facilitation and conflict management expertise. Skilful, structured, sensitive and independent facilitation of dialogue processes is required to create space for conversations among a wide range of participants on often controversial issues. Moreover, effective deliberation is time-, energy- and resource-intensive. A clear process for planning, along with clearly outlined roles and responsibilities of different actors, facilitate an efficient management process. Moreover, thought needs to be invested in deciding how to collect and analyse what is often a huge amount of data from deliberations.

In the context of the NVG process the GDC agreed during the early stages of the drafting process, that Bharat Wakhlu, Resident Director of Tata Services, be selected as its chair. He was considered a highly competent facilitator and chair with an inclusive leadership style. Although he was a non-technical expert with limited experience in Asia (having spent most of his career in the US) this enabled him to operate with a degree of neutrality. Bharat Wakhlu was also seen as influential as he was on a number of committees in the MCA, was on the board of the IICA, had ministerial access and was representative of big business.

His leadership style was facilitative, ensuring different viewpoints were heard and that the discussion was kept moving. In fact, leadership on specific issues tended to revolve around the group depending on the issue being discussed. He also played the role of convenor (with most meetings taking place in his office). Moreover, his stature and influence encouraged others (particularly from business) to join and provide support to the process. He was also seen as doing well to motivate people to work hard despite the lack of monetary or in-kind rewards for doing so.

In terms of roles and responsibilities, members of the GDC were asked to: formulate guidelines on business responsibility for voluntary adoption; create conditions to secure consensus; ensure applicability to the Indian context; draw insights for India from global best practices; ensure guidelines address concerns for inclusive development and sustainability and yield visible outcomes (by for instance representing various stakeholder groups not represented by the EG

such as civil society); and emphasise the business case for responsible business. They were also expected to take on responsibilities to draft various principles. However, some members of the GDC would have preferred their role to be limited to providing strategic inputs whilst leaving drafting to specialists or the anchor team. Others argued that given the non-legal nature of the document it did not require detailed ‘word-smithing’ and they were therefore happy to be involved in drafting.

GDC meetings were recorded and minuted. However, few protocols and rules were in place to govern interactions amongst GDC members. In the case of FICCI and CII, representation was channelled through the organisation’s head office and representatives within the committee had to seek approval from their seniors before moving ahead with the process. However, key informants suggested that it was not always clear what ‘hat’ other committee members were wearing – whether individual, organisation or broader constituency (which on occasion created some ambiguity) Nevertheless, operating under Chatham House Rules, when debating, members were urged to bear in mind the interests of ‘the greater good in India’.

Although discussions were often heated, disagreements were resolved amicably by enabling different people to put their points across without being cut off. As such, a mainly informal and personal approach was taken which was not necessarily replicable with a different group of people. The group developed a way of working as they went along. As noted above, trust and informality was an important factor in facilitating discussions.⁴ However, some felt that this meant there was no recourse for ‘dealing’ with those members who repeatedly failed to attend meetings or did not volunteer themselves to write up parts of the guidelines.

4.3.7 Promoting wider engagement

Did the project make any attempt to distribute learning from deliberations beyond the group that was convened? If so, how was this done?

Some of the literature suggests that those facilitating stakeholder engagement should do more to distribute the learning from what are often small-scale deliberative processes. Doing so would help to contribute to wider dialogue on how social dimensions of business practice can be addressed among a wider range of stakeholders including the public at large. This could be done through the direct involvement of more people in stakeholder engagement activities and/or communicating the outcomes and findings of stakeholder engagement processes to more people, using the media and online tools.

In the context of the NVGs, during the initial drafting phase, there seemed to be little information about the process put in the public domain for others to scrutinise. A decision was taken to not post the minutes of the GDC meetings online. Some informants argued that doing so would be pointless as outsiders would fail to make sense of the discussions which were often long and unstructured. Furthermore, doing so would be unlikely to secure the buy in of other stakeholders more distant from the drafting process. As one informant said, it would be analogous to “sharing the cooking process with the customers when what customers were really interested in was the final dish on the table”. This also meant that a spotlight was not necessarily shone on the issues or areas of contention. On the other hand, many informants suggested that, in any case, the principles outlined in the NVGs were not considered particularly contentious.

The formal consultation did much more to engage with a much larger group of people. In consulting different stakeholder groups, the GDC decided to alter the guidelines if feedback: aided comprehension; represented the majority view; filled in a technical gap; aided implementation and; was material to business. The most substantial revision was the inclusion of a section on a possible reporting framework. Other major feedback included that some of the principles were aspirational and that guidelines should be voluntary; not be used by overseas

⁴ However, one informant suggested that in other guideline/standard formulation processes, trust was never seen as a key factor.

businesses to push around local MSMEs; not make them less competitive; not increase paper work; be rolled out in a phased way; and be made sector specific.

