



STATE of KNOWLEDGE

Corporate Social Responsibility in Mekong Hydropower Development

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What is corporate social responsibility?

There are definitions of corporate responsibility and then there are positions. The positions range from enthusiastic advocates for to zealous critics of. In this evolving arena, all positions have points worth considering. Ultimately, CSR is an ideal. CSR represents "...a type of longer-term pragmatic and visionary thinking", but it could also become "a diversion from the real issues of law reform and multilevel political and social development" (Kemp, 2001).

An evolving concept

Theory and practice within the field of corporate social responsibility (CSR) continues to evolve. In the 1970s and 1980s, it focused on philanthropy (Cochran, 2007), business ethics, and corporate citizenship, developing into the triple bottom line concept more commonly known today (Nehme and Wee, 2008; Robins, 2005). The triple bottom line approach identifies three Ps: profit, people, and planet, and advocates that businesses measure their impacts on society and the environment (The Economist, 2009). The 2000s saw renewed interest in sustainable development in the private sector and a shift in terminology from CSR to corporate sustainability that built on the foundation of CSR, but added an increased emphasis on governance and long-term strategic planning (Carroll and Shabana, 2010).

Although there are multiple components to CSR (e.g. human resources, external relations, marketing, risk management, financing, and ethical and legal obligations), the business case can be boiled down to a company's need to generate profit and ensure access to financing and capital. CSR contributes to those needs through the promotion of good corporate governance and risk management (LRQA and CSR Asia, 2010). In developed countries, firms with solid CSR prac-

tices are better able to attract and retain employees, maintain good relationships with the government (which can help the firm to influence public policy or new regulations) and are viewed as more transparent and trustworthy by the public (Cochran, 2007). Good CSR policies and practices, according to its advocates, give companies a competitive advantage, helps them better manage their social and environmental risks, helps maintain access to financing from socially responsible investors and banks (Carroll and Shabana, 2010; Nehme and Wee, 2008), and gives them greater legitimacy through a 'social license' to operate (LRQA and CSR Asia, 2010). Critics argue that CSR is too often just public relations 'spin' or 'greenwashing' and actually undermines workers' rights.

Definition

The Commission of the European Communities provides a commonly cited definition of CSR as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis," (Dahlsrud, 2008). This definition contrasts with the traditional view that the only responsibility a business has is to maximize owner or shareholder profits (Carroll and Shabana, 2010).

Conclusion: *CSR has come a long way from its philanthropic origins to its current incarnation as corporate sustainability. Environmental, social, and governance components are now firmly embedded in CSR, and efforts are made by companies to measure, monitor, and report on their CSR activities. There is a large body of literature on the business case for CSR.*

What are the main international CSR frameworks and initiatives?

Recognition of the business case for CSR has led to the development of international frameworks setting out guiding principles, with the aim of standardizing CSR practices and reporting for both businesses and financiers. Two questions to keep in mind when assessing frameworks are:

- Who developed the framework and why?
- Are these frameworks considered authoritative or legitimate and by whom?

One of the first major frameworks to emerge was the UN Global Compact in 2000 (UN Global Compact, 2011). The Compact was seen as having considerable success in extending across sectors and across both Northern and Southern companies. In the same year, the Global Reporting Initiative (GRI) released its first edition of the Sustainability Reporting Framework and Guidelines, which included indicators for the measurement and reporting of the economic, environmental, social, and governance aspects of a business operation (GRI, n.d.). The UN Guiding Principles on Business and Human Rights were developed by John Ruggie, who set up the UN Global Compact, and were developed with extensive consultations across a wide range of corporate, civil society, and government stakeholders. The framework outlines the responsibilities of companies with respect to human rights (and how to do this). It has been supported by Chinese, Indian, US, European and other governments. Many of the world's leading corporations have also expressed support for the framework.

In 2003, banks engaged in project finance established the Equator Principles in collaboration with the International Finance Corporation (IFC). The Equator Principles are a set of ten principles that comprise a credit risk framework, and set a minimum standard for due diligence when assessing and managing social and environmental risks for projects with capital costs of more than US\$10 million. The Equator Principles were based on the World Bank's Environmental, Health, and Safety Guidelines, and IFC's Performance Standards on Social and Environmental Sustainability. Originally, the Equator Principles applied only to project finance transactions, but they are now being applied by some Equator Principles Financial Institutions (EPFIs) to a wider range of transactions. In addition to European and US banks, there are also several banks from Brazil, one from South Africa, and one from China. Significantly, 75 financial institutions that account for 70% of the project finance debt in emerging economies are adopters of the Equator Principles (Equator Principles Association, 2011).

