

Towards Global Compact 2.0?

BARCELONA CENTER
FOR THE SUPPORT OF
THE GLOBAL COMPACT

Activity Report 2008-2009

Towards Global Compact 2.0?

Fundació
Fòrum
Universal
de les
Cultures



CONTENTS

Presentation

Jordi Hereu 7

Foreword

Mireia Belil 9

Barcelona Center for the Support of the Global Compact Activities 2008 and 2009

Annual Local Networks Forum 15

Bonn 2008 17

Istanbul 2009 23

The Progress and Value Workshop Series 29

Origin and Current State of the Initiative 31

Presentation of the Model for Progress and Value Workshops and Training the Trainers Workshop 33

Progress and Value Workshop for Business Executives in a Local Context Istanbul, 24 November 2008 39

Progress and Value International Workshop. Istanbul, 8 June 2009 41

Progress and Value Workshop for High-Level Corporate Representatives Cape Town, 20-21 August 2009 43

Conferences Attended by the Barcelona Center in 2008 and 2009 44

Towards Global Compact 2.0? (authored articles)

Ban Ki-moon, The Global Compact: Creating Sustainable Markets 51

Juan de la Mota, Challenges and Objectives of the Global Compact 2.0 54

Diana Chávez, Towards Version 2.0 of the Global Compact 57

Toni Comín, The Limits of the Global Compact in the Face of the Crisis 60

Andreas Rasche, A Necessary Supplement: What the United Nations Global Compact Is and Is Not 66

Soren Petersen, Global Compact Success Tied to Strong Local Networks 77

Hiroko Enomoto, Global Compact Japan Network (GC-JN) 80

Cynthia Carroll, Staying with the Sustainable Development Agenda in Challenging Times 84

Jane Nelson, Eriko Ishikawa and Alexis Geaneotes, Developing Inclusive Business Models: A Review of Coca-Cola's Manual Distribution Centers in Ethiopia and Tanzania. 88

Isabel Roser, Corporate Social Responsibility in Fundación Carolina 95

Claude Fussler, Caring for Climate 98

Georg Kell, Climate Change: Is Business Doing Enough? 101

UN Alliance of Civilizations and UN Global Compact Office, Doing Business in a Multicultural World: Challenges and Opportunities 104

PRESENTATION

Jordi Hereu

Mayor of Barcelona
and President of the
Universal Forum of
Cultures Foundation



Once more, five years after its establishment, the [Forum Foundation—Barcelona Center for the Support of the Global Compact](#) publishes its annual activity report. Reality has been a powerful source of learning in 2008-2009 and some key lessons have emerged from the financial crisis and its impact on development.

The Barcelona Center was born as an agreement between the United Nations Global Compact Office and the Universal Forum of Cultures Foundation (Barcelona) signed as a Memorandum of Understanding (MOU) as of 1st March 2005. The Barcelona Center is established as a project of the Forum Foundation to support the work and goals of the Global Compact and the Global Compact Office, and to disseminate the Ten Principles of the initiative. The Forum Foundation is the organisation in charge of promoting, organising and consolidating

the Universal Forum of Cultures where sustainable development, dialogue among all social stakeholders and promotion of a better future for all are driving values, the same values embedded in the Global Compact initiative.

As it has been repeated thousands of times, any crisis also generates opportunities and reconsideration of the inertial processes. Somehow, [this major shake of the economic system built by the western world has given new meaning to the United Nations Global Compact initiative](#) that comes out stronger with roughly 100 new participants joining the Global Compact per month, as well as nearly 100 Communications on Progress being submitted each month. The value derived from the Global Compact participation is seen in the paving of a new road towards doing business in a UN-usual way as the usual one has proven definitively wrong.

Both the universal values embodied in the UNGC and the defence of environmental, social and economic sustainability appear as a way forward to a better future and also better business.



Jordi Hereu
Mayor of Barcelona

FOREWORD

Mireia Belil

Director General,
Barcelona Center for the
Support of the Global
Compact—Universal
Forum of Cultures
Foundation



2008 was a transitional year for the Forum Foundation. By mid December 2007 the second Universal Forum of Cultures, held in Monterrey (Mexico), ended with a clear success of audiences and proved improvements in the organisation and contents. Valparaiso 2010 and Naples 2013, the third and fourth Forum of Cultures, were starting their programming and operating planning.

Monterrey 2007 was a commotion that had personal and professional impacts on all our lives: we were ready to step back and relax. Being in charge of a global project such as the Forum, which is embedded in the major geopolitical and cultural trends of the world, our relax period after Monterrey lasted for less than 15 days! The economic bad news with disastrous social impacts got us back to work with economic, social and environmental issues, changes in governance, human rights, corporate responsibility, innovations in social change... as nightlights that became brighter

and brighter, lightning up the whole world without showing us all a clear way out.

In 2008, the Global Compact issues became more relevant than ever. Large companies used social responsibility and corporate responsibility as a way to contribute and become a seated-in-the-table stakeholder in the global governance processes that do not have the basic structures to deal with global issues at world level. [Global governance has become a core concern in the way out of this crisis.](#) Any new way forward is an all-hand on deck effort and large companies, as well as small and medium ones, are also part of the solution.

Irresponsible behaviour, individual values or short-term returns are not the only causes that spurred the financial and also economic and social crisis in 2008 but they contributed deeply. Social responsibility, long-term thinking and long-term social and economic

returns and universal and collective values are part of the considerations towards a new way of world organisation of economic activities.

The Global Compact is a long unending journey towards commitment and progress. Commitment to a better future for all through the respect for human rights and towards a more sustainable development; progress in dealing with challenges raised by disparities, social situations, unequal globalisation, technological changes, economic dilemmas and political restructuring.

The Global Compact initiative has helped many, both individually and collectively, to develop good practices that should be upgraded to the world as best practices. In a world where global is one of the most used words, local becomes equally valuable. The Forum Foundation—Barcelona Centre, along with the New York Global Compact Office, annually organises the Annual Local Networks Forum where companies, international agencies and NGOs discuss the major issues they face in their daily operations on the field. Many questions arise that all Annual Local Network Forums work hard to answer. This time three questions were surfing around the different debates and sessions: (1) Can we build organizing and explanatory models that apply across situations? (2) How much do we have to concentrate on a local versus a regional, state or even global scale? and (3) Can we make a clear business case for human rights as we already did for climate change? We do not know if we managed to fully answer them or to address some of the t-bone issues behind them, but I witnessed the efforts made and the importance of sharing experiences, networking and learning from each other.

This third activity report that we produce collects some of these efforts and is proof of the evolution of local networks over the years. We have entitled this activity report with a question: “Towards Global Compact 2.0?” an expression used by the United Nations Secretary-General to advance novelties on the initiative. Yes, the Global Compact initiative is 2.0 and beyond. The Global Compact is reaching a second stage of evolution where it is necessary to adapt the current working context to global cooperation involving all societal actors. We are what we share, not what we hide.

This book has two different sections. The first chapters are devoted to the summary of the activities developed by the Forum Foundation—Barcelona Center during 2008 and half 2009. This year, in addition to participating in different international meetings and seminars, we have worked in two distinct areas: the Progress and Value Workshops and the 2008 Global Compact Annual Local Networks Forum, which was celebrated in Bonn, Germany, and the 2009 ALNF that was held in Istanbul.

The second section of this book includes the authored contributions of very different people that kindly accepted our invitation to write for this report or agreed to include some of their already published articles. Special thanks go to all of them: their views demonstrate the need to work on the role of the UN Global Compact and Corporate Sustainability.

I cannot finish this introduction without thanking all the people from the United Nations Global Compact Office for their constant support and trust, which has grown into friendship, Georg Kell, Soren Petersen

and Nessa Whelan, and the rest of their team as well as the Forum Foundation team that contributed to this 2008-2009 activity report, especially Cristina Gabarró and Anna Brichs.

Last but not least, a tribute to the city of Barcelona, my city wherever I am, who became a new member of the Global Compact. Barcelona is and has always been an inspiring body for my life and activities. It is a city that faces her problems, that sometimes advances the future and other times fails in her attempts, but always tries hard to reinvent herself with energy and enthusiasm in an attempt to make a better life for all her citizens, those from here and from there, even in times of crisis. The life of a city is a long journey of ups and downs, of lights and shades; it is an image of failures and successes, of half attempts, and it proves that what has been great in the past can become grey in the present, but also that what seems dark and down in the present can become bright and a landmark in the future.

BARCELONA CENTER FOR THE SUPPORT
OF THE GLOBAL COMPACT

ACTIVITIES 2008 AND 2009

UNITED NATIONS GLOBAL COMPACT ANNUAL LOCAL NETWORKS FORUM

Every year, Local Networks from around the world come together to exchange experiences and learn from each other. The Barcelona Center coordinates this annual meeting in partnership with the Global Compact Office (GCO) in New York.

The Annual Local Networks Forum (ALNF) is held in a different city every year. The latest ALNFs were held in Bonn, Germany, in 2008 and in Istanbul, Turkey, in 2009. You will find a brief summary for each of the meetings below. Longer accounts may be found at the United Nations Global Compact website.

VI GLOBAL COMPACT ANNUAL LOCAL NETWORKS FORUM

Bonn, 20-22 October 2008

On the 21st and 22nd of October 2008, representatives from more than 70 Global Compact Local Networks (GCLN, or LN) met in Bonn, Germany, to share experiences in their efforts to progress in the establishment of the Global Compact at local level. For this event, we counted on the organizational and financial collaboration of the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ). It was the largest ALNF to date, with 220 network participants, as well as representatives from business, government, civil society and labour.

The two days of meetings were organized around several plenary sessions and two special ones with a new format: the Knowledge Fair and the Local Networks Exchange Sessions.

PLENARY SESSIONS dealt with global crises—including economic, energy and food—in the context of Corporate Social Responsibility (CSR) and the Global Compact and the use of government “soft” power to encourage CSR. A great effort was made to discuss the governance issues for Global Compact Local Networks. We had the pleasure to listen to a very special guest: Dr. Mary Robinson, President of Realizing Rights—The Ethical Globalization Initiative.

Plenary sessions included an Opening Session and several sessions on the following topics: Current Threats to Globalization, Soft Power of Governments, Human Rights and Business, Global Financial Crisis Underscores Need for Global Compact, Shaping New Standards: Corporate Responsibility Leadership Awards, Development of Global Compact Local Networks and Governance

Speakers

Opening session

Ms. Karin Kortmann, Parliamentary State Secretary to the Federal Minister for Economic Cooperation and Development (BMZ), Germany

Ms. Mireia Belil, General Director, Universal Forum of Cultures Foundation — Barcelona Center for the Support of the Global Compact

Mr. Soren Petersen, Head of Networks, Partnerships, Participants Management & Communication on Progress, UN Global Compact

Current Threats to Globalization

Moderator: **Mr. Ralf Grauel**, Journalist, brand eins Wissen GmbH & Co. KG

Ms. Susanne Dorasil, Federal Ministry for Economic Cooperation and Development (BMZ), Germany Cooperation and Development (BMZ), Germany

Dr. Monika Wulf-Mathies, Managing Director - Public Policy and Sustainability, Deutsche Post World Net

Ambassador Chul-ki Ju, Secretary-General/Vice President, Global Compact Network Korea

Mr. Jim Baker, Co-ordinator, Council of Global Unions

Soft Power of Governments

Moderator: **Ms. Constanze Helmchen**, Focal Point of the Global Compact Local Network in Germany

Ms. Birgit Riess, Program Director Corporate Social Responsibility, Bertelsmann Foundation

Ms. Laura Nielsen, Programme Officer/ PPP Programme, Ministry of Foreign Affairs, Denmark

Ms. Susanne Dorasil, Federal Ministry for Economic Cooperation and Development (BMZ), Germany

Ms. Chen Ying, Deputy Director General, Chinese Enterprise Confederation and Member of the Board of the United Nations, Global Compact

Business and Human Rights

Dr. Mary Robinson, President, Realizing Rights — The Ethical Globalization Initiative

Global Financial Crisis Underscores...

Mr. Georg Kell, Executive Director, UN Global Compact

Corporate Responsibility Leadership Awards

Mr. Aiko Bode, Global Head CSR and Sustainability, TÜV Rheinland Holding AG

Development of GCLN and Governance

H.E. Mr. Peter Maurer, Ambassador Extraordinary and Plenipotentiary, Permanent Mission of Switzerland to the United Nations

In the **GOVERNANCE SESSION**, Mr. Soren Petersen led the session on Global Compact Local Network governance that covered a range of issues. Discussion and decisions focused on the Terms of Reference for the ALNF, the Memorandum of Understanding with the Global Compact Office and the

creation of several Working Groups. It was agreed that **all GCLNs will be required to sign an Annual Memorandum of Understanding (MOU) with the GCO based on meeting minimum criteria which will give the network the license to operate for one year, authorization to use the name**

“Global Compact” (GC, or UNGC) as part of the network’s name and to use the GC logo in connection with the network activities.

Four Working groups were established to explore issues of direct relevance to LNs and the GCO: minimum requirements of Networks, engagement of micro-enterprises, engagement of civil society organizations, and role of LNs in the Communication on Progress report process.

Additionally, the following presentations contributed to the session: Development of the Local Networks Knowledge Management System by Microsoft; Proposed Amendments to the Communication on Progress (COP) Policy (to be determined by the Global Compact Board at its 15 December meeting), and Global Compact Integrity Measures (focused on the logo policy). These presentations can be found in the Global Compact website.

Speakers

Mr. Soren Petersen, Head of Networks, Partnerships, Participants Management & Communication on Progress, UN Global Compact

Ms. Kate Facemire, IGO Solution Specialist, Microsoft

Mr. Oliver Johner, Communication on Progress Analyst, UN Global Compact

Ms. Ursula Wynhoven, Head, Policy and Legal, Special Assistant to the Executive Director, UN Global Compact

In **LOCAL NETWORK EXCHANGE SESSIONS** representatives from Local

Networks gave presentations on priority topics that were followed by an open discussion with session participants. These presentations are intended to create an interactive discussion and encourage the exchange of experiences. This year’s Forum had presentations structured by theme rather than by geographical context:

Outreach and Awareness-Raising

(Bolivia, Brazil, South Africa).

The group discussed and helped to identify the key elements necessary for successful outreach and awareness-raising activities.

Network Governance/Management Models

(India, Japan, Panama).

The session attempted to highlight and discuss the diverse ways in which GCLNs have chosen to organize themselves.

Networks as a Platform for Learning

(Germany, Malawi, Pakistan, Singapore, UK, US).

The presentations during this session focused on the benefits that a “learning component” can bring to a Network to increase knowledge, share information and deepen the commitment of participants.

Mobilising Collective Action-Policy Dialogue

(Indonesia, Kenya, Mexico).

Presenter Network Focal Points described the benefits and challenges faced when mobilising collective action. Getting involved in policy dialogue helped them to contribute to national discussions, help identify emerging issues, promote multi-stakeholder trust and interaction and support advocacy with policy makers.

Promotion and Facilitation of Partnership Projects

(Moldova, Syria).

The presenters in this session described the

role they played in facilitating partnerships outlining the lessons learned. The discussions after this presentation attempted to inspire other GCLNs to encourage action that goes beyond the internal boundaries of the company sphere.

Facilitation of Communication on Progress for Participants (Argentina, France, Italy, Spain).

Many GCLNs have found that the COP report can be an important tool to motivate participants and help them improve their social and environmental performance and deepen their engagement in the GC. Presenters described the various ways Networks have approached/supported the COP process.

Multi-Stakeholder Engagement

(Bangladesh, Dominican Republic, Senegal, Serbia).

