



**RIB** ASIA

Responsible and  
Inclusive Business

## **MULTI-STAKEHOLDER INITIATIVES**

Cooperating to Achieve Responsible and Inclusive Business

CSR ASIA



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## 1. THE RATIONALE FOR MULTI-STAKEHOLDER INITIATIVES

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Achieving a more responsible and inclusive business framework requires companies to deal with challenges along the whole of their value chain. Many of the challenges deep down supply chains are too complex for a single company to deal with alone. Modern day slavery, child labour, environmental degradation, climate change challenges, water shortages, loss of biodiversity and illegal migrant workers are examples of just some of the complex challenges that companies face when managing value chains that span both the developed and developing world.

Such complex challenges require businesses to work together with a wide range of stakeholders in order to find solutions and take steps forward towards more responsible and inclusive business models. This will mean that businesses will have to work with other businesses (sometimes even their competitors), governments, civil society organisations, local communities and smallholders. Multi-stakeholder initiatives (MSIs) can bring together the skills, expertise and resources to tackle global challenges and contribute to sustainable development.

It is in this context that MSIs have emerged to tackle complex challenges in global value chains, especially where major gaps remain in global governance because of a lack of law, poor implementation of laws and challenges associated with illegality and corruption. Working alone businesses are unlikely to have the capacity or the resources to tackle such issues. MSIs therefore leverage the different skills and resources of different societal sectors – government, business, civil society, communities – to solve multiple challenges.

MSIs can therefore make an important contribution to developing self-regulation in the private sector. This is increasingly important where global value chains are beyond the reach of individual governments who cannot regulate international markets. Well designed MSIs aim to combine the capacities and resources of several stakeholder groups to respond to key challenges in a particular industry or market sector.

MSIs can be defined as the processes by which businesses and their stakeholders can interact to make business processes more responsible, inclusive, ethical and sustainable.

## 2. FUNCTIONS AND CHARACTERISTICS OF MSIS

MSIs are usually characterised by complex interactions involving many stakeholders in a particular industry sector, single issue or at a regional level. Essential characteristics of successful MSIs are likely to include three important elements:

- 1 The involvement of a broad range of legitimate stakeholders including businesses, NGOs, local communities, governments and those impacted by an issue
- 2 A sound multi-stakeholder governance structure that ensures that different voices, opinions and possible solutions can be discussed without one stakeholder or stakeholder group having excessive influence
- 3 Well designed stakeholder engagement mechanisms that are able to gather the views and concerns of a broad range of impacted stakeholders with an emphasis on those who might be vulnerable or marginalised and ensuring the full participation of women

MSIs are commonly characterised by standards, certification systems, joint stakeholder initiatives, roundtable dialogues, common codes of conduct and joint funding for research and innovation. Most MSIs serve a common purpose of making production, distribution and consumption processes more sustainable and ethical. Most have a focus on the whole value chain and where it is possible work on broader approaches to creating more responsible and inclusive business models. In particular, it is possible to leverage the power of MSI to include more people in the value chain and to increase the benefits going to poor and vulnerable people. In developing countries an important aspect of the work of MSIs can include cooperation to help increase the benefits going to poor



people in the value chain and to communities impacted by them.

MSIs should aim to raise the minimum standard for responsible and ethical behaviour within or among industrial sectors. They should try to cover as many stakeholders in the sector and its value chains as possible. Even more importantly, MSIs should aim to create industry level change, consistent with sustainable development. This will be particularly important in situations characterised by significant social and environmental challenges but where there exist governance gaps. MSIs provide an instrument to build capacities along the value chain and act as multipliers to share lessons learned and best practices. MSIs are particularly useful when companies themselves have identified the need to address social and environmental challenges in their value chains.



MSIs will perform a range of functions that are likely to evolve as the stakeholder process develops. These will include:

- Developing an awareness about social and environmental issues in an industry and communicating both challenges and possible solutions to a wide range of stakeholders
- Bringing different stakeholders together to work on defining and analysing sustainability problems and finding solutions to challenges
- Openly discussing different perspectives on challenges in an industry and developing mutual understanding, respect and trust in order to enhance possible cooperative strategies
- Sharing possible solutions to challenges and developing new opportunities for more responsible, inclusive and sustainable strategies at an industry level
- Creating learning, training and capacity building opportunities across the value chain of the industry with an emphasis on building capacity amongst vulnerable and marginalised groups
- Setting industry level standards that are recognised by all stakeholders and which can leverage better practices along the whole value chain, linked to certification, accreditation and verification
- Developing and piloting possible solutions to the challenges identified and creating a platform for ongoing experimentation and innovation

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### 3. THE ROLE OF STAKEHOLDERS

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#### 3.1 THE PRIVATE SECTOR

For an industry-level MSI the role of the private sector will be crucial and companies will have to be committed to working with others to finding solutions to social and environmental challenges. Businesses will therefore play a crucial role in any MSI but will also want to be sure that the MSI will provide new opportunities for them or help them to reduce risks. Businesses will have to work with a range of stakeholders and, not least, some of their competitors. In this respect the design of the MSI must make it clear that there will be obvious benefits to cooperation.