The IFC's Performance Standards were introduced in 2006 and updated in 2012, and they apply to projects funded by EPFIs (Matsumoto, 2009). There are eight standards, covering environmental and social impact assessment and

management, labor, pollution, community health, resettlement, biodiversity conservation, indigenous peoples, and culture (IFC, 2012). The IFC standards have become a leading corporate benchmark for environmental and social risk management. Numerous companies voluntarily commit to follow the standard even if they are not seeking IFC financing. Most OECD export credit agencies also follow the IFC standards, as do some other development banks. They are considered highly influential in the corporate sustainability world.

Most EPFIs are multinational banks from North American or European countries (Foran et al, 2010). As only four Asian banks have adopted the Equator Principles, EPFIs do not have a significant presence in the Asian project finance market (Le Clerc, 2012). Although most major Thai banks have CSR policies in place (Foran et al, 2010), none have yet adopted the Equator Principles (Le Clerc, 2012; IFC, n.d.). In Laos, eight banks involved in funding the Nam Theun 2 dam, and three financiers of the Theun-Hinboun Expansion Project, are EPFIs.

While the UN Global Compact and GRI were getting off the ground, an ambitious multi-stakeholder process known as the World Commission on Dams (WCD) was underway. The WCD studied the benefits and impacts of large dams and released a decision-making framework for large dam projects in 2000. The framework laid out seven strategic priorities and 26 guidelines for good practice. The WCD's framework is still seen by many as the most comprehensive and useful to decision-makers engaged in dam projects (Foran, 2010).

The International Hydropower Association's (IHA) Sustainability Guidelines followed the WCD framework in 2004. In 2006, the IHA released its first HSAP (IHA, 2012). One year later, IHA partnered with the World Wildlife Fund and the Nature Conservancy to create the Hydropower Sustainability Assessment Forum, for the purpose of updating the HSAP (Foran, 2010). In 2010, a new version of the HSAP was released, including five sections, four of which correspond to the different stages of the dam development project cycle. Each section contains four categories: environmental, social, technical, and economic/financial. Each topic is evaluated by the degree to which six different assessment criteria are met, including: assessment, management, stakeholder engagement, stakeholder support, conformity/compliance, and outcomes (IHA, 2010). While adopting many of the same principles as the WCD framework, the HSAP takes a more technocratic approach and is geared towards the time-frame preferences of developers, financiers, and operators through lower requirements for community involvement and public participation (Foran, 2010).

It should be noted that HSAP is not the culmination of years of CSR work nor is it a perfect standard. HSAP remains

new and relatively untested and is certain to hit some roadblocks, just as other CSR standards have. It is also important not to exaggerate HSAP's importance or legitimacy at this time. The HSAP was developed by the industry itself, whereas the WCD commission comprised independent members. In the HSAP, companies give themselves scores, rather than committing to follow clearly articulated standards. Civil society organizations in the Mekong Region remain highly skeptical. There are few links between HSAP and WCD and some argue that the HSAP undermines WCD's recommendations by creating an alternative.¹

Conclusion: *International frameworks promoting CSR are quite new, and have only been in existence since 2000 or later. The Equator Principles have not been widely adopted in Asia like they have in Europe and North America. With most project financing of Mekong hydropower now coming from Asian banks, the Equator Principles and IFC Performance Standards may not be as relevant as before, when more European and North American banks were involved. HSAP has some potential as a standard for the hydropower industry but much work remains to be done before it is seen as an acceptable standard outside the industry.*

Criticisms of CSR-related frameworks and reporting

A major concern is whether or not signatories or adopters of a framework actually act any differently, or if adopting a framework is merely an exercise in public relations (not all frameworks require adopters to be signatories). Scholtens and Dam (2007), however, did find that the environmental, social, and governance policies of EPFIs were significantly different from those of non-adopters, and that large, high-visibility banks were more likely to adopt the principles than smaller banks. Banks that operated in environments with strong civil society, regulation, and advocacy groups were more likely to face reputational harm from funding controversial projects. These banks adopted the Equator Principles to minimize the risk to their reputation and to demonstrate their responsible practices (Scholtens and Dam, 2007).