The GC and its GCLNs can serve as an important engagement platform that brings together various actors —governments, civil society, etc.—for the main purpose of exploring the private sector’s role in sustainable development.

Awards and Recognition Schemes

(Bulgaria, Lithuania, Sri Lanka).

They can act as an effective measure to raise awareness around the GC and to communicate to the broader stakeholder group on a particular issue. Some LNs may wish to create one in partnership with another organization.

The **KNOWLEDGE FAIR** intends to be an opportunity for participants to receive an overview and updates on key GC topics. It is a space for participants to explore subjects

through dialogue with other participants and session presenters. The goal is to provide orientation and inspiration to Focal Points and business participants as they work to address the challenges of building their Local Network, implementing the Principles and engaging in collective action. Discussion focused on issue relevance and actions at local level.

Caring for Climate.

The session reviewed the development of this business leadership platform and sought input from Forum participants on the next steps. Items covered during this session were the following: context of the current scientific and climate policy agenda; role of business and terms of engagement in the programme; progress and priorities of the Caring for Climate programme; outcomes of the first signatories meeting of October 20-21; contribution of regions and focal points; 2009 action plan.

Principles for Responsible Management Education (PRME).

The PRME initiative is the first organized relationship between the United Nations (UN) and business schools. The aim of the session was to introduce participants to the PRME initiative and to discuss good examples of collaboration between academic institutions and the business sector at country level.

Human Rights Working Group Session.

The sessions offered an opportunity to share experience on what a LN can do to provide value to their members in this area as well as make an effective contribution to the advancement of the UNGC’s Human Rights Principles. It aimed to provide concrete and practical inspiration as well as support to LNs.

Implementing the Ten Principles through Global Learning Network: Pilot in Brazil.

For the last year, the GC and the Global Leadership Network (GLN) have worked to support participants by developing a common approach and an online tool to implement the Ten Principles. The session presented this approach and shared the learning from the integrated sessions and Progress and Value Workshops in Mexico, Spain, India and Brazil. The President of the Brazilian GC Committee and one of the pilot companies delivered a session on an innovative approach that is being piloted in Brazil and integrates the Ethos Indicators, the GLN framework and the GRI as a way to understand, implement and report on the Ten Principles.

Implementing Anti-Corruption Mechanisms that Deliver: Collective Action Tools for Companies and Organizations.

Building on examples from countries with challenging governance environments, such as Russia, South Africa, Colombia and Pakistan, the session examined how companies and organizations can use collective action to counter corruption and introduced new collective action resources that participants will be able to employ in their operations.

United Nations Development Programme (UNDP) Private Sector Global Initiatives: “Creating Value for All: Strategies for Doing Business with the Poor”.

This UNDP report responds to a need for better understanding of how the private sector can contribute to the Millennium Development Goals (MDGs). The report is part of a broader initiative, Growing Inclusive

Markets, which promotes business models that create value by providing products and services to or sourcing from the poor. Business Call to Action (BCTA) challenges companies to use core business in a way that contributes to both the MDGs and to their success.

Progress and Value Workshop Planning Guide.

Launched by the Barcelona Center for the Support of the Global Compact—Forum Foundation in September 2006, the Progress and Value Workshop Series has now trained more than 700 people from more than 50 countries. Seminars have taken place in more than 15 countries around the world, thanks in large part to the efforts of many GCLNs. The Progress and Value Workshop (P&V) seeks to familiarize participants with the main elements of a change management process geared towards excellence in terms of economic, social and environmental performance. From the perspective of a GCLN, a P&V Workshop can help to inspire new or non-communicating participants to actively implement their Global Compact commitment and effectively communicate this effort to stakeholders by means of an annual Communication on Progress (COP) report. This session introduced participants to the P&V Workshop goals, structure and methodology. Additionally, the [Progress and Value Workshop Planning Guide and accompanying digital resource package \(CD\)](#) were presented.

Strengthening the Role of Civil Society Organizations.

Civil society organizations (CSOs) add a critical dimension to the Global Compact’s operation. This session assessed the role of

civil society organizations in the GC and LNs to date. It explored the potential of CSOs building upon their diverse competencies to increase cooperation in the future and attempted to chart the next steps for CSOs within LN moving forward. Notably, network representatives took some important decisions that aim at strengthening the

governance and capacity of these critical local operations, including the [introduction of an annual agreement to operate a GC Network based on meeting minimum criteria](#). Additionally, LNs have agreed to develop working groups on COP, participation of micro enterprises and the role of local CSOs.

Further details and presentations from all breakout sessions are available in the Global Compact webpage at:
http://www.unglobalcompact.org/NetworksAroundTheWorld/Annual_Local_Networks_Forum/VI_ALNF_Bonn.html

VII GLOBAL COMPACT ANNUAL LOCAL NETWORKS FORUM

Istanbul, 9 - 10 June 2009

The VII Annual Local Networks Forum was held in Istanbul, Turkey, in June 2009. It was organized by the Barcelona Center for the Support of the Global Compact—Forum Foundation, in collaboration with the UN Global Compact Office and with the generous support of the following organisations: Sabanci Holding, Bursa Chamber of Commerce and Industry, China Development Bank, Gulor and the Spanish Embassy in Istanbul. The meeting gathered over 300 Local Network and company representatives from over 80 countries.

His Excellency Mr. Joan Clos, Spanish Ambassador in Turkey, kindly invited all ALNF participants for a Cocktail at the Residency of the Spanish Embassy. The Ambassador offered an opening address, followed by the interventions of Ms. Mireia Belil, General Director of the Forum Foundation—Barcelona

Center, and Mrs. Ulrika Richardson-Golinski, Resident Representative for the United Nations Development Programme.

On June 9th, the VII ALNF was officially opened in a Plenary Presentation that included welcoming addresses from Ahmet C.Dördüncü, Chief Executive Officer of Sabanci Holding; Mireia Belil, General Director of the Universal Forum of Cultures Foundation—Barcelona Center for the Support of the Global Compact; Mary Robinson, President of Realizing Rights—The Ethical Globalization Initiative and member of the Board of the UNGC; and Celal Sönmez, President of the Board of Bursa Chamber of Commerce and Industry. The session was followed by an update on Global Compact developments and activities by Georg Kell, Executive Director of the GCO, and Soren Petersen, Head of Local Networks.

Speakers

Human Rights: **Mr. Ron Popper**, Head of Corporate Responsibility, ABB LTD, Switzerland
Labour: **Mr. Matthew Tukaki**, General Manager, Drake International Australia
Environment: **Ms. Dominique Heron**, VP for Partnerships, Veolia Environment
Anti-Corruption: **Mrs. Wang Yuan**, Director General, China Development Bank
Partnerships for Development: **Ms. Jessica van Onselen**, Senior Office, AngloGold Ashanti, South Africa

In other **PLENARY SESSIONS**, five GC signatory companies presented their activities related to the GC issue areas: Human Rights, Labour, Environment, Anti-Corruption and Partnerships for Development.

A number of **SIDE EVENTS** were held in coordination with the Forum making for a dynamic and productive ALNF: Progress and Value Workshop, ILO Training Workshop on Labour Principles, Expert Group Meeting on Responsible Investment in Conflict Affected Countries, Human Rights Working Group, Fifth COP Workshop, and Regional Meetings for Network Focal Points.

The **Human Rights Working Group (HRWG) Meeting** was inaugurated by its Chair, Dr. Mary Robinson. The meeting addressed key issues related to Business and Human Rights and adopted various formats throughout the Annual Local Networks Forum: plenary sessions, group work sessions, parallel meetings and guidance on reporting.

In **LOCAL NETWORK EXCHANGE SESSIONS**, representatives made presentations on their efforts in a specific area. Presentations developed for the exchanges added to the knowledge bank on network practices and governance.

Partnerships (Nepal, Russia, Ukraine). The session focused on how and why the private sector can contribute to the MDGs through

partnerships and provided some successful examples with varied approaches.

Outreach (Chile, Italy, Japan, Vietnam). The session included experiences on outreaching to different sectors. Establishing relationships with the media and organizing open informational conferences are used as tools to raise awareness about the GC among the general public. Other presentations focused on the mentoring of companies, making sure the appropriate information is available and giving practical answers to common problems.

Learning Events (Germany, Korea, Moldova, US). Presentations highlighted the value of holding learning events that provide practical case examples and concrete tools for implementation and the distribution of related materials to member companies to encourage training.

COP and Related Practices (China, Ghana, Spain, UK). Presentations focused on the importance of training to develop good COPs, the use of mentoring and COP workshops to encourage communication and teach the value and benefits of COP for companies.

Network Management (India, Macedonia, Malaysia, Paraguay, UNDP Regional Bureau for Europe and the CIS, Serbia, Syria, Turkey). Presentations provided several different case studies, with different contexts and challenges. The session highlighted the importance

of elaborating a long-term strategy for implementation and the need to identify the particular goals and problems of each network.

Best Practices (Bulgaria, Gulf States, Nordic Countries, Zambia). The session presented varied examples of promoting best practices such as the holding of events, best practices publications, integration of Ten Principles into core business, strengthening of CSR to provide financial profits, etc.

Human Rights and Anti-Corruption Activities (Brazil, Netherlands, Nigeria). The sessions presented useful initiatives such as anti-corruption pacts among different countries, building coalitions and using international instruments. In this sense, trust and transparency were considered crucial for collective action. Developing good practices guides on Human Rights and holding workshops were also highlighted as useful and encouraging tools.

The **GOVERNANCE SESSION** focused on recommendations made by GCLN Working Groups. Each working group produced

recommendations that were circulated for comment prior to the ALNF and no comments were received. All prepared recommendations were approved by network representatives in plenary. The Local Network Working Group suggested a number of key changes concerning minimum requirements and governance guidelines, which were approved by the ALNF and may be consulted on the GC website.

The GC Office also presented the Knowledge Sharing Site, an online platform to further strengthen exchange and collaboration among Local Networks around the world. The Global Compact Office offered a presentation on the Knowledge-Sharing System and explained that, once the system has been launched, Local Networks are asked to check the accuracy of their network information and to upload missing information. If properly updated, the Knowledge Sharing System will allow LNs to exchange information on activities and governance-related information and easily produce an activity report at the end of each year.

Speakers

Mr. Jonas Haertle, UN Global Compact

The **KNOWLEDGE FAIR** format, already present at previous editions of the ALNF, allowed for intensive group work, with Local Networks and companies presenting, exchanging and debating on the activities and initiatives carried out during the year.

Anti-Corruption in the Supply Chain and Other Global Compact Initiatives on the 10th Principle. The session included an overview

of the work of the Sub-Working Group. Participants reviewed and commented on a series of scenarios of supply chain corruption—along with proposals for preventing and responding to the corruption—, a suite of model tools for preventing and detecting corruption in the supply chain, and a guidance document on improving customer/supplier engagement on fighting corruption.

Corporate Governance. The Global Corporate Governance Forum of the International Finance Corporation and the UNGC are launching a new joint publication to broaden awareness about the links between corporate governance and corporate citizenship. The publication is the first part of collaboration between the two organizations.

Human Rights. Network Focal Points presented their human rights-related activities and plans, experiences of the challenges and issues facing their network participants and related lessons learned. Members of the HRWG offered their advice and guidance and referenced their tools, etc.

UN Business Partnerships. The session provided networks, companies and UN representatives with an opportunity to familiarize themselves with the evolving UN-business agenda and key developments at international level, including the new UN-business Guidelines, as well as the key recommendations contained in the 2009 Report to the GA on UN-business partnerships.

Business and Peace. The session provided a platform for the launch of two new “good practice” guides, which showcase inspirational examples in this area: “How Can Business Contribute to Peace and Development” and “Doing Business in a Multicultural World” (in collaboration with the UN Alliance of Civilizations).

Environment: A Deeper Look into Safer Production. The session presented feedback from new training material developed by UNEP(United Nations Environmental Programme), accountability and industry

partners in the project “Business and the Supply-Chain in Safer Production and Emergency Preparedness through applied CSR at the Site Level”. The new Guidelines, Toolkit and Training Package —called the “Responsible Production Handbook”— was introduced together with an invitation to join further demonstrative use of these in transition economy and industrialising developing country locations.

Evaluating Companies’ Contributions to the UN Millennium Development Goals.

Participants were informed about the various tools that exist to help companies to gain a better understanding of the impact of their businesses on the MDGs. Two different tools were presented: the MDGs Scorecard (developed by Universidad Pontificia Comillas, Fundación Carolina & Observatorio de RSC) and the MDGs Scan (developed by Sustainalytics and NCDO).

UNDP Core Business Practices: Business Call to Action and Growing Inclusive Markets. Initiated in July 2007, BCTA has brought together 65 large size companies to explore new commercially viable business opportunities in new and emerging markets that also further human development as a part of their day-to-day business. The session presented and discussed the BCTA initiative and the potential for enlisting new private companies, particularly from the developing countries.

Speakers

Anti-Corruption in the Supply Chain and other Global Compact Initiatives on the 10th principle: **Mr. Olajobi Makinwa**, GCO

Corporate Governance: **Ms. Louise Gardiner**, IFC, Consultant to the Global Corporate Governance Forum

Human Rights: **Mr. Roy Pinaki**, GC Local Network India; **Mr. Shusaku Okumura**, GC Local Network Japan; **Mr. Huib Klamer**, GC Local Network Netherlands; **Mr. Valentine Papeians de Morchoven**, GC Local Network Spain

UN Business partnerships: **Ms. Kristina Thomsen**, Global Public Policy Institute (GPPI); **Ms. Yuliya Shcherbinina**, United Nations, Ukraine; **Ms. Diana Chavez**, Global Compact Regional Support Centre for Latin America and the Caribbean; **Ms. Sally Begbie**, Global Hand

Business and Peace: **Ms. Lena Mahgoub**, DAL Group/Global Compact Local Network Sudan; **Mr. Steve Killelea**, Global Peace Index; **Ms. Nabina Shrestha**, Global Compact Local Network Nepal; **Mr. Canan Gunduz**, International Alert; **Mr. Ravi Fernando**, MAS Holdings/ Global Compact Local Network Sri Lanka

Environment — a deeper look into Safer Production: **Ms. Ruth Coutto**, UNEP; **Mr. Caner Zambak**, Turkish Chemical Manufacturing

Evaluating Companies’ contributions to the UN Millennium Development Goals: **Ms. Andrea van Dijk**, Sustainalytics; **Ms. Lisette van Rhijn**, NCDO; **Mr. Victor Saiz**, Observatorio de RSC

UNDP Core Business Practices: Business Call to Action and Growing Inclusive Markets: **Ms. Pascale Bonzo**, UNDP; **Mr. Hansin Dogan**, UNDP

On the whole, the VII Annual Local Networks Forum provided an exceptional platform for knowledge sharing and networking and mirrored the growth of the initiative.

The VIII ALNF will be held in conjunction with the [2010 Global Compact Leaders Summit](#) on 24-25 June 2010 in New York.

Several regional meetings will be held in the third quarter of 2009 and will focus on providing input to the Leaders Summit.

Further information and details on all presentations may be found in the Global Compact webpage at: www.unglobalcompact.org/NetworksAroundTheWorld/Annual_Local_Networks_Forum/VII_ALNF_Istanbul.html

THE PROGRESS
AND VALUE
WORKSHOP
SERIES

ORIGIN AND CURRENT STATE OF THE INITIATIVE

In 2006, the Forum Foundation—Barcelona Center launched the *Progress and Value Workshop Series*, in collaboration with Claude Fussler and Jeff Senne, as a response to the obstacles found by many signatory companies in the actual implementation of the Ten Principles and the elaboration of the Communication on Progress report. P&V Workshops are based on peer learning and the exchange of experiences where theory and practice meet. The goals of the workshops are to:

- 1) Enable a real commitment to implement the Ten Principles and contribute to the advancement of the United Nations' broader development goals.
- 2) Deepen participants' understanding of the value of assessing and communicating their progress towards these goals.
- 3) Provide practical guidance in relation to some tools and resources that can be used to facilitate the application of the Principles and the preparation of a Communication on Progress.

