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Evaluation of Dutch IRBC policy: Cross-country synthesis

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Abbreviations

AGT	Dutch Agreement on Sustainable Garments and Textile
BSCI	Business Social Compliance Initiative
CAPAZ	Cadenas de Paz (Supply Chains of Peace)
CBI	Centre for the Promotion of Imports from Developing Countries
CSR	Corporate Social Responsibility
DGGF	Dutch Good Growth Fund
EPRM	European Partnership for Responsible Minerals
FDOV	Facility for Sustainable Entrepreneurship and Food Security
ICSR	International Corporate Social Responsibility (here used only in reference to the frameworks of selected private sector instruments)
IRBC	International Responsible Business Conduct
IFC	International Finance Corporation
ILO	International Labour Organization
INDUS	Indian-Dutch Sustainability Forum
IOB	Policy and Operations Evaluation Department of the Dutch Ministry of Foreign Affairs
KIT	Royal Tropical Institute
MNE	Multinational Enterprise
MoU	Memorandum of Understanding
NGO	Non-governmental organisation
OECD	Organisation for Economic Co-operation and Development
PSI	Private Sector Investment Programme
RBC	Responsible Business Conduct
RMG	Ready-Made Garments
RVO	Netherlands Enterprise Agency
SWIA	Sector-Wide Impact Assessment of the Mining Sector in Colombia

1. Introduction

This synthesis report forms part of the evaluation of Dutch policy on International Responsible Business Conduct (IRBC)¹ by the Policy and Operations Evaluation Department of the Dutch Ministry of Foreign Affairs (IOB), comprising (i) sector agreements on IRBC, (ii) frameworks for private sector instruments, (iii) Dutch Embassy activities, (iv) international cooperation and legislation, and (v) government procurement policy. These IRBC policy instruments aim to promote responsible business conduct, in accordance with the OECD Guidelines for Multinational Enterprises, in settings where human rights, worker health and safety, and environmental protection are at risk. The evaluation period covers the timeframe of 2012 until 2018.

To verify the results of Dutch IRBC policy instruments on the ground, the IOB evaluation is supported by detailed case studies in four countries conducted by KIT Royal Tropical Institute: Bangladesh, Colombia, Ethiopia and India.

With all four countries the Netherlands maintains comprehensive and increasingly mature economic relationships. While Colombia and India are characterised as ‘trade partners’ by the Dutch Ministry of Foreign Affairs, which implies that the emphasis lies on activities that benefit Dutch companies and employment, Bangladesh and Ethiopia fall under the category of ‘partner countries’ with ‘transitional relationships’. This entails that the Netherlands also runs development programmes aimed at reducing poverty and promoting the priority themes of Dutch development cooperation policy.

Doing business in these four countries is an important component of Dutch activities to promote economic growth and private sector development. However, in all four countries these activities take place in an environment characterised by an array of risks to responsible business conduct, i.e. risks of violations against human, labour and workers’ rights, poor governance and weak rule of law, and environmental degradation, among others. These risks also occur in sectors in which Dutch companies, partially supported by private sector instruments of the Dutch Government, are active – for instance, as producers, traders or buyers. The four countries therefore offer information-rich examples of the implementation of different Dutch IRBC policy instruments and their (expected) effects in sectors where various social, environmental and political risks are prevalent and constitute important bottlenecks to sustainable development. Specifically, the country studies verify the results of Dutch IRBC policy instruments on the ground and explore the strength of causal links between outcomes (changed behaviour of economic actors) and impact (contributions to addressing social, environmental and political risks in these countries).

The purpose of this cross-country synthesis is two-fold:

1. Firstly, it discusses to what extent the different Dutch IRBC policy instruments can be considered effective, based on the findings of the four country studies.
2. Secondly, the cross-country comparison aims to draw joint lessons learned and recommendations derived from the four country studies.

The report proceeds as follows. First, a brief background on the four country studies is provided, including focus sectors and methodology, to facilitate a better understanding of this report (Section 2). Then we analyse and compare the implementation of Dutch Embassy activities (Section 3), private sector instruments (Section 4), sector agreements (Section 5) and international cooperation and legislation (Section 6) across the four countries. Finally, a number of concluding observations are drawn (Section 7) which set the scene for the overarching recommendations for Dutch IRBC policy instruments based on the country studies (Section 8).

¹ The evaluation commenced using the terms International Corporate Social Responsibility (ICSR) and corporate social responsibility (CSR) (according to the Terms of Reference). This has been amended in the final phases of this evaluation, following the lead of IOB, to correspond to the terminology used in the OECD Guidelines. As a result, the terms used now are International Responsible Business Conduct (IRBC) and responsible business conduct (RBC).

2. Background

Country selection

The four countries of Bangladesh, Colombia, Ethiopia and India were selected to maximise the utility of information rather than to achieve representativeness of the (small) sample. The following criteria guided the country selection: (i) countries are important trade and aid partners of the Netherlands, with significant social, environmental and political risks in the supply chain; (ii) countries have relevant economic sectors for which Dutch sector agreements have already been concluded; (iii) countries are important receivers of Dutch private sector instruments; and (iv) countries cover different geographical regions and are in different stages of development.