With regards to media engagement, informants suggested a reactive approach was taken initially, especially with the business media – responding to queries and questions when asked. They were then invited to stakeholder consultations and given a brief on what the NVGs were. But other than that, there was little strategic/focussed engagement, with, for instance, senior editors, to help improve the visibility of this topic in public consciousness. Informants suggested that the media could have been engaged more strategically from an early stage in order to help harvest inputs from, and promote engagement amongst, a greater number of stakeholders.

4.4 Key lessons from the process

Overall, it seems the process has been successful in achieving its goals to date, using a participative approach to generate a fairly broadly agreed output, which on this potentially controversial topic, is no mean feat. In light of the above analysis there are a also number of lessons that could be drawn in relation to supporting other similar policy drafting processes:

- Policy drafting processes can be highly iterative emphasising the need for a great deal of flexibility. Understanding this, the Project moved away from the linear approach to facilitating engagement and generated and mediated information, for instance, in a number of ways to facilitate more effective engagement.
- Promoting ownership and consensus amongst a wide range of actors (including government, business, NGOs, academia, consumer associations, labour groups and the media) is challenging but necessary in generating optimum content, but also promoting its uptake.
- Certain individuals can be pivotal (as was the chair in the case of the NVGs) to promoting a consensual process whilst informal norms such as trust and respect are often crucial to successful engagement
- Chance and luck is often a key factor in successful engagement processes (for instance, the evolution of the IICA during the negotiations between GoI and GIZ provided the space for the project to be more experimental).
- Members to any group (such as the equivalent of a GDC) could be appointed using a formal criteria with clearly laid out roles and responsibilities for appointed individuals
- A multi-tier structure might enable people in a group to specialise in their comparative advantage. That is, one set of individuals could focus on providing strategic inputs, whilst another could pursue more operational tasks such as drafting documents
- Interactions within a group could be governed by a more formal set of rules, especially in relation to conflict resolution, conflicts of interest, and commitment to the process (such as attendance)
- Making processes more transparent (through putting information about the process in the public domain) might enable a wider group to scrutinise the process, contribute to it and potentially take ownership, enhancing legitimacy.
- Different or un/under represented constituencies could be brought into the consultation process through more focussed events/workshops. The public sector, civil society, regions (state and district level stakeholders) and different industrial sectors (such as construction) could be consulted better.
- Media engagement could be more strategic (engaging with editors from the beginning of the process) and structured (through regular interaction and putting information in the public domain)

We elaborate on some of these points in our discussion of how the NVGs and its uptake could be promoted in the next phase of the project, which we turn to now.

5 Promoting ‘uptake’ of the NVGs

Using the good practice guidelines for engaging with policy processes laid out in section 2, this section provides some suggestions as to how the IICA-GIZ Business Responsibility could together promote the uptake of the NVGs. This section is organised as follows:

- It starts by describing how the IICA-GIZ-Business Responsibility Initiative is transitioning from a focus on guidelines development to a focus on promoting uptake.
- This is followed by a discussion of the overall objectives of promoting uptake of the NVGs
- It goes on to highlight key stakeholders which the project could engage with to help promote their uptake followed by a brief discussion about how change is likely to come about
- There is then a section providing suggestions for how to engage with each stakeholder group as well as an outline of two possible ‘high-impact’ pilot projects to promote NVGs uptake,
- The penultimate part of this section explores how NVGs uptake might be monitored and evaluated whilst the final part considers the implications for the IICA-GIZ-BR Project

As mentioned in Section 1, this section does not attempt to provide a definitive programme of further work to promote the NVGs. Nevertheless the authors hope that this report will provide some useful food for thought for the Project and other organisations in India and elsewhere that are seeking to promote multi-stakeholder processes and business responsibility.

5.1 From NVGs development to implementation

Once the NVGs were launched, the IICA and GIZ extended the project for two years from June 2012 to design and roll out activities that would aid the effective implementation of the NVGs. The implementation phase would build upon the stakeholder engagement-based consensus building process used to formulate the NVGs. The second phase was envisaged as having 3 separate components:

- Developing sector-specific guidelines and
- Mainstreaming the disclosure framework- the ABRR – developed by the Project, and recently mandated by SEBI for top 100 listed companies
- An advocacy campaign for adoption, and Capacity development of intermediary organizations.

The outputs and key activities of each of these elements are shown in Figure 3 below.

Figure 3: IICA-GIZ-Business Responsibility Initiative Phase II

	Output/Component 1:	Output/Component 2:	Output/Component 3:
Use of Outputs	IICA facilitates the uptake of NVG, standards and voluntary disclosure through training and other services to intermediary organizations, in a systematic and sustainable manner		
Outputs	Indian Concept of CSR, as well as corresponding standards or sector guidelines , and a system of voluntary disclosure developed	Advocacy campaigns for the adoption of NVG, standards/sector guidelines and system of voluntary disclosure	Capacity Development (training and other services) of intermediary organizations (multipliers)
Activities	<ol style="list-style-type: none"> 1. <i>Formulation of Voluntary National Business Responsibility Guidelines</i> 2. Corresponding standards or sector guidelines are developed for up to two sectors 3. Corresponding system of voluntary disclosure developed 4. Disclosure format for MCA 21 	<ol style="list-style-type: none"> 1. Systematically engage with corporate leaders 2. Systematically engage with the media 3. Systematically engage with other stakeholder groups in India 4. Promote the international exchange on business responsibility 5. Contribute to an enabling environment for the uptake (e.g. rewards, recognition, ratings) 	<ol style="list-style-type: none"> 1. Develop and deploy targeted service packages for <ul style="list-style-type: none"> • Chambers and associations • Financial institutions • Business Schools • Professional institutions 2. Research and develop innovative good practice examples 3. Develop and implement a sustainable business model for the provision of BR-related services through IICA