Companies that experience particular pressure for some aspect of their business operations or those experiencing a market demand for products that are more ethical or sustainable will judge participation in an MSI to be more useful than companies that do not. Because of that, an important

difference will exist between companies that are business to consumer (B2C) who may experience direct consumer pressure and companies that are business to business (B2B) who are more likely to experience pressure from other stakeholders (particularly NGOs or sometimes corporate customers). Since many MSIs will take a complete value chain perspective, any initiative should ideally include major players in all segments of the value chain.

Whilst companies will want to be clear about the benefits of joining a MSI process, other stakeholders will want to be assured that private sector participants are committed to working cooperatively to find solutions to challenges. Thus the commitment of the private sector participants will be an important factor in the overall reputation of the MSI. They must be committed to fully engaging in the process and developing effective outcomes and impacts.



### 3.2 NGOS

In line with trying to create responsible, inclusive and sustainable business outcomes, NGOs that participate in MSIs should have a particular concern with furthering the interests of stakeholders in developing countries with an emphasis on vulnerable and marginalised people, workers, smallholders, local communities, women and indigenous people. At the same time they should be interested in balancing the needs of people with those of the environment and committed to the protection of biodiversity and endangered species.

NGOs should be capable of accurately representing the interests of the beneficiaries of MSIs and ensuring that their interests are genuinely reflected in the MSI process. Many NGOs in a MSI will be from larger international organisations, but the involvement of smaller NGOs in production locations can create local ownership of the initiatives. However, not all intended beneficiaries may be organised or have representatives or representative bodies that may participate in MSIs. Balancing the needs and interests of different beneficiary groups remains a challenge and it is inevitable that NGOs will need to negotiate positions amongst themselves.

There is an important role for NGOs in verifying the implementation of the aims of the MSI in order to leverage external credibility. But they also need to be able to demonstrate that they make a meaningful contribution to the MSI rather than being seen as antagonists. NGOs need to be a part of developing solutions. At a very practical level they can be directly involved with beneficiaries through, for example, the training of workers and smallholders, carrying out local value chain assessments and negotiating the terms of MSI implementation on the ground with communities.

### 3.3 GOVERNMENT

Governments are an important but sometimes difficult stakeholder to engage in the MSI process. They are often more used to developing and implementing regulations rather than cooperating with the private sector and other stakeholder to develop self-regulatory measures. Nevertheless, getting the involvement of both national and local government officials is important in ensuring as wide a representation in the process as possible.

Governments can contribute local knowledge, experiences, and influence. They can help to leverage the participation



of other stakeholder groups. Government departments and associated agencies can also play an important role in endorsing, convening, facilitating or financing a MSI.

Government involvement at an early stage of the MSI can help leverage longer term policy or regulatory change. Indeed, MSIs will often serve as experimental mechanisms that start as voluntary initiatives but slowly influence governmental policies and help design effective regulation. Thus the role of government may be important for the functioning of the MSI by aligning government regulation with MSI work. In addition, government endorsed guidelines can also help to increase the potential demand for MSI certified products.

### 3.4 OTHER STAKEHOLDERS

Smaller stakeholder groups can be included in the MSI process to good effect. Local communities, representatives of small businesses and cooperatives, smallholders and indigenous populations are just some of the groups that could be considered. Their participation is likely to require a good degree of coordination and facilitation since they are unlikely to have the same financial resources, capacity, language skills or negotiation abilities as other stakeholder groups. A significant role for larger NGOs lies in ensuring that there diverse, smaller voices are heard.

### 3.5 CREATING EFFECTIVE STAKEHOLDER PARTICIPATION

The effective interaction of stakeholders is crucial to creating successful outcomes for the MSI. It is important that the MSI develops a sense of trust amongst different stakeholders over time. An environment where participants can speak openly in meetings is important. But for there to be effective participation there may have to be very clear rules of engagement that include some degree of confidentiality of proceedings. On the other hand transparency dictates that as much information as possible should be made publicly available.