There is also uncertainty around the enforcement of frameworks such as the Equator Principles and IFC Performance Standards. If a project fails to meet principles or performance standards during the course of its construction or operation after loans have been disbursed it is unclear whether financial institutions will take any action to force compliance (Transparency International, 2008; Foran et al., 2010; Lawrence, 2009). There is no guidance on how EPFIs are to implement the Equator Principles, nor is there independent verification of their implementation, and this leads to their inconsistent application across banks (Le Clerc, 2012).

Both the Equator Principles and the GRI have been criticized for not requiring project-level reporting. Reports tend to be

on the bank's or the company's operations as a whole, leaving out details on individual projects (Foran et al., 2010; Fonseca, 2010). Such reporting leaves ambiguity around whether or not social and environmental standards are being met at the project site, and what the real impacts are on the ground (Fonseca, 2010). In the absence of formal structured frameworks, 'reporting' tends to be left to corporate communications departments who may have little actual knowledge of conditions on the ground.

The WCD framework faced disapproval over what some critics claim is a human rights-centered approach. The WCD called for community participation, free, prior, and informed consent (FPIC), and public acceptance. The World Bank, IHA, and export-credit agencies all agreed with the seven strategic priorities, but disagreed with certain guidelines, particularly the ones with regard to public participation and human rights. They felt that these guidelines would hamper the development of large dams, slow down decision-making, and give too much power to small communities and minorities (Foran, 2010; Baghel and Nüsser, 2010).

Conclusion: *Equator Principles Financial Institutions have better CSR policies and practices in place than non-adopters, but their implementation of the Equator Principles is inconsistent and there is little or no project-level reporting. The Global Reporting Initiative increases transparency by bringing CSR practices to light, and subjecting reports to independent auditing. Project-level reporting is not, however, mandated under the GRI either. The WCD framework is comprehensive and widely accepted, but now faces a 'competitor' in the form of the industry developed HSAP.*

What does CSR in Asia look like at present?

Whilst the landscape is still evolving, CSR in Asia has been largely focused on philanthropy and community development (LRQA and CSR Asia, 2010; Krechowicz and Fernando, 2009a; Krechowicz and Fernando, 2009b). This is, in the eyes of some, an outdated interpretation of CSR and provides little useful information to investors on the firm's environmental and governance activities (Krechowicz and Fernando, 2009a). How CSR operates tends to reflect the history, norms and conventions of the nation in which it operates: it is not a homogenous entity or style (Chapple and Moon, 2005; Kemp, 2001). Welford² makes the point that the drivers of CSR are politics and business, not communities or civil society, most of whom are still skeptical and see CSR as a top-down process.

Lack of corporate transparency has been a significant obstacle to better CSR programs and reporting (LRQA and CSR Asia, 2010; Krechowicz and Fernando, 2009b). Here too, change is afoot as stock markets become more aware of, and actively involved in, CSR reporting. Still, only 21% of the GRI reports in 2009 were from Asian companies (LRQA and CSR Asia, 2010). The hydropower sector in the

1 - More information on perceived problems with HSAP can be found here:

<http://www.internationalrivers.org/resources/voluntary-approach-will-not-resolve-dam-conflicts-4286>

2 - <http://www.eco-business.com/news/csr-asia-gaining-traction/>

Mekong is particularly lacking in transparency, a situation driven by corruption (Foran et al., 2010) and fears that openness and reporting will provoke criticism (LRQA and CSR Asia, 2010; Tobias, 2010).³

Participation in international CSR initiatives among Asian companies is low. In 2010, Asian companies comprised only 3.5% of the firms listed on the Dow Jones Sustainability World Index, 17% of the Global Compact signatories, and 30% of the companies delisted from the Global Compact. Instead, national governments and stock exchanges are creating locally adapted regulations to drive greater CSR uptake (LRQA and CSR Asia, 2010). Socially responsible investment funds are popping up (Krechowicz and Fernando, 2009a), and 2009 saw the launch of the Asian Sustainability Rating that ranks companies according to their performance on environmental, social, and governance criteria (LRQA and CSR Asia, 2010). Organizations such as the Association for Sustainable and Responsible Investment in Asia, and Responsible Research, have also been established to provide environmental, social, and governance information to investors (LRQA and CSR Asia, 2010).