Source: GIZ India

5.2 Developing goals and objectives

During the second workshop participants discussed what the ultimate objective of the NVGs as a whole might be. They suggested they might be to:

1. Promote growth that is sustainable and inclusive
2. Encourage business practice in line with social and environmental goals
3. Define and raise awareness about societal expectations of business responsibility

Deciding this as a first step is important in designing an monitoring and evaluation framework, as progress towards each of these goals would have require a different set of actions and have to be measured using a different set of indicators and approaches. For instance, measuring the extent of promoting growth would require an assessment of macro-level indicators. However, arguably the NVGs are not specifically targeted at promoting growth or particular forms of it, which is better achieved through other policies such as industrial development strategy.

The second goal while measurable and attributable is relatively ambitious. Assessing performance could be achieved through the ABRR based on the NVGs themselves, through surveys of households and consumers and their degree of satisfaction about business behaviour, and through external indicators of business responsibility⁵.

The third goal is much less ambitious and could be assessed by reviewing corporate management statements and measuring the extent of reporting to see whether businesses are becoming more aware of societal expectations, as well as simple surveys to assess awareness of the public and businesses themselves about business responsibility issues.

⁵ A number of independent reviews of business responsibility in India were identified, including: Partners in Change 2000 – survey of 600 companies; State of corporate responsibility in India poll 2001; CII / UNDP / BC / PwC survey of corporates 2002; Raman (2006) content analysis of chairman’s message in annual reports of top 50 companies; Karmayog CSR Ratings; GIZ baseline survey.

Discussion of the ultimate goal of the NVGs was inconclusive. One participant suggested achieving a ‘rights-based approach to business’ should be the ultimate goal of the NVGs.

Of course, the ultimate objectives of the NVGs can also be defined in terms of the specific goals attached to each of the principles such as better working conditions, less corruption, increased competitiveness of Indian firms and so on.

5.3 Key stakeholders to target and theory of change

Elaborating on the lessons from section 4.3, as well as suggestions made by workshop participants, the following stakeholders were identified as key to promoting business responsibility in India:

- Businesses and their representatives such as associations and membership organisations
- Communities and their representatives often in the form of NGOs and local political leaders
- Key government ministries, departments and agencies
- Lending and investor institutions
- Labour unions
- Consumer associations
- Foreign companies (or international private sector)
- Think tanks and policy research organisations including the IICA
- General and specialist business media
- Donor and international agencies

During the second workshop, and revisiting some of the issues raised in section 3, participants discussed the ‘theory of change’ underlying the NVGs process (i.e. how the NVGs were likely to catalyse positive changes sought by GoI, and other stakeholders). Three possible drivers of change were identified:

1. The NVGs drive change by raising awareness of businesses about the commercial business case for BR (assuming the business case already exists and firms are not aware of it);
2. The NVGs drive change by strengthening the business case by raising awareness of the public and other stakeholders, and encouraging transparency and certification, which in turn increases pressure on companies if they want to maintain their reputation, licence to operate and competitiveness.
3. The NVGs drive change by making business responsibility mandatory (through listing requirements) thus removing the need for a business case.

While in practice the NVGs are likely to operate via all three mechanisms, the implementation strategy and associated M&E framework should ideally be guided by an understanding of which of these is the predominant lever envisaged. If it is the first this places more emphasis on the need to undertake case studies and awareness raising activities amongst businesses. If it is the second, it suggests the emphasis should be on awareness raising amongst consumers, investors, civil society and the media, and finding ways of rewarding companies that comply e.g. through certification, awards etc. If it is the third, then the emphasis should be on identifying how to strengthen the mandatory components of the NVGs i.e. through related legislation, or reporting requirements.

5.4 Suggested actions

5.4.1 Actions with specific stakeholder groups

Participants identified a number of specific actions that could be taken with each of these groups to promote business responsibility in India. This is outlined in Table 5 below (which presents

specific stakeholders, their interests and concerns and the implications for promoting the NVGs) and elaborated below.