- 4) Enable participants to become mentors within their organizations and in their Local Global Compact Network.

Progress and Value Workshops aim at explaining and clarifying how progress in the implementation of the Ten Principles and the preparation of Communication on Progress reports may create economic and social value. They also explain how the combination of these aspects may have a positive influence in a company's productivity, market position and competitive advantage. Thus the name of the workshops: Progress and Value (or P&V /PandV).

The Progress and Value Workshops have been developed in two different and complementary facets, adapting to two different kinds of addressees. The first are CSR managers from Global Compact member companies looking for support for the implementation of the Ten Principles and the preparation of the COP. The workshops last for two and a half days and they are based on the goals and formal requirements of the Global

Compact—which they elucidate—and on the specific experiences of businesspersons which allow for interactive and peer-learning work from real cases of implementation and reporting. On the other hand, most Global Compact member companies belong to a Local Network to which they ask for support and coaching in the same areas. Progress and Value Workshops are therefore a product for companies and they can access them through the Barcelona Center but also through the Global Compact Local Network they belong to.

Organizing local workshops creates a multiplying effect that provides feedback, strengthens and differentiates the initiative. Local Networks are spread all over the world and they know their affiliate companies, their problems, their challenges and strong points. Supporting Local Networks in their Progress and Value activities is a priority for the Barcelona Center. Every workshop starts several stories of commitment and progress. Progress is a never-ending story.

We have developed a model for Progress and Value Workshops that is available for all Local Networks. It was presented during the ALNF Istanbul 2009 and it consists of several documents forming the [P&V KIT](#), available in our website. The Barcelona Center also prepared a [Planning your own P&V Guide](#)—presented at the ALNF Bonn 2008—and holds Training the Trainers workshops that are specifically addressed to Local Networks and focus on how and why a P&V Workshop should be organized at local level.

The whole of P&V Workshops constitute a common movement we call Progress and Value Workshop Series. More than 750 people from more than 50 countries

have taken part so far, including business executives, Local Network representatives, UN (UNDP, UNEP, etc.) and International Labour Organization (ILO) workers, among others.

The Progress and Value Workshop Series has consolidated with time and effort and today it offers a growing impact potential. During 2008 and 2009, the Forum Foundation—Barcelona Center has organized a workshop in Istanbul together with the Turkish Local Network (26-28 November 2008) and promoted the holding of local and regional seminars organized solely by Local Networks. We also organized an international workshop as part of the Annual Local Networks Forum 2009 and a P&V for high-level corporate representatives in Cape Town also in 2009. You will find further details of these below.

We are currently developing a new version of our webpage to unite efforts and talent around the Progress and Value Workshops. We would like to create a network of experiences and contacts that will allow us to keep improving the contents, methodologies and resources every day, and thus benefit all members and participants in the initiative.

PRESENTATION OF THE MODELS FOR PROGRESS AND VALUE WORKSHOPS AND TRAINING THE TRAINERS WORKSHOPS.

The P&V kit and the Planning Your Own Progress and Value Workshop: Some Hints and Tips Guide.

Presented in the ALNFs Bonn 2008 and Istanbul 2009; Some Hints and Tips Guide presented by Ángel Saz in the Knowledge Fair 2008.

The Barcelona Center for the Support of the Global Compact developed a model workshop consisting of documents forming the P&V Kit. The idea is to ease the process of organizing a P&V Workshop and make sure they work out as they should, thus improving the mentioned multiplying effect. There is also a Planning your own P&V Guide to enable Local Networks and other organizers to have the necessary information to act as trainers and organize a P&V efficiently.

The driving idea of the [Progress and Value Workshops](#) is twofold: to set up empowering [learning platforms](#) on the implementation of the Ten Principles and COP elaboration, for both Local Networks and company representatives; and to [train trainers](#) who

may organize workshops themselves, thus entailing a multiplier effect across Networks. So far, over 700 people have been trained in more than 50 countries, and more workshops are under way.

To further encourage and support the spread of workshops, the Barcelona Center for the Support of the Global Compact prepared the [PROGRESS AND VALUE KIT](#).

The Kit includes:

- An introduction, including a standard P&V Workshop Programme
- The GCO official documents about the COP
- A Budget template
- A Registration Form template

- A Participants List template
- 2 Power Point presentations on the GC, its Principles, how to implement them and how to report on progress
- The Participants Surveys templates
- A Workshop Profile for the P&V Online Database

The presentation of the kit introduced a few orientative guidelines regarding the organization of workshops and the contents of the kit, hoping it will ease the process. The kit suggests a sequence of decisions and actions, which shall lead to the adaptation of the templates and standard programme to specific objectives, context and needs. It is an overview based on experience that needs to be adapted and complemented with the organizer team's own insights, suggestions and contributions.

The presentation introduced the following [guidelines on how to organize a workshop](#):

Objectives and Target Audience

Progress & Value Workshops are usually based on clarifying the following two key concepts:

- The Global Compact is a learning initiative, designed to empower participants so they may progress in the implementation of the Ten Principles by creating economic, social and environmental value simultaneously.
- The Communication on Progress report is the main formal requirement to be fulfilled by GC signatory companies. It is an annual report where each signatory company summarizes the GC principle(s) it chose to focus on and why, the concrete actions taken and their outcomes.

Setting the objectives and the target audience actually depends mainly on the particularities and characteristics of the organization holding the workshop, and the particular context in which it operates. Usually, P&V Workshops are organized by GC Focal Points. If that is the case, then they might want to reflect on the Network's characteristics, strengths and weaknesses and, from there, build the workshop to make the best out of it. The organizing team may combine different objectives and find the right mix of people for the audience. Generally, a group of 25 participants is ideal, but the workshop should still work out well with 15 to 30 participants.

Programme and Faculty

In order to help organizers frame their own programme, the kit includes a [standard Progress & Value timetable](#), based on a two and a half days training and articulated around an introductory session followed by the four separate modules: Defining Progress and Determining Value, Managing Progress, Measuring and Communicating Progress and Acting to Improve Progress and Value Creation.

The latter offers a coaching opportunity on the preparation of a real COP, where GC mentors share their experience in a one-to-one conversation. Although it appears as 'optional' in the guide, the module has proven extremely effective and rewarding. The workshop concludes with a brief wrap-up session and a Participants Survey. The surveys are crucial for the organizers to determine what went wrong and what was achieved through the workshop.

At the close of the workshop, participants should have an extensive understanding of how to internalize the Ten Principles into business strategy and operations, while emulating the best-in-class COP providers. They should also understand the capacity of the network to support them, and their own role in mentoring others. In order to accomplish such objectives, choosing Faculty carefully is crucial.

There are different kinds of Faculty:

- The Facilitator of the workshop is the one in charge of conducting the training.
- Business Faculty are company representatives who come and share their insights on the implementation and reporting efforts that have been conducted in their organization.
- Focal Points may also be invited to join as Faculty, so they may share their experiences in the organization of workshops, thus providing guidelines and encouraging other Focal Points to organize their own workshops.

Logistics

The [Registration Form template](#) in the Kit needs to be sent to invited participants and Faculty, to start the follow-up.

The registration form provided is closely linked to the [Participants List template](#), also in the Kit. These include all the information that might be useful to gather.

The kit also reminds organizers to take care of hotel reservations and travel arrangements for both participants and Faculty, reservation of meeting rooms and equipment (computers, screens, microphones, etc.), organization of meals and coffee breaks, preparation of all materials.

Sending a short briefing about the workshop to all participants in advance is recommendable as well as preparing a folder to be handed out at the workshop, containing:

- GCO official documentation on the COP and the GC's driving Principles and objectives
- A copy of the materials presented by Faculty, such as COPs and presentations
- Worksheet exercises
- Participants Survey(s)

After the Workshop

Doing a **follow-up** is advisable. First by sending thank you emails to all those implied in the workshop (organizers, partners, sponsors, participants and faculty) and, on the longer run, by keeping participants up-to-date on tools and support available to them and on future events. Second, writing a brief report including a short description of the sessions and feedback from participants and Faculty should allow organizers to identify which objectives were accomplished, which weren't, and why. This shall help them learn from experience. The Barcelona Center would appreciate it if reports could also be shared with the Progress & Value community by sending them to the Center or including them in the online database.

The [PLANNING YOUR OWN PROGRESS AND VALUE WORKSHOP. SOME HINTS AND TIPS Guide](#)¹ and accompanying digital resource package (CD) were presented in a

¹ You can access the complete guide in the Global Compact website at: http://www.unglobalcompact.org/docs/networks_around_world_doc/Annual_Local_Networks_Forum/Bonn/Knowledge_Fair/Microsoft_PowerPoint_-_PandVPlanning_HINTS_and_TIPS.pdf

session of the knowledge Fair of the ALFN 2008 that introduced participants to the P&V Workshop goals, structure and methodology. The Guide aims at giving the necessary information to train future trainers and plan a successful P&V Workshop. It explains the following guidelines:

The [rationale behind the Workshop Series](#):

- GC is about creating shared value for business & society
- This requires changing management towards excellence
- COPs only make sense when there is progress to report on!
- Theory is necessary, but real peer experience is inspiring
- A practical approach is important

Desired [results](#) for the Local Network:

- Participants ready to act as mentors in their organizations
- Organizations are more effective at implementing GC Principles
- More and better COPs
- Increased network activity with greater local impact

The typical Progress and Value programme is based on [four modules](#)²:

- Module 1: Defining Progress and Determining Value
- Module 2: Managing Progress
- Module 3: Measuring and Communicating Progress
- Module 4: Acting to Improve Progress and Value Creation

² For further information see the Barcelona Center —Fundació Fórum's Activity Report 2006.

Regarding [the contents](#) of the workshop...

The workshop modules roughly mirror the contents and the order of the Global Compact Performance Model. In response to requests from past workshop participants for practical, hand-on mentoring experience, the fourth and last module not only serves as a time for participants to discuss how to improve and scale up progress. It also offers them the opportunity (when feasible) to coach real-life companies seeking assistance in their efforts to integrate Global Compact Principles into their daily operations and report on progress.

A successful Progress and Value Workshop takes into account:

Agenda

When making modifications to the general programme structure one cannot be too drastic in cutting back programme time dedicated to small group exercises or Q & A.

The main points from core workshop presentations need to be all covered:

- Global Compact Purpose and Potential for Progress
- Global Compact Performance Model
- COP Practical and Strategic Guidance

Each faculty presentation should cover the different stages of their organization's change management process, thus covering the four modules.

The coaching session at the end of Module 4 is optional but is has proven to be extremely useful.

Faculty

The faculty of international and regional Progress and Value Workshops help to prepare participants to act as mentors in their respective Local Networks. Each faculty member offers his or her vision and experience in relation to the implementation of the Global Compact and Communication on Progress. Faculty members tell the story of how their organization is applying the Global Compact Principles. Their personal testimony — with regard to both positive and negative experiences — needs to be more important than the visual presentation slides that may accompany their talk.

Faculty members should...

- Prepare four presentations in relation to the subjects addressed in each of the workshop modules.
- Provide a brief summary of their professional experience to be included in the materials that will be handed out to workshop participants.
- Participate in one or two briefing telephone calls with workshop organizers and/or facilitator (or faculty preparatory meetings, when this is viable).
- Participate actively in the development of the workshop as presenters and as peers of participants in dynamic question and answer sessions and practical exercises.

Faculty members need to be/have:

- Practical experience and knowledge
- Hands-on experience with the GC and COP
- Business people
- Good public speakers
- People with a passion for the for Global Compact

- Ideally, past P&V Workshop participants

To prepare faculty members, the organizing team needs to:

- Send them the Faculty Briefing ASAP
- Provide additional materials, if useful
- Have a conversation before they prepare materials
- Place emphasis on answering questions
- Encourage them to avoid DbPP: Death by Power Point
- Have them tell a story, not showcase "perfection"

Participants

Business people (30% - 70% total participants):

- From new or non-communicating companies,
- At least familiar with quality management models and CSR
- With practical experience and knowledge
- Future faculty: active GC company, hands-on experience and know-how in field of corporate citizenship
- Such as: Director CSR (or equivalent), Director of Institutional Relations, Director of Operations....

Supporting organizations (10% to 30% total) with the capacity and knowledge to be "multiplier agents":

- Business networks
- Sector organizations
- Chambers of commerce
- Local, national or regional development organizations

- Foundations interested in promoting CSR
- Specialized government agencies, etc.

Individuals, varying profiles (10% - 25% total participants): be clear about what they should expect and what you expect from them.

- CSR experts
- Academics
- Staff from international organizations

Operational Aspects

An overview of calendar and timing; counting down:

- 3 months: close agenda, confirm faculty, reserve meeting rooms, and invite target participants
- 2 months: faculty briefing, draft presentations, majority of participants confirmed, travel/visa arrangements if necessary
- 1 month: review faculty presentations, confirm all participants, faculty meeting, confirm all logistics
- 2 weeks: final faculty presentations, participants' materials, preparatory email to all participants

The **main aspects to consider** are:

- Participants and faculty travel: request visas in advance!
- Materials: use the online kit, time for adaptations and translations...
- Room set-up: cabaret format, basic meeting equipment
- Coaching, plan for:
 - Additional meeting room for Module 4
 - Option of expanding seating space in the main meeting room to make room for newcomers

Facilitation

A few tips for the facilitator:

- Profile: ideally will have business and teaching experience, as well as first-hand knowledge of the GC
- Stick to the programme: keep good timing, no matter how interesting discussion is...
- Balance the discussion: be able to say "next..."
- Promote the right combination: seating distribution can be important.
- Transmit objectives and conclusions: a brief intro and wrap-up for each module to focus the debate.

Good workshop dynamics are:

- Interactive: avoid glazed eyes, yawns, SMS...
- Short but relevant: presenters need to be always mindful of both session objectives and timing, no DbPP
- Balanced: there is more to learning than just listening
- Participative: knowledge and experience of participants
- Focused: no reading materials during the workshop

Follow up

- Participant evaluations: what is their opinion?
- Participant actions: what impact will the Progress and Value have?
- Organizers' evaluation: what worked? What didn't?

PROGRESS & VALUE WORKSHOP FOR BUSINESS EXECUTIVES IN A LOCAL CONTEXT

Istanbul, 24 November 2008

Organized by the Turkish Quality Association, The Global Compact Annual Network Meeting was held in Istanbul on 24 November 2008, with a sponsorship from AKSA Acrylic and Yaşar Holding and with the involvement of approximately 100 participant from the private and public sectors and civil society. A group photo and signing ceremony took place for the new signatories of the Global Compact. The Steering Committee Meeting took place following the network meeting.

Foreign Trade Minister of the Netherlands, Frank Heemsker, AKSA Acrylic General Manager, Mustafa Yılmaz, Yaşar Holding Foreign Relations Coordinator, Dilek Emil, Coca-Cola Public Affairs and Communications Manager, Ebru Bakkaloğlu, and the Senior Advisor of the Barcelona Center for the Support of the Global Compact, Jeff Senne, gave a presentation on Corporate Social Responsibility and the Global Compact.