Family-controlled companies and state-owned enterprises (SOEs), or those recently privatized, are common in Asia. The dominance of a company by a single shareholder or group decreases the incentive to engage in CSR, or to be transparent (LRQA and CSR Asia, 2010; Krechowicz and Fernando, 2009b), as CSR is driven by shareholder and financier concern over corporate risk management. Potentially powerful influences on CSR adoption or operation are the capacity for public participation in operations, protection of whistle blowers, and a free investigative media.

The exception to the generally poor CSR performance of Asian companies is that of the extractive industries. Large, multinational firms that directly affect communities through their use of land and water are facing increased societal pressure to manage the harm done. These companies have above average reporting, and recognize that their relationships with local communities and their reputation are dependent upon the maintenance of their social license to operate (LRQA and CSR Asia, 2010; Krechowicz and Fernando, 2009b).

Conclusion: *CSR is evolving and the number of Asian companies taking CSR seriously has increased in recent years: new trends are emerging. Improvements are needed in transparency and CSR reporting, partly due to the structure of many Asian companies and the style of governance. Asian companies have been reluctant to participate in international initiatives, preferring locally adapted CSR standards. Despite the low adoption rate of CSR across the region, socially responsible investment is gaining in popularity and natural resource-intensive companies face increased social pressure to manage their environmental and social impacts.*

What is the extent of CSR in Mekong hydropower development?

All the emerging economies in the region, except for Vietnam, have introduced regulations, codes, market initiatives, or awards to encourage CSR reporting (LRQA and CSR Asia, 2010; Krechowicz and Fernando, 2009a). CSR reporting in Malaysia and Thailand focuses on community development and philanthropy, while Vietnamese companies engage in limited reporting (Krechowicz and Fernando, 2009a).

China released guidelines on CSR reporting, which SOEs are encouraged to follow, and the Shanghai and Shenzhen stock exchanges require listed companies to report on their CSR practices. Likewise, Bursa Malaysia established its own CSR framework and reporting requirements for listed companies (LRQA and CSR Asia, 2010). Companies have the flexibility to decide what and how much to report, and the use of standard metrics is lacking. Thailand's stock exchange does not have any requirements for CSR reporting and companies listed on Vietnam's relatively new stock exchange mostly only report in Vietnamese (Krechowicz and Fernando, 2009b). At the same time, some state-owned enterprises are figuring out how to get around CSR. Several have created a publicly traded subsidiary that is quite CSR conscious, while their main operations maintain the old way of doing business.

Conclusion: *Stock exchanges in the region are making efforts towards CSR reporting as are companies intending to list on international exchanges, where public accountability ranks high. China's stock exchanges have the most stringent reporting requirements, followed by Bursa Malaysia. CSR reporting on Thailand's stock exchange is not mandatory, and voluntary reporting focuses on community development and philanthropy. Vietnam has the weakest reporting, with no regulations and few companies that report.*

Do Mekong hydropower developers engage in CSR?

There is little literature on the nature or extent of CSR in Mekong hydropower development. Three papers, by Foran et al. (2010), Middleton et al. (2009), and International Rivers (2008) provide information on investors and developers in Mekong hydropower indicating low overall engagement with CSR. Thai banks and developers make up the bulk of the investors mentioned in the three papers. Four Thai banks have CSR policies (Export-Import Bank of Thailand, 2011; Siam Commercial Bank, n.d.; Bank of Ayudhya, n.d.; Kasikorn Bank, 2011). All but Siam Commercial Bank have sections on CSR focusing on philanthropy, community development, and employee voluntarism in their annual reports. Of the four, only Kasikorn Bank attempts to line up its CSR reporting indicators with GRI metrics.

³ -<http://www.csr-asia.com/index.php?cat=7> CSR in Asia gaining traction Wednesday, October 6th, 2010

Four large Thai developers vary in their adoption of CSR. Italian-Thai Development Company and CH. Karnchang perform poorly, while Ratchaburi and the Electricity Generating Company do somewhat better. Both CH. Karnchang and Italian-Thai have somewhat vague CSR policies, Ratchaburi and EGCO policies are clearer. ITDC and CH. Karnchang have sections in their annual reports focusing on philanthropy and community development (Italian-Thai Development, 2011; CH. Karnchang, 2011). Ratchaburi and EGCO have comprehensive stand-alone CSR reports comparable to a GRI report (Ratchaburi, 2011; EGCO, 2009).