There also needs to be clear agreement over the extent to which participants can freely communicate the MSI discussions to the public or within their constituency. Too often one group may report on MSI proceedings that other groups may have understood to have been confidential. Such situations can create splits amongst stakeholder groups and will do little to develop trust amongst stakeholders. This requires there to be agreement on the boundaries of the initiative, including what issues are dealt with inside the initiative and other issues that can be part of a wider engagement exercise.



## CASE STUDY



### ROUNDTABLE ON SUSTAINABLE PALM OIL (RSPO)

[rspo.org](http://rspo.org)

The Roundtable on Sustainable Palm Oil was formed in 2004 with the objective of promoting the growth and use of sustainable palm oil products through credible global standards and engagement of stakeholders. RSPO is a not-for-profit association that unites stakeholders from seven sectors of the palm oil industry - oil palm producers, palm oil processors or traders, consumer goods manufacturers, retailers, banks and investors, environmental or nature conservation NGOs and social or developmental NGOs - to develop and implement global standards for sustainable palm oil.

#### The aims of the MSI are:

- To advance the production, procurement, finance and use of sustainable palm oil products
- To develop, implement, verify, assure and periodically review credible global standards for the entire supply chain of sustainable palm oil
- To engage and commit all stakeholders throughout the supply chain, including governments and consumers
- To monitor and evaluate the economic, environmental and social impacts of the uptake of sustainable palm oil in the market

# RSPO

Roundtable on Sustainable Palm Oil

#### Key characteristics of RSPO include:

- A comprehensive code of conduct for members
- Principles, specific criteria and indicators for sustainable palm oil production
- Independent certification of sustainable palm oil
- Supply chain certification systems
- Guidelines on communication and claims
- Innovation and continuous improvement initiatives

#### Principles of the RSPO:

- 1 Commitment to transparency
- 2 Compliance with applicable laws and regulations
- 3 Commitment to long-term economic and financial viability
- 4 Use of appropriate best practices by growers and millers
- 5 Environmental responsibility and conservation of natural resources and biodiversity
- 6 Responsible consideration of employees, individuals and communities affected by growers and mills
- 7 Responsible development of new plantings
- 8 Commitment to continuous improvement in key areas of activity

## 4. GOVERNANCE OF THE MSI

### 4.1 STRUCTURE AND MECHANISMS

The credibility and effectiveness of a MSI will be dependent on a sound and well designed governance structure. We must nevertheless expect to see different governance structures since the aims and objectives of each MSI will be different. Moreover, governance structures are likely to evolve, as they are dependent on the activities, size and scope of the initiative.

Governance mechanisms need to provide sufficient space for each stakeholder group to have adequate representation and to discuss issues seen as important to them. A well governed MSI will put structures in place that mitigate against power, influence and capacity imbalances. Groups with fewer resources (e.g. non-commercial stakeholders) may also need support to participate with an equal voice. One or more dominant stakeholders will tend to undermine good governance.

An important part of the governance structure will relate to decision-making. At the design stage of the MSI it should be made clear which types of organisations will be included in the decision-making structure. This will lead to related questions including how are the decision-makers chosen? For instance are they elected or nominated?

Most MSIs tend to have an executive board which is able to oversee the day-to-day activities and operation of the MSI. Who decides on the representatives on the board? Will this be based on the constituencies of each of the stakeholder groups or some sort of democratic general assembly?

### 4.2 FINANCING

A successful MSI will need to be well structured with an organisation and management structure established to

oversee management processes, develop policies and implement plans that have been negotiated between stakeholders. Therefore there can be substantial costs associated with the MSI, making it important to establish some sort of financing structure for the initiative.

Ideally it is best to strive for multi-stakeholder financing of a MSI so that no single stakeholder has undue power and influence. Inevitably however, it is normally the case that the private sector will have more resources at their disposal than other stakeholders. But if the MSI becomes over- dependent on corporate funding, it gets harder to remove companies from the initiative if they do not deliver on their commitments. Finding public money or foundation funding is a good balance to private sector financing, if it can be found.

### 4.3 TRANSPARENCY, ACCOUNTABILITY AND REPORTING

Transparency and accountability are the foundations for an effective MSI and will add credibility to the process of engagement. It is important for the MSI to demonstrate through open and honest communications that it is working on finding workable solutions to problems. Accountability requires there to be reporting on activities, progress, outcomes and impacts. This makes it possible for external stakeholders to judge the achievements of the MSI and the validity of its claims.