Country and sector focus

The study in Bangladesh focused on the textile and garment sector, specifically the Ready Made Garment (RMG) sector, with detailed attention to the implementation of Embassy activities, private sector instruments (projects from the Private Sector Investment programme (PSI) and a programme by the Centre for the Promotion of Imports from Developing Countries (CBI)), international cooperation and legislation, and the Dutch Agreement on Sustainable Garments and Textile (AGT).

The Colombia study focused on the mining sector, including empirical investigation into the Coal Covenant, Embassy activities and two specific projects from Dutch funded programmes – the Sector Wide Impact Assessment (SWIA) from the Transition Fund and CAPAZ from the European Partnership for Responsible Mining. In addition, two private sector projects under PSI in the agricultural sector were studied.

The country study in Ethiopia focused on the horticulture/floriculture sectors in view of their importance for Dutch investments and economic activities. The study paid most attention to the implementation of Embassy activities as well as projects from selected private sector instruments (PSI, Dutch Good Growth Fund (DGGF), the Facility for Sustainable Entrepreneurship and Food Security (FDOV) and a programme by CBI). International cooperation and legislation were considered to a lesser extent.

The India country study centred on the three IRBC policy instruments of international cooperation and legislation, Embassy activities and sector agreements, looking at the AGT and the Natural Stone agreement under negotiation.

Evaluation approach

All country studies followed a qualitative, theory-based approach to evaluation to facilitate an in-depth understanding of the workings of Dutch IRBC policy instruments. In the absence of a clear counterfactual, such an evaluation approach was practically feasible and delivered a context-specific understanding of why and how observed results occurred. Moreover, a qualitative approach to evaluation was well suited to build an in-depth understanding of processes of change, and to bring in the perspectives and voices of beneficiaries and stakeholders.

This implies that the country studies did not serve as impact evaluations and rather have an illustrative function. All country studies focused on tracing the Theory of Change of the different policy instruments to identify (existing and potential) linkages between IRBC policy instruments and observable or expected responsible business outcomes at country level.

Each country study drew on desk research and field research in the four countries in the form of semi-structured interviews and (group) discussions with key stakeholders. Interviewees comprised a wide variety of actors, including Dutch Embassy staff, (local) government representatives, international organisations, NGOs, trade unions, business associations, Dutch companies involved in or affected by IRBC policy instruments, and supplier companies of Dutch companies. For the Bangladesh study, 37 interviews were conducted in the country, plus four in the Netherlands (Newton et al., 2019). In Colombia, 54 interviews were held (Quintero et al., 2019). In Ethiopia, 42 interviews and 12 group discussions with (mostly flower) workers were conducted (Bitzer, 2019). For the India study, 36 interviews were held in the country and five in the Netherlands (Danielsen and Bitzer, 2019). This brings

the total number of interviews and group discussions to 192. Field research was conducted in the months of May-September 2018, and desk research from April until September 2018.

3. Dutch Embassy activities

The Dutch Embassies in India, Colombia, Bangladesh and Ethiopia were all found to be active promoters of RBC, particularly in sectors where significant social, environmental and political risks are prevalent and where Dutch trade linkages or Dutch investors are especially pronounced. In Bangladesh and Ethiopia, the Embassies' RBC awareness and activities were notably enhanced after the occurrence of calamitous, highly public events – the collapse of Rana Plaza in Bangladesh and political unrest and farm attacks in Ethiopia – which thus had a catalytic effect on the Embassies' engagement. Overall, the aim to promote responsible business conduct in high risk sectors speaks to a high degree of relevance of the Embassies' activities.

All four Embassies are appreciated for their RBC engagement by relevant stakeholders, including national governments, international organisations and sector organisations. While none of the Embassies had, at the time of research, a fully developed or formalised RBC strategy, all of them have engaged in different activities to promote RBC, fundamentally supported by the Embassies' beneficial linkages with diverse stakeholder groups. The specific activities vary per Embassy and include lobby and advocacy, capacity building, discussion facilitation, (co-)funding of projects and (co-)funding of sector organisations. Most of these activities aim to increase awareness and institutional capacity to recognise and address social, environmental and political risks, targeted at (Dutch) companies, at sector level and at wider stakeholders. All Embassies also recognise RBC as a cross-cutting theme to be promoted across thematic or sectoral focus areas.

Especially the Embassies in Bangladesh and Colombia are considered frontrunner players on RBC. In Bangladesh, the Dutch Embassy has been particularly effective in promoting RBC in the RMG sector by means of adopting a strategic three-legged approach: (i) co-funding of flagship projects by key international stakeholders and the Bangladesh Government aimed at an enabling environment for improved due diligence, particularly around worker safety; (ii) organising agenda-setting events to reach stakeholders and initiate discussions on social, environmental and political risks; and (iii) integration of RBC across the Embassy's sectoral activities. Among others, these activities have strengthened the institutional capacity of Bangladesh organisations responsible for safety and working conditions, have improved companies' behaviour and have contributed to an enabling environment for companies' due diligence. The concrete 'success factors' explaining the effectiveness of Dutch Embassy activities in Bangladesh are presented in Box 1.