Table 5: Stakeholders, their interests and possible actions

Stakeholder group	Specific stakeholders	Key interests and concerns	Implications for the NVGs
Businesses - associations and Business Membership Organisations (BMO)	Sectoral associations Builders lobby (as construction is 9 per cent of the economy) Associations for informal businesses are key as formal sector is very small Although 95 per cent of MSMEs are outside the formal sector, the 5 per cent that are formalised contribute disproportionately to the economy	They still see BR as philanthropy	Business associations need to be engaged on improving understanding of BR and developing their role as capacity builders in this field
Communities (and NGOs)	Local administration have influence on community demands and can shape relationship between communities and companies Need to engage with community based organisations	Their interests will depend on specific geography, social group, and other discriminatory features Communities are increasingly able to fight for their rights as the Plachimada bill illustrates. ⁶	Need platforms that join local and national NGOs who tend to be more removed from realities on the ground but can mobilise more significant public opinion and political pressure Need to hear what community concerns are whilst communicating to them what their rights and responsibilities are
Key government and regulatory authorities	Ministry of Corporate Affairs (nodal agency), Ministry of Environment and Forests, Ministry of Labour, Ministry of Human Resource Development Regulators (Securities and Exchanges Board of India - SEBI, Reserve Bank of India - RBI, National Standards Board of India- BIS, Competition Commission of India -CCI, Telecom Regulatory Authority of India - TRA) State governments, local administrations	They need to balance interests of the public and NGOs and that of the private sector only some of which sees the business case for increasing business responsibility	Need to promote policy coherence amongst different agencies and promote buy in to the BR agenda. For instance need to create linkages between section 135 of companies bill and the NVGs. ⁷ Government needs to encourage industry leaders to take steps and set example for others to follow

⁶ The Hindustan Coca Cola Beverage Company caused groundwater depletion and environmental pollution at Plachimada, Kerala which ultimately led to the Plachimada bill which entitles communities to compensation from companies who are found guilty of polluting their environment.

⁷ Section 135 of the Companies Bill (likely to be passed in 2013) makes it mandatory for companies to spend 2 per cent of their profits after tax on CSR giving

Lending and investment institutions	Life Insurance Corporation of India (LIC) and national, state owned pension funds	They can catalyse demand for business responsibility, but do not understand the business case Only 5 per cent of MSMEs get formal financing whilst there is a tension between financing MSMEs as a social good and encouraging changed behaviour by MSMEs	There is a need to ask more questions beyond collateral and economic questions, Although these institutions do not fund many MSMEs, there is a belief that funding MSMEs is sufficient to demonstrate business responsibility. This needs to change. However, there are positive signs as they are asking for environmental and social guidelines, whilst green lending is on the rise.
Think tanks and research organisations	These include non-government think tanks such as the Observer Research Foundation (OSF) as well as government think tanks such as the Indian Institute for Corporate Affairs who operate in the BR 'space'	Their role is to broker information between actors and facilitate debate. Their specific interests will depend on the financial and intellectual resources they depend on	IICA can be platform to facilitate dialogue between MCA and other ministries Non-governmental think tanks can play a role in raising awareness about BR and facilitating debate between different actors – NGOs, government and private sector for instance
Media	General media Specialist business and financial media	General media look for scandals and exposes, in relation to negative impacts of business. There's a lack of awareness of business responsibility They have the potential to influence the policy debate and influence society	Need to translate NVGs for the media Need to work with individual media houses more interested in the topic Consider working with social media and non-English media working at the state and more local levels.
Consumer associations	Consumer Unity & Trust Society (CUTS) amongst others	Social justice and equality are key elements within the BR agenda that interests them	Work with them to strengthen capacity of consumer associations and their ability to work with businesses to improve their practices
Labour Unions	National, regional and sectoral unions Self Employed Women's Association	They tend not to be engaged on broader issue on BR. Their interests are limited to wages and working conditions	Work with them to enhance monitoring of labour related aspects of NVGs
Foreign companies and associations	Multinational Corporations, the-, International Chamber of Commerce and export credit agencies	Accountability down the supply chain	Consult them with regard to NVGs and discuss how to refine and measure performance better in a way that meets their needs
Donor and international agencies	International Labour Organisation (ILO) Global Reporting Initiative Other donors working on	They share broadly similar concerns and interests as GIZ	Share information about GIZ's work with them, build and strengthen relationships, find

	private sector development such as the Dutch and British aid agencies		opportunities to collaborate – build a community and realise potential synergies
--	---	--	--

Businesses need to be encouraged to develop a more robust understanding of business responsibility and adopt the NVGs as a whole (as they are deemed to be indivisible). Focusing initially on certain sectors, specific leaders could be identified to set an example and help ‘laggards’. Alternatively companies that have not reported using the GRI, for instance, could be targeted and encouraged to become champions: there is a need to go beyond the top 100 companies mandated by SEBI to reach the remaining 800,000. Uptake and impact need to be monitored. Support could include focussed training in reporting and interpreting reports. Separate outreach mechanisms for big and small companies could be supported.

GoI including key government ministries may need to think about how best to mandate, facilitate, partner and endorse businesses to facilitate implementation of the NVGs. International experience suggests this might include establishing frameworks, goals, defining priorities and boundaries for both private and public sector action, creating incentives for public and private sector compliance and monitoring progress, leading by example through public procurement and management systems, driving market creation and promoting joined up government and developing knowledge bases, disseminating information, facilitating dialogue between stakeholders and highlighting best practice examples (Fox et al., 2002).