In some MSIs, there can be tensions between the confidentiality of business information and the transparency of the process. It is unfeasible to expect a company to openly disclose information that can impact on its competitiveness. A balance will need to be achieved between full disclosure of information and allowing businesses to hold back some information





that might mean it will not be acting in the best interests of its shareholders. But as a minimum, MSIs should be entirely transparent about the way they run the initiatives, who manages processes, their codes of conduct and standards, procedures, governance structures and grievance mechanisms.

Smaller and less powerful stakeholders are often not so well informed as their larger counterparts. In some cases, this may be caused by lack of capacity or knowledge, but in many cases, the information that is crucial for judging a situation is 'owned' by a larger stakeholder. Therefore all stakeholders should be committed to transparency and full disclosure of all information required for the effective operation of the MSI.

If an MSI has a secretariat and executive staff, clear reporting procedures should be put in place for the staff to report back to the stakeholders that make up the MSI. This is important in order to cement a connection

between internal staff and stakeholders, avoiding differing expectations and minimising disputes and conflict.

#### 4.4 GRIEVANCES

Grievance mechanisms give the MSI credibility. In cases where MSIs have developed codes of conduct, standards and made promises to beneficiaries, grievance procedures are particularly helpful to allow communities and individuals to address complaints about potential violations. Such mechanisms must be accessible, transparent and run on an independent basis.

Grievance mechanisms should include access to remedies for those who may have been impacted by undelivered promises and failures of standards. There should be a 'whistle-blowing' system and effective monitoring implementation. For grievance mechanisms to be effective, access to information and a transparent, trusted process is important.





## 5. EVALUATING THE EFFECTIVENESS AND IMPACT OF THE MSI

MSIs can often be very successful in bringing stakeholders together, defining challenges, sharing different perspectives and finding effective solutions. But the impact of the MSI for the intended beneficiaries (including improved working conditions, increasing incomes of smallholders, human rights improvements and biodiversity protection) are often not well researched or evaluated. It is important to perform periodic impact assessments of MSIs and in most cases we need more information in order to understand the best way to invest limited resources.

### **Evaluation criteria are likely to include:**

- 1 The ultimate ambition of the MSI and the extent to which initial aims and objectives have been met
- 2 Completeness and coverage of the MSI in terms of both industry and geography
- 3 Transparency and accountability, including ongoing monitoring, disclosure, reporting and verification of outcomes and impacts
- 4 The effectiveness of the economic model chosen to provide benefits (e.g. certification, price premiums, market access, increased incomes for smallholders, productivity enhancements, environmental improvements)
- 5 Ongoing involvement of a wide range of stakeholders and inclusiveness of intended beneficiaries
- 6 Impacts of the MSI with a particular emphasis on changes experienced by beneficiaries and, in particular, vulnerable and marginalised groups
- 7 The extent to which the solutions developed are judged as successful by external stakeholders



## EXAMPLES OF MSIs



### FOREST STEWARDSHIP COUNCIL [fsc.org](http://fsc.org)

The Forest Stewardship Council (FSC) was one of the first multi-stakeholder initiatives to be established. It is an independent organisation with a multi-stakeholder board that has been in operation since 1994, although it began convening four years earlier. It took four years until the principles and criteria for sustainable forestry were decided and the secretariat was founded. The MSI is based around three premises:

#### **Environmentally Appropriate**

Environmentally appropriate forest management ensures that the harvest of

timber and non-timber products maintains the forest's biodiversity, productivity, and ecological processes.

#### **Socially Beneficial**

Socially beneficial forest management helps both local people and society at large to enjoy long term benefits and also provides strong incentives to local people to sustain the forest resources and adhere to long-term management plans.

#### **Economically Viable**

Economically viable forest management means that forest operations are structured and managed so as to be sufficiently profitable, without generating financial profit at the expense of the forest resource, the ecosystem, or affected communities. The tension between the need to generate adequate financial returns and the principles of responsible forest operations can be reduced through efforts to market the full range of forest products and services for their best value.



## EXAMPLES OF MSIs



### MARINE STEWARDSHIP COUNCIL [msc.org](http://msc.org)

The MSC runs an ambitious program, working with partners to transform the world's seafood markets and promote sustainable fishing practices. Its vision is to see the world's oceans teeming with life, and seafood supplies safeguarded for this and future generations. Through a MSI process MSC sets standards for sustainable fishing and seafood traceability, seeking to increase the availability of certified sustainable seafood using a distinctive blue eco-label.