On 25-26 November 2008, the United Nations Global Compact Local Network Turkey and the Turkish Quality Association

(KALDER) organized the Progress and Value Workshop in Istanbul with support from The Barcelona Center for the Support of the Global Compact—Universal Forum of Cultures Foundation.

About 20 participants from the Turkish business sector as well as civil society organizations attended the workshop. The training seminar was facilitated by Jeff Senne from the UN Global Compact Office and guest speakers were William Oulton (Head of Responsible Investment at the FTSE Group) and Patrick Mellon (International Director and Director of Benchmarking and Reporting for Business in the Community).

This training seminar was designed to:

- 1) Enable a real commitment to implement the Ten Principles and contribute to the advancement of the United Nations' broader development goals;
- 2) Deepen participants' understanding of the value of assessing and sharing information on progress towards those goals;

- 3) Provide practical guidance in relation to tools and resources that can be used to facilitate the application of the Principles and the preparation of a Global Compact Communication on Progress (COP).

During the two-day workshop, participants received vital information and insight on how strategic alignment of Corporate Social Responsibility and business purpose can drive value. Özlem Çalışkan from Istanbul Textile and Apparel Exporter Associations (ITKIB) presented Managerial and operational dimensions of corporate citizenship and company examples of engaging the Global Compact Principles and company policies.

PROGRESS AND VALUE INTERNATIONAL WORKSHOP

Istanbul, 8 June 2009. Part of the ALNF 2009.

Organized and sponsored by the Barcelona Center, a Progress and Value Workshop was held as part of the VII Annual Local Network Forum and attended by both Focal Points and company representatives. The workshop featured new, innovative formats and provided guidance on the implementation of the Ten Principles, reporting, and the spread of workshops through Local Networks involvement. It was structured around an introductory Dinner on Sunday June 7th followed by a full-day training on Monday 8th.

We were honoured by Ms. Futhi Mtoba's presence and warm welcome words. Mr. Georg Kell, Executive Director of the UN Global Compact, also addressed a few words to participants, after Mrs. Mireia Belil, General Director of the Barcelona Center, had opened the workshop. Also during Dinner, Mrs. Yasemin Başar, Responsible for Human Resources, Quality and Compliance at Yesim Textiles, shared the story of how her company joined the Compact, the values behind their choices and the benefits and outputs achieved.

The one-day training session targeted both Local Network and company representatives. Jeff Senne conducted the workshop while Rodrigo Villaseñor, CSR Manager at Scotiabank Group in Mexico, played the role of business faculty. Mr. Villaseñor presented Scotiabank Mexico's journey with the Global Compact through four short presentations on the vision, strategy, implementation and measurement stages — each corresponding to a module of a standard P&V Workshop.

Also, a Panel Discussion was arranged thanks to the kind collaboration of experienced Focal Points who participated as panellists: Diana Chávez, Director of the GC Regional Center for Latin America and the Caribbean, Deniz Ozturk, UNGC Turkey Focal Point, Tábata Villares, head of the GC in Brazil, and Oliver Johner. They shared their experiences and insights on the replication of P&V Workshops, explained different formats they had experienced, their objectives, challenges and achievements.

Participants also shared their own experiences

with the group, while Panelists answered specific questions and concerns. A climate of trust was spontaneously created, allowing for a peer-learning dynamic to drive the discussion. It was agreed that such a climate of trust was necessary to the success of Progress and Value Workshops. Attendants also remarked that the P&V Model was very flexible, allowing for adaptation to specifically local objectives and needs — which was also highlighted as a P&V Key Success Factor.

To further encourage the spread of workshops, the Barcelona Center presented the Progress and Value KIT —which was handed out on CD to all workshop participants— and called for participation in the forthcoming P&V Online Database. This is meant to facilitate the exchange of experiences and relevant material concerning P&V Workshops, so that improvement may be achieved over time through close, online collaboration

PROGRESS AND VALUE WORKSHOP FOR HIGH LEVEL CORPORATE REPRESENTATIVES

Cape Town, 20 - 21 August 2009

The Progress and Value Workshop organized in Cape Town was a joint effort of the Forum Foundation—Barcelona Center and the National Business Initiative. Michael Spenley, CSR Manager at Littlewoods, conducted the workshop in the role of facilitator and Vicky Beukes, Driekie Havenga and Dave Lucas — representatives from Nedbank and Eskom— acted as business faculty.

The workshop consisted of a one-day training session on the UN Global Compact, its objectives and requirements. It targeted an audience of high-level corporate representatives, seeking a better understanding of the UNGC initiative and its potential for progress as managers of CSR / Corporate Citizenship in their organizations.

The workshop was based on group work, the exchange of experiences and peer learning. It was designed for corporate participants to develop a vision, set up a strategy for change based on the UNGC Ten Principles, and carry out implementation and impact measurement, ultimately leading

to the triggering of change within their organizations.

Faculty members shared Nedbank and Eskom's experience on GC and COP; the challenges, difficulties and successes of the implementation and value creation derived from the UN Global Compact Principles. The workshop was followed by a half-day meeting entitled: **"A United Nations Global Compact Dialogue: The Implications of the Economic Crisis on Sustainability and Business Leadership"**.

CONFERENCES ATTENDED BY THE BARCELONA CENTER IN 2008 AND 2009

During 2008 and 2009, the Universal Forum of Cultures Foundation—Barcelona Center for the Support of the Global Compact has actively taken part in several conferences:

I National Congress on the Social Responsibility of Tourist Companies. "From Local to Global"

Palma, 17 and 18 January 2008

The Labour and Training Ministry of the Balearic Islands organized the I National Congress on Social Responsibility of Tourist Companies. Under the title From local to global, the aim of the congress was twofold: on the one hand, to generate debate about this subject and, on the other, to raise awareness about companies' social responsibility, both internal—with their workers—and external—with the environment and the protection of the territory and cultural heritage.

Congress on CSR and Water

Barcelona, 26 September 2008

This congress was organized by the University of Barcelona Centre of Society and Economy Investigation (CIES), with the support of Manpower, Repsol and the Georgia State University. The Barcelona Centre presented The United Nations Global Compact faced with the challenge of water... the CEO Water Mandate.

III Workshop for Fundación Carolina Trustee Companies: Government and Companies in Latin American CSR

Castellet y la Gornal, 6 and 7 November 2008

The III Workshop for Fundación Carolina Trustee Companies, Government and Companies in Latin American CSR was held on the 6th and 7th of November in the castle that Fundación Abertis owns in Castellet y la Gornal, in Barcelona.

The workshop was inaugurated with the speeches of Rosa Conde, Director Fundación Carolina; Miquel Roca, President Fundación Abertis; and Ramón Jáuregui, workshop director. All three highlighted the value of CSR

in moments of crisis. The workshop was divided into three sessions: 1) Latin American CSR from the point of view of Latin American governments and experts from Brazil, Argentina, Chile and Costa Rica, 2) CSR in American multinational companies—with the participation of several Iberoamerican multinational companies—and 3) CSR in Latin America: private and public sector's perspectives.

Workshop for the Implementation of the Ten Principles of the Global Compact

Barcelona, ESADE, 13 November 2008

The session was organized by the Global Compact Spanish Network together with BT Spain and it was held in ESADE. It consisted of a workshop on the implementation of the Ten Principles. Everyone taking part in the workshop participated in an interactive way and learned key elements for the preparation of the Communication on Progress reports.

Using the case example of BT Spain, the workshop intended to teach participants in charge of designing CSR strategies and developing the COP how to identify areas to improve and good practices. Analysing the strategies of a different company gave them a practical understanding of the process they can apply to their own companies. The workshop provides inspiration, ideas and potential areas for improvement, which is especially useful to new signatory companies. BT Spain announced that the experience had been rewarding for them as well as it allowed them to contrast strategies and get suggestions for improvements. This new methodology was presented in Madrid last July in BT Spain headquarters.

Public-Private Cooperation. III Clade Congress

Barcelona, 14 November 2008

This congress, organized by the Clade group, focused on private-public cooperation as the new paradigm in the relationship between the administration and companies.

Learning Journey 2008

Stockholm, 13 and 14 May 2008

Western and Eastern European Local Networks

Athens, 29 May 2008

United Nations' First Alliance of Civilizations Forum

Madrid, 15 and 16 January 2008.

United Nations' Second Alliance of Civilizations Forum

Istanbul, 6 and 7 April 2009.

The Forum was structured around five general sessions and twelve working sessions and it had a list of supporters that included 84 countries and 17 international organizations. Over 1,000 participants—among them several Heads of Government, over 50 Ministers, as well as policy-makers, foundation, media and grassroots leaders from around the world—attended to forge new partnerships and generate ideas aimed at building trust and cooperation among diverse communities. The Forum also served as an opportunity to take stock of initiatives developed by the Alliance of Civilizations and to launch practical

projects in collaboration with civil society and corporate partners. Jorge Sampaio, President of the Alliance, said *"The Alliance Forum is not only about dialogue. It is about dialogue that delivers. It is about concrete, practical projects that make a real difference to the lives of people on the ground"* and highlighted the work of youngsters in the Forum and the presentation of several projects to promote intercultural dialogue.

Furthermore, the Forum held the presentation of a UNGC and AoC report called *Doing Business in a Multi-cultural World: Challenges and Opportunities*, a guide of good practices and case studies in response to the current diversity in companies.

Brazil will hold the Third Forum of the UN Alliance of Civilizations.

For further information visit <http://www.unaoc.org/content/view/337/253/lang,english/>

Presentation of the book "The Power of Unreasonable People: How Social Entrepreneurs Create Markets that Change the World", by Pamela Hartigan and John Elkington, followed by round-table discussion.

Caixa Forum Barcelona, Barcelona 31 March 2009

With the presence of Pamela Hartigan, author of the book and director of the Skoll Center for Social Entrepreneurship (Oxford University); Cristóbal Colón, founder of the co-operative La Fageda; and Alfred

Vernis, lecturer at ESADE (Social Innovation Institute).

Hartigan offered a summary of three cases of the book, highlighting common characteristics among them and those that make them different to traditional companies. She affirmed that the social entrepreneur establishes a company to maximize benefits but seeking social value as well as financial profit, combining aspects of business with philanthropy. Hartigan claimed that "combining market mechanisms with human values is not only possible but necessary, especially given the current context of crisis." She also mentioned that "this is a unique opportunity to rethinking the 'dysfunctional capitalism' we live in to evolve towards a sustainable capitalism, of which social entrepreneurs are a clear example: they are inclusive and sustainable".

Cristóbal Colón supported Hartigan's arguments and offered his company "La Fageda" as a case study. According to him, "La Fageda" proves that a company may "succeed, working with people the system considers useless, and still compete with multinational companies in a sector that's apparently saturated, dairy products."

Presentation of the book "Un Planeta de Gordos y Hambrientos: la Industria Alimentaria al Desnudo" (The Planet of the Fat and the Hungry: the Food Industry Laid Bare), by Luis de Sebastián, lecturer and Professor emeritus of Economy at ESADE.

ESADE, 9 March 2009

Global Compact Spanish Network. Presentation of Results: Communications on Progress 2007

ESADE, 11 March 2009

Peace Camp Barcelona 2009. Dialogue Mireia Belil and Diana Chávez.

Barcelona, October 2009

The Forum Foundation organized the Peace Camp every year, gathering about one hundred boys and girls from cities all over the world to learn, share experiences and debate about the UN's Millennium Development Goals. The Peace Camp 2009 was held in Barcelona with participants from the cities of Barcelona, Monterrey, Naples, Casablanca, Salvador de Bahía, Maputo, Dakar, Istanbul, Medellin, Tripoli, Amman, Koln, Valparaíso, Dhaka, Gdansk, Montevideo, Zhengzhou, Sarajevo and Algiers. Campers participate in a series of dialogues with experts in different aspects of the Millennium Goals and in this edition they had the chance to talk to Diana Chávez, Director of the Regional Center for the Support of the UN Global Compact in Latin America and the Caribbean, who told them about CSR and the importance of the Global Compact. Campers were very interested in Diana's work and considered the role of corporations in the effort to make a fairer society and a better world.

TOWARDS GLOBAL COMPACT 2.0? (AUTHORED CONTRIBUTIONS)

THE GLOBAL COMPACT: CREATING SUSTAINABLE MARKETS³

Ban Ki-moon

Secretary-General of the United Nations

Excellencies, Distinguished Panellists, Ladies and Gentlemen,

It is a pleasure to be with you again in Davos. This is my second visit as Secretary-General and I must say that the mood is very different from the optimistic spirit of the past. I've been calling this the year of multiple crises. Economies are in trouble. Trust in business and in markets has eroded. People everywhere worry about their jobs and struggle to survive. Yet amid these difficulties, we face another crisis. It has been building for years and is global in scope. Climate change threatens all our goals for development and social progress. Indeed, it is the one true existential threat to the planet. On the other hand, it also presents us with a gilt-edged opportunity. By tackling climate change head-on, we can solve many of our current troubles, including the threat of global recession.

Ladies and gentlemen, we stand at a crossroads. It is important that we realize we have a choice. [We can choose shortsighted](#)

[unilateralism and business as usual or we can grasp global cooperation and partnership on a scale never before seen.](#) Exactly ten years ago, my predecessor, Kofi Annan, stood in this hall. He called on business leaders to initiate a "Global Compact" of shared values and principles. He sought to give a human face to the global market. Then, as now, the world faced a crisis in confidence. Yes, globalization had lifted many from poverty. Yet the spread of free markets and capital did not raise all boats. In fact, it hurt many of the world's poorest people. The Global Compact was our enlightened response. It challenged business to embrace universal principles and to partner with the United Nations on the big issues. Chief among them were the Millennium Development Goals. Ten years on, the Global Compact stands as the world's largest corporate sustainability initiative.

³ This article is a reproduction of the speech given by Secretary General Ban Ki-moon at the World Economic Forum, celebrated in Davos (Switzerland) on 29 January 2009. Source: www.un.org

We can boast more than 6,000 business participants in more than 130 countries. The Global Compact has become a by-word for corporate responsibility. Its members have moved far beyond mere philanthropy. They have pioneered new standards of “best practice” in the areas of human rights and labour law. In many countries they work to protect the environment and fight against corruption. They have undertaken hundreds of projects in health, education and infrastructure in countries around the world. Now, a new set of crises prompts a renewed sense of mission. [So today I urge you to join a new phase of the Global Compact. We might call it the Global Compact 2.0.](#)

Ladies and gentlemen, we live in a new era. Its challenges can all be solved by cooperation—and only by cooperation. Our times demand a new definition of leadership—global leadership. They demand a new constellation of international cooperation—governments, civil society and the private sector, working together for a collective global good. Some might say such a vision is naïve, that it is wishful thinking. Yet we have inspiring examples proving the contrary. Often, business has played a critical role. Think of the Green Revolution in the 1960s that lifted hundreds of millions out of poverty in Asia. Think of the global vaccination campaign that eradicated smallpox by 1979. Business and government cooperation has reversed the depletion of the ozone layer and we have seen solid progress in the fight against AIDS, TB, polio and malaria.

Today, we have an opportunity—and an obligation—to build on these inspiring examples but we must break the tyranny of short-term thinking in favour of long-term solutions. This will demand a renewed

commitment to core principles: a new Global Compact. In this time of economic crisis, I know there will be a tendency to retreat into nationalism, protectionism and the other “isms” that promote narrow self-interests over common global objectives. Doing so would be a mistake, not just for global development objectives, such as giving the poor a fair chance to make a living, but it would also compromise national self-interest. The challenges we face today are global in nature. By working together, we can solve them.

