Item No. 16 on the agenda: Any other business

Private Law and Development

Cooperation with the Legal Forum on Law Justice and Development (LFLJD) and possible future work in relation with the “Human-Centered Business Model” Project

( prepared by the Secretariat)

Summary
Information on the current cooperation with the GFLJD and possible future work in relation with the “Human-Centered Business Model” Project

Action to be taken
The Council is invited to take note of the information and to authorise the Secretariat to pursue its exchanges with the GFLJD with a view to participating in the development of the project, subject to funding being made available.

Mandate
n.a.

Priority level
n.a.

I. BACKGROUND ON THE COOPERATION BETWEEN UNIDROIT AND THE WORLD BANK – GLOBAL FORUM LAW JUSTICE AND DEVELOPMENT (GFLJD)

1. In the context of the co-operation established between international organisations, UNIDROIT has joined the Global Forum on Law Justice and Development (GFLJD) as a partner. The GFLJD is an initiative of the World Bank Legal Vice-Presidency which provides an innovative and dynamic framework for the exchange of law in development knowledge, connecting developing countries, think-tanks, regional and international organizations, international financial institutions, and civil society organizations with relevant research and practice. There are currently nearly 170 partners in the GFLJD - See: http://www.globalforumldj.org/

2. UNIDROIT is a member of the Steering Committee of the GFLJD, where it has been represented by its President, Prof. Alberto Mazzoni. UNIDROIT - jointly with other organisations, i.e. FAO, IFAD, the World Bank, WFO and USAID -, promoted sessions within the GFLJD in Washington D.C. (USA) in 2015: in April within IMF-WB Spring Meetings, and in November, as part of "Law Justice and Development Week 2015", on "Contract Farming as a Tool for Economic and Social Development", and on "Promoting Good Practices for Agricultural Investment", respectively. Also, the
Community of Practice on Legal Aspects of Contract Farming (CoP/LACF) (cf. C.D. (96) 6(a) – "Follow-up activities and promotion of the UNIDROIT/FAO/IFAD Legal Guide on Contract Farming") was established by UNIDROIT within the framework of the GFLJD.¹

3. During 2016, as a partner of the GFLJD, the UNIDROIT Secretariat was invited to join the Project "The Human-Centered Business Model (HCBM): A Holistic Approach to a New Model for Doing Business”.

II. THE GFLJD HUMAN-CENTERED BUSINESS MODEL (HCBM) PROJECT

4. The purpose of the project is to develop a “tertium genus” approach bridging the gap between for-profit and non-profit models of doing business: the Human-Centered Enterprise (HCE). The new Model aims to combine economic, social and environmental sustainability, promote a more equitable model of doing business and advance inter- and intra-generational equity, shared prosperity and inclusive economic growth. The new Model aims to have a primary impact on decent work, local communities and the environment, and a secondary impact on other enterprises in the supply chain. The new Model should be flexible and adaptable also to low and middle-income countries. A summary presentation of the project is reproduced in Annex 1.

5. The Model is intended to be structured along the lines of six key pillars developing: 1) a set of human-centered building principles with 2) coherent legal and corporate governance options, 3) suitable forms of financial instruments, 4) elements of enabling fiscal regime, 5) consistent procurement policies, and 6) specific forms of capacity building/mentoring support. The theoretical Model will be available for voluntary adoption and will require a supportive legal regulatory and policy framework. Each pillar is to be developed under the intellectual co-leadership of two or more partners, with the involvement of other participants.

6. The whole project is to be coordinated by the European Public Law Organisation, and consultations are underway with other organisations to seek the interest of one or more global co-leader(s). The various partners in the project (over 40) with the support of the French Ministry of Foreign Affairs who provided seed funding, have developed a concept note, ² together with a financial assessment, which are now being submitted to potential donors.

III. RATIONALE OF POTENTIAL UNIDROIT’S INTEREST FOR THE HCBM PROJECT

7. Acting on a proposal submitted by the International Development Law Organization (IDLO) to the UNIDROIT Governing Council at its 88th session (Rome, April 2009) to study the possibility of a joint project between the two Organisations for the preparation of a legal regimen governing social enterprises, the UNIDROIT Secretariat prepared a preliminary study (UNIDROIT 2010 – C.D. (89) 7 Add. 5). This study highlighted the special legal features of these forms of enterprise in relation to the traditional corporate model – not-for-profit organisations and the classic commercial company – and reported on both the growing institutional, conceptual and practical recognition of such enterprises and those national laws having established special legal frameworks for this type of enterprise. It concluded by suggesting that there was a case for guidelines for a legal framework for social enterprises (or for a certain type of social enterprise) and formulated proposals for the methodology that might be employed in developing such guidelines.

