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Silent Reform through the Global Compact

(with Thomas N. Hale and George Kell), 44 (1) UN CHRONICLE (2007).

ESSAY

For the first time in its history, the United Nations is embracing business and civil society as vital partners in advancing its goals of international peace and development. In today's interdependent and globalizing world, business and the United Nations share common objectives. Despite different purposes—the United Nations works for peace, poverty reduction and human rights protection, while business has traditionally focused on profit and growth—the overlapping objectives of the United Nations and business are clear: building markets, good governance, combating corruption, safeguarding the environment, achieving global health and ensuring social inclusion.

UN engagement with business is not simply limited to policy and papers, but can be seen in countless day-to-day operations and projects worldwide. One result of this collaboration is that the United Nations is showing transnational corporations (TNCs) how universal values can translate into business value, thus bringing powerful new allies to UN goals. Perhaps equally important, these new partnerships are exposing the United Nations system to the management principles of the world's most dynamic firms.

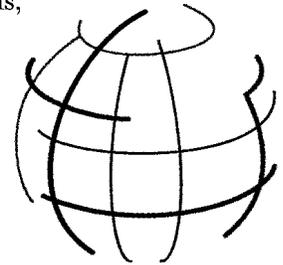
At the centre of these efforts is the United Nations Global Compact, the largest voluntary corporate citizenship initiative in the world, whose mission is to ensure that business—in partnership with other societal actors, including Governments, organized labour, non-governmental organizations (NGOs) and academia—plays an essential role in achieving the United Nations vision of a more sustainable and equitable global economy. Its participants voluntarily commit to advance the ten universal principles on human rights, labour standards, environmental protection and anti-corruption, which are derived from core UN treaties (*see page 29*). And to give concrete meaning to this change approach, companies are expected to internalize these principles within their day-to-day operations and undertake projects to advance broader societal goals.

Formally launched in 2000, the Global Compact is reaching critical mass. Over 3,000 businesses from some 100 countries belong to it, including 108 of the *Financial Times* global 500 firms. The "Global 108" alone employ close to 10 million workers, with a market capitalization of approximately \$5 trillion and recorded revenues of about \$3.5 trillion in 2005. Business participants are joined by over

SILENT REFORM THROUGH THE GLOBAL COMPACT

BY GEORG KELL, ANNE-MARIE SLAUGHTER AND THOMAS HALE

800 civil society organizations, labour groups, city governments, foundations and academic partners. Country networks, which provide an arena for participants to engage at the ground level, have surfaced in over 50 countries.



The Global Compact's impact extends beyond numbers. By providing a truly international platform for participants and stakeholders to share practices and challenges, it has significantly contributed to the emerging worldwide consensus on the value of corporate responsibility for both society and business. There is a growing understanding that responsible business practices can lead to social and economic inclusion, helping to advance international cooperation, peace and development. And the business community is seeing first-hand the value of values. As more and more companies engage in responsible practices, the business case for corporate citizenship deepens. In the past year alone, significant players in the investment community, such as pension funds with over \$5 trillion in managed or held assets, have called for a value-based approach to business and taken steps to incorporate such thinking into their investment decisions.

Despite these achievements, however, vast challenges remain. There are over 70,000 TNCs that are not involved in the UN initiative. North American companies, which represent less than 4 per cent of current Global Compact members, have been particularly reluctant to sign up. The key question is whether the Compact can grow to the point where a sizeable portion of the world economy commits to the ten principles, and in so doing ensures that its definition of corporate citizenship—the combined practice of implementing universal principles into business practices and engaging in partnership projects to meet broad societal goals—becomes the global

THE GLOBAL COMPACT

standard. Less rigorous “window-dressing” approaches to corporate responsibility may be easier to mainstream, yet they are ineffective in meeting the common challenges facing business and society in the twenty-first century.