Box 1. Critical success factors for Dutch Embassy activities in Bangladesh

- Prioritisation of RBC in the RMG sector through a dedicated budget and team in the Embassy and active use of central funds such as PSD-Apps;
- Strategic analysis on where the Embassy can add value in RBC in select niches not addressed by other donors;
- Holistic approach to RBC combining development, economic and political considerations, also in the activities funded by the delegated aid budget;
- Combination of strategic investments in relevant RMG projects together with 'soft diplomacy' behind the scenes;
- Ability to convene different stakeholders around sensitive issues such as living wages and fair pricing in a non-confrontational manner;
- High degree of contextual alignment and recognition by the Embassy of when and where to put pressure on different RBC issues.
- Cooperation with international actors such as the EU, ILO, IFC and donors for coherence and increased leverage.

In Colombia, the Embassy has played an important role in the implementation of other Dutch IRBC policy instruments, especially the Coal Covenant, and through its continued participation in and funding of multi-stakeholder dialogues in support of the peace efforts in Colombia, which include addressing human rights violations in mining. The Embassy was also a driving force behind bilateral Memoranda of Understanding on Mining and on Environment between the Netherlands and Colombia and the establishment of a bilateral coal working group. It further provided important support to the Colombian National Action Plan on Business and Human Rights.

The RBC engagement of the Dutch Embassies in India and Ethiopia is less comprehensive compared to Bangladesh and Colombia, but also here noteworthy activities can be observed. In India, the Embassy's RBC flagship activity is the "Indian-Dutch Sustainability Forum" (INDUS Forum), aimed at business-to-business matchmaking on sustainable business opportunities. As there is a clear emphasis on the "business case" of solving sustainability and inclusivity challenges, INDUS is an example of RBC that goes beyond prevention, compliance and auditing to also focus on creating positive impact through strengthened business cooperation. It should be added that the focus on the business case has primarily emerged because a risk approach to RBC was met with political resistance or was confused with corporate philanthropy. The Embassy's activities aimed at enhancing awareness and knowledge of Dutch companies on how to address relevant social, environmental and political risks complement the focus of the INDUS Forum.

In Ethiopia, the Dutch Embassy implements a basket of activities which address RBC to different degrees, specifically funding diverse sector/business organisations, lobbying with the Ethiopian Government, and serving as a point of contact for Dutch companies. The most important outcome results from the support to the horticulture sector organisation in terms of building sector-wide capacity on RBC and promoting a voluntary Code of Conduct for horticulture companies.

The analysis of the four countries reveals a number of limitations of Dutch Embassy activities with regard to RBC promotion. Firstly, Embassies struggle with internal capacity constraints which limit both the scope and scale of RBC-related activities. This was particularly observed in the context of Colombia, Ethiopia and India where Embassy staff emphasised the low or even dwindling financial and staff resources for RBC. Given the planned staff cuts, the Embassy in Dhaka also stated this to be a concern for the implementation of RBC-related activities in the near future.

Secondly, Embassies lack concrete guidelines on how to conceptualise and operationalise RBC, leaving it up to individual Embassy staff to interpret the 'what', 'how' and 'why' of RBC at the level of implementation. This hinders a more strategic and coherent approach to RBC, manifest particularly in Ethiopia and India.

Thirdly, Embassies are confronted with conflicting demands which impact on the effectiveness of their RBC activities. Particular tensions were observed between serving the priority of economic growth in the partner countries, driven both by national governments and Dutch economic diplomacy requirements, and addressing social, environmental and political risks. This makes it difficult to put RBC on the agenda and gain support by national actors, especially governments. The limited interest of national actors to promote RBC is particularly, but not exclusively, evident in Ethiopia, where no official authority takes responsibility for introducing or enforcing RBC. Similar low public interest in RBC was noted in India. Furthermore, Dutch Embassy activities are limited by low company demand for RBC advice. Many companies, both Dutch and non-Dutch, claimed that responsible business conduct does not pay off, which would be contradictive with the assumptions of Dutch IRBC policy (Ministry of Foreign Affairs, 2013).

Fourthly, Embassy activities are inevitably limited in scope and scale, which makes it imperative to create coherence with other IRBC policy instruments and other foreign policy instruments, as the country studies for Colombia and Bangladesh demonstrated. In both countries the different Embassy activities are well interconnected with other Dutch IRBC instruments. In Colombia, synergies are created specifically with the Coal Covenant and international cooperation and legislation. In Bangladesh, the Embassy's RBC activities are closely tied to the activities falling under international cooperation and legislation, as can be seen by the leverage created by the preferential tariff treatment under the Everything-But-Arms initiatives and the linkage of efforts to various ILO conferences and the Better

Work Programme.

Finally, Embassies can create important leverage when collaborating with other donors and international partners. The lack of strong collaboration was identified as an important impediment to increased impact in Ethiopia and India. Also for Colombia, the Embassy considered that collaboration with partner countries could be stronger.

4. Private sector instruments

Two main types of private sector instruments were included in the country studies on Bangladesh, Colombia and Ethiopia: first, instruments aimed at private sector development with explicit International Corporate Social Responsibility (ICSR) frameworks (PSI, DGGF, FDOV), mostly for Dutch companies or joint venture operations; and second, programmes/projects aimed at private sector partners from developing countries (CBI, CAPAZ and SWIA). Of the latter type, CBI focuses on private sector development, whereas CAPAZ and SWIA are programmes with the purpose of promoting responsible business conduct.