¹ see: http://www.globalforumljd.org/themes/thematic-working-groups-and-communities-practice
8. At its 89th session (Rome, April 2010) the Governing Council acknowledged the interest of the project, and, subject to IDLO’s obtaining the necessary outside funding, agreed to recommend that the project be included in the Institute’s triennial Work Programme 2011-2013. This recommendation was endorsed by the General Assembly of UNIDROIT at its 67th session held on 1st December 2010. IDLO not having been in a position to secure the necessary funding, at its 90th session (Rome, July 2011), the Council encouraged the Secretariat to continue its consultations with other organisations that might be interested in co-operating with UNIDROIT in this field. In view of the topicality of the subject, the Council recommended that the subject of the “Legal aspects of social business” be maintained in the Institute’s triennial Work Programme 2014-2016, with a low priority however. In view of the need to complete other projects that had precedence under its Work Programme, no further work was engaged by the UNIDROIT Secretariat in relation with this subject.

IV. PRESENT AND POSSIBLE FUTURE PARTICIPATION OF UNIDROIT IN THE HCBM PROJECT

9. Against the past interest and preliminary work by UNIDROIT, the possibility for UNIDROIT to contribute to the GFLJD project, in particular as regards Pillar II on “Legal Framework and Governance” acquired a particular relevance. As described in the Concept Note, “the objective of this Pillar is to develop a legal and governance framework to enable the HCBM to be used in different socio-economic and legal environments, for a variety of purposes and activities, and for businesses of varying sizes”, and its activities are to: “identify functional legal and regulatory model; develop innovative corporate governance schemes that can ensure the pursuit of goals other than profit; develop compliance and monitoring strategies to control the fulfilment of the legal model within the corporate governance; develop draft provisions to be incorporated in HCEs bylaws”.

10. In line with its expression of interest, the UNIDROIT Secretariat offered to the Project Partners to host a Conference on the project in Rome, as part of the series of information and promotion events that are scheduled to take place in different countries. The Conference took place at UNIDROIT’s Headquarters on 17 February 2017 under the patronage of the Italian Agency for Cooperation for Development, with the participation of a large number of speakers from international organisations, Italian Governmental institutions, non-governmental organisations and academic institutions, and the attendance of a numerous audience. The programme of the Conference as well as the press review are accessible through the links.

11. On 10 April 2017, the UNIDROIT Secretary-General received a letter from Mr Marco Nicoli, Senior Project Manager Global Forum on Law, Justice and Development, and Senior Knowledge Management Officer of the World Bank Legal Vice Presidency, which “formally invite[s UNIDROIT] to consider the possibility of taking a co-leading role with the University of Florence for the Pillar 2 on ‘Legal Framework and Governance’”. Mr Nicoli stresses that the project has warranted support from a large number of international organisations and national government authorities, and that efforts are being actively pursued to find funding opportunities. Mr Nicoli’s letter is reproduced in Annex II.

V. ACTION TO BE TAKEN

12. The Governing Council is invited to take note of the information provided in this Note, and to authorise the Secretariat to pursue its exchanges with the GFLJD and to accept the proposal to collaborate with the project as requested, provided the related costs are fully covered under the project funding.
Project Summary

“Human Centred Business Model: a Holistic Approach to a New Model of Doing Business”

The Global Forum on Law, Justice and Development, promoted and supported by the Legal Vice Presidency of the World Bank, presents the Project entitled “Human Centred Business Model: a Holistic Approach to a New Model of Doing Business”.

This critical moment in history demands an effort to find innovative solutions against inequality, social disaggregation and conflict, pollution, the depletion of natural resources, the dramatic consequences of climate change and the deterioration of urban and rural landscapes.

As also specified in Agenda 2030\(^1\) for Sustainable Development, there is a need for socially responsible models of production and consumption, in order to ensure the co-existence of just profit with social cohesion and a healthy environment.

The Project aims to contribute to the development, and experimentation, of a new economically sustainable and wealth generating business model, which is also respectful of human rights, the environment and local communities. The Project aims to provide concrete answers for businesses seeking to conciliate economic growth with respect for the individuals, communities and natural habitats they interact with, and have found no such solutions in the existing economic and legal models and market mechanisms.