On-going impact monitoring and assessment is likely required to track effectiveness and the cost of compliance of adhering to NVGs. These should be compared with costs and benefits of alternative, mandatory solutions. This suggests the Indian Government could best support the uptake of the NVGs through:

- Capacity building including training and education of the private sector, the public and other stakeholders to push for change and support implementation of the BR agenda;
- awareness raising amongst businesses, consumers, NGOs, and the media;
- convening and coordinating stakeholders to facilitate on-going discussion and refinement of the voluntary guidelines;
- financial support to service providers, relevant NGOs and consumer groups which support the NVG process;
- Incentives to firms to adopt the scheme (which could include fiscal incentives but more likely could just involve other forms of preferential treatment including recognition, easier access to government schemes, awards etc.)
- monitoring progress / compliance through reporting or empowering others to do so;
- leading by example in procurement and management systems;
- promoting joined up BR action across government departments;
- developing the knowledge base and disseminating information;
- highlighting national good practice examples to illustrate the business case.

Civil society, NGOs and communities could be supported to get more involved in both influencing further development of, and monitoring business performance against, the NVGs.

Foreign companies need to be made aware of the business responsibility agenda in India. They could be encouraged to seek reciprocity or recognition arrangements with Indian firms. They are likely to generate increasingly strong demand for business responsibility in future and should hence be consulted to ensure NVGs are appropriate.

Specific media houses could be partnered with to generate awareness and interest to ensure **1)** businesses are aware of their responsibilities and **2)** the public and NGOs can comment and contribute to dialogue on BR and monitor the uptake of the NVGs. Further, the media could be supported so that they are more informed about BR, are better equipped to stimulate public interest and debate as well as monitor the performance of business. Certain journalists could be supported through, for instance, fellowships, which might help increase their understanding of

BR issues . Working with individual journalists who might then use their own systems to get messages out might be more effective than engaging directly with media companies.

Consumers and investors could be supported to be made more aware of the existence, importance and benefits of NVGs, so as to provide a stronger driver for their uptake. Working with pension funds and institutional structures like the Life Insurance Corporation (LIC) who hold huge portfolios of companies and are thus able to influence them could yield significant outcomes. Consumer groups could also be involved.

The financial institutions could be encouraged to incorporate NVGs compliance into lending considerations and/or due diligence. They could provide support to businesses for implementation especially MSMEs. They could also incorporate business responsibility as conditionality in providing funds.

GIZ and other donors can help to create an enabling framework by working with government and other intermediary organisations and providing (non-financial) support to business for implementation, especially MSMEs. Donors can help strengthen incentives by also incorporating compliance with NVGs as conditionality before engaging with individual businesses on partnership projects etc. Donors could also support the government to link up with relevant international frameworks such as the Global Reporting Initiative (GRI) processes. GoI together with GRI could be facilitated to undertake mutual lesson learning in relation to tailoring NVGs to local contexts.

5.4.2 'High-impact' pilot projects

During the second workshop, participants identified areas where high-impact pilot projects could stimulate interest and build momentum for implementation of the NVGs. Areas considered for developing pilots included evolving the concept of business responsibility and sector guidelines; demonstrating demand for business responsibility from businesses; building the capacity of identified intermediaries; and supporting businesses in the delivery of the NVGs as well as in monitoring impact and reporting.

Two specific initiatives were selected to be developed further: 1) achieving high visibility through the media and 2) encouraging businesses to report transparently on BR issues. Using the Alignment Interest and Influence Matrix (AIIM)⁸, participants outlined the objectives, stakeholders and key actions, which we elaborate on below.

Promoting visibility of the NVGs through the media

The objective of the first pilot would be to inform key stakeholders through the media of the existence of the NVGs, what its purpose is, and why businesses should implement them. The overall approach would be to identify national and regional MSME associations (or intermediary organisations – to achieve a multiplier effect), journalists (radio, TV and print) and develop thematic capacities so that they could become long term ambassadors and to target and develop the regional media in order to reach out to MSMEs and raise awareness. This was proposed in recognition of the fact that very few businesses were currently aware of the NVGs and there was considerable uncertainty about exactly how to reach them.

Participants identified and mapped over 18 stakeholder groups onto the AIIM matrix, from which a small number were identified that the project could engage with effectively: government institutions, civil society organisations, journalists, corporate leaders. Specific activities to engage with them were identified including:

- Obtaining the support of the Ministry of Information and Broadcasting and the Ministry of Communication and Information Technology;

⁸ The AIIM Matrix is a tool for identifying key stakeholders and then developing an engagement plan to influence them to help achieve the objectives of the project. More information can be found at: <http://www.odi.org.uk/publications/5288-stakeholder-engagement-stakeholder-analysis-aiim-alignment-interest-influence-matrix-roma>

- Developing brand ambassadors within government (e.g. Arun Maira, member of the Planning Commission);
- Convincing civil society organisations to write positive stories, and get them published in supportive media companies;
- Encouraging media companies to support this so that the journalists can publish their articles;
- Training journalists and encouraging them to write about the value and impact of the NVGs;
- Identifying corporate sector (or celebrity) champions and encouraging them to persuade their peers;
- Establishing a portal for easy access to relevant information and setting up a facility to enable stakeholders to provide feedback

Encouraging businesses to improve their reporting practices

The objective of the second pilot was to see a significant number of businesses producing good reports under the NVGs that were available in the public domain.

