

First of all, I would like to welcome our entrepreneurs from developing and emerging-market countries. Many of you have not spared the long distance, may it be from Brazil, Côte d'Ivoire, Egypt, Ghana, Kenya, Mozambique, Nicaragua or Peru.

I would also like to thank the representatives of companies from Germany, who have invested in our partner countries and whose activities encompass Africa, Asia, Latin America and Eastern Europe.

We are also happy to welcome representatives from the German federal ministries, development institutions and from German economy and trade. With this circle we feel we have joined a competent forum for a subject matter of particular importance.

- **New DEG building**

Besides this subject, however, we are also delighted to welcome you to DEG's new building which we have recently moved into. After the official inauguration last Friday we are today celebrating the international inauguration of our head office together with you. After long decades we have returned to the centre of our hometown Cologne, to a location which hosted the most important trading centre of the city already during the Middle Ages. With this step we are first and foremost joining our staff which had before been spread over three locations. As with our project financings, our new building excels by highest environmental standards and therefore achieves significantly better values than comparable buildings. At the same time, however, the architecture is to symbolise our basic values such as cosmopolitanism and transparency, reliability, identity and progress.

- **Finance-sector crisis**

It is particularly in this very difficult situation of the global economy that this new building also emphasises that we look into the future and wish to meet the existing challenges in an active manner. For at least two years we had been expecting a crisis in the finance sector or in the real-estate sector, as there used to be too much liquidity in the market and, moreover, too many segments which were overheated by speculation. Even though we discussed this topic very frequently inside the company and at our Supervisory Board meetings, the event then happened at a surprising point in time – as is frequently the case – and particularly with a vehemence and depth which we had not expected. Unlike the crisis of recent years and despite the growing strength of developing and emerging-market countries, we are facing a crisis of global dimension which will not leave any country unaffected and which, after the disastrous effects on quite a number of financial markets, will more and more hit the real economy as well. As far as the latter point is concerned, the boundaries can currently not even be fathomed. What can generally be assessed positively is the international crisis management so far. Certainly the individual countries focused on their own interests, but each player in the global economy recognised quite fast that a solution could only be found by means of regional and global agreements. We are still in the middle of this process and I do hope it will be managed to counteract the foreseeable effects on the real economy as it was managed in the finance sector – if possible, even earlier. We are all well aware that, emanating from the industrialised countries, it is mainly the poorest strata of the population in our partner countries which will suffer the hardest. This is why it is our task as development finance institutions to continue to support our partners and not leave them on their own in times of crises. We will certainly be in particular demand concerning new investments in the future as well. However, it will need a well-balanced analysis on the right time as it is only projects with long-term success which make a genuine contribution to development.

- **Brief outline of today's programme**

This morning:

- 10:30 hrs: keynote speaker, Mr Abouleish, Chairman of SEKEM Group, on the experience made with CSR activities in Egypt, with subsequent discussion,
- 12:00 hrs: introduction of a CSR company which a DEG evaluation assessed as "best practice":
- the equity financier Industrial Promotion Services Kenya - a subsidiary of Aga Khan Group, which is active in sub-Saharan Africa.
- and the presentation of a CSR net worker in Nicaragua.

After the lunch snack, the programme will continue as follows:

- from 14:15 hrs onwards: five parallel workshops on DEG customers who serve as positive examples to facilitate discussion and exchange of views on CSR activities in developing countries.
- After the discussion, the results will be presented to the plenum.

Our symposium will be concluded with the closing address by State Secretary Mr Stather.

Afterwards, we would like to invite you to a get-together with a joint dinner here at DEG.

- **The topic of our symposium: Act responsibly – why CSR pays off**

The number of companies that make social responsibility and voluntary commitment an integral part of their strategy is steadily growing. Out of thirty German DAX enterprises, 29 corporations have established a CSR department. In Germany, CSR activities go far beyond the mere compliance with environmental and social standards.

Within the scope of a DEG evaluation, which was carried out by independent experts, we found that several companies among DEG's customers in developing countries realise a broad spectrum of impressive CSR activities on a voluntary basis. To mention some examples:

- the compliance with strict World Bank environmental standards, so-called IFC performance standards,
- the compliance with social standards - among them the Core Labour Standards of the International Labour Organization,
- on top of this, the construction/operation of dispensaries and schools or the realisation of measures to prevent HIV/Aids.

- **Corporate Social Responsibility – a word with many interpretations.**

CSR is not without controversy. There are a lot of discussions using completely different definitions and interpretations.

As far as DEG is concerned, we have followed the interpretation of ISO 26000 – the worldwide recognised "ethic standards" of the International Standards Organisation. ISO 26000 is a future guideline which is currently being worked out by experts from 54 countries.

ISO 26000 covers seven core subjects which companies should consider with respect to their CSR activities:

1. transparent corporate governance,
2. adherence to human rights,
3. good labour practices,
4. consideration of environment and climate protection,
5. fair competition and fight against corruption,
6. consideration of consumer issues,
7. social and economic development of the community.

The latter point – the acceptance of social responsibility – includes for instance voluntary benefits for the staff and for the population living in the vicinity of the CSR companies. In this context, ISO also addresses contributions to set up economic and social infrastructure as well as tax payments to help governments fulfil their public tasks.