The Global Compact marks a radical step forward for the United Nations. Ten years ago, the relationship between the Organization and the private sector was burdened with mistrust. Though initially supported by business leaders who saw a need for a strong multilateral system, the United Nations found that the realities of the cold war forced it to take a neutral stance on the question of private enterprise. During the 1970s and 1980s, Governments of developing countries sought to pass treaties restricting direct foreign investment and other elements of global commerce. What a difference a decade makes. Throughout the 1990s, the international community became increasingly aware of the importance of global corporations in world affairs. Civil society groups directed campaigns more and more for environmental protection, and human and labour rights at TNCs and international finance and trade institutions. Massive protests in Seattle, Genoa, Geneva, Cancun and other conference sites brought the “globalization debate” to the forefront of the international agenda.

At the heart of these struggles lay the universal ideals on which the United Nations was founded—“progress” ranks alongside “peace” as one of the Organization’s basic motivations. But while the global economy bounded ahead, many were concerned that workers, the environment and the poor were being left behind. Part of the problem seemed to be that economic integration was shifting the boundaries between public and private responsibility and capability. The question became, “how can efforts to safeguard rights and promote sustainable development keep pace with an ever-integrating global economy?” For many, the answer was to turn back to previous attempts to clamp down on global commerce through “command and control” regulation. Some activists called for the

abolition of the World Trade Organization and regional free trade agreements; others called on such institutions to include environmental and social regulations. The UN Human Rights Council drafted a code of legal responsibilities for TNCs. Like the efforts in the 1970s and 1980s, none of these measures have garnered sufficient support to become law.

However, political will is not the only problem. Even if given a mandate to regulate transnational businesses, no existent global organization—certainly not the United Nations—possesses the vast capability needed to monitor and regulate corporations around the world. Even if States agreed to do the enforcing themselves, many have a poor track record of following through on global agreements on the environment or human and labour rights. Into this “enforcement gap” have rushed a flood of voluntary initiatives and standards aimed at aligning world business practices with social and environmental goals. Some are purely industry-based, others are sponsored by civil society organizations or intergovernmental bodies like the Organization for Economic Cooperation and Development, and many involve stakeholders from various sectors. Some initiatives, such as in the lumber, apparel or coffee industries, aim to certify certain products as environmentally or socially safe. Others like the Global Reporting Initiative (GRI) develop ways for corporations to monitor and report on their social and environmental impacts. Still others simply attempt to develop codes of conduct to highlight best practices. Many of these initiatives overlap and at times compete; for example, in the United States apparel industry, a code of conduct supported by many businesses competes for members and consumer trust with a more stringent initiative backed by civil society groups.

A GLOBAL ACTION-ORIENTED LEARNING NETWORK

The Global Compact plays a special role in the disparate field of voluntary corporate social responsibility (CSR)

FACING REALITIES:
GETTING DOWN TO BUSINESS

THE GLOBAL COMPACT

LEADERS SUMMIT

PALAIS DES NATIONS - UNITED NATIONS OFFICE GENEVA - 5-6 JULY 2007

COURTESY OF GLOBAL COMPACT

In 2007, the Global Compact Leaders Summit, held on a triennial basis, will gather 1,000 leaders from business, Governments, civil society and labour, including 700 chief executives, several Heads of State or Government and more than 40 Ministers. Chaired by Secretary-General Ban Ki-moon, this event will mark the largest gathering of business leaders by the United Nations.

initiatives. No initiative is broader in terms of the issues covered or in geographic reach, and none claims more participating countries or carries similar moral authority, or the backing of the 192 UN Member States.

The Global Compact is also qualitatively different: it is neither a specific code of conduct, a certification scheme nor a reporting rubric. Rather, it is a call for businesses to commit to universal principles and take tangible actions towards achieving them by learning from peers and civil society stakeholders. In this way, it complements other voluntary CSR initiatives. Many participants find that projects like the GRI or industry-specific codes of conduct are the best way to carry out their obligations under the Compact. These businesses can learn what CSR practices and initiatives peers employ and what steps environmental and social groups would like them to take. This voluntary, learning-based approach exploits UN core competencies—universal reach, unparalleled convening power and moral authority—while avoiding its weakness, such as the inevitable sluggishness that comes from being a global bureaucracy that answers to almost 200 sovereign bosses. The Global Compact leverages the UN status as the largest best-laid table in the room, able to attract and accommodate the widest range of stakeholders. No other environment can provide such comprehensive discussion and learning.