Four categories of stakeholders were identified:

1. Those that were interested and supported the NVGs: A small group of leading companies
2. Those that were not currently interested (or aware), but would potentially support the NVGs: most companies which had not been engaged
3. Those that were interested, but actively opposed to the NVGs: A small subset of companies and representative groups which had lobbied against the NVGs
4. Those that were not interested, but may oppose the NVGs: some proportion (not yet known) of companies which were not yet engaged.

A number of strategies for engaging with each group were considered: The Project could hold a one day workshop for Chief Executive Officers (CEO) from the top 100 listed companies - many of the largest companies should already be reporting against the NVGs, as SEBI has mandated the top 100 companies by market capitalisation to submit business responsibility reviews as part of their annual reports, or explain why they have not - to raise awareness about the NVGs, and build capacity of the companies to respond to it. In undertaking that workshop, the Project could identify existing and potential champions to target/work with on case studies for an evaluation of the business case and costs.

The Project would thus identify 2-3 existing champions of the NVGs (the first category above) who already undertake some form of reporting, and 2-3 potential new champions (the second category above, not just the 'usual suspects') who currently do not undertake any kind of BR reporting but are potentially well disposed to the concept. IICA could work with these companies to produce case studies discussing:

- The benefits (and costs) of reporting
- Lessons learnt in developing new reporting mechanisms and structures (for firms reporting for the first time)
- How reporting could be done as part of a multi-stakeholder process that strengthens the company's reputation and license to operate
 - How the companies could encourage compliance down their supply chains, thus directly encouraging a wider set of companies to comply with the NVGs

The case studies could be developed through a multi-stakeholder process facilitated by IICA, drawing on one or more policy engagement tools, to build wider buy in. These case studies would then be publicized to 'showcase' the value of the NVGs to other companies (in the second, third and fourth categories above). The leadership of the companies participating in the case studies would be publicly recognized, thus providing public relations incentives for

engaging in the pilot, and other mechanisms could potentially be found for rewarding their efforts, though that would need to be considered carefully;

Similar forms of recognition could be provided to companies subsequently signing up to the NVGs to strengthen incentives for compliance. Case study companies could then act as champions and mentors of other companies beginning to engage with the NVGs. By building business support and demonstrating the business case, this process would marginalize companies in the third category, who currently oppose the NVGs, and make opposition seem more publicly and politically unacceptable, as well as less commercially sensible.

Stock exchanges, financial institutions and the investor community could also be engaged to raise awareness about BR issues and encourage them to build these issues into investment decisions, thus helping to mainstream NVG reporting.

Each principle of the NVGs may need to be looked at in turn and specific champions identified for each. Similarly, business champions and case studies from particular sectors may need to be identified to facilitate more sector-specific demonstration. In that case, criteria should be developed to identify top priority sectors for focus. For instance, those that are considered heavily polluting sectors could be prioritized first. Or alternatively, those sectors prioritized could be where convincing champions already exist.

If there are a substantial number of companies that remain opposed over time, it may be necessary to increase the mandatory components of the NVGs. Some sectors are likely to have more trouble meeting the NVGs than others. As such, companies in these sectors may require additional measures to encourage compliance. Sector by sector analysis of likely compliance (that is, assessing the business case and costs of compliance) could be a valuable input when developing the implementation strategy.

5.5 Monitoring and evaluating the uptake of the NVGs

As described in previous sections, the NVGs project aims to promote sustainable business behaviour with positive social and environmental impacts. It aims to do this both by influencing business behaviour directly, through the adoption of the NVGs, and indirectly through creating a supportive policy environment. It is in effect a policy project.

As we have alluded to earlier, policy interventions face many challenges: strategic challenges – who to engage with and why; tactical challenges – how and when to engage; changing political and economic contexts and shifting goal posts. Subsequently, we suggest the project sets up knowledge management systems, which can help sense shifts in the wider context (policy, politics, economics, environmental and social), monitor relationships, weigh up different sources of evidence, search for unexpected/unintended effects, and make sense of data to measure impact and adjust strategies in appropriate ways.

Monitoring and evaluating the impact of a policy project in this context has two distinct components:

- Measuring the effect of the project on policies and behaviour of the key stakeholders, in this case relevant policymakers, businesses and other intermediary actors involved in business in India; and
- Measuring the effect of these new policies and behaviours on society and the environment, in this case the social and environmental impact of business itself.

While much is known about measuring the developmental impact of projects and programmes, much less is known about measuring the impact of programmes on policy and behaviour. ODI’s work on monitoring and evaluating the impact of research-based evidence on policy and practice identifies the need to measure progress at five levels, and has identified a wide range of tools and approaches which can be used at each. These are summarised below in Table 6.

