

Guidelines Briefing Part 6: OECD Guidelines for Multinational Enterprises - Refreshed guidelines could reach potential

Posted by [Oliver Balch](#) [1] on Apr 30, 2010

The OECD guidelines – the first attempt at developing corporate responsibility standards – will benefit from the current process of review

A creation of Europe's post-war reconstruction, the Paris-based Organisation for Economic Co-operation and Development exists to further the goals of market-based economic development. Promoting the right conditions for private sector growth therefore forms one of its central strategic objectives. The OECD's mandate also covers the encouragement of good environmental and social practices.

In this vein, the OECD Guidelines for Multinational Enterprises set out to bolster conditions for responsible capitalism. Dating back to 1976, they were one of the earliest attempts to establish an international standard for global corporate citizenship.

The latest version of the guidelines was published in 2000. This is currently subject to a multistakeholder revision process, the guidelines' sixth revision to date. Terms of reference for the revision were published in March.

The guidelines keep to the OECD's general policy of favouring voluntary action or "soft law". The non-binding criteria cover a range of areas, including employment, human rights, environment, information disclosure, competition and taxation. In essence, companies are called on to obey relevant national and international regulations as well as widely accepted voluntary standards.

Although the subject of the guidelines is multinational enterprises, their primary protagonists are the 30 membership governments of the OECD. The OECD also counts 11 non-member countries that commit to implementing the guidelines.

There is pressure on other governments to join, says Pierre Poret, head of the OECD's investment division. "Adhering governments and the OECD encourage other countries, especially from the large emerging economies, such as China, India, Indonesia and South Africa, to ... eventually join the instrument," he says.

The guidelines stand apart from other corporate responsibility standards in that they are endorsed at a multilateral level. Two other factors also distinguish them, the OECD says: they represent the only global standard that reflects shared government values, and the only standard that national governments pledge to promote.

Responsibility for implementation comes through National Contact Points (NCPs). As their name suggests, their primary role is to promote and enforce the guidelines at the national level. They act as an ombudsman of sorts. In many cases, NCPs are located within government agencies. However, a number have an independent role and comprise representatives from trade unions and civil society.

In the past 10 years, NCPs have considered about 150 cases. Half have been concluded successfully. Recent years have seen an increase in alleged corporate violations of human rights, Poret says, but they remain a minority of cases. Most cases deal with employment and industrial-relations issues.

One recent case instigated under the guidelines saw consumer products company Unilever agree to

draw up permanent contracts for 200 workers at one of its tea factories in Pakistan. The case was brought by the International Union of Foodworkers and was resolved by the NCP in the UK.

Beef up, NCPs!

But similar successful resolutions remain too few, critics say. The OECD's trade union advisory committee (TUAC) is among those calling for the principles governing the NCPs to be beefed up. A mandatory peer review system should also be introduced to ensure these stronger principles are applied, the TUAC argues.

"To date, too few governments have mustered the necessary political will to ensure that the guidelines fulfil their potential. The priority for the OECD's 2010-11 review of the guidelines must be to improve NCP effectiveness," says John Evans, general secretary of the TUAC.

In addition, critics argue for the introduction of punitive measures for companies that refuse to participate with NCPs.

"Consequences for breaches are critical to enhance the authority and credibility of NCPs and to enable them to function more effectively," says campaign group OECD Watch.

Civil society groups are also demanding that the application of the guidelines be broadened, especially with regard to due diligence on human rights impacts. Proposals for a living wage and tackling precarious work feature on campaigners' wishlists, too.

The OECD guidelines' secretariat lacks the necessary resources to properly prepare documents, consult stakeholders and provide participants with updates of necessary information, OECD Watch says. Adhering governments should make voluntary contributions to resolve this.

Another specific amendment suggested by OECD Watch focuses on supply chain disclosure provisions. Multinationals should be obliged to provide greater access to information, the campaign group claims, as well as more transparency in the reporting of profits, tax payments, and other financial information.

For its part, the OECD says it will consider steps to strengthen NCPs as part of the current review. In addition, it will re-examine the guidelines' position on human rights and supply chain issues.

At present, the OECD is experimenting with a risk awareness tool for multinational enterprises in weak governance zones. As part of the implementation phases of the tool, the OECD is developing practical guidance on due diligence for mining companies.

The OECD has a convention on anti-bribery that operates distinctly from the guidelines. The convention was adopted in 1999 and currently has 38 country signatories.

Useful links

OECD: www.oecd.org [2]

Trade Union Advisory Committee: www.tuac.org [3]

OECD Watch: www.oecdwatch.org [4]

Links:

[1] <http://www.ethicalcorp.com/users/oliver-balch>

[2] <http://www.oecd.org>

[3] <http://www.tuac.org>

[4] <http://www.oecdwatch.org>