In China, it is unclear if China EXIM Bank has a CSR policy, although it has a small section on philanthropy in its annual report (Export Import Bank of China, 2011). China Development Bank has a CSR policy, stand-alone CSR report, and adheres to ISO 26000, a social responsibility standard (China Development Bank, 2011).

Among Chinese developers, Sinohydro has a CSR policy, produces GRI reports (GRI, 2012), and adheres to ISO 14001, the environmental management systems standard (Sinohydro, n.d.). Both Datang and China Southern have CSR policies, produce GRI reports, and are members of the Global Compact (China Southern, 2011; Datang, 2009).

Two Vietnamese banks, Vietcom Bank and the Bank for Investment and Development of Vietnam, were identified in addition to Electricity of Vietnam. No information for Vietcom or Electricity of Vietnam could be obtained as there was no English-language website. The Bank for Investment and Development has a CSR policy, but focuses on philanthropy (Bank for Investment and Development of Vietnam, n.d.).

Neither of the two Malaysian developers, Mega First Corporation Berhad or Gamuda Berhad, have clear CSR policies or reports (Mega First Corporation Berhad, 2011; Gamuda Berhad, 2012). Electricité du Laos also has no information on CSR on its website (Electricité du Laos, n.d.).

Conclusion: *Engagement with CSR varies widely. Desirable elements of CSR in hydropower would include:*

- *measuring and reporting publicly on impact;*
- *demonstrating benefits to the communities upstream and downstream from the affected area;*
- *having environmental and social risk management systems that are integrated into their corporate governance; and*
- *reporting on which international environmental and human rights standards they commit to follow.*

Are there any examples of CSR in Mekong hydropower development?

Defining CSR in a hydropower context is difficult because many of the activities that would be treated as CSR by a manufacturing concern (building schools, clinics, clean

water supply, etc.) are contractual obligations of hydropower operators. Whilst CSR has the potential to improve the overall quality of a project, it is not sufficient for sustainable development. CSR has not yet proved to be an effective substitute for third party oversight, strong regulations, and transparency within a country.

The Theun-Hinboun and the Nam Theun 2 hydropower projects are frequently cited examples of ‘social responsibility’ in public-private partnership projects. Other public-private hydropower projects, such as the Nam Ngum cascade and the Houay Ho dam, show no evidence of CSR.

The Theun-Hinboun dam was the first major dam in Lao PDR to be developed under a public-private partnership (International Rivers, 2008), and one of the first build-own-operate-transfer (BOOT) projects (Virtanen, 2006). The dam was completed in 1998 and is owned by the government of Lao PDR (GoL), Statkraft (Norway), and GMS Power (Thailand), who constitute the Theun-Hinboun Power Company (THPC). The ADB helped to fund the Lao equity stake (International Rivers, 2008).

The project was criticized for having inadequate public consultation and a poor environmental impact assessment, which resulted in adverse impacts upon the livelihoods and environment of 30,000 villagers living upstream and downstream of the dam. In particular, erosion of the Hai and Hinboun riverbanks has increased, leading to increased flooding, abandonment of wet season rice farming, destruction of riverbank gardens, and declines in fish catches and dry season drinking water sources (International Rivers, 2008; Virtanen, 2006; Matsumoto, 2009).

In 2000, THPC announced it would spend up to \$4.5 million on a Mitigation and Compensation Program (International Rivers, 2008; Matsumoto, 2009). THPC had met its contractual agreements with regard to the social and environmental impacts. The company created a new social and environmental management division and took action to better compensate affected villagers, engage in community development, and invest in sustainable livelihood programs (Virtanen, 2006). Unfortunately the livelihood programs—in particular dry season rice growing—have not been successful due to poor quality land, insufficient water, and the high cost of inputs (International Rivers, 2008).

Planning for the Theun-Hinboun Expansion Project (THXP) attempted to improve on past experience, and an EIA, environmental mitigation and management plan (EMMP), and resettlement action plan were drafted in accordance with ADB safeguards, the Equator Principles, and the 2005 National Policy on Environmental and Social Sustainability of the Hydropower Sector in Lao PDR (THPC, 2011). THPC’s report from its Social and Environmental Division on the progress of the THXP gives information on affected

villages and what it is doing in terms of: resettlement; its approach to downstream impacts; public consultation; livelihood development; public health; education; ethnic minorities and vulnerable groups; social impact management; water quality, hydrological, erosion, fisheries, and construction monitoring; waste management; biomass clearance; and environmental conservation programs (THPC, 2011). Matsumoto (2009), however, contends that the THXP has violated Lao PDR's Decree on Compensation and Resettlement, the Equator Principles and IFC Performance Standards, and the terms of its own concession agreement and resettlement action plan.