With regard to *private sector instruments with ICSR frameworks*, the findings of the country studies are limited to the following sample:

- two PSI projects in Bangladesh (textile), two in Ethiopia (floriculture) and two in Colombia (agriculture)
- one FDOV project in Ethiopia (horticulture/agro-industry)
- one DGGF project in Ethiopia (floriculture)

With the exception of FDOV (further detailed below), these private sector instruments mostly address RBC as an ex-ante eligibility criterion and through reporting requirements for participating companies to ensure responsible business conduct according to international standards, such as the OECD MNE Guidelines (2011). Once the projects have started, companies seem to mostly rely on different types of market-based and industry certification to show their compliance with due diligence requirements towards the programme administrators in the Netherlands (RVO). At the same time, certification serves to respond to international market demands, such as supply chain transparency and sustainability.

Across all countries the complaint of RBC being reduced to a 'tick-box' exercise emerged from our findings. Interviewed companies experienced the reporting requirements as burdensome and did not seem to take the requirements as motivation to shed light on their business conduct. Some companies also questioned the context-specific relevance of the reporting requirements. For instance, in the Bangladesh RMG context, the requirement by PSI to increase women employment was considered to have low relevance, as women already constitute the majority of the workforce and other issues, e.g. living wages or freedom of association, are regarded as more important risks to responsible business conduct, but are not prominently addressed.

In the FDOV project in Ethiopia (a partnership for potato chips processing and value chain development), similar standardised reporting requirements were mentioned. However, these seemed to play a less important role, as the project was geared from the start towards the integration of business and development objectives in the core business model. This facilitated a more comprehensive approach towards RBC. According to the involved company and other interviewees, this is owed to FDOV's general setup and its objective to combine private sector development with social or environmental objectives related to food security.

In terms of concrete outcomes of responsible business conduct, the country studies revealed that participating companies focused on improving working conditions by putting in place certain structures (e.g. worker committees) but mostly fell short on ensuring that these structures are functional (e.g. participation and voice to influence working conditions). Thus, 'outcome standards' were strengthened, but 'process rights' by workers remained weak.

It is questionable to what extent observed outcomes of responsible business conduct are a direct result

of the RBC requirements of the investigated private sector instruments, as most companies interviewed indicated that responsible business conduct is primarily motivated by the political context and the threat of market exclusion. This came out particularly strong in Bangladesh, where the Rana Plaza collapse led to international outcry, and in Ethiopia, where recent political unrest and attacks on foreign farms have contributed to increased responsible business conduct by (Dutch) companies. In the Ethiopian context, community engagement has become part and parcel of Dutch, but also domestic, companies' business conduct in order to be perceived as a 'good neighbour' and receive community protection in the event of future conflict.

Intrinsically connected to the question of 'context' are international market demands, as a source of key influence and pressure. For instance, the majority of Ethiopian flower producers export to the European market, where buyers have strict demands on pesticide use and are concerned with health and safety of workers and labour rights that they want suppliers to comply with. Companies producing for those markets have little choice but to conform to buyers' demands. As such, these companies were already taking measures on responsible business conduct before and without the stimulant of Dutch IRBC instruments.

Contrary to the ICSR frameworks of PSI, DGGF and FDOV, *private sector instruments aimed at enhancing exports from developing countries* pursued a different approach, focusing strongly on reaching domestic companies with little prior exposure to RBC and due diligence demands of the EU market. This attributes a high relevance and additionality to these types of capacity building instruments in terms of changing company behaviour.

In the case of the investigated CBI programmes in Bangladesh and Ethiopia, targeted capacity building enabled local companies to develop RBC awareness and RBC policies. Particularly in Bangladesh, this was done successfully by linking responsible business conduct to improved product quality, which in turn increased local suppliers' competitiveness and bargaining power with buyers and brands.

A different angle can be observed in two private sector projects in Colombia, both of which worked to promote responsible business conduct through multi-stakeholder approaches. In the Sector Wide Integrated Assessment (SWIA) project, a multi-stakeholder dialogue was initiated to jointly identify social, environmental and political risks in mining and develop policy recommendations to address them. In the CAPAZ project small-scale mining operations, often part of the informal sector, were assisted with formalised due diligence processes to make them compliant with international standards.

Thus, both projects promoted sector-wide dialogue at a pre-competitive level for risk identification and due diligence compliance in the mining sector. This has considerable potential for 'scaling' and creating a level playing field. However, it should be noted that both projects relied on joint funding from other donor countries, which make them difficult to compare to other private sector instruments.

5. Sector agreements on IRBC

The country studies paid attention to three sector agreements on IRBC: the Dutch Agreement on Sustainable Garments and Textile (AGT) (Bangladesh and India), the Coal Covenant (Colombia) and the Natural Stones agreement under negotiation (India). Due to the different nature of the three sector agreements and their different status of development and implementation, respectively, only few comparative observations can be made.

A first insight is that all sector agreements have high relevance, as they each address sectors in which the Netherlands and Dutch companies hold an important position as importers and where significant social, environmental and political risks are prevalent.

Thus far, concrete results can only be observed for the Coal Covenant in Colombia as the only sector agreement with completed activities on the ground at the time of the research. Coal mining companies confirmed that they have implemented due diligence and site assessment requests by Dutch coal buying companies that participate in the Coal Covenant (although these requests were made under the

Bettercoal instrument). Moreover, the Dutch Government, both centrally organised and through the Embassy in Bogota, has performed various activities to respond to its commitments under the Coal Covenant, including supporting the Colombian Government in implementing the Voluntary Principles on Security and Human Rights. Thus, the Coal Covenant has responded closely to the needs of the sector and the country, and has positively influenced the coal buyers' behaviour around RBC. The Coal Covenant's activities are also coherent vis-à-vis other policy instruments, especially as the Dutch Embassy has led most of the activities reported in the Covenant reports. This makes the Coal Covenant an effective and complementary IRBC policy instrument in Colombia.