The Global Compact provides an excellent platform. Let me give you some examples. The Global Compact’s “Caring for Climate” is the world’s largest business-led initiative on climate change. Chief Executive Officers are disclosing their carbon emissions and committing to comprehensive climate policies. They are using renewable energy, investing in energy efficiency, and promoting climate friendly practices such as virtual meetings. The “CEO Water Mandate” is advancing water stewardship through strategies such as drip irrigation and water harvesting. New technologies are recycling water used in manufacturing so it can be returned safely to the environment. Wind-powered desalination plants are being built that can produce drinkable water for a city of over 1 million people. In financial markets, the Global Compact, through the “Principles for Responsible Investment”, has begun working with major investors so their investment evaluations can incorporate key environmental, social and governance issues.

Ladies and gentlemen, today, with the economic downturn and climate change, the stakes for companies have never been

higher. But for businesses with vision, the rewards are equally high. Over the past few months, momentum has grown for what I call a global “Green New Deal.” Last week saw the inauguration of a new President of the United States. Barack Obama has made a clear commitment to re-energizing the American economy by boosting the “green economy”. The green economy is low-carbon and energy-efficient. It creates jobs. Investment in sustainable technologies will turn today’s crisis into tomorrow’s sustainable growth. President Obama is not the only political or business leader choosing to follow such a path. I therefore urge all of you, through your supplier chains and via your business partners, to develop good policies and practices in the areas of human rights, the treatment of workers, the environment, and anti-corruption. You can use the Global Compact’s accountability framework and disclose your progress annually. By doing so, you will not only be doing what is right, but you will also be helping restore trust, confidence and credibility into the markets. Recent polls show a dramatic erosion of faith in business. Three of four Americans trust business less than they did one year ago. Only a third trust business to do the right thing—half what it used to be. Among young people, the loss of confidence is especially marked. These figures are mirrored across the world. Moreover, the same polls show that, globally, 66 percent of the world’s people think business should be fully engaged in tackling our common problems. Those who disagree total only 3 percent.

Ladies and gentlemen, the writing is right there on the wall. [Without trust, we cannot prosper.](#) It is time to get off the fence and take up this agenda seriously. Many of you are cutting costs to deal with

the economic downturn but I think you will agree that it is important to re-orient your organizations for the economy of the future. Every downturn is followed by an upturn. If you make the right investments now, you will be laying the foundations to tackle critical long-term issues. You will be in the forefront of a new green economy.

I encourage you to help create a future based on a low-carbon economy—green jobs, renewable energy and energy efficiency. I also ask you to be part of the movement for a comprehensive and meaningful agreement at the climate change summit in Copenhagen at the end of this year. I call on you to make full use of your supply chains to make sure that the cleanest technologies are developed and applied everywhere. And [I ask you to lead by example.](#) Educate your consumers, suppliers and workers. Share your technologies with the poor. It is the one and only path to a sustainable future, with the prospect of prosperity for all.

Ladies and gentlemen, we have choices to make. Now is the time to rebuild trust. We can only do it by offering genuine, long-term solutions to real problems. People need to be confident that we are doing the smart thing and the right thing. This means investing in the new economy—the economy of the future. [Enlightened self-interest is the essence of corporate responsibility and the key to a better world.](#)

CHALLENGES AND OBJECTIVES OF THE GLOBAL COMPACT 2.0

Juan de la Mota

President, Spanish Network for the United Nations Global Compact

This year we are celebrating the tenth anniversary of the commencement of the world's largest corporate initiative in the area of sustainability: the United Nations Global Compact. This is a good time to stop and weigh up the achieved objectives and the challenges the future holds in stall.

In 1999, when the former UN Secretary-General, Kofi Annan, spoke in favour of setting up a global initiative to urge companies to implement a set of basic principles of conduct and action, he was in fact announcing one of the greatest corporate challenges ever put forward at the Davos Economic Forum. His words constituted recognition of companies and their power to fight against social inequalities and to protect the environment, a role that until then had been reserved exclusively to governments and international governmental organisations. Ten years on, the Global Compact (Pacto Mundial in Spanish) has grown into an initiative that comprises over 7,000 companies around the world with local networks in over 130 countries.

In Spain, the number of adherents has grown considerably ever since the Spanish Local Network was set up.

The Global Compact Local Network in Spain has successfully completed its launching and consolidation phases. Our country is the first in the number of adherents worldwide, accounting for 11% of the total number of adherents to this initiative, and it is the most active. In addition to the Global Compact, it is the leading initiative in Corporate Social Responsibility (CSR) in Spain, with over 700 companies and other bodies from the third sector, trade unions and academic institutions. Our objective in the coming years is, without a doubt, to continue increasing the number of companies committed to implementing the Ten Principles and to continue setting up new support mechanisms to help Spanish firms implement these Principles.

Thus, we can safely say that at both a supranational and national level, the United Nations Global Compact has fulfilled the original objectives it had when it was created.

However, far from falling into complacency, *today more than ever we face new challenges, which motivate us to continue working along the same lines as we have until now. These challenges are inextricably linked to the current global economic situation.*

A few weeks ago, the United Nations Secretary-General, Ban Ki-moon, met in Madrid with representatives of the Global Compact Local Network in Spain on the eve of the Davos Economic Forum. The top representative of the UN chose to highlight two global challenges: the economic crisis and the fight against climate change.

The Economic Crisis

The current crisis is not simply one of lack of confidence of financial markets, investors and shareholders, but also of consumers, savers, companies and, in short, all the pieces of the complex global economic machinery. As a consequence, many companies have been forced to drastically lower their economic forecasts and, consequently, their investments and expenses and, unfortunately, even their workforce.

It would be a strategic mistake for CSR to suffer a drastic reduction in its activities and resources. Actually, *the transparency and commitment that CSR entails lead many to believe that CSR is going to constitute an essential component for overcoming the crisis.* Within this approach, sustainability leads to results and good practices for companies, which in turn lead to growth and ethics.

In Spain, four million unemployed citizens—the first affected—are already suffering

the consequences of this crisis. The short and medium-term forecasts are not at all heartening and the economic situation is especially difficult. Nevertheless, a substantial number of corporate and social stakeholders have understood that CSR must be—and is—fundamental in corporate management, standing out in comparison with other countries and recognised at international level. Hence, even though the times we are going through are objectively difficult times, we should be able to face them with hope.

Climate Change

The fight against climate change and the introduction of sustainable environmental practices by the private sector, as well as by governments, is a key issue that still needs to be addressed. This is precisely the aim of the December 2009 Climate Summit in Copenhagen.

Concerning this, it is worth highlighting one of the Global Compact's initiatives: Caring for Climate. This aims at guiding and giving incentives to companies to share experiences and obstacles in this area. In Spain, 28 companies have joined this initiative to date, which constitutes over 8% of the world total. During 2008, the Global Compact Local Network in Spain organised different day forums around the environmental Principles where we discovered that in practice a large number of specific initiatives have been implemented in this respect.

The Global Compact 2.0

As Ban Ki-moon pointed out this year before the Davos World Economic Forum, "Without

trust, we cannot prosper". In his speech, the UN Secretary-General announced the beginning of a new stage, which he called the Global Compact 2.0. This stage involves the abovementioned challenges and entails a number of new specific initiatives already launched that are related to the environment, water, education and socially responsible investment, in addition to the Ten classic Principles on Human and Labour Rights and the fight against corruption.

The aim is to incorporate these ideas and initiatives into company practices and thus nurture once again the confidence and prosperity we all aspire to achieve.

TOWARDS VERSION 2.0 OF THE GLOBAL COMPACT

Diana Chávez

Director of the Regional Center for the Support of the UN Global Compact in Latin America and the Caribbean

"Think about the present from a historical point of view"

Walter Benjamin

This article aims to share some ideas on the importance of creating the foundations that will enable us to reinforce the work carried out by the participants of the Global Compact so as to achieve version 2.0. of the Compact in a natural way. These ideas stem from our experience in managing the Local Network in Mexico.

Two Crises: One Proposal

Throughout 2009, the word crisis has become a household word and a common denominator in various forums and speeches by world leaders. Recently, at the Davos Economic Forum, the United Nations Secretary-General, Ban Ki-moon, referred to 2009 as the year of multiple crises in which

the Global Compact will have to reach a new stage, the 2.0 version.

It is worth remembering that what we could now call version 1.0 of this United Nations initiative was first created during a moment of crisis marked by demonstrations against the concept of globalisation around the globe. The then Secretary-General's proposal, within the framework of the Davos Forum, for making globalisation inclusive, stressed the need for economic, social and political stakeholders to take an active part in building an inclusive and decent future for all, uniting efforts via a Compact, the Global Compact.

Almost nine years after it was launched, over 5,000 participants from over 100 countries have taken the decision to adopt the Global Compact as a tool for developing, aligning and enriching their corporate citizenship strategies. Countries such as Mexico have embraced this initiative with enthusiasm; for some of its participants it has been their first introduction to corporate citizenship and, for others, a framework for reinforcing their way

of aligning corporate policies and practices with universally accepted ethical values and objectives.

An added value of the Global Compact has been its capacity to bring together on the same platform stakeholders from a variety of contexts —beginning with the United Nations and the private sector—. The list of participants includes companies, civil society, trade unions and public sector organisations. The profile of participants is eclectic; for example, in the companies section, there are multinationals whose annual sales are bigger than the GDP of some emerging economies, as well as a small family based company that is operated by a group of women producing traditional fruit preserves.

The Compact is a meeting point where all sorts of participants may set common goals to nurture the debate and transfer experiences. Participants who are different as regards their organisational structure, the extension of their markets, the public they serve, and the complexity of the environments they operate in. Via this initiative, the United Nations has opened a new chapter in its relationships with the private sector, recognising the role of companies in human and social development. According to Secretary-General Annan's 2006 report, the pragmatism of corporate managers has contributed to strengthening the United Nations.

Throughout almost nine years of operations, the adherents to the Global Compact have made it clear that even though the challenges are enormous, change is possible. It is possible to contribute to building a fairer society via initiatives in favour of human and labour rights, the environment, and by promoting a culture free from corruption.

As I managed the Local Network in Mexico, I learnt that the implementation of the Ten Principles is a hot issue that thrives on the challenges and achievements of its participants. I also learned that, through specific strategies and/or small actions that all add up to a whole, Social Responsibility sheds its philanthropic overtones and becomes an effective strategy for development and the fight against poverty.

[The Secretary-General's proposal of moving on to Version 2.0 is opportune because the deeper meaning of the Global Compact is to build public assets and shared universal values which can be applied at local, national, regional and global level.](#)

Furthermore, as Carmelo Angulo Barturen put it: "The role of companies in modern society surpasses the narrow margins of their walls"; that is why it is important to view the present as a time to sow what we will reap tomorrow.

The 2.0 version is the task of each participant and it will arise from each organisation's daily agenda, the heart of its operations and its relationships with stakeholders. It is the natural next step for those participants who have adopted this initiative as their own, who think globally and act locally and who have moved on from theory to implementation by committing themselves to supporting:

- 1) Collective actions for better impacts on their environment
- 2) Initiatives which are intended to contribute to the debate, to achieve specific accomplishments and transfer capabilities between the local networks and their participants.

- 3) Mechanisms and spaces which contribute to strengthening local networks

Although we have seen significant headway in some areas of the Compact, there are tasks that still need to be addressed, which require cooperation and leadership in order to:

- 1) incentivise innovation and the search for solutions on the part of each stakeholder group, and
- 2) predict trends in order to reduce the impact of future crises.

It is in times like these when we need to go beyond what each one of us can do from our own trench and take on the role of a protagonist rather than that of an observer, so that the problems and challenges of our environment turn into our own issues. The building of the Global Compact 2.0 demands that its participants avoid falling into the temptation of not working together and that they decide to raise their voice in unison because, as Balzac said, "in great crises, the heart either breaks or it gets tougher".

THE LIMITS OF THE GLOBAL COMPACT IN THE FACE OF THE CRISIS

Toni Comín

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In the light of the severest financial, economic and social crisis that has shaken capitalism since the Second World War, the mechanisms of governance which have tried to prop up the globalised economy for the last decade have been shattered. Guaranteeing support for globalised capitalism initially entailed several things. To begin with, ensure a sufficient level of stability that would set the foundations for sustained world Gross Domestic Product (GDP) growth. The second was to make the expansion of global markets compatible with the respect of human rights and with social and labour rights in particular. The third was to prevent the development model—in rich as well as in emerging and poor countries—from precipitating the so widely announced environmental collapse. The last was to place world trade and globalised finance at the service of economic growth and social development of poor countries as well as of the rich ones.

It is evident that the governance mechanisms and methods of world capitalism have failed disastrously, given that we have evinced the

greatest fall in world GDP in, at least, the last sixty years.

In fact, these governance mechanisms had begun to show their limits prior to this, in that very little or not enough progress was being made in the abovementioned areas in recent years despite all the efforts: the highly acclaimed “Kyoto 2” has not seen the light of day despite its urgency; the WTO Development Round remained in stalemate. The setting up of efficient mechanisms for redistributing the benefits of globalisation among the different “classes” of global society is not on the international agenda...

The Global Compact is the most prominent example of the type of governance that has been relied upon in recent years to minimise the risks of globalisation and maximise its benefits. It is probably the type of governance that is possible given the real correlations of forces among transnational companies, national governments and global civil society—and given the real level of institutional development that exists at an international scale.

Nobody can deny that it is praiseworthy that the United Nations has led a Global Compact in recent years, calling all public and private stakeholders together in order to try and place the forces of global capitalism at the service of the Millennium Goals. Who could criticise such a move? Nevertheless, there is clearly an unbridgeable gap between the goal and the instruments at hand in order to achieve it. In fact, the Global Compact, most probably making a virtue out of necessity, entrusts its successes to private initiatives, voluntary commitments and self-regulation. However, *the challenges faced by international economy and the risks to which globalised capitalism has exposed global society cannot be resolved—no matter how much commitment and good will there is to this end—by means of these types of methods and mechanisms.* The current crisis is the most patent proof of this.

Let us recall the way UN Secretary-General, Ban Ki-moon, described the philosophy of the Global Compact at the last World Economic Forum⁴:

Exactly ten years ago, my predecessor, Kofi Annan, stood in this hall. He called on business leaders to initiate a “Global Compact” of shared values and principles. He sought to give a human face to the global market. Then, as now, the world faced a crisis in confidence. Yes, globalization had lifted many from poverty. Yet the spread of free markets and capital did not raise all boats. In fact, it hurt many of the world’s poorest people.

The Global Compact was our enlightened response. It challenged business to embrace universal principles and to partner with the United Nations on the big issues. Chief among them were the Millennium Development Goals. Ten years on, the Global Compact stands as the world’s largest

⁴ For the full speech see Secretary-General Ban Ki-moon’s contribution in this section.

corporate sustainability initiative. We can boast more than 6,000 business participants in more than 130 countries.

The Global Compact has become a by-word for corporate responsibility. Its members have moved far beyond mere philanthropy. They have pioneered new standards of “best practice” in the areas of human rights and labour law. In many countries they work to protect the environment and fight against corruption. They have undertaken hundreds of projects in health, education and infrastructure in countries around the world.

Protecting the environment, fighting against corruption or defending labour rights show that there is no doubt that a number of initiatives and practices have been introduced as part of the Global Compact that deserve praise and, in some cases, even enthusiasm. The fault is not in the intention but in the philosophy. Corporate social responsibility (CSR) cannot in itself address or cover all the problems and difficulties that inevitably arise from the process of constitution of the global society, brought on by expanding markets and a technological revolution. CSR cannot guarantee the eradication of poverty, a drastic reduction of CO2 emissions or stability in world financial markets, to mention just a few undisputed examples. Yet these are the objectives that we are being asked to fulfil with urgency.