Nam Theun 2 (NT2) was also developed as a Build Own Operate Transfer (BOOT) project under a public-private partnership (Foran et al., 2010), and is owned by Electricité de France, the Lao Holding State Enterprise, and EGCO (NTPC, n.d.). A total of 27 financial institutions funded the NT2 (Foran et al., 2010), including European and Thai export-credit agencies, MDBs, and private banks (International Rivers, 2008; Lawrence, 2009). In 2005, NT2 received funding from the World Bank, making it the first major dam to be funded by the bank in almost 10 years. The ADB and World Bank supported development of the NT2, as it was to follow best practice and set an example to encourage more sustainable hydropower development in the region (Lawrence, 2009; Molle et al., 2009).

From the beginning, NGOs criticized the planning process for the NT2, saying that World Bank safeguards were being violated. They argued that consultations were inadequate or came too late, there was no options analysis, and the studies and livelihood programs had major weaknesses.

During construction, NTPC failed to meet its commitments. Around 10,000 villagers were moved off their land before compensation was paid and resettlement villages were ready, information was not provided on a timely basis, and irrigation systems were not set up. Independent monitors cited contractors for numerous environmental management infractions, including failure to control erosion and dust, and poor waste management and road building. NTPC has also had difficulty implementing its livelihood programs, as replacement land is of poor quality, riverbank gardens have been flooded, fish stocks are expected to decline, and compensation money is insufficient. The micro-credit scheme adopted to disburse compensation money failed because it created a cycle of debt for villagers who were unsuccessful with their livelihood projects (Lawrence, 2009; International Rivers, 2008).

International Rivers (2008) does say that the NT2 project has done better than many other hydropower projects in terms of having independent monitoring and publicly available reporting during project implementation. NTPC also has a range of environmental and social programs similar

to THPC's, including those on resettlement and livelihoods, compensation, public health, education, wildlife and forest protection, water quality monitoring, construction management, and support for downstream communities (Dye, 2012). Molle et al. (2009) note that pressure from NGOs helped to improve the NT2's environmental and social impact mitigation practices.

Nam Ngum 2 is a public-private BOOT project. CH. Karnchang, Ratchaburi, Bangkok Expressway, and GoL are the key investors, while Thai commercial banks and the Thai EXIM Bank are the financiers. Neither an EIA nor a resettlement action plan were publicly released and resettlement was conducted poorly. Villagers of different ethnicities were grouped into a single village and were not provided with adequate land. These issues were replicated with the Nam Ngum 3, another public-private BOOT project involving GMS Power, Ratchaburi, Marubeni Corporation (Japan), and the Government of Laos. Construction began before the completion of environmental and social impact assessments, leaving great uncertainty as to the dam's potential effects on fisheries and water quality. It was also unclear how livelihood restoration would be addressed. Sinohydro is the main investor in Nam Ngum 5, which has similarly been criticized for its incomplete environmental and social impact assessments and its poor livelihood restoration plan (International Rivers, 2008).

The Houay Ho was the first public-private BOOT project in Lao PDR, with Daewoo Engineering Corporation of Korea as the main investor. The project was not transparent and resulted in the resettlement of Heuny and Jrou ethnic minority groups without giving them adequate compensation or land. Only 20% of the allocated land turned out to be available, as the other 80% was already in use by other villages. In 2001, Daewoo sold its majority shareholding to Tractebel S.A., a Belgian multinational corporation. Conditions in the resettled villages continued to deteriorate, and by 2006, 70% of the resettled villagers had moved out of the area. Tractebel claimed that it was not responsible for the resettlement mistakes made by Daewoo. Eventually, Tractebel made some effort to remedy resettlement problems, but only after being pressured by Belgian NGOs and having a complaint filed against them for disregarding the Organization for Economic Cooperation and Development's Guidelines for Multinational Enterprises (International Rivers, 2008).