For the AGT and Natural Stones agreement it is too soon to assess their outcomes.² This report therefore limits itself to a few observations made in Bangladesh and India with respect to company activities, multi-stakeholder activities and Dutch government activities.

First, pertaining to companies' activities, the AGT's strategic value in having a direct entry point with brands in the Netherlands was recognised in view of the some of the issues pushed by the AGT and the RBC issues in Bangladesh and India. This concerns particularly the AGT's emphasis on more sustainable buying and sourcing practices and transparency in value chains. While some signatory companies may already comply with many of the AGT's requirements, interviews with supplier companies highlighted the importance of increasing supply chain transparency and investing into longer-term buying relationships, also for non-frontrunner companies. This holds potential for concrete gains for and behaviour change at supplier companies, who thus far were unaware of the AGT, but were also anxious in view of potentially new requirements imposed by signatory companies. This speaks to the relevance of the AGT's support for the development and use of one universal audit method to assess social and labour conditions in global supply chains (as a signatory to the 'Social and Labor Convergence Program').

Second, with regard to the AGT's collective projects (which, in the case of India and Bangladesh, had not yet started at the time of the research), the India study testified to the high relevance of the proposed project activity, as it addresses an RBC issues that has received limited attention by other initiatives, i.e. inadequate access to remedy. This reinforces the salience of a country-specific approach and of (enhanced) coordination and alignment with ongoing activities on responsible business conduct, which also came out strongly from the findings in Bangladesh.

Finally, coordination of the AGT with other Dutch IRBC policy instruments and specially activities of the Dutch Embassies was found to leave room for improvement. Embassy stakeholders in Bangladesh, in particular, expressed concern about the limited coordination with the AGT Secretariat and other Bangladesh responsible business conduct initiatives. The issue of how to address the issue of living wages is a prime example of how limited coordination between different approaches and initiatives, including the AGT, can cause tensions with the Government of Bangladesh and can de-stabilise the existing relationships developed by the Embassy with the Government and industry stakeholders around other RBC issues.

Regarding the Natural Stone agreement, the India study suggests high relevance of this agreement and of its pilot project, as companies' RBC practices and awareness of international standards, e.g. the OECD Guidelines, are still in their infancy in the natural stone sector. This also indicates the potential for impact on the ground once implementation of the agreement and pilot project start. However, it should also be noted that neither the Natural Stones agreement nor the natural stone sector itself were on the radar of the Dutch Embassy in Delhi. This was not unexpected since the agreement was still under negotiation, yet may also constitute a missed opportunity to create early alignment of the agreement with other Dutch IRBC instruments in India and ongoing RBC efforts in the natural stone sector.

² It should also be noted that the current evaluation is not designed as an effectiveness evaluation, scheduled to take place at a later stage.

6. International cooperation and legislation

Both bilateral and multilateral activities were included in the country studies, provided that they aim to promote changes in law and enforcement, with the objective of creating an enabling environment for responsible business conduct in developing countries or establishing a level playing field for multinational companies from other OECD countries.

In general, the country studies documented highly mixed results from the instrument of international cooperation and legislation. For instance, the Ethiopia country study did not observe any concrete results from this policy instrument, whereas in Bangladesh, much of the Embassy's successful engagement and promotion of RBC in the RMG sector is grounded in coordination and cooperation with other donors, development partners and international initiatives. In India, some positive outcomes of international cooperation and legislation were documented, but also a number of activities which have not (yet) yielded significant results. In Colombia, most activities falling under the instrument of international cooperation and legislation were led by the Dutch Embassy and were analysed as such (see section 3 of this report).

Especially the scope of multilateral engagement seems to be crucial in explaining the observed differences in results of this IRBC policy instrument. The example of Bangladesh illustrates very well the potential outcomes of building multilateral coalitions of interest and thereby influencing sector-level progress. Here the Dutch Embassy not only actively participated in and facilitated agenda-setting events. It also initiated and co-funded strategic projects to be implemented with international partners such as the ILO RMG and Better Work projects, the IFC-led Partnership for Cleaner Textile and the occupational health insurance programme with Germany and the Bangladesh Accord, which together have created a complementary approach to advancing responsible business conduct in the RMG sector. The Embassy's role as a RBC facilitator has also enhanced the Netherlands' legitimacy with the Government of Bangladesh in broader and sensitive RBC-related discussions, such as on fair wages.

In the other three countries, the Netherlands' multilateral engagement was found to be less extensive compared to Bangladesh. In Colombia, the Dutch Embassy has supported the national government in implementing the Voluntary Principles on Security and Human Rights together with other embassies. This was noted as a positive achievement. At the same time, considerable scope to upscale multilateral engagement was identified to ensure that RBC standards are met by both the Colombian Government and private companies.