Table 6: Tools and approaches for monitoring policy impact

Level	Possible tools and approaches
-------	-------------------------------

Strategy and direction –are you doing the right thing?	Logframes; Social Network Analysis; Impact Pathways
Management –are you doing what you planned to do?	'Fit for Purpose' Reviews; Quality Audits; Horizontal Evaluation;
Outputs – are the outputs appropriate for the audience?	Peer review; Evaluating websites; Evaluating networks; After Action Reviews
Uptake – are people aware of your work?	Impact Logs; New Areas for Citation Analysis; User Surveys
Outcomes and impacts –are you having any impact?	Outcome Mapping; RAPID Outcome Assessment; Most Significant Change; Innovation Histories; Episode Studies

A set of indicators has already been identified for phase 2 of the project and are listed in Box 2 below. While they are useful measures of the delivery of project activities and the uptake of the NVGs, these do not really address the ultimate impact of the project (discussed earlier). As such, building on ODI's principles of monitoring at the five levels and work during the workshop to identify indicators, a possible M&E framework for the project is presented below in Table 7.

Box 2: GIZ-IICA-BR project indicators

<ul style="list-style-type: none"> • A total of around 250 companies (at least 25 % having adequate representation of women on their Boards) avail the BR and CSR related training and capacity building delivered by a minimum of 10 intermediary institutions who in turn are trained by IICA. • IICA facilitates the formulation of sector specific voluntary guidelines on business responsibilities aligned with the National Voluntary Guidelines (NVG) 2011 for up to two sectors. • IICA enables 100 companies to make disclosures as per the voluntary framework being developed by IICA/MCA • IICA identifies and undertakes Training of Trainers of 10 institutions that can act as multipliers in the area of training and capacity building on BR and CSR • IICA develops and offers training and capacity development courses on Business Responsibility on a self-sustaining model. • IICA's campaigns for mainstreaming the NVGs and the national CSR agenda reach out to at least 50.000 businesses.

Table 7: A possible M&E framework for the NVG project

Level	Approach	Possible Indicators for consideration
Strategy	Proposal Log-Frame Theory of Change	<ul style="list-style-type: none"> • Proposal / ToC / Log Frame approved / agreed by expert group / MCA / GiZ/ project steering committee
Management	Strategy Plans Project records	<ul style="list-style-type: none"> • Project management meeting records • Project implementation log • Project -run workshops, Seminars & Events held as planned, • Online portal established according to plans and on time • Trainers of training packages developed • Multiplier training is done (target is 10 intermediary institutions) • International exchange programme implemented according to schedule
Outputs (the project produces the right sort of outputs of the right quality)	Peer review User surveys	<ul style="list-style-type: none"> • Training materials and courses are of appropriate quality • Workshops and seminars are of appropriate quality • Intermediaries are performing according to plans (target is 10)

		<ul style="list-style-type: none"> Reward scheme is affordable and manageable and recognised as attractive by businesses Appropriate advice is provided to IICA to become self-sustaining
Uptake (all stakeholders are aware of the NVGs)	Logs Surveys	<ul style="list-style-type: none"> Companies take up training opportunities (target is 250) Large, medium and small Businesses are aware of NVGs (target is 50,000) Intermediaries attend ToT training and run training for companies IICA establishes effective systems to become self-sustaining Financial sector aware of NVGs and integrates the ABRR in its investment decisions
Outcomes (stakeholders change their behaviour as a result. Could include the IICA, other government departments & large and small businesses)	Observation (of reports) Surveys of business, employees, consumers and other stakeholders Independent assessment Media monitoring	<ul style="list-style-type: none"> Companies Disclose (target is 100) IICA is established as a self-sustaining platform on BR Linkages of different systems for disclosure / implementation of NVGs (e.g. GRI, ISO26000, NVGs, BSE, MCA 2010) – in fact a linkage document mapping the G3, ABRR and NVGs has been prepared and officially released. Information is put in the public domain (over and above the 100 mentioned above) The NVG principles are taken up by large, medium and small businesses: <ul style="list-style-type: none"> # signed up # reporting Quality of reports Requests for help in reporting and implementation Changing behaviour in specific principles (e.g. establishment of human rights policies in businesses) Company practices align with principles Indicators within the guidelines themselves: <ul style="list-style-type: none"> On leadership within companies Integration Engagement (could use the stakeholder engagement tool?) Reporting Companies establish processes to review and change practices in line with NVGs Government actively promotes compliance (e.g. encourages companies to sign up) Government establishes clear standards for reporting Government enforces principles of NVGs in public sector companies NGOs monitor and report on published reports Consumer and investor groups lobby for reporting Increased # stories about BR in the media Financial sector incorporates NVGs into loan assessment / conditionality Donors support implementation
Impact (on economy, environment, society)	Surveys of business, employees, consumers and households Focus groups	<ul style="list-style-type: none"> Overarching: Business activity more in line with social and environmental goals as defined by surveys Awareness about societal expectations of BR Rights based approach to business