The Marine Stewardship Council was created as a single-stakeholder initiative by Unilever, but it is now a growing MSI involving many different organisations.

Its mission is to use the eco-label and an associated fishery certification programme to contribute to the health of the world's oceans by recognising and rewarding sustainable fishing practices, influencing



the choices people make when buying seafood, and working with a range of stakeholders to transform the seafood market to a sustainable basis.

#### **Key aspects of the MSI include:**

- Collaborating with fishers, retailers, processors, consumers and other stakeholders to drive change
- Setting ambitious environmental standards and remaining independent from any single stakeholder
- Leading the world in wild capture fishery certification, with the most trusted, recognised and credible seafood eco-label.



## EXAMPLES OF MSIs



### ROUNDTABLE ON RESPONSIBLE SOY [responsiblesoy.org](https://responsiblesoy.org)

The aim of this MSI is to encourage current and future soybean to be produced in a responsible manner to reduce social and environmental impacts while maintaining or improving the economic status for the producer.



#### **This is achieved through:**

- The commitment of all stakeholders involved in the value chain of soybean
- The development, implementation and verification of a global standard

#### **The objectives of the MSI are to:**

- Facilitate a global dialogue on soy that is economically viable, socially equitable and environmentally sound
- Reach consensus among key stakeholders and players linked to the soy industry

- Act as a Forum to develop and promote a standard of sustainability for the production, processing, trading and use of soy
- Act as an internationally recognised forum for the monitoring of global soy production in terms of sustainability
- Mobilise diverse sectors interested in participating in the MSI process.



## EXAMPLES OF MSIs



**Ethical Trading Initiative**  
Respect for workers worldwide

### ETHICAL TRADING INITIATIVE [ethicaltrade.org](http://ethicaltrade.org)

The Ethical Trading Initiative (ETI) is an alliance of companies, trade unions and NGOs that promotes respect for workers' rights. Its vision is a world where all workers are free from exploitation and discrimination, and enjoy conditions of freedom, security and equity.

Ethical trade means that a range of stakeholders, including retailers, brands and their suppliers, take responsibility for improving the working conditions of the people who make the products they sell. Most of these workers are employed by supplier companies around the world, many of them based in poor countries where laws designed to protect workers' rights are inadequate or not enforced. Companies involved in the ETI share a commitment to ethical trade, adopting a code of labour practice that they expect all their suppliers to work towards. Such codes address issues such as wages, hours of work, health and safety and the right to join free trade unions.

### **The strategy of the MSI is based on:**

- Promoting good workplaces: Working with stakeholders to support suppliers in building stronger management and human resource systems, and to find ways to facilitate more mature systems of industrial relations
- Payment of living wages: Working with stakeholders to develop tools for assessing what represents a living wage in global supply chains and to find ways to ensure that workers are paid fairly for the work they do
- Integrating ethics in to core business practices: Continuing to encourage companies to work alongside trade unions and NGOs to understand how their own purchasing practices influence workers' lives in their supply chains and to identify and implement core business practices that bring benefits
- Tackling discrimination in the workplace: Working to extend initiatives on discrimination and sexual harassment.



## EXAMPLES OF MSIs



### CLEAN CLOTHES CAMPAIGN [cleanclothes.org](http://cleanclothes.org)

The Clean Clothes Campaign (CCC) is dedicated to improving working conditions and supporting the empowerment of workers in the global garment and sportswear industries. Since 1989, the CCC has worked with a range of stakeholders to help ensure that the fundamental rights of workers are respected. CCC is an alliance of organisations in 16 countries. Members include trade unions and NGOs covering a broad spectrum of perspectives and interests, such as women's rights, consumer advocacy and poverty reduction. It works with a network of more than 200 organisations in garment-producing countries to identify local problems and objectives, and to develop strategies to support workers in achieving their goals.

CCC encourages brand name garment companies and retailers to adopt a code of labour practice that follows the

## Clean Clothes Campaign



standards outlined in the CCC model code, commit to implement these standards throughout the garment production subcontracting chain, and participate in credible, transparent and participatory multi-stakeholder verification initiatives.

It promotes social dialogue and works with a range of stakeholders to get brand name garment companies and retailers to sign international framework agreements to facilitate such dialogue. It works to encourage companies to be transparent about conditions in, and the structure of, their supply networks and regarding actions undertaken to uphold good labour standards.

THIS PAPER WAS BASED ON ENGAGEMENTS WITH A RANGE OF  
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