In India, the Embassy has established contacts with international organisations like ILO and the United Nations Industrial Development Organization as well as with embassies from like-minded countries, such as Sweden. The network is used to discuss RBC activities and approaches, and identify new joint opportunities. This is considered helpful in expanding the scope of the Embassy's current focus on business-to-business based CSR engagement through the INDUS Forum. Yet, contact with these stakeholders is still marginal and often informal. Opportunities lie in investing in collaboration with these stakeholders in the near future. Nevertheless, some efforts to intensify contact with these stakeholders have already been made.

In Ethiopia, significant cooperation of the Netherlands and the Dutch Embassy, specifically, with European and other donors or development partners could not be observed, although the country study identified potential to do so, particularly around the topic of living wages.

Formalised bilateral engagement, by contrast, does not seem to yield many concrete outcomes on responsible business conduct. For instance, in Colombia, Ethiopia and India, the Netherlands has signed bilateral Memoranda of Understandings which deal with RBC promotion, sometimes very prominently (in India and Colombia) and other times more indirectly (Ethiopia). However, these MoUs seem to lack follow up and/or are limited by the disengagement of the partner governments. This can be observed in Ethiopia, where the MoU on economic cooperation entails reference to responsible business conduct but where official government bodies seem to take little interest in this topic. Backdoor lobbying activities of the Netherlands towards the Ethiopian Government have similarly had little consequential outcomes thus far. In India, initial results of the MoU on Corporate Governance and Corporate Social Responsibility were more promising in that a bilateral working group with the Indian

Ministry of Corporate Affairs was established to facilitate knowledge sharing. However, in recent years the space for a dialogue on responsible business conduct with the Indian Government has decreased. This is primarily a consequence of the aversion of the Indian Government to foreign interference in internal affairs, with sensitive social, environmental or political risks constituting a 'no go' area, but it is also due to different understandings of RBC. As a result, the MoU can be characterised as dormant. Similarly, the signed MoU with Colombia is supposed to advance the implementation of RBC in mining, but its further implementation hinges on action by the working group on responsible mining established by the MoU.

Another factor explaining the effectiveness of international cooperation and legislation can be found in the degree of coherence with other IRBC policy instruments. Specifically in Bangladesh and Colombia, this instrument fully coordinated with, and even part and parcel of, the Dutch Embassy's RBC activities. For India and Ethiopia, a disconnect with other IRBC policy instruments was observed.

Finally, economic interests of the Netherlands and partner countries influence the effectiveness of international cooperation and legislation, irrespective of expressed ambitions to address RBC. For instance, in Ethiopia, the importance of Dutch investments, from both a Dutch and an Ethiopian perspective to further economic growth, seems to overshadow discussions on responsible business conduct. While imperatives of economic growth also impact on other IRBC policy instruments, as mentioned in Section 3 on Dutch Embassy activities, they are particularly prevalent at (recipients') government-level discussions and actions.

7. Conclusion

Within the scope of the four country studies conducted, a number of concluding cross-case observations can be made:

- 1. Dutch IRBC policy is clearly relevant:** The four country studies have shown the relevance of Dutch IRBC policy, as it unfolds in countries characterised by an array of serious social, environmental and political risks which also affect and are affected by, directly or indirectly, Dutch companies and foreign companies active on the Dutch market. These countries struggle with weak or inadequate local legislation or, in other cases, have few incentives, leverage or desire by themselves to restrain the behaviour of multinational companies and their domestic suppliers. Grounded in difficult market conditions and international competition, countries may even condone social or environmental risks for the sake of fostering economic growth, short-term competitive advantage and private sector development. This reiterates the importance of Dutch IRBC policy to continue investing in improving business practices abroad, particularly in developing countries, in order to protect human rights and other principles of the OECD Guidelines.
- 2. Embassies are adequate channels to effectively to implement Dutch IRBC policy on the ground:** All four country studies have emphasised the value of Dutch Embassy activities for RBC promotion, directed at Dutch and domestic companies active in those markets and improving the enabling environment. While the level of engagement and effectiveness varies between the countries, well-equipped Embassies clearly emerge as necessary and adequate channels to effectively implement Dutch IRBC policy abroad. All four Embassies have implemented various activities on CSR and are recognised by host country governments and various other stakeholders as frontrunners in this regard. Especially noteworthy is the role of the Dutch Embassy in Bangladesh in supporting an enabling environment for responsible business conduct in the RMG sector. At the same time, the exceptional circumstances in terms of the opportunity and leverage created by the Rana Plaza tragedy should be recognised, along with the extreme dependence of Bangladesh on the RMG sector and the heavy presence of Dutch buyers. The Netherlands and the Embassy have seized this opportunity, yet it may be difficult to replicate it in other countries. With regard to replication, the approach of the Dutch Embassy in India is worth highlighting, as it showcases an approach to RBC which focuses on creating positive impact through business collaboration (see also Point 9 further below).