	NVGs performance indicators External indicators of BR in India Corporate management statements Interviews with business	<ul style="list-style-type: none"> • Principle specific: <ul style="list-style-type: none"> ○ Better working conditions ○ Less corruption ○ Increased responsible competitiveness of Indian MSMEs
--	--	--

5.6 Implications for the IICA-GIZ-BR project

Overall, existing plans for phase 2 need to be reviewed and refined further. But for them to be useful it will be important to clarify the structure and management of the Project going forward to ensure that the right people are involved. Some of the strategic planning tools that had been presented and piloted during the workshop, especially the AIIM tool, might be useful for planning the next stage of the project in more detail, with the two high-impact pilots considered as useful elements. However, any such exercise would need to be repeated more thoroughly, facilitated by the implementation team, and involving representatives of all of the key stakeholder groups that would be involved.

References

- Berad, N. R. (2011) 'Corporate Social Responsibility – Issues and Challenges in India'. Presented at International Conference on Technology and Business Management, March 28-30 2011. (<http://www.trikal.org/ictbm11/pdf/csr/D1142-done.pdf>)
- Datta, A (2013 forthcoming) 'Planning your policy work' in Young et al (2013 forthcoming) 'the RAPID Outcome Mapping Approach (ROMA) to policy engagement'. ODI: London
- Datta, A. (2011) 'Lessons from deliberative public engagement work: a scoping study'. Working Paper 338. ODI: London
- Earl, S., Carden, F. and Smutylo, T (2001) 'OUTCOME MAPPING: Building learning and reflection into development programs. EBook. IDRC: Ottawa
- Eijsbouts, J. (2011) Corporate responsibility, beyond voluntarism: Regulatory options to reinforce the licence to operate. Maastricht: Maastricht University.
- Fox, T., Ward, H., Howard, B. (2002) Public Sector Roles in Strengthening Corporate Social Responsibility: A Baseline Study. Washington DC: World Bank.
- Goswami, O. (2002) 'The tide rises, gradually: Corporate Governance in India', draft for presentation at the Informal Workshop held on 3-4 April 2000 at OECD Paris. (<http://www.oecd.org/corporate/corporateaffairs/corporategovernanceprinciples/1931364.pdf>)
- GTZ (2007) The CSR Navigator: Public policies in Africa, the Americas, Asia and Europe. Gütersloh: Bertelsmann Stiftung/GTZ.
- IICA and GIZ (n.d.) 'Implementation of Business Responsibility Across Sectors: Report of the Consultation and Feedback on the Draft National Voluntary Guidelines for the Social, Environmental and Economic Responsibilities of Business'.
- Khanna, T. and Palepu, K.G. (2004) 'Globalization and Convergence in Corporate Governance: Evidence from Infosys and the Indian Software Industry', Journal of International Business Studies 35(6): 484-507
- Som, K.S. (2006) 'Corporate Governance Codes in India', Economic and Political Weekly, 41(39): 4135-4160.
- UNEP et al. (2010) Carrots and Sticks for Starter: An update on trends in Voluntary and Mandatory Approaches to Sustainability Reporting. (<https://www.globalreporting.org/resource/library/Carrots-And-Sticks-Promoting-Transparency-And-Sustainability.pdf>)

-
- Van Zile, C. (2012) 'India's Mandatory Corporate Social Responsibility Proposal: Creative Capitalism Meets Creative Regulation in the Global Market', *Asian-Pacific Law & Policy Journal* 13(2): 269-303.
- Varottil, U. (2010) 'India's Corporate Governance Voluntary Guidelines 2009: Rhetoric or Reality?', *National Law School of India Review* 22(2): 1.
- World Bank (2003) *Strengthening Implementation of Corporate Social Responsibility in Global Supply Chains*. Washington DC: World Bank.
- Young, J. and Mendizabal, E. (2009) 'Helping researchers become policy entrepreneurs'. Briefing Paper. ODI: London.



ODI is the UK's leading independent think tank on international development and humanitarian issues.

Our mission is to inspire and inform policy and practice which lead to the reduction of poverty, the alleviation of suffering and the achievement of sustainable livelihoods.

We do this by locking together high-quality applied research, practical policy advice and policy-focused dissemination and debate.

We work with partners in the public and private sectors, in both developing and developed countries.

Readers are encouraged to reproduce material from ODI Reports for their own publications, as long as they are not being sold commercially. As copyright holder, ODI requests due acknowledgement and a copy of the publication. For online use, we ask readers to link to the original resource on the ODI website. The views presented in this paper are those of the author(s) and do not necessarily represent the views of ODI.

© Overseas Development Institute 2013. This work is licensed under a Creative Commons Attribution-NonCommercial Licence (CC BY-NC 3.0).

ISSN: 2052-7209

Overseas Development Institute
203 Blackfriars Road
London SE1 8NJ
Tel +44 (0)20 7922 0300
Fax +44 (0)20 7922 0399