Something is wrong with the philosophy of the project the moment we call upon companies to stop being companies. The objective of large corporations is clearly that of making a profit, the same as that of financial markets. Why, therefore, do we ask them to regulate themselves when this “self-limitation” does not naturally stem from their mission or from their vision?

We all celebrate the fact that these

multinational corporations and the international financial system comprehend that long term growth is better business in the long run than exorbitant profits in the short term. The latter always end up in a speculation bubble that inevitably detracts efficiency, straying away from the real foundations of competition, and end up ushering in a recession —at times quite dramatically as we can currently see. Nevertheless, **only a well-regulated system can guarantee that this understanding leads to a specific set of corporate practices and behaviours on a permanent and steady basis.**

The same could be said about environmental challenges, respect for labour rights or the need to guarantee the growth of poorer nations along with the global benefits that stem from it. We all celebrate and insist that the organisations that lead world markets interiorise all these objectives in their discourse and try to adapt their practices accordingly. However, only adequate regulation will be able to guarantee this corporate and financial “behaviour change”. Realism is clearly a great consultant when it comes to managing the “social compact”.

Hence, the crisis has brought us face to face with the urgent need to move on from the logic of “self-regulations” towards the logic of solid and effective regulation. We are well aware that a global reality such as today’s capitalist system demands global regulations. We also know that, in order to be effective, regulations require institutions. If the rules we need are global rules, then the institutions in charge of applying them must also be global, whether it be in the field of financial, labour or environmental regulation. Moreover,

these global institutions need power and legitimacy in order to be able to carry out their functions effectively. What we are saying is nothing other than what civil society, lucid governments and the academic world have been propounding for at least a decade: **We need global institutions—in other words, public and democratic institutions—with the effective capacity to make the forces of the globalised economy comply with what global society has the right to demand.**

The Global Compact has been a necessary and convenient initiative but its limits are intrinsically embedded in its philosophy. A football match cannot go well if we expect the players to also act as referees. **We cannot ask companies to be guardians of the general interest in addition to promoting their own.** It would be very naive to think that these two interests—the private and the general—can spontaneously co-exist in harmony. Rather the opposite, social realism leads us to believe that they quite often inevitably clash. Precisely for this reason, it is difficult—if not impossible—for the same organisation to safeguard the interests of both parties at the same time.

If we acknowledge that it is legitimate for companies and private organisations to pursue their private interests, then we must concede that it is not they, even though their intentions may be sincere, who are in a position to guarantee the common interest. A certain degree of realism would suffice to make us understand without too much difficulty that we need organisations that are “specialised” in the general interest in the same way as we acknowledge legitimate “specialisation” in private interests. We do not believe one needs to have studied Hegel’s

theory on the State and civil society in order to agree with this. It is quite obvious. If the general interest is different from the private interest—and this holds equally true both for national societies as well as for the new global society—then different organisations will be needed in order to promote these different types of interests. It is clearly public institutions with some form of democratic legitimacy, though all their limitations and defects, whose mission it is to safeguard the general interest.

Probably, true corporate social responsibility entails the recognition on the part of companies of the need to move on from the logic of self-regulation to the logic of external regulation via global public institutions. Therefore, **factual CSR would engage the transnational companies that today take part in the Global Compact to demand and promote—or at least do not slow down or prevent—the setting up of these global regulations, whilst recognising the need for institutions that are capable of applying them efficaciously on a stable basis.**

In this respect, the current UN Secretary-General’s initiative of launching a Global Compact 2.0 continues to be commendable. However, now more so than before, in the midst of the crisis, there is a growing conviction that such strategies are insufficient to address the challenges of the global society if the initiative continues to be founded on the philosophy of self-regulation and CSR. Let us go back to Ban Ki-moon’s words:

Now, a new set of crises prompts a renewed sense of mission. So today I urge you to join a new phase of the Global Compact. We might call it the Global Compact 2.0.

We live in a new era. Its challenges can all be solved by cooperation—and only by cooperation. Our times demand a new definition of leadership—global leadership. They demand a new constellation of international cooperation—governments, civil society and the private sector, working together for a collective global good. [...] The challenges we face today are global in nature. By working together, we can solve them.

Let me give you some examples. [...] In financial markets, the Global Compact, through the “Principles for Responsible Investment”, has begun working with major investors so their investment evaluations can incorporate key environmental, social and governance issues.

Over the past few months, momentum has grown for what I call a global “Green New Deal.” Last week saw the inauguration of a new President of the United States. Barack Obama has made a clear commitment to re-energizing the American economy by boosting the “green economy.” The green economy is low-carbon and energy-efficient. It creates jobs. Investment in sustainable technologies will turn today’s crisis into tomorrow’s sustainable growth.

I therefore urge all of you, through your supplier chains and via your business partners, to develop good policies and practices in the areas of human rights, the treatment of workers, the environment, and anti-corruption.

This speech is ambivalent in that some examples indicate that we are keeping to the same paradigm as the original Global Compact (1.0) whereas others lead us to understand that, without a new role for political institutions as agents of regulation, none of the objectives can realistically go forward. What is needed is international cooperation among governments, companies and civil society. However, there is no explicit mention of the need for new institutions and new international regulations.

In this sense, the reference to ‘Principles

for responsible investment' is revealing precisely when the entire world is suffering the consequences of financial markets that are systematically oriented to irresponsible investment. We do not need a handful of investors who are an exception and act responsibly; what we need are financial markets that are able to assess risks properly and this requires incentives and regulations, which financial markets cannot set up and apply unto themselves. Only regulated institutions that do their work well and in an effective way can achieve this.

The reference to the global 'Green New Deal' is also promising. Even if it is only because of the historical reference: The *New Deal* that followed the 1929 crash, probably the most similar to the current crisis of all the crises of capitalism, was precisely a regulation process of market forces which, up until then, economic theory and conventional culture were convinced could regulate themselves. The New Deal entailed becoming aware of the need for external regulations, in other words, of a new role for the State as a political organisation in charge of setting limits to economic activity from outside the market and legitimised to do so. If, when referring to the old New Deal, Ban Ki-moon has these aspects in mind, then we could say that we are heading in the right direction.

However, the last sentence of the quote seems once again to present the challenges in line with the old methodology or, more specifically, the methodology of the Global Compact 1.0, which, as we see it, has become outdated too soon because of the crisis. What does it mean that the Secretary-General urges large transnational companies to "through your supplier chains and via your business partners,

[...]develop good policies and practices in the areas of human rights, the treatment of workers, the environment, and anti-corruption"? Does this mean that we will not assign the responsibility of safeguarding human labour, environmental rights and transparency to public (necessarily international) institutions? The fact that the Global Compact 2.0 was presented to global society at Davos during the World Economic Forum is in itself a sign of its possible limitations.

The new Global Compact therefore casts both lights and shadows. Accepting a self-regulation philosophy as a way of resolving the world's problems is something that, in the aftermath of the crisis, no one can seriously defend any longer. However, denying the usefulness of global agreements, which bring together governments and the UN, companies and civil society, would be a huge mistake.

The solution probably involves directing the Global Compact in the right direction: one that provides us with global regulations for economic, financial, commercial and production processes —currently global already— and with global institutions that guarantee their application.

As professor Albert Sales of Universitat Pompeu Fabra states in a critical review of the Global Compact 2.0:

The workers of impoverished nations do not need more social responsibility but respect for their right of association and their right to organise themselves and defend their dignity. Nor do they need transnational companies to defend them from their "cruel employer" who enslaves them. What they demand instead is that the policies of these companies are not geared to transferring the risks of the business to the weakest link in the chain.

Finally, what we need is not voluntary regulations but rather an international commitment to ensure that the laws are abided by and to generate a legislative framework that puts negotiating capacity back in the hands of public bodies, trade unions and organised civil society, in order to deal with large corporations.

Shall we therefore start thinking about a Global Compact 2.0 that will extend a real and full freedom right to trade unionism to all the countries of the South? a GC 2.0 that will allow us to seriously open negotiations for a Kyoto 2 or unblock, once and for all, the trade negotiations of the Doha Round? a GC 2.0 that sincerely takes on the commitment to eradicate tax havens and places the need to establish some kind of international taxation mechanism aimed at financing social development in poorer countries on the international agenda? These are just some ideas.

‘A NECESSARY SUPPLEMENT’: WHAT THE UNITED NATIONS GLOBAL COMPACT IS AND IS NOT⁵

Andreas Rasche

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[...] Since its inception, the Global Compact has faced a lot of criticism from a variety of sources. This article looks at the three most often mentioned. That is, that (a) the Compact supports the capture of the UN by “big business,” (b) its Principles are vague and thus hard to implement, and (c) it is not accountable due to missing verification mechanisms. The following discussion shows that this criticism is based, at least in part, on a misunderstanding of the initiative and its underlying institutional framework. [...]

Allegation 1: The Compact Supports the “Capture” of the UN by Big Business

One common allegation raised by critical parties is that the Compact opens a window of opportunity for business to capture the UN. Zammit (2003, p. xxi), for example, argued that there is a basic inconsistency between the policy interests of developing countries and those promoted by the United Nations’ corporate partners. The fear is that

big business will pursue its policy interests within the UN more directly by signing up to initiatives like the Global Compact. Such a view is also adopted by Nolan (2005, p. 465) who states that “[c]lose relations between the UN and big business provides ample scope for ‘capture’ such that the UN, the supposed rule setter, wittingly or otherwise begins to adopt the agenda of business partners without debate or true democratic procedure.” Thérien and Pouliot (2006, p. 67) thus conclude that the creation of the Global Compact has fuelled concerns about a break in the UN’s traditional, nonbusiness position on economic issues. Furthermore, it raises concerns that the institution adopts a

⁵ This is an abbreviated version of the original article, Rasche, A. (2009): “‘A Necessary Supplement’ - What the United Nations Global Compact Is and Is Not”, published in *Business and Society*, December 2009; ©2009 by SAGE Publications. The full article and bibliographical references are available in the Global Compact website at http://www.unglobalcompact.org/newsandevents/articles_and_papers/GlocalCompact_Supplement.pdf

promarket spin that could in time lead to its silent privatization.

There are, however, at least two issues that should be taken into consideration here. First, [the Global Compact is by no means the first, nor the only attempt to establish partnerships between the UN and business](#). Almost from its inception, the UN has had partnerships with businesses and business associations. Businesses and NGOs even joined the 51 nations that gathered in San Francisco, California, in 1945 to sign the UN Charter and were expected to be part of the solution to foster peace and development. However, owing to increasing media coverage, most partnerships have only recently entered the wider public consciousness. For instance, at the 2002 Johannesburg World Summit for Sustainable Development (WSSD), more than 240 partnerships were announced most of which were in the field of water and energy use (James, 2002). UN-business partnerships are neither a new nor an exclusive feature of the Global Compact; however, they have increased in number over the last decade. This increase may be due to the fact that many UN agencies have undergone an ideological change from confrontation to cooperation with regard to partnerships (Cohen, 2001; Kell, 2005). There is, of course, the question of why this change has occurred and whether it reflects a “capture” of the UN by business or whether it is simply in response to the rise of global markets and growing governance gaps at the local and global level. This question brings us to the second point.

It is important to understand that it is not the Global Compact that allows corporations to be closer to the agenda of policy makers at the UN but that corporations are already

political players, quite independently of the Compact (Palazzo & Scherer, 2006). Corporations design and implement social and environmental standards (McIntosh et al., 2003), are involved in peacekeeping (Fort & Schipani, 2002), provide education and healthcare (Williams, 2004), and fight corruption (Cavanagh, 2004). All of these issues are also on the UN agenda. This engagement has not been imposed on MNCs (Multinational Corporations) but is necessary because (a) national governments, especially in developing countries, increasingly fail to set a regulative framework under which such issues can be resolved and (b) many of today’s problems cannot be solved on a national level at all but need to be addressed globally, for example by multinational companies (Scherer, Palazzo, & Baumann, 2006). Under these conditions, collaboration between the UN and business is not only desirable but also needed, as the UN goals can no longer be achieved without collaboration with business (Bigge, 2004, p. 10; Kell, 2005, p. 71). In a world of growing interdependencies, neglecting and devaluing UN-business partnerships can only come at the price of sticking to existing ideologies. [There is no basic inconsistency between the goals of business and the UN; both are interested in the existence of a stable global market that is sustainable and based on a social consensus of shared values](#). Neglecting this relationship may be possible in the short run but will go against the UN’s mission over a longer timeframe.

UN-business partnerships are, of course, not without problems. It is not the direct capture of the UN by businesses but instead the ability of the latter to use the Compact as a means to position a specific idea of what

corporate citizenship is about (i.e., learning, not regulation) that needs to be watched carefully. As discussed below, learning is a supplement, but not a substitute, for regulation. For corporations, the UN is particularly attractive in this context as influencing the public understanding of what “good” corporate citizenship is about requires discursive legitimacy (among other things), which the UN clearly offers (Levy, 2008; Levy & Prakash, 2003). Because the majority of Compact participants are businesses or business associations, the initiative needs to ensure that the perspectives of multiple stakeholders are taken into consideration when shaping and framing the public understanding and expectation toward corporate citizenship.

Allegation 2: The Compact’s Principles Are Vague and thus Hard to Implement

The second criticism pertains to the Compact’s lack of clarity with regard to its Principles. Deva (2006, p.29), for instance, notes that the Principles hardly provide concrete guidance to corporations about the expected conduct. Requirements such as “action needs to be taken within a firm’s sphere of influence” miss the precision necessary for a viable code of conduct. Deva (2006, p. 129) further argued that “the language of these Principles is so general that insincere corporations can easily circumvent or comply with them without doing anything.” Similarly, Nolan (2005, p. 460) and Bigge (2004, p. 11) claim that the Compact is surrounded by a lack of precision in content that does not even attempt to clarify its Principles for its participants. Murphy (2005, p. 389) thus concludes that the Compact is at best a minimalist code of corporate conduct.

First of all, one must recognize that [many of these critics want the Compact to be a clearly structured code of conduct against which compliance can be measured. However, as already mentioned, the very idea of the Compact is the creation of a long-term learning network](#) that is used by business and non-business participants to share innovative ideas and best practices as to how the Ten Principles can be implemented. These Principles provide a yardstick for the exchange of ideas, learning, and discussion and are not meant to be a benchmark against which to assess compliance. The goal is to establish consensus and best practices on what, for instance, “a precautionary approach to environmental challenges” means within a firm’s respective region and sector. Over specified principles could even turn out to be counterproductive as they would limit the scope of possible solutions right from the beginning. The Ten Principles rather provide corporations with the opportunity and highlight the need to “fill” their general character with context-specific meaning.

Thinking about context uncovers yet another reason for the general character of the Principles. Although regional in its impact, the Global Compact is designed as a global initiative with no restrictions on the size, sector, or region of its participants. Currently, 52% of all business participants are small and medium-sized enterprises coming mainly from Europe, Latin America, and Asia (Global Compact, 2007). [The wide variety in corporate size, sector, region, and available resources of participating companies does not allow for the introduction of clear-cut principles.](#) For instance, a precautionary approach to environmental challenges has a different meaning for a large MNC operating in the chemical sector than for an Indian SME

doing business in the IT industry. It is in this spirit that the UNDP-sponsored handbook for implementing the Global Compact recognizes that “company approaches [toward the Ten Principles] are very different. It highlights the flexibility of the Compact and the fact that there is considerable scope for adapting the initiative to the specific needs and situation of the individual participant.” (UNDP, 2005, p. 8) [...]