The Project aims to involve both institutional and private stakeholders, particularly those that have already been experimenting innovative approaches to the economy, business, and social activities, for quite some time.

The Project is built on six, closely inter-related Pillars:

**Pillar 1** - “Guiding Principles”, which will study the application of the guiding principles already clearly expressed in Agenda 2030, to Human-centred Enterprises (HCEs). In particular, the Pillar will identify the Guiding Principles for profit-oriented enterprises who wish to combine profit with the respect for global sustainable development objectives, contributing to the creation of a job market based on dignity and quality and environmentally friendly products. The central elements of this pillar are research, analysis and summarised reporting on existing solutions and result indicators.

**Pillar 2** - “Legal Framework and Corporate Governance” will address the formulation of an outline (with a proposed regulation) of new forms of legal frameworks and corporate governance to help businesses, especially corporations, to work under the identified “Guiding Principles”, with characteristics that

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\(^1\) Agenda 2030 for Sustainable Development is an action plan for people, the planet and prosperity, signed in September 2015 by governments of 193 member States of the UN. It encompasses 17 Sustainable Development Goals (SDGs) in a vast action plan that includes 169 targets. The official launch of the SDGs was at the beginning of 2016, to guide the world down the path for the next 15 years and to meet the undertaking of reaching the Goals by 2030.
allow for democratic participation, inclusive economy, an interest for the common good, and a respect for nature.

Pillar 3 - “Financial” will address innovative financial instruments for businesses that adopt this model. In particular, it will focus on how to build on experiences of: employee participation, subsidised funds, start-up funding, free technical assistance, crowd-funding, ethical finance, etc.

Pillar 4 - “Fiscal” will provide recommendations for fiscal conditions that take into account the additional costs of HCEs and provide incentives for their socially and environmentally sustainable work with a view to levelling and not distorting the market.

Pillar 5 - “Procurement” will provide recommendations on corporate policy and subsidised public procurement, in a manner that does not hinder competition, providing favourable conditions for businesses that operate in abidance of the law and environmental and ethical standards (such as “green procurement).

Pillar 6 – “Capacity Building and Mentoring Support” will provide training and mentoring solutions, focussing on the product-launching phase for new businesses, supported by universities, professional associations, managers and experts, and also taking account of the impact of entrepreneurial activities on the local community.

The Project aims to provide a new ecosystem for the Human Centred Enterprise, which would then undergo an experimental phase of application in at least two countries, providing technical support to the respective governments.

UNIDROIT and some of the project partners, invite you to attend a presentation and a workshop on 17 February 2017, from 9.30 am to 4 pm at UNIDROIT headquarters, in via Panisperna 28 Rome. The event will be held under the patronage of the Italian Cooperation Development Agency.

Due to limited seating you are kindly requested to register for the event contacting Ms. Françoise Ghin f.ghin@unidroit.org tel: (+39) 06 696 21 45

Under the patronage of the Italian Cooperation Development Agency
Dear Dr. Estrella Faria,

On behalf of the World Bank Legal Vice-Presidency and of all the partners of the Human-Centered Business Model (HCBM) Project I would like to thank you, the President Prof. Alberto Mazzoni and all your staff for hosting at UNIDROIT the February 17th successful event.

We received words of appreciation from all the participants and an impressive media coverage. While we are planning other presentations of the project with events in Brussels at the European Parliament, in Paris and in Barcelona, we are actively pursuing funding opportunities and we are working on the project’s leadership and governance.

With this letter I would formally invite you to consider the possibility of taking a co-leading role with the University of Florence for the Pillar 2 on “Legal Framework and Governance”. The objective of this Pillar is to develop a legal and governance framework to enable the HCBM to be used in different socio-economic and legal environments, for a variety of purposes and activities, and for businesses of varying sizes.

UNIDROIT, together with the World Bank Group, OECD and EPLO are currently the main international organizations partners of the project, and others such as ILO have expressed their interest to join. A number of national government authorities, including the French Ministry of Foreign Affairs and the Italian Development Agency, are supporting the project as well.

As a law-formulating agency enjoying high recognition for its expertise and quality of its work, we believe that UNIDROIT would be an ideal co-leader for the Pillar. It would bring a valuable complementary expertise also in consideration of its traditional collaboration with universities and other legal institutions worldwide.

Looking forward to our continuing collaboration, I remain,

Yours sincerely,

Marco Nicoli