- **Evaluation of the DEG customers using the CSR Rating**

DEG was founded to promote developing countries by financing private-sector investments. To us, development particularly implies that the companies we work with commit themselves to their responsibility to society and that they do more than they have to within their possibilities. This same applies to DEG. Even if our statutes confine our non-profit activities to developing and emerging-market countries, we do not forget about the social problems in our own country. As a symbolic bridging, we support a non-government organisation which looks after homeless young people in Cologne.

We inevitably consider it of special importance whether companies cope with their responsibility especially in developing countries. Or is CSR in effect nothing more than a marketing tool used by companies to improve their image?

Compliance with environmental and social standards is an integral part of any due diligence of financing projects. Moreover, further developmental effects such as job creation, tax contributions and especially voluntary corporate social benefits are also part of any due diligence. Our internal corporate-policy project rating – or GPR – which has become a European standard among ten development finance institutions, evaluates both economic and developmental criteria of projects.

Do the companies financed by DEG also live up to the expectations related to CSR? Are there best-practice examples? This question was looked into by independent experts this summer. On the basis of ISO 26000, a rating for development finance institutions was developed for the first time to evaluate the social responsibility of companies. This CSR Rating checked the seven core subjects mentioned before with the help of 35 individual criteria. What is new is the transparent evaluation, a standardisation according to ISO guidelines and an assessment using school grades.

- **Results of the evaluation study**

Sixteen DEG partner companies in Africa, Asia, Latin America and Eastern Europe were evaluated. These companies had been identified on the basis of the internal GPR assessments as companies with specific social benefits. But do they also fulfil the ISO “ethic standard”?

The CSR evaluation confirmed the “best-practice” score for three companies, which thus exceeded CSR issues. Ten examples were assessed as good practice, or “CSR issues fulfilled” and three as acceptable practice, or “CSR issues mostly fulfilled”.

While it goes without saying that all these additional measures involve costs, the companies demonstrate that it pays off for both society and companies to comply with high environmental and social standards and to realise comprehensive social benefits combined with social commitment.

In this context, a considerable spectrum of social benefits of the CSR companies was identified:

- Contributions to set up an economic infrastructure, such as construction of bridges and roads or securing energy supply,
- comprehensive support of social infrastructure: construction of elementary schools, dispensaries, orphanages, mosques and churches, securing of local water supply, furthermore, above-average wages, holiday and education allowance, accident and life insurances, free accommodation, housing loans, free transport from and to work,

- HIV/Aids-preventing measures and attendance for HIV/Aids victims (especially in Africa),
- however, also tax payments of the companies: with their tax payments, the companies not only make a statutory contribution to the financing of joint tasks but also live up to their social responsibility.

The motifs for CSR are manifold: first of all, employee motivation is boosted and staff fluctuation reduced, but CSR is often also part of a corporate strategy or the self-commitment of a local or German entrepreneur.

- **CSR and financial crisis**

The recent figures on poverty in the world have shown that, despite all progress, it is still around 900 million people who have to cope with an income of less than one US-dollar a day. If this basic value is increased to one dollar 25 cents, the number of poor immediately jumps to 1.4 billion people. On top of this, the Gini coefficient demonstrates a generally more unbalanced distribution of wealth in many countries.

Against the background of the financial crisis this means that we should not make the same mistakes which were made in the international economic policy, where countermeasures were taken too late and then burdened society with high costs which might have been avoided, had they been taken earlier.

We therefore have to counteract the expected adverse effects on the social systems in our partner countries. Certainly, this is – and has to be – the inherent task of the governments. However, it is particularly when times in our partner countries get rough – and, unfortunately, in some cases this appears to be a permanent situation – that society and here especially private enterprise have a moral duty to help and support within the scope of their possibilities. As we have seen, this is actually also in our own interest. As a matter of fact, the scope of voluntary complementary measures always depends on the financial standing of the companies. But small amounts may also have important multiplier effects.

It is especially in times of the financial crisis that the question arises whether companies also realise CSR when times get rough.

The evaluated DEG partner companies have been active in very volatile markets for years – including in times of crisis – and have shown actively CSR concepts there. Socially responsible corporate management is not just a fair-weather topic: it is particularly in difficult times that such activities have a specific importance for both staff and society and secure the sustainable success.

- **CSR support by DEG**

The cooperation offers many possibilities to boost higher environmental and social standards and voluntary CSR activities. DEG finances investments which aim at achieving strict environmental standards. Moreover, technical assistance is offered, partly financed by the Federal Ministry for Economic Cooperation and Development through the Public-Private Partnership Programme or by DEG's own funds from our annual profit. Such technical assistance may concern activities aimed at HIV/Aids prevention which are far beyond the company's own requirements.

- **Final comments**

The evaluation shows that environmental and social standards combined with voluntary social benefits, jobs created for the long term and tax payments are the elements of successful CSR.

In many developing countries, governments are unable to meet all expectations they face. It is here that CSR gains importance, where companies – within the scope of their possibilities - make a contribution to the sustainable development of the society.

In a nutshell: CSR can be a strategic competitive advantage, especially in developing and emerging-market countries. Sustainable corporate success can eventually only be achieved in countries where growth and progress is also to the benefit of the general public. It is this approach that our successful partner companies stand for and we are going to present them at today's conference.

Thank you for your attention.

Bridge passage by moderator: Presentation by SEKEM