Allegation 3: The Compact Is Not Accountable Due to Missing Verification

The last allegation is that the Compact is not accountable because it does not independently monitor and verify compliance with its Principles. It is probably the most well-known critique that has appeared consistently for the last 8 years in the academic and non-academic press (recently see Bigge, 2004, p. 12; Deva, 2006, p. 146; Engardio, 2004, p. 86; Nolan, 2005; Rizvi, 2004; Thérien & Pouliot, 2006, p. 67). It is in this spirit that Nolan (2005, p. 462) argued that “accountability, or rather the lack of it, is the crucial issue that faces the Global Compact.” Critics argue that a lack of serious monitoring, sanctions, enforceable rules, and independent verification fosters the misuse of the Compact as a marketing tool (Deva, 2006; Rizvi, 2004). In the eyes of these critics, the Compact is a public relations smoke screen without substance that allows powerful MNCs to “bluewash” their damaged image. [...]

To address this allegation in a comprehensive way, two issues need to be discussed and understood. First, [one cannot and should not criticize the Compact for something it](#)

[has never pretended or intended to be:](#) A compliance-based mechanism that verifies and measures corporate behaviour. From its inception, [the initiative was never designed as a seal of approval for participating companies](#) as certification would require far more resources than are currently available. The Compact, instead, expects proactive behaviour from its participants. Its learning approach is advantageous insofar as a code of conduct (that would be needed for monitoring) is always static and thus does not allow participants to react flexibly to varying environmental circumstances (Ruggie, 2002, p. 304). Without a doubt, it should be in the enlightened self-interest of the Compact to prevent free riders from misusing the initiative. However, the prevention of opportunistic behaviour does not ultimately require close monitoring of corporate actions. The decision faced by rule setters is not between fully monitoring corporate behaviour and not monitoring at all. Rather, there is something in between.

For the Compact this “in between” is reflected by demanding that its participants report on progress they have made in implementing the Principles on an annual basis. The above-mentioned COP policy allows the Global Compact Office to gain an overview of a company’s bottom-line activities. Although the Compact does not yet require standardized COP reports, it encourages its participants to follow the recently released G3-guidelines of the Global Reporting Initiative (Global Reporting Initiative, 2007). [Because COPs are primarily aimed at participants’ stakeholders, they foster a social vetting mechanism that is intended to increase report content and quality over time.](#) Social vetting means that other parties (e.g., NGOs) are asked to use submitted COPs as

grounds to judge corporate behaviour and file complaints that the Compact can use as a basis for investigations. If a company fails to submit a COP report within a year, it is labelled *noncommunicating* while, after a second year of nonreporting, the firm is labelled inactive and completely delisted after yet another year of noncommunication. This policy has already led to 945 participants being labelled *noncommunicating*, 263 as *inactive* and 630 being permanently delisted (data as of July 2008). The case for ensuring accountability by demanding COPs is a good one as its content needs to be publicized in prominent documents (e.g., the annual report) that usually are approved by a company's board.

A second issue that deserves attention here is the question of whether verification, although not the aim of the Compact, would be achievable at all. Three points are important in this context: (1) the development of indicators, (2) the issue of a mandate and (3) the accessibility of resources.

- 1) Even if desired by the Compact, monitoring of participants would be nearly impossible as it requires performance indicators relevant to all companies in all countries and sectors. Without such measures, a meaningful comparison of monitoring results, and thus the creation of sanctions, is not only impossible but would also weaken the Compact's accountability, as any imposed sanctions would be perceived as arbitrary.
- 2) The Global Compact currently has no mandate to monitor or verify compliance with its Principles. As the initiative is embedded within the UN system, the establishment of legally binding regulations would require the support

of the UN General Assembly, which is unlikely given the current international political climate (Ruggie, 2002, p. 303). Even if such a compromise were to be established, it would reflect the "lowest common denominator" of the currently 193 UN Member States and thus echo a weak mandate. Attempts to transform the Compact into a code of conduct would not only miss political support but would also not fit the current climate of cooperation and collaboration between the UN and business.

- 3) The logistical and financial resources to effectively and efficiently monitor MNCs and their supply chains—let alone SMEs (Small and Medium-Sized Enterprise) around the world—are simply not available. Given that there are currently more than 4,700 business participants, annual (or even biannual) monitoring of corporate behaviour would require personal, logistical, and financial resources that are way beyond the Compact's current capacity. Nike, for instance, has more than 750 direct suppliers in 52 countries. It is precisely for this reason that certification standards, such as SA 8000, award certificates for just one production facility but never for an entire corporation and/or supply chain (Gilbert & Rasche, 2007). The addressees of the Compact, however, are entire corporations and not single production facilities. [...]

This in-depth discussion of the three allegations demonstrates that there is need to clarify the intent of the Compact. [Discussing these allegations should not indicate that these critical voices do not deserve to be heard. The tensions they create can lead to productive discussions and even innovations to the initiative.](#) Instead, this article argues

that there is need to be more careful when judging the initiative for something it never pretended or intended to be. In the following section, the role of the Compact as a supplement to national/international regulation and voluntary regulative standards (e.g., SA 8000) is outlined. [...]

The Global Compact as a Necessary Supplement

[...] Following Baldwin, Scott, and Hood (1998), regulation can be defined as something that transcends the law and includes all mechanisms of social control by state and nonstate actors to direct corporate behaviour according to predefined standards. In this sense, regulation is about sustained and focused control (Selznick, 1985, p. 363). The learning-based approach of the Compact is a supplement to regulation because it should never replace national and international regulatory systems. Instead, it is useful where (a) corporations are willing but have trouble putting regulations into practice and thus need to learn about implementation and (b) where regulations fail or are ineffective and need further development. Both of these situations will be explained further.

First, the Compact supplements regulation by national governments, intergovernmental institutions, and compliance-based voluntary CSR standards because it enables a learning process within corporations—a learning process that allows firms to establish compliance with these regulations in the first place. Regulation by itself is often limited in its potential because those who are regulated need to learn how to implement and "live" the letter of law. The myriad

of corporate scandals around the globe shows that regulation by itself is in no way sufficient. Regulated parties need to find out what the letter of law means, how it can be implemented and, most of all, they need to be willing to carry out serious implementation efforts. The Compact helps corporations to address these issues by providing a forum that disseminates best practices and thus translates existing regulations (e.g., international law with regard to human rights issues) into real-life actions. Furthermore, it can also positively stimulate the motivation to comply with regulations by identifying notable best practices and thus exercise peer pressure on competitors.

Second, the Compact also supplements existing regulations whenever these are not working efficiently or are completely absent. For instance, in theory, supplier factories in developing countries comply with employee protection codes (Webb, 2004, p. 6) whereas, in practice, there is little enforcement of these rules and voluntary, regulative instruments—such as SA 8000 or the FLA workplace code—only cover a small share of the overall number of workers. For other problems, such as climate change, there are no binding regulations at all. Certainly, the Compact does not define a regulatory framework to tackle climate change; however, it offers a forum where this issue can be discussed to develop measures that can act as a temporary solution until binding regulations emerge. The recently launched *Caring for Climate* platform shows that Compact participants (e.g., Deutsche Telekom and Unilever) have come up with a variety of innovative ways to address climate change within their business operations. Setting up the *Caring for Climate* platform does not indicate that there is no

need for regulation to fight climate change, but rather that [preliminary results are possible even in the absence of binding rules](#). Kofi Annan recognized this when referring to the Compact as a pragmatic interim solution with regard to existing governance gaps (United Nations, 2004). Of course, talking about pragmatic solutions does not indicate that learning and the formulation of shared values solely fill the omnipresent governance gaps, nor does it mean that global governance can do without regulation. It merely stresses the fact that (a) interim solutions are necessary as long as binding global regulations are not in sight and (b) regulations always should be supplemented, not replaced, by a learning-based approach toward governance.

In other words, there are two understandings of the Compact's supplementary nature: The Compact as a supplement to learn about and action existing regulations and the Compact as a supplement to missing regulations. These two understandings reflect a necessity as every regulatory framework needs to be enacted by its addressees. The Compact provides a forum where such enactment can take place. Regulations, whether they be laws, standards, or codes of conduct, need to be understood; otherwise, they will be ineffective. The letter of the law remains useless as long as the spirit of the law stays unrecognized. By utilizing a variety of engagement and dialogue mechanisms, participants of the Compact make sense of existing regulations by sharing best practices and innovative solutions. Furthermore, regulations show a strong tendency toward inflexibility and overformality (Bardach & Kagan, 1982) that can lead to adversarial "going by the book" attitudes to compliance (Coglianese & Nash, 2001). The Compact is necessary in this context because it adds

flexibility to existing regulations and thus allows for the inclusion of emerging topics (e.g., climate change).[...]

Moving Ahead: Perspectives and Challenges

Although this article shows that some of the critical voices are based on a misunderstanding of the nature of the Compact and/or demand changes that are unlikely to occur in the current political climate of the UN, [there is a variety of challenges that the Compact needs to address to maintain or even increase its relevance](#). This article highlights four issues that represent key success factors for the development of the initiative: (a) The management of growth, (b) The management of diversity, (c) The continued strengthening of accountability, and (d) The inclusion of financial markets. Of course, these are by no means the only challenges as other important issues are also present. For instance, the need for collaboration with governments to strengthen the Ten Principles with binding regulations or the more active consideration of problems that relate to international supply chains are significant issues but a discussion about this is beyond the scope of this article. Hence, the following four issues do not represent an exclusive list but are indicative of future challenges.

Managing Growth. The first major challenge results from the tension that is created between the continued expansion of the initiative—from 50 participants in 2000 to more than 6,000 in 2008—and the constraints of managing such a fast-growing and flexible network of actors within a rather rigid organization such as the UN. It is no secret

that the UN system is overly characterized by a bureaucratic and hierarchical way of management that is not always in a position to provide quick responses to the emerging needs of a proliferating initiative such as the Global Compact. In particular, [interagency collaboration and collaboration of UN agencies with nonstate actors cannot rely on the rather sticky UN procedures for issuing mandates. Instead, it needs to be driven by shared incentives, a decentralized decision-making style, and commitment toward the Compact's Ten Principles](#).

There is also a danger that the Compact may become politicized in the sense that the UN demands intergovernmental oversight. Although the current mandate, backed by a General Assembly resolution (United Nations, 2001), gives the UN Secretariat clear responsibility for the Compact, this status needs to be maintained, especially when bearing in mind the expected further growth. The achievements of the Compact and its steady growth are based on its pragmatism and on the network-based governance model underlying its operations; politicizing the initiative would put these two success factors at risk.

Managing Diversity. A second challenge deals with [achieving greater diversity in terms of corporate size, represented sectors and, most of all, the geographic spread of business participants](#). Although some areas of the world have not yet attracted a lot of participants (e.g., the Middle East), it is especially remarkable that North American companies only comprise a small portion of the overall share of the Compact's business participants (i.e., around 200; Global Compact, 2007). This number is particularly striking because North American (especially

United States) companies represent a much larger percentage of the world's largest corporations according to the Fortune Global 500 index than their participation rate in the Compact indicates. One major reason is that North America is a more litigious society than Europe or Latin America. Companies are afraid of lawsuits that are filed by adversaries accusing U.S. participants of not complying with the Principles (Hemphill, 2005, p. 312; Williams, 2004, p. 758). As Ziegler's (2007) empirical study reveals, U.S. participants often cite fear of litigation as an obstacle against membership in the Compact. This participation barely improved even after the Compact, together with the American Bar Association, developed a litigation-proof letter in 2004 that shields U.S. participants from lawsuits based on claims that they failed to comply with the Principles. Even though there is no evidence as to whether this letter holds the force of law, other reasons must also play a role.

The reluctance of U.S. businesses to join the Compact is also reflected by the ongoing fear of public criticism. As mentioned above (Allegation 3), there still is a lot of criticism of the Compact's accountability (Furchgott-Roth, 2007). Thus, [North American firms fear that once they join they will be accused of bluewashing their operations regardless of how well they implement the Principles](#). In a time of increased transparency and media attention, such assertions can be very harmful to a corporation's public image. The Compact can only address this concern by (a) continuing to communicate the purpose of the initiative and strengthen existing integrity measures (e.g. the COP policy) and (b) supporting outreach activities through its established U.S. Local Network. Because the United States hosts many MNCs, increased

participation is not only desirable but also necessary to address issues related to global supply chains.

Ensuring Accountability. A third challenge deals with further strengthening the accountability of the initiative to protect its integrity and ensure sustainable growth. Accountability is, among other things, directly linked to an organization's ability to provide transparency of its operations and an evaluation of the progress and results against its goals and objectives (Blagescu & Lloyd, 2006; Rasche & Esser, 2006). To assess the accountability of the Compact, one needs to look at two interrelated issues; on one hand information communicated by participants about their progress in implementing the Principles and on the other, information regarding the impact communicated by the Compact itself.

Concerning corporate reporting, there is a challenge to not only demand annual Communication on Progress but also to ensure comparable quality of the submitted reports. Although the Compact has no authority to judge the actions of corporations, an industry-specific benchmarking system for the annually submitted reports would help (a) to provide incentives for participants to submit improved reports as well as a guide to do so and (b) to increase the comparability of report content and thus foster learning and dialogue among participants. Achieving such a benchmarking system means to strengthen the already existing relationship with the Global Reporting Initiative to come up with a selection of mandatory core indicators for COP reports. In addition, the currently existing categories for failed COP reporting (i.e., noncommunicating, inactive, delisted) should be merged into one category. This

would shorten the “grace period” for nonreporters and thus provide incentives to submit a report on time.

Regarding impact-related information communicated by the Compact itself, there has recently been much improvement. *The UN Global Compact Annual Review* (first introduced at the 2007 Leaders Summit in Geneva) includes specific and comprehensive data on the overall progress of implementing the Ten Principles throughout the world. The challenge is to make this information more reliable by supplementing the (so far) quantitative survey-based data with more detailed qualitative interview-based data. For first attempts of this approach, see Cetindamar and Husoy (2007) and McKinsey & Company (2004). To date, a systematic effort to assess the impact of the Compact in a comprehensive manner has not been attempted, mostly because of the high costs of gathering and evaluating information at different levels of aggregation (Kell, 2005, p. 63). [The accountability of the initiative could be strengthened if a comprehensive impact assessment could be produced and disseminated on a regular basis.](#) Impact assessments also need to show whether Compact-related projects by business participants are integrated into core-business practices, as indicated by the initiative's understanding of corporate citizenship (see above), or whether such projects reflect philanthropy and are thus isolated from a participant's business. After all, positive results of impact assessments could also prove that the flexibility inherent in the Ten Principles “pays off.”

Including Financial Markets. Finally, there is the challenge of winning *financial markets* over to base future investment decisions—to

a much larger extent than at present— on social and environmental criteria. Although empirical research offers mixed results when it comes to the relationship between Corporate Social Performance (CSP) and long-term financial performance (ranging from no significant relation [Aupperle, Carroll, & Hatfield, 1985] to a significant positive relation [Waddock & Graves, 1997]), a meta-analysis by Orlitzky, Schmidt, and Rynes (2003) finds a generally positive impact of CSP on firms' financial performance across industries and across study contexts. This perspective is also in line with a recent study by Goldman Sachs (2007), which finds that business leadership on social, environmental and governance issues can contribute to better market performance. The Compact, by promoting the Principles for Responsible Investment (PRI), can help to set the right institutional framework for responsible investment decisions. [If institutional investors start acknowledging the PRI as a guideline for their decisions, the business case for the Compact will become more obvious.](#) Of course, participation in the Compact should never be limited to the business case. However, future growth of the initiative will depend on the environment that is set by financial markets. Responsible investment decisions can lead to stable, accountable, and thus profitable market conditions that should be in the enlightened self-interest of all market players—especially when considering the recent turbulence of mortgage markets around the world.

