

Research Brief

Comparing Resources of Human Rights Multi-Stakeholder Initiatives

RESEARCH BRIEF

Multi-stakeholder Initiatives (MSIs) have become the default response to governance gaps in different industry settings, ranging from private security providers to apparel to information and communication technology.¹ To effectively close these gaps, MSIs require resources and capacity to implement the agreements and procedures that their members negotiate.

Among the five initiatives examined in the table that follows, annual budgets range from \$700,000 (Voluntary Principles) to \$6,800,000 (Fair Labor Association). These budget disparities reflect significant differences in the activities the organizations are able to undertake. The Voluntary Principles has no permanent staff and relies on an outside consultant to convene meetings and conference calls of its members. The Fair Labor Association, on the other hand, has a staff of more than 50 and runs a program that includes auditing as well as project-based work to enhance working conditions in the supply chain.

Most MSIs rely on member dues to underwrite their operations. Company members pay either a flat fee – for example, each corporate member of the Global Network Initiative pays an annual fee of \$35,000 – or dues calculated as a proportion of revenues. In the Fair Labor Association, the largest companies pay up to \$250,000. For civil society, dues are nominal.

Government funding can be an important source of funding for MSIs. For example, the U.S. and Swiss governments provided around \$1 million in start-up funding for the Fair Labor Association and International Code of Conduct Association for Private Security Providers (ICoCA), respectively. In the ICoCA, government members collectively contribute \$750,000 per year.

Most MSIs struggle to effectively engage stakeholders from affected communities. This is exacerbated by the lack of funding to support travel, telecommunications, and other enabling features to engage organizations and individuals located at great distance from business and government hubs in the United States and Europe.

Further research is needed explore resource constraints and MSIs' ability to address governance gaps, including on: (1) the role of states in funding MSIs, (2) best practices for membership dues structures, (3) enabling civil society participation in MSIs, and (4) collaborative efforts among MSIs to attract funding.

For more on the Center's research on MSIs, see chapter 4 of Business and Human Rights: From Principles to Practice (2016), edited by Dorothee Baumann-Pauly and Justine Nolan.

¹ Dorothee Baumann-Pauly, Justine Nolan, Aret van Heerden & Michael Samway, "Industry-Specific Multi-Stakeholder Initiatives That Govern Corporate Human Rights Standards - Legitimacy Assessment of the Fair Labor Association and the Global Network Initiative", *Journal of Business Ethics*, (February 2016) 1-17.

² A version of this table first appeared in Dorothee Baumann-Pauly & Justine Nolan, *BUSINESS AND HUMAN RIGHTS: FROM PRINCIPLES TO PRACTICE* (2016), Routledge.

**BUDGET AND FUNDING SOURCES OF HUMAN RIGHTS
MULTI-STAKEHOLDER INITIATIVES**

| MSI | Annual Budget (approx.) | Staff | Funding Sources | Annual Member Dues |
|---|-------------------------|---|---|---|
| Fair Labor Association (FLA) | \$6,800,000 | 51 member staff, with an executive director | <ul style="list-style-type: none"> Membership fees Program services, such as factory audits paid for by company members (\$4,000-6,000 per audit) Contributions, gifts and grants from governments and other organizations Founded with significant funding from the Clinton Administration | <p><i>Brands and retailers</i></p> <ul style="list-style-type: none"> 0.18% of gross annual revenues. Minimum fee of \$5,000 plus at least one audit per year; maximum fee of \$250,000 <p><i>Licensees</i></p> <ul style="list-style-type: none"> Minimum fees of \$100, \$500, and \$5,000 based on annual revenue category; plus a percent of annual revenue (.0001 and .00001%) for larger licensees <p><i>Suppliers</i></p> <ul style="list-style-type: none"> 0.00184% per million of gross annual revenues. Minimum fee of \$5,000 and a maximum of \$250,000; plus at least one audit per year |
| FairWear Foundation (FWF) | \$2,800,000 | 18 member staff | <ul style="list-style-type: none"> Membership fees Support from member companies and audits on behalf of companies Government subsidies Interest and other Income | <p><i>Affiliates and Factories</i></p> <ul style="list-style-type: none"> Calculated based on yearly turnover in sewn products. From € 2,810 to € 222,825 (\$3,160 to \$256,700) <p><i>Young Designers</i></p> <ul style="list-style-type: none"> € 565 per year (\$636) |
| International Code of Conduct for Private Security Service Providers (ICoCA) | \$1,166,000 | 5 full-time staff, with an executive director, plus 2.5 staff on detail from Geneva-based NGO Democratic Control of Armed Forces (DCAF) | <ul style="list-style-type: none"> Membership fees Government contributions ICoCA is able to receive foundation funding, but has not to date Founded with significant funding from the Swiss government | <p><i>Companies</i></p> <ul style="list-style-type: none"> Company joining fee: \$1,000 Company fees: Year one dues: \$2,500, \$5,000, or \$9,000 based on company size. By year two, \$3,000, \$6,000, or \$10,000. <p><i>Governments</i></p> <ul style="list-style-type: none"> Contributions on a voluntary basis, but with an expectation that governments will commit funds. ICoCA estimates an average of \$750,000 from governments collectively per year <p><i>Civil society</i></p> <ul style="list-style-type: none"> No fee; suggested \$100 contribution |
| Global Network Initiative (GNI) | \$733,000 | 3 full-time staff, with an executive director | <ul style="list-style-type: none"> Membership fees Contributions, gifts, and grants from foundations; recently opened to government and private donors | <p><i>Companies</i></p> <ul style="list-style-type: none"> Sliding scale according to revenue Initial sponsor companies (Google, Yahoo, Microsoft): \$100,000 New members: \$35,000 Companies engage and pay assessors bilaterally <p><i>Non-companies</i></p> <ul style="list-style-type: none"> Nominal contribution of \$100-\$1,000 |
| Voluntary Principles (VPs) | \$700,000 | 2.5-person part-time secretariat managed by DC-based law firm Foley Hoag | <ul style="list-style-type: none"> Membership fees | <p><i>Companies and Governments</i></p> <ul style="list-style-type: none"> \$18,000 |