Conclusion: *Even dam companies employing 'best practices', such as THPC and NTPC, have had difficulty providing information and timely compensation, sufficient productive agricultural land, and livelihoods. Income and food from declining fisheries, riverbank gardens, and agricultural land has not been sustainably replaced. Meeting contractual obligations for social and environmental concerns is hard enough and takes substantial human and*

financial resources, as well as careful planning and the ability to adapt to unexpected challenges. Less socially responsible developers have failed to complete social and environmental impact assessments, and have resettled villagers without consideration for ethnic differences or restoring lost livelihoods. Pressure from Western NGOs has forced some action to be taken by the developers of the NT2 and the Houay Ho, and many regional and local NGOs have been active in campaigning against developers.

What are the drivers of CSR in Mekong hydropower development?

Many of the traditional drivers of CSR do not exist in the Mekong. As previously noted, the main drivers of CSR are risk management and pressure from financiers, investors, customers, stakeholders, and the general public (LRQA and CSR Asia, 2010). Large hydropower projects are complex and involve multiple government ministries and agencies, as well as MDBs, public and private financiers, developers, and export-credit agencies from different countries (Haas, 2008; Foran et al., 2010). A prime example is the Nam Theun 2 dam in Laos that was financed by 27 institutions (Foran et al., 2010).

Financiers of Mekong hydropower development are increasingly Asian banks, particularly private banks. Few of these banks have adopted international frameworks such as the Equator Principles (Le Clerc, 2012; IFC, n.d.). Theoretically, it should be in the bank's best interest to manage its exposure to risk through setting social and environmental standards. Banks want to avoid harm to their reputation, but because they are lenders—not equity investors—environmental and social costs are less of a factor for them (Foran et al., 2010).

The structure of electricity markets in Mekong River Basin (MRB) countries discourages pressure from customers. MRB countries have state-owned utility companies that have monopolies on electricity distribution, although Thailand and Vietnam are encouraging privatization of their electricity markets, and Cambodia and Lao PDR encourage private sector growth (Foran et al., 2010; Matthews, 2012; King et al., 2007). Market dominance by state-owned utilities means that there is little to no competition from independent power producers and distributors, giving customers no choice, and thus no voice, in how their electricity is generated (Foran et al., 2010; King et al., 2007). Because CSR is practiced mostly in publicly listed companies with concerned shareholders, the high number of SOEs in Mekong hydropower development reduces the strength of shareholders as a driver of CSR (LRQA and CSR Asia, 2010; Krechowicz and Fernando, 2009b).

Shareholder and public pressure in developed economies are known to be drivers of CSR, especially in the natural resource-intensive industries (LRQA and CSR Asia, 2010;

Krechowicz and Fernando, 2009b). In Lao PDR, however, where the bulk of hydropower development will take place (King et al., 2007; ICEM, 2010), civil society is weak (Matthews, 2012). Thailand has the strongest civil society organizations, which have, on occasion, succeeded in preventing new dams from being built in Thailand. Civil society organizations in Thailand, Cambodia, and Vietnam have called for a moratorium on the building of mainstream dams (Matthews, 2012; Lawrence, 2009). Despite these concerns, Lao PDR has gone ahead with the construction of the Xayaburi on the Mekong mainstream (Bangkok Post, 2012).

Conclusion: *Many of the traditional drivers of CSR are lacking in Mekong hydropower development. The complex structure of project finance and governance limits transparency and accountability, and motivation from individual actors to engage in CSR and risk management. It is unclear if Asian financiers are driving CSR practices. The dominance of state-owned utilities in electricity markets means that consumers have no influence and the dominance of SOEs makes shareholder activism a non-issue.*

What are the trends in CSR in Mekong hydropower development?

CSR in Asia continues to evolve but is still, to a large extent, characterized by a focus on philanthropy and community development, with little public reporting compared to the comprehensive reporting on environmental, social, and governance indicators that is more widespread in North America and Europe (LRQA and CSR Asia, 2010; Krechowicz and Fernando, 2009a; Krechowicz and Fernando, 2009b). There is little transparency or participation in international CSR initiatives (LRQA and CSR Asia, 2010), and a large number of non-publicly listed SOEs and family-owned enterprises (Krechowicz and Fernando, 2009b). The main drivers of CSR in Asia are loose regulations promulgated on Chinese and Malaysian stock exchanges (LRQA and CSR Asia, 2010).

A survey of the bigger organizations in Mekong hydropower development confirms these trends: only three out of the eight Thai banks and developers had CSR reports; four out of the five Chinese banks produced CSR reports; and the Vietnamese and Malaysian banks and developers had no CSR information available.

