

## PRESS RELEASE OECD WATCH

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### GLOBAL NGO COALITION CALLS FOR TIGHTER REGULATION OF MULTINATIONAL CORPORATIONS

#### Five Year Review by OECD Watch concludes OECD Guidelines are failing to deliver corporate accountability

*The OECD 'Guidelines for Multinational Enterprises' are not an adequate instrument for curbing corporate misconduct. This is the stark conclusion of OECD Watch in its report 'Five Years On: A Review of the OECD Guidelines for Multinational Enterprises and National Contact Points,' which was released today to coincide with the OECD's Investment Committee's meeting in Paris. The international NGO coalition calls for legally binding international social and environmental standards for corporations to help stop corporate abuses, particularly in developing countries.*

Five years ago the OECD launched the revised Guidelines for Multinational Enterprises, including a complaint mechanism for affected communities and NGOs. Despite being the most widely endorsed instrument in existence, few multinationals have adapted their behaviour to the *Guidelines'* principles and standards for responsible corporate behavior. "There are a number of inherent weaknesses in the *Guidelines*, the most notable being that companies cannot be sanctioned for irresponsible behavior because the *Guidelines* are voluntary" said Paul de Clerck of Friends of the Earth Europe at the launch of the report in Brussels. Governments, however, have clear implementation obligations, which includes establishing a 'national contact point' (NCP) to handle allegations of corporate misconduct.

OECD Watch examined 45 complaints that were filed by NGOs and affected communities over the last five years. In addition to an overview of the cases, the report '*Five Years On*' analyses the way in which the NCPs have handled complaints. Most of the results are deeply worrying.

There is no evidence to suggest that the Guidelines have helped to reduce the number of conflicts between local communities, civil society groups and multinational companies. NGO experience with the Guidelines indicates that they are simply inadequate as a global mechanism to improve the operations of multinationals and contribute to a reduction in conflict between communities and investors in any comprehensive way. Without the threat of effective sanctions, there is little incentive for companies to ensure they are in compliance with the guidelines.

In those cases where a complaint was filed, the NCPs rarely contributed to resolving specific conflicts. Five years of experience with the Guidelines has revealed that most NCPs are failing to promote the Guidelines and impress upon companies the importance of adherence. When issues are raised with governments, most NCPs will not investigate the validity of the claims. The report's author, Patricia Feeney of RAID-UK, explained, "Even when issues of the utmost gravity are raised, as in the case of the Democratic Republic of the Congo, NCPs have exerted themselves to block investigations and to shield companies from censure."



Secretariat the Netherlands  
SOMO, J. Oldenzien  
Tel +31 (0)20 6391 291  
E-mail: j.oldenzien@somo.nl



OECD Watch  
[www.oecdwatch.org](http://www.oecdwatch.org)



Secretariat UK  
RAID, P. Feeney  
Tel +44 1865 436 245  
E-mail: [tricia.feeney@ntlworld.com](mailto:tricia.feeney@ntlworld.com)

OECD Watch's five year review concludes that voluntary instruments such as the OECD Guidelines for Multinational Enterprises are insufficient and that legally binding international social and environmental standards are needed to curb corporate abuses. If the Guidelines are to be at all effective in solving specific problems raised by communities, OECD governments must do more to promote adherence to the guidelines and improve their implementation drastically.

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## OECD Guidelines

The OECD Guidelines are a set of voluntary principals and standards backed by governments to which multi-national enterprises operating in or from OECD countries are expected to adhere. In 2000 the OECD Guidelines for Multinational Enterprises were revised and procedures established allowing NGOs to file complaints about the behaviour of companies.

## National Contact Points

National Contact Points (NCPs) are government offices established to promote multinational companies' adherence to the OECD Guidelines. NCPs are responsible for handling complaints about companies.

## OECD Watch

OECD Watch is an international network of 47 NGOs from 28 countries set up to facilitate NGO activities around the OECD Guidelines and the work of the Investment Committee.<sup>1</sup> The Investment Committee is the OECD body working on international investment, multinational enterprises and the OECD Guidelines.

This report, the third by OECD Watch, reviews the development of the National Contact Points (NCPs) in 22 of the 39 countries that have adopted the Guidelines. This assessment is based on NGO experiences and perceptions.<sup>2</sup> It also reflects the views of NGOs in a number of in non-adhering countries.<sup>3</sup>

## Notes for the editor:

For further information please contact:

Patricia Feeney (RAID, United Kingdom), +44 (0) 7796 178447

Joris Oldenziel (SOMO, The Netherlands), +31 (0)20 639 12 91

For information and download of the report see OECD Watch's website: [www.oecdwatch.org](http://www.oecdwatch.org)



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<sup>1</sup> OECD WATCH was established at a meeting in Amersfoort, the Netherlands on 20-22 March 2003 organized by FOE Netherlands, IRENE and EED (with support from SOMO, Germanwatch and Novib).

<sup>2</sup> Reports were received from Argentina, Australia, Austria, Belgium, Brazil, Canada, Chile, Czech Republic, Denmark, Finland, France, Germany, Japan, Italy, Mexico, The Netherlands, Norway, Spain, Sweden, Switzerland, United Kingdom and the United States.

<sup>3</sup> Democratic Republic of the Congo, Ecuador, Ghana, India, Indonesia, Pakistan, Taiwan, Zambia.