To participate in the Global Compact, the highest ranking business executive sends a letter of intent to the UN Secretary-General affirming the company's commitment to the ten principles. The company is then listed on the Global Compact website and is expected once a year to submit a "Communication on Progress", describing how it has sought to integrate the ten principles into its business practices and generally contribute to UN development goals. Companies that fail to keep the Compact apprised of their progress are marked "inactive" and over time may be delisted from the initiative. Regular "learning forums" bring participants together to find out how their peers are taking concrete actions based on the ten principles and receive input from social and environmental stakeholders. These activities are supplemented by local events sponsored by country or regional networks of Compact participants.

Working closely with stakeholders, the Global Compact has developed a considerable library of guidance documents and practical tools to help participants implement the princi-



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The 4th Annual Global Compact Local Networks (GCLNs) Forum was held on 26 and 27 September 2006 in Barcelona, Spain. The event brought together more than 180 representatives, who served as focal points for GCLNs in more than 60 countries, including Mexico, Nigeria, Panama, Singapore and Sri Lanka.

ples more effectively. At the same time, it has been a focal point within the UN facilitating efforts to learn how to partner more effectively with the private sector, and has also trained UN staff from across the Organization.

THE VALUE OF VALUES

Why have so many businesses decided to join the Global Compact? One key assumption is that markets will increasingly reward good performance in areas the Compact promotes—that is, businesses that perform better on environmental, social and governance issues will improve their bottom line. Companies have received many benefits from their responsible corporate practices, including attracting and retaining skilled workers, saving costs, enhancing productivity, building brands and creating trust and positive reputation with stakeholders. In addition, significant gains can occur when consumers and investors demand that products and investments meet social and environmental criteria. This is already being proven as the investment community increasingly connect environmental, social and governance performance to long-term corporate valuations. In the long term, business investment in social and environmental improvements will ultimately yield more stable, stronger markets that are less vulnerable to risk and externalities.

Another critical factor in the uptake of the Global Compact is the increasingly global nature of business. For companies based or operating in developing countries, it is often critical to address the societal context. Business will

not thrive when society fails; therefore, society becomes a key consideration in business mission and strategy, necessitating innovative approaches that serve both societal and corporate interests. The Compact has found that companies operating in challenging conditions have a particular stake in issues that the initiative addresses; its philosophy of responsibility and community engagement can have a deep meaning for these companies. It is no coincidence that just over half of the Compact's 3,000 participating companies is based in developing countries. With such compelling arguments, it is not surprising that the notion of "CSR" has become part of the corporate mainstream. Businesses recognize that, in theory, improving environmental and social performance reduces risks and improves brand management, and therefore should be a vital part of any successful business model. Yet, many are still struggling to find tangible, effective CSR strategies. This problem is particularly acute for corporations exposed to risks in a variety of markets across the globe.

The Global Compact is decidedly a step forward in the globalization debate, part of a growing trend to find new policy tools that are up to the challenge of twenty-first century governance. Still some old suspicions linger. On the one hand, some in the business community worry that the initiative is an attempt at global regulation; on the other hand, some civil society groups and academics see it as a way for businesses to cloak themselves in UN legitimacy while continuing unsavory practices. Most of these fears result from a misunderstanding of the nature and goals of the Global Compact. The initiative is not and does not aspire to be a legally-binding code of conduct. Some corporations, particularly those based in the litigious American market, fear that even signing a letter of intent to comply with the ten principles could have legal repercussions. In response, the Global Compact has worked with the American Bar Association to develop a "litigation-proof" letter of commitment. Fortunately, its five-year record of helping companies improve their environmental and social performance—not tricking them into standards they feel uncomfortable with—increasingly assuage these fears.

The Global Compact has not led to widespread "blue-washing" as some NGOs feared. It is not a certification scheme or a stamp of approval, but simply a commitment

THE GLOBAL COMPACT PRINCIPLES

The Global Compact's ten principles in the areas of human rights, labour, the environment and anti-corruption are derived from:

- The Universal Declaration of Human Rights
- The International Labour Organization's Declaration on Fundamental Principles and Rights at Work
- The Rio Declaration on Environment and Development
- The United Nations Convention Against Corruption

The Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption:

HUMAN RIGHTS

- *Principle 1:* Business should support and respect the protection of internationally proclaimed human rights; and
- *Principle 2:* Make sure that they are not complicit in human rights abuses.