- 3. Connecting IRBC policy instruments with local RBC needs is most effective:** The effectiveness of Embassy activities is grounded in the ability of Dutch Embassies to pursue a contextual – hence relevant, responsive and bottom-up – approach to responsible business conduct. By contrast, criticism arose with regard to the ICSR frameworks of the investigated private sector instruments for not addressing the most relevant social, environmental or political risks in their respective sectors. Thus, context-specific relevance and effectiveness emerges most clearly through a differentiated approach which, within the broader framework of international standards such as the OECD Guidelines, is able to guide company behaviour in a way that responds to their specific challenges.
- 4. Country-level impact is enhanced by alignment and coordination between different IRBC policy instruments:** This was most evident in Colombia and Bangladesh, where the country study revealed that the different Dutch IRBC policy instruments investigated were closely interwoven and thereby reinforced each other (alignment). For instance, the Dutch Embassy in Colombia and specific private sector instruments (SWIA and CAPAZ) have played an important role in different activities under the Coal Covenant. The coordination of policy instruments contributed to improvements at various levels in Colombia: at individual companies (improvements in due diligence), at sector level (creation and consolidation of spaces for multi-stakeholder dialogue) and at national government level (increased awareness and policy responses). Coordination with other foreign policy instruments is also important, including economic diplomacy and development policy, as these impact on, both positively and negatively, RBC promotion at country level.
- 5. Dutch IRBC policy alignment and coordination with European and international partners holds considerable potential for leveraging/enhancing impact:** The example of Bangladesh illustrates the importance of EU and multilateral engagement for synergy and to create stronger leverage (both positive and negative incentives) towards partner country governments – or other actors – and improve responsible business conduct at a sector level. In the other three countries, EU and multilateral coordination for promoting responsible business conduct was not as pronounced (India, Colombia) or relatively weakly developed (Ethiopia), and constitutes an important opportunity for further progress. This is particularly the case seeing the limitations of bilateral engagement. One of the assumptions of Dutch IRBC policy seems to be that the Netherlands has the ability to influence the agendas of partner country governments. However, the country studies have brought to light that this assumption does not always hold. This was most evident in India. At the same time, even when the Netherlands holds a relative position of political, economic or diplomatic power, such as in Ethiopia, overcoming the perceived trade-off between imperatives of economic growth and responsible business conduct is challenging. Counterparts in developing countries do not seem to be convinced of the policy slogan that responsible business conduct pays off.
- 6. Conflicting short-term commercial demands between Dutch economic diplomacy and IRBC policy instruments hinder progress:** The example of Ethiopia illustrates this dilemma particularly well. While the economic weight of Dutch investors and the important trade relationships between Ethiopia and the Netherlands offer a considerable degree of leverage for Dutch IRBC policy, linked to the outreach to Dutch companies, much of this potential leverage remains unused. This is because Dutch IRBC policy struggles to align with other policy objectives, including the desire to promote (Dutch) investments and ensuring that Dutch companies are not placed at competitive disadvantage vis-à-vis other companies.
- 7. Gender does not yet feature prominently in Dutch IRBC policy instruments:** Many of the social (and environmental) risks in the sectors studied disproportionately affect women. This was observed for textile and garments, natural stones and flower production, where women constitute not only the majority of the workforce, but also the least protected segment. Exposure to exploitative working conditions, workers' rights violations and potentially even sexual harassment seems to be widespread and structurally conditioned. However, none of the investigated policy instruments had a particular approach to recognising and addressing gendered risks. While also not part of the OECD MNE Guidelines (2011), the OECD's due diligence guidance for responsible business conduct (2018) elaborates how companies can identify how potential CSR risks may be different

for, or specific to, women. This should be considered and promoted by Dutch IRBC policy instruments.

- 8. IRBC policy instruments are not the primary motivators for responsible business conduct:** All companies – both Dutch and domestic – contacted in the context of the four country studies indicated that their business conduct is primarily driven by global market demands and concerns related to local embeddedness and long-term relations with suppliers or joint-venture partners. However, policy can be an important enabler of responsible business conduct, as private sector programmes and long-term engagement with domestic companies in Ethiopia, Bangladesh and Colombia have shown.
- 9. The business case for responsible business conduct for suppliers remains unclear:** A common challenge across IRBC policy instruments was their inability to address the business case for responsible business conduct, with the exception of the INDUS Forum which aims to approach this challenge through business-to-business collaboration. Yet, the initiative leaves room for improvement, as Forum members have engaged predominantly on challenges and solutions related to environmental sustainability (e.g. finding sustainability opportunities that may lower production cost), whereas members' due diligence practices are implicitly assumed and not monitored. Apart from the example of the INDUS Forum, the question of how the costs and benefits of RBC are distributed remains problematic. Especially in Bangladesh and India, (textile) supplier companies bemoaned the lack of support from buyers/brands to cover the costs of RBC and lack of change in buying practices which are a major source of pressure on working conditions. While sector agreements and (some) private sector instruments are based on the assumption that Dutch companies can push for RBC with their suppliers, this does not (necessarily) hold where the costs of switching buyers or suppliers are low, such as in the global textile and garment sector. If supply chain relationships are at arm's length, the integration of RBC, including due diligence, does not simply spill over from buyers to suppliers (or vice versa). This suggests that improvements in social compliance in global supply chains will not be secured unless RBC leads to clear financial benefits or reciprocal arrangements with buyer companies covering at least part of the higher financial costs of RBC and compliance processes. Thus, responsible business conduct is linked to a fairer distribution of costs, benefits and value addition in supply chains.