Although THPC and NTPC are seen as 'best practice' dam operators, they still faced great difficulty in implementing resettlement plans, providing timely and sufficient compensation, and restoring livelihoods. NTPC employed better practices because of conditions placed on its loans from the ADB and World Bank, in addition to the increased public scrutiny it faced, which is atypical for most dams in the MRB (Molle et al., 2009).

The traditional drivers of CSR do not exist in the MRB, as there is no general pressure from financiers, customers, shareholders, or civil society. The transition to Asian financiers, monopolistic electricity markets, large number of SOEs and non-publicly listed companies, and weak civil society inhibit these traditional drivers of CSR. Furthermore, there are numerous barriers to CSR, including: corruption, poor governance, conflicts of interest in project development, and the structure of power markets in the region (Foran et al., 2010; King et al., 2007; LRQA and CSR Asia, 2010; Krechowicz and Fernando, 2009b; Matthews, 2012; Haas, 2008; Molle et al., 2009; Lawrence, 2009).

Conclusion: *CSR in Mekong hydropower development is limited. This is not likely to change unless factors in the enabling environment are altered in ways that encourage growth in the drivers of CSR.*

What can we learn from other countries?

Two significant findings arise from studies of CSR in the BRIC countries (Brazil, Russia, India, and China) and in Asia. First, country contexts have the greatest bearing on the extent of CSR in different countries (Chapple and Moon, 2005; Alon et al., 2010; Abreu, Castro, Assis Soares and Silva Filho, 2012; Dobers and Halme, 2009; Robins, 2005). Confucianism in China fostered a society built on relationships, hierarchy, flexibility, and negotiation. As a result, business in China is dominated by many family-owned or state-owned enterprises, and although China has a good legal foundation, laws are poorly enforced, in keeping with cultural preferences for the maintenance of relationships and negotiation. The strength of governance systems and the rule of law are important factors for the further evolution of CSR (Whelan, 2007). India and Brazil have higher levels of CSR adoption than China (Alon et al., 2010; Abreu et al., 2012), and law-based governance systems, as opposed to relations-based governance, are stronger in both countries. In addition, democratic political systems, as in Brazil and India, appear to encourage CSR, while some governments, as in China and Russia, discourage CSR (Alon et al., 2010).

Democratic political systems tend to have stronger and better-enforced laws, and greater transparency and participation by civil society (Abreu et al., 2012). Culture and history have, however, also played a strong role in the growth of CSR in India, as many values associated with CSR are similarly rooted in the country's religious beliefs and colonial past (Chapple and Moon, 2005). This is shown by CSR in India being predominantly value-driven, and focused on using codes of ethics and improving the quality of life in communities (Alon et al., 2010). The type of CSR in India and Brazil, which is strategic rather than purely philanthropic, also contributes to the overall institutionalization of CSR (Chapple and Moon, 2005; Jamali, 2007).

Second, Asian companies with international operations, even if these operations are still within Asia, exhibited higher levels of CSR adoption than companies with purely domestic operations (Chapple and Moon, 2005). The level of engagement with CSR will, however, depend on which country the company is operating in, as stakeholders in different countries have their own specific expectations and interests, and it is these stakeholder needs that the company is trying to address (Robins, 2005). This is perhaps why firms with international operations exhibit higher levels of CSR adoption—they tend to have many more stakeholders to manage (Chapple and Moon, 2005).

CSR in developing countries is different from CSR in developed countries, and CSR is adapted further to individual country contexts (Dobers and Halme, 2009; Robins, 2005). This does not necessarily mean that CSR is not relevant in Asia. Civil society, domestic consumers, and community pressure are drivers of increased CSR, and as the middle class grows, transparency increases, and public criticism mounts, companies may be forced to adopt CSR practices (Chapple and Moon, 2005; Epstein-Reeves, 2012). This was the case in Brazil (in conjunction with regulatory improvements) (Young, 2004; Abreu et al., 2012), and appears to be gradually occurring in China, as people demand better working conditions, cleaner air, and safer products (Epstein-Reeves, 2012).

Conclusion: *CSR will be different in Asian countries, because it will evolve according to local historical, cultural, political, economic, social, and environmental characteristics. CSR exists on a continuum. Certain characteristics, such as rule-based governance, democracy, transparency, and strong civil society encourage the growth of CSR. CSR varies between Asian countries, but companies with international operations tend to show higher levels of CSR.*

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