LABOUR STANDARDS

- *Principle 3:* Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- *Principle 4:* The elimination of all forms of forced and compulsory labour;
- *Principle 5:* The effective abolition of child labour; and
- *Principle 6:* The elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

- *Principle 7:* Businesses should support a precautionary approach to environmental challenges;
- *Principle 8:* Undertake initiatives to promote greater environmental responsibility; and
- *Principle 9:* Encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

- *Principle 10:* Business should work against all forms of corruption, including extortion and bribery.

to learn and engage. Waving the UN logo does not shield a company from criticism; it implies it is striving to maintain a higher standard and thus invites increased scrutiny. Companies that join but fail to make progress are likely to become even more vulnerable to critics. Because companies must annually report their progress on implementing the principles, attempts to "free-ride" will be exposed. In October 2006, the Global Compact took the step of delisting 335 companies that had missed two consecutive deadlines for progress reporting—an indication that it is serious

about the quality and commitment of participants. Moreover, the Global Compact Board is empowered to review companies accused of egregious violations of the principles and in extreme circumstances remove them from the initiative. In short, while it gives CSR leaders a chance to showcase their achievements, and other companies the opportunity to learn from positive examples, the Compact has no benefits to offer laggards.

As corporations are realizing, the Global Compact represents a concrete advance in the globalization debate. The underlying controversies remain the same—how to protect the environment and social rights in an evermore integrated global economy—but now they have a chance to play out constructively under UN auspices. That is not to say that protest and campaigning will not continue to be important elements in protecting the environment and human rights; only that civil society groups and corporations now have an alternative forum in which to make real progress on such disputes.

By opening the United Nations to different and more efficient ways of organizing actions, these partnerships serve as a catalyst for institutional innovation across the entire UN system. Businesses are not the only ones learning from the Global Compact. The United Nations itself, often criticized as overly bureaucratic and moribund, is profiting from its engagement with well-managed global organizations in the business community and non-profit sector. The Global Compact leads UN efforts to partner with non-governmental actors, and these partnerships have been spread across the UN system. For example, vitamin manufacturers work with the United Nations Development Programme (UNDP) to improve nutrition in developing countries; soap makers have teamed up with the United Nations Children's Fund (UNICEF) to promote sanitation; the logistics company TNT helps the World Food Programme deliver food to humanitarian crises on time; and telecommunication company Ericsson ensures that UN first responders in disaster-stricken areas can keep in touch. The Global Compact has spearheaded efforts to improve the UN ability to utilize such partnerships by compiling lessons, developing standards and training UN staff.

The United Nations has also decided that it must practice what it preaches and has vowed to apply the ten principles to procurement, personnel and facilities management. In 2006, the UN Joint Staff Pension Fund was one of the original signatories to the Principles for Responsible Investment. The Global Compact represents UN reform in two ways: not only is it an innovative tool to bring new allies and methods to UN goals, it also catalyzes change across many of the Organization's day-to-day operations.

The initiative's experience thus far has defied critics who would dismiss it as a fantasy of global regulation or a

cynical sell-out to profit-oriented interests. Indeed, it shows how the United Nations is adapting to changed global circumstances in significant ways. It is learning to embed its principles in the powerful and far-reaching world of global business—and business is learning how these public values can add to their own value. The challenge now is to expand the scale and quality of the Global Compact. First, more corporations need to recognize the benefits membership can bring, and American corporations in particular should be far more engaged than they have been. Second, the Compact must continually improve its ability to facilitate learning. New ways are needed to match corporations seeking information with those that have useful lessons to provide. Best practices must be developed in a way that generalizes the important lessons of market leaders' experiences and maintains enough contextual information to apply to specific local situations. There is an important role for the academic community in objectively analyzing and refining the vast set of experiences the Global Compact collects.