8. Recommendations

The findings of the four country studies give rise to the following recommendations for the further development and implementation of Dutch IRBC policy instruments:

1. As **Embassies** have appeared to be necessary and adequate channels to effectively implement IRBC policy, we recommend to **further strengthen their involvement and engagement**. Pro-active Embassies have shown the capacity to play a frontrunner role that is valued by diverse local actors, ranging from national government to individual companies and civil society. It is important that RBC ambitions are more contextualised and that their relevance for local companies and stakeholders is enhanced. **Bottom-up approaches to RBC have proven to be most effective** and hence need higher prioritisation over foreign RBC standards. In particular, we recommend that **Embassies develop targeted RBC strategies** based on a comprehensive Theory of Change, with specified objectives, implementation activities and underlying assumptions. The multi-annual country strategies, which are supposed to go beyond the previous multi-annual strategy plans of Embassies (MASPs), offer a unique opportunity to further strengthen Dutch IRBC activities, their coordination and their alignment with national policies. There is a need for long-term engagement for which Embassies should be equipped in terms of staff capacity and flexible funds, either a delegated budget or central funds, to draw upon.
2. Embassies are particularly well positioned to **pursue a variety of activities which directly and indirectly influence Dutch companies**. Directly this comes to the fore in terms of a more coordinated outreach in the economic diplomacy efforts towards Dutch investors/traders especially

in sectors with potential leverage and spill-overs. Indirectly this manifests through interventions that target other industry actors, such as domestic companies and industry associations (also in order to establish a level playing field), and interventions for an enabling environment (e.g. joint initiatives with other donors, EU partners and international organisations) to increase standards and build institutional capacity in the partner countries. It is also recommended to **involve Embassies in priority countries in the development of central IRBC policies** in The Hague. Again, this needs to be tied to making available the required resources.

3. **More alignment between Dutch Embassies and other donors is needed** to avoid that national governments and local actors are confronted with an array of RBC promotion activities. It also holds significant potential for creating enhanced leverage vis-à-vis national governments, where needed. In particular, alignment and coordination through multilateral engagement is required to enhance the local enabling environment and create a level playing field for companies.
4. We observed considerable uncertainty on the concept of responsible business conduct and what it precisely entails, by various stakeholders including Dutch Embassy staff. This hampers coordination between actors and reduces the effectiveness of RBC instruments. **We therefore recommend that more uniformity of RBC definition, understanding and reporting is pursued across Dutch IRBC policy instruments**, in interaction with local actors and Dutch companies.
5. **More attention to gender equality concerns and in particular the needs and rights of women workers is needed**, as many social or environmental risks disproportionately affect their wellbeing. The observed weak incorporation of gender concerns in Dutch IRBC instruments, when compared to the risks that women workers are exposed to, reduces policy effectiveness and relevance, and much can be done to improve this. This requires, amongst others, comprehensive gender awareness across all Dutch IRBC instruments, more involvement of women workers' representatives in fora where responsible business conduct is being discussed, and better monitoring of activities to understand how gender dimensions of social (or environmental) risks are being addressed.
6. Risks of investing public resources or economic diplomacy efforts in companies that violate workers' rights or harm the environment must be avoided at all cost. As such, **Dutch private sector instruments should maintain or even further enforce OECD Guidelines for recipient companies**. This corresponds to a continuation of the current policy of the Dutch government of promoting 'do no harm' and proper due diligence. At the same time, companies and other stakeholders in the four case study countries were often critical of the value and additionality of ICSR frameworks of the investigated private sector instruments. This can be improved by providing affected companies with clearer guidance on the meaning and purpose of responsible business conduct in the context of both the explicit purpose of the instrument and the risks faced by the host country. A core component of this guidance should be a detailed gender analysis of social, environmental and political risks, supported by a clear gender strategy to address risks. Rather than accepting RBC requirements to become a tick-box exercise, private sector instruments should encourage businesses to reflect on how they create value, whether their business models are consistent with Dutch and international ethics and values, and how value is distributed along the different actors of the supply value chain and shared in the context of communities.
7. If private sector instruments aim to deliver higher standards of RBC and improve the level playing field of multinational companies, we recommend a **specific focus on local (domestic) companies** that are suppliers to Dutch companies. These companies should be supported with capacity building and **investments in RBC measures considered of relevance and priority**. As such, local companies are enabled to make progress on improving workers' conditions, thus enhancing their competitiveness and alignment with international standards.
8. The Dutch sector agreements on IRBC are not yet well understood locally, which can be explained by their relatively short existence, the dominance of developing procedures in the Netherlands and with Dutch(-based) companies, and the lack of outreach activities under the agreements (with the important exception of the Coal Covenant). **We recommend** that more 'socialization' promotion effort is being done, but even more importantly, **that the agreements are better 'translated' to**

adapt to local RBC priorities. On the one hand, this ensure local relevance of companies' RBC activities. While the due diligence processes demanded by the sector agreements should guide companies to prioritise risk based on severity, identifying and mapping context-specific RBC priorities can ascertain that social, environmental and political risks are approached from two angles. On the other hand, creating local awareness of the sector agreements helps local stakeholders to better understand the demands placed on them by buying companies. Embassies can play a valuable role in this process. The sector agreements will only deliver on their expectations if they impact along global supply chains. Tensions between Dutch RBC and local priorities should be avoided by building trust and confidence in the fairness and balanced approach of the sector agreements. Within the broad intentions agreed upon by signatories of the sector agreements, **emphasis must now shift towards a more bottom up process**, including local stakeholder consultation during due diligence processes. This serves to deepen companies' understanding of local workers' conditions and RBC issues, make local voices heard, reinforce civil society organisation, invest in local company RBC measures and translate local progress on RBC to international standards.

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