Ultimately, the Global Compact's ability to expand its scale and deepen benefits for participants is interlinked. As more corporations join, collective practices will become richer, more diverse and better tested. Similarly, as the Compact's lessons become more useful, companies will feel they cannot afford to be left behind the cutting-edge of global CSR knowledge. The world's far-sighted businesses have recognized the quiet transformation taking place within the United Nations and are joining this movement to enhance their business models and manage risk. □

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with the fragmentation of efforts. Third, it points again to peacebuilding efforts. Despite its natural resources, Timor-Leste is a country with immense poverty, as there is a lot of unemployed youth. If this developmental issue is not addressed, then it is really a tinder that can inflame very quickly if the other issues I mentioned are not dealt with. When you make an investment in peacekeeping, let's make sure that we address all issues, that we do not leave prematurely and that there are benchmarks agreed on by every one, so that we have a rational and objective way of determining when the time to leave has arrived.

What implications have the surge of deployments and the increasing complexity of peacekeeping functions had on the DPKO organizational structure?

We are engaged in a major reform process called "Peace Operations 2010", because as the missions have become more complex, they require a "one-stop shop" at Headquarters—that is a consistent request that we hear from the field. We are, therefore, moving towards integrated teams to make sure that integration is deepened so that as the operations grow we have more robust structures and procedures, which make up for the fact that we cannot manage those sorts of operations in an ad hoc manner.

How effective have the Conduct and Discipline Units been in combating sexual and other abuses?

We are pleased to have the support of Member States in efforts to systematize the creation of conduct and discipline units in many of our missions. I think they are effective in moving forward on several fronts, such as prevention and training, so that we are not in a reactive mode. To address the question of sexual exploitation and abuses, you have to think first of prevention before troop deployment, so that Member States are sensitized to it. Once troops are deployed, there has to be continuous effort. Of course, you have to be effective in taking action whenever something happens. The fact that we now have the eyes and ears, and the people who have dedicated their efforts to that cause, says a lot. We are determined to never let go of that issue—it is a considerable challenge. It is like policing a city with 100,000 people, with a population that is continuously changing, so it has to be a continuous effort. It is also about changing the culture and the approaches in most armies of the world, and for that it is very important to have the full support of Member States. That is why we have dialogue with them; however, we need to go even further. I was disappointed that the new memorandum of understanding that will set the rules with greater clarity on what the objectives are, the standards that are acceptable to Member States, could not be completed before the end of the last General Assembly. It should be our priority for 2007, so that everyone understands what the expectations are. The message is clear: anyone who receives and welcomes the rules will have to be held accountable. □

responses and suggestions. This collaboration began while the Panel was still in planning stages and has continued well beyond the submission of its report.

NGO representatives were especially concerned that the Panel balanced programmes designed for the short, medium and long term, as well as those requiring a range of resources. This approach was accepted and utilized by panel members to structure their recommendations. Representatives and panel members also stressed the importance of dealing with conventional weapons, as well as chemical, biological and nuclear weapons. It was clear from the beginning of the process that the results must be accessible to countries in the global north and south. The Panel's report accomplished each of these objectives.

The effort to enhance disarmament and non-proliferation education is still continuing, although obtaining the resources necessary for full implementation of the Panel's recommendations has been difficult. For example, there has not been sufficient funding for the establishment of an international consortium "of scholars and representatives of civil society, to work in parallel with and as a complement to international disarmament and non-proliferation efforts". To prosper, this and related ventures will also require the financial and institutional support of the United Nations.

Member States, international organizations, academics and NGOs are essential actors in the effort towards global disarmament, the success of which will depend on their partnership and the Secretary-General's leadership. With his support, I am confident that we can make progress on each of these issues. I join with citizens around the world in wishing him every success in this effort. □

NOTES

- 1 www.smallarmssurvey.org/files/sas/home/FAQ.html#FAQ7
- 2 Project Ploughshares, "Armed Conflicts Report 2006" (www.ploughshares.ca/libraries/ACRText/ACR-TitlePageRev.htm#Preface)
- 3 UN Department for Disarmament Affairs' Vision Statement (<http://disarmament.un.org/dda-vision.htm>)
- 4 *In Larger Freedom: Towards Development, Security and Human Rights for All* (www.un.org/largerfreedom/chap5.htm)
- 5 Michael Spies, "Growing U.S. Isolation at the United Nations on Disarmament and Security", Lawyers' Committee on Nuclear Policy Inc. (<http://lcnpp.org/disarmament/unga2006.htm>)

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