Conclusions

This article seeks to show that (a) the mass of critique of the Global Compact is often, yet by no means always, based on a

misunderstanding of the very nature of the initiative as well as its underlying mandate; (b) there is a need to give more credit to its supplementary nature with regard to state and nonstate regulation; and (c) many challenges need to be addressed to ensure a continued, sustainable growth of the initiative.

Being in its eighth year of operation now, the Compact has achieved much in a rather short period of time; it not only is the largest corporate citizenship initiative in terms of size but also the most inclusive one bringing together a diverse set of business and nonbusiness stakeholders. In addition—and this may be one of the most valuable side effects of the setup of the Compact—its dynamic and flexible network-based governance structure can promote necessary reforms of the UN system *from within*. In “New Global Compact” (2000), for example, the *Christian Science Monitor* praised the Compact as being ‘the most creative reinvention’ of the United Nations to date. [...]

Without a doubt, the Compact has not yet achieved all of its goals. However, researchers and practitioners should give credit to the fact that neither its goals nor its underlying structure exist in a stable environment and thus reflect steady solutions. A start has been made and the point of departure taken by the initiative is a very promising one. The Compact is by no means a sufficient concept to ensure governance in a global economy; it is only a small part of the overall solution (Rasche, in press; United Nations, 2004). Whether the Compact succeeds in creating a more inclusive global economy that is embedded in a framework of fundamental, yet indispensable, values remains an open

issue. Even the most ambitious journey has to start somewhere and the Global Compact has already helped to propagate the seeds of an emerging solution. History will be the judge on its success.

GLOBAL COMPACT SUCCESS TIED TO DEVELOPMENT OF STRONG LOCAL NETWORKS⁶

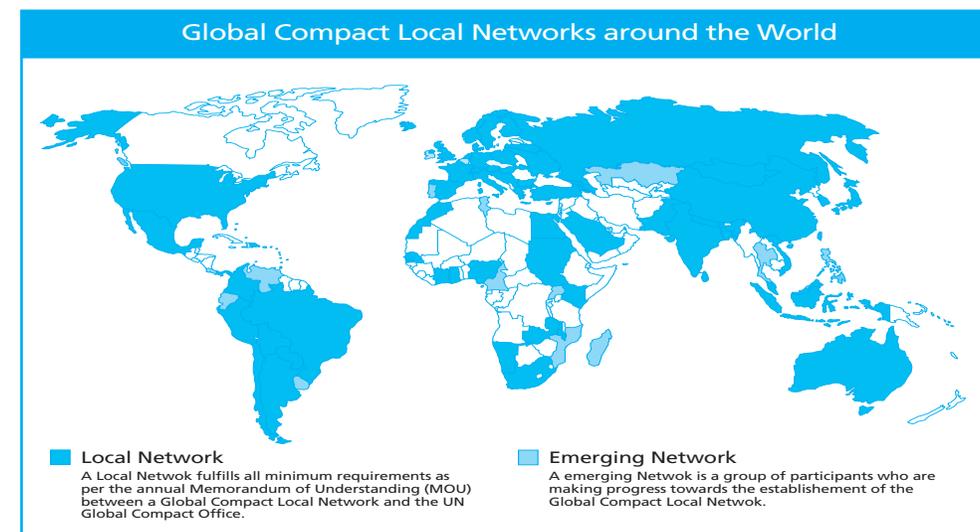
Soren Petersen

Head of Global Compact Networks, Partnerships, Participants Management & Communication on Progress, UN Global Compact Office

Local networks were not part of the original plan of the UN Global Compact, but it did not take long before the need for local activity became apparent. These networks increasingly perform the important role of rooting the Global Compact Principles within different national and cultural contexts, serving to translate global values into something locally meaningful. As it is

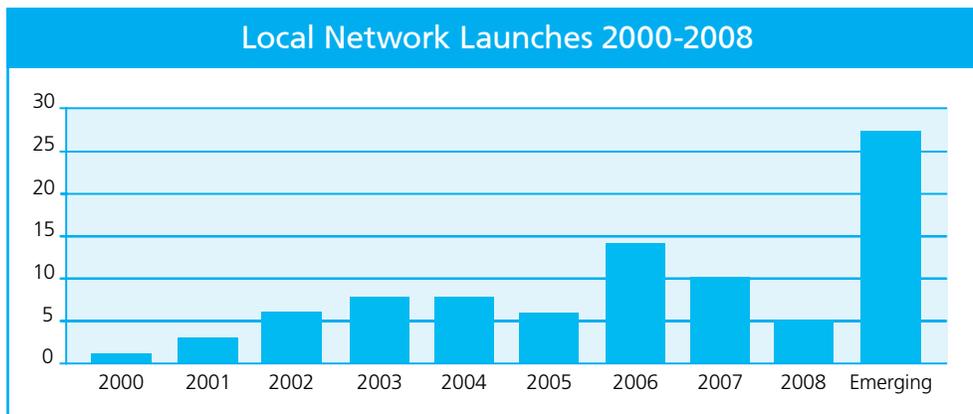
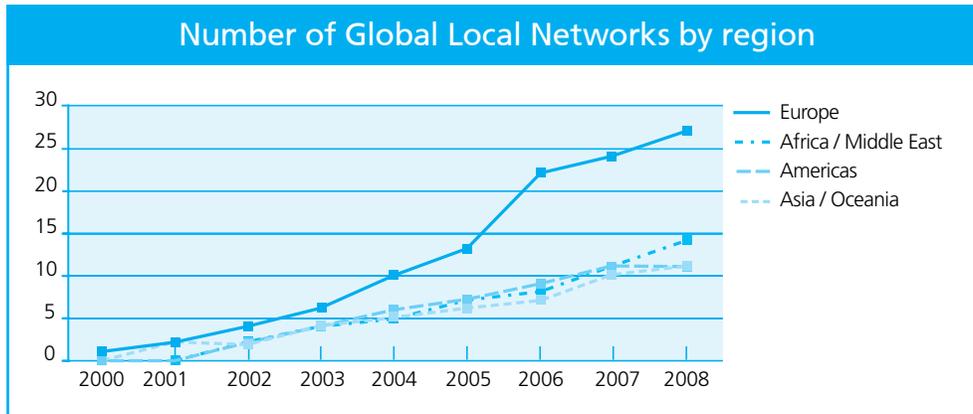
often expressed: The Global Compact is truly global only because it is local. [...]

Over time, the number of Global Compact signatories in many countries has reached a critical mass that needed to establish a Local Network. There are currently over 80 networks that have been established or are emerging:



⁶ This is an abbreviated version of the original article, published in the Global Quarterly in November 2008 (Volume 2008 Issue 3); it is available at www.enewsbuilder.net/globalcompact © 2008 United Nations Global Compact

The following are the number of established LN by region and the LN launches between 2000 and 2008:



Local Networks support companies in their efforts to implement the Global Compact, while also creating opportunities for multi-stakeholder engagement and collective action. What we have seen over the years is that these [networks increasingly serve as engagement platforms for participants, either for moving innovative solutions upstream for global replication or for taking global issues to the level of local implementation.](#)

In 2003, representatives of Local Networks came together for the first time in Bern to discuss fundamental questions and issues linked to Local Network governance and activities. [...] It was agreed that the Global Compact Office should provide the necessary guidance, information and tools to networks on matters of common concern, while encouraging governance, organization and activities to emerge based on local specificities.

Despite their wide differences, Global Compact Local Networks have also agreed to certain fundamental characteristics. They are committed to the Principles and practices of the UN Global Compact. Every network produces an annual activity report and is willing to support participants in their efforts to develop Communications on Progress. Networks are increasingly called on to find solutions to situations related to the integrity measures.

At VI Annual Local Network Forum (Bonn, October 2008), over 220 participants from 70 networks joined together and took decisions that resulted in a major leap forward in the evolution of Global Compact Local Networks. They agreed to expectations that are more explicit regarding network performance, which include new elements of accountability and governance. Furthermore, the minimum requirements for Local Networks were supplemented. Networks are now expected to give a mandate to an agent to formally represent the network. This is also reflected in the terms of reference for the Annual Local Network Forum, the yearly gathering of the local networks, where a decision-making procedure has now been put in place reflecting the need for more transparency and accountability.

Another important addition was the introduction of an annual agreement between the Global Compact Office and each network, which will give Local Networks the "license to operate" for one year based on meeting minimum criteria. Just as corporate CEOs must renew their commitment to the Global Compact every year through the Communication on Progress, so do Local Networks.

There is no question that Global Compact Local Networks are on a much more robust foundation than they have ever been. They are much more concerned about the quality and the integrity of the initiative and are willing to go further than before to improve and further develop the gains that have been made. To this end, four working groups have been established by Local Networks to report back and provide recommendations to the ALNF Istanbul 2009 on the following topics:

- Increasing minimum requirements of networks
- Engaging with micro-enterprises
- Engaging with civil society organizations
- Role of networks in the Communication on Progress policy

Global Compact Local Networks have become the most important vehicle for facilitating and intensifying a company's commitment to the Global Compact. They are also increasingly concerned and active caretakers of the Global Compact brand. For reasons of quantity, quality, integrity and accountability, the destiny of the Global Compact initiative is tied to the future development of Local Networks. That future looks very promising indeed.

GLOBAL COMPACT JAPAN NETWORK (GC-JN)

Hiroko Enomoto

Deputy Chief Secretary, Global Compact Japan Network

Background: Renovating the Organization

In 2003 the Global Compact Japan Network (GC-JN) was established and it started its activities as an independent, private sector-led secretariat with the help of the United Nations Information Center (UNIC). However, GC-JN faced several challenges: lack of leadership by top management, lack of full-time secretaries, lack of publicity, etc.

In order to improve this situation, last April we decided to renovate our organization and turn it into a business-led network. We created a "Global Compact Board Japan" (GC-BJ) to provide appropriate direction for GC-JN and to transmit important messages on CSR developments to stakeholders in Japan and around the world.

With continuing support from UNIC, GC-JN has been functioning on a full time basis.

Activities and Achievements in the 2008 Fiscal Year: Assisting Corporations and Organizations in Their Implementation of GC Principles in Japan

The renovation of our organization resulted in a variety of unique activities and achievements. GC-JN has become a dynamic learning platform that promotes proactive thinking and understanding of practices related to corporate responsibility.

1) Activities of Three Subcommittees

Learning provides an opportunity for member companies and organizations to get a better understanding of the practical efforts that may help them realize the Ten Principles in their business activities.

In 2008 we have organized three subcommittees on key areas: Supply Chain in Asia, Caring for Climate, and Case Studies.

Japan Network members can now work together to learn and research on these important topics.

The subcommittee on Supply Chain shares information and experience on supply chain management and it explores best practices and challenges to the integration of GC Principles into a business' strategy and operations. The Caring for Climate subcommittee seeks effective solutions to reduce greenhouse gases emission in offices, exchanging know-how and experience among members. The subcommittee on Case Studies shares information on CSR activities and holds lecture meetings focused on human rights, labour, and anti-corruption issues, followed by dialogue among members so that they can exchange ideas and experiences.

We think that face-to-face dialogue and discussion may bring about significant collaboration among participants.

2) Symposiums and Seminars

Symposiums and seminars are important opportunities for members and prospective participants to learn and understand the latest CSR movements in the world. Those learning events provide a key driving force, not only for interaction between network participants and external stakeholders, but also for raising awareness about the GC among the business community.

GC-JN held two symposiums in the 2008 fiscal year.

- November 19, 2008
"Sustainable Society: What should companies and investors do?"

Co-hosted by GC-JN, UNEP FI and SIF-Japan.

- December 10, 2008
"Realization of Human Rights by Corporations"
Co-hosted by GC-JN, UNIC and HOSEI GC Research Center.

GC-JN also held several seminars that covered a wide range of issues: anti-corruption, peace building, ISO26000, CSR in Europe, and Triple Bottom Line.

- October 7, 2008
Speaker: Dr. Djordjija Petkoski, World Bank Institute
"Implementing Anti-Corruption Mechanisms that Deliver: Collective Action Experiences from Asia" Co-hosted by GC-JN and World Bank Tokyo Learning Center.

- January 14, 2009
Speaker: H.E. Mr. Yukio Takasu, Permanent Representative of Japan to the United Nations
"Dialogue between Ambassador Takasu and GC-JN on the United Nations and Peace Building"

- February 13, 2009
Speaker: Mr. Shizuo Fukada, Advisor, Omron Corporation
"The Latest Move of CSR Alliance in Europe and ISO 26000"

- March 3, 2009
Keynote speaker: Mr. Andy Savitz
"Triple Bottom Line – What Can Make Business Sustainable?"
Special discussion: Mr. Andy Savitz & Prof. Hirotaka Takeuchi, Hitotsubashi Univ.
"Now, what should business do?"

Co-hosted by GC-JN and World Bank Tokyo Learning Center.

3) Study Meeting for Executives

Corporate Responsibility requires long-term commitment from top management. It is crucial to educate future company leaders who will understand the importance of CSR and demonstrate their commitment and attitude to stakeholders both inside and outside their companies.

GC-JN sets up a unique programme to raise awareness on the GC and CSR among young executives. Study meetings are held monthly with a wide range of lectures given by specialists and professionals, followed by discussion. Executives can learn about various matters for concern around the world and think about what they should do through their business.

4) Meeting with UN Secretary-General Ban Ki-moon

GC-JN had a meeting with Secretary-General Ban Ki-moon on June 29, 2008 during his official trip to Japan. More than 50 participants including GC-BJ members, leaders of the main signatory companies and the representatives of GC-JN, as well as several high-ranking officials from the Ministry of Foreign Affairs, attended the meeting. Secretary-General Ban Ki-moon praised Global Compact Japan Network members for their recent decision to adopt a Corporate Executive Officer (CEO)-led structure. "The Japan Network is truly supporting the Global Compact's leadership model, which recognizes that long-term,

active commitment to organizational change must be led by top management. Your model will be a powerful inspiration for other Local Networks seeking a transition to business-led structures," said the Secretary-General. Participants exchanged views with the Secretary-General, who stressed the impetus provided by the Network's active involvement in support of the Ten Principles and other UN issues.

5) Website for GC-JN Members

As already mentioned, we believe that face-to-face dialogue may lead to significant collaboration among participants. However, in this ITC (Information Technology Communication) society of ours, we also emphasize the importance of using ITC tools effectively. Therefore, not only did we re-launch the GC-JN website for the public but we also created a new website for members only, under the leadership of the Public Relations committee.

The new members only website functions as a platform to promote communication, exchange information and share best practices among members. We hope a combination of online and face-to-face debate among members will bring about new collaborations and solutions, fostering innovation for the future.

6) Capacity Building for COP and Logo Application

GC-JN provides practical advice and support regarding the COP and the application of the GC logo policy for member companies and organizations. Our guide about the COP

explains what a COP is, its three elements, integrity measures, and the elements that make a COP notable. This guide is going to be maintained and updated as the GC revises its COP policy. Additionally, we notify members when their COP deadline is approaching and we advise members either individually or collectively on how to meet COP—or Notable COP—requirements. As for logo policy application, GC-JN encourages members with suggestions on how to apply the GC logo requests and also how and when they may use the GC logo (CSR reports, etc). When the GCO launched the new logo policy, we announced this news to all members and provided an online guide on how to apply it.

Objectives and Activities for the 2009 Fiscal Year.

This is the second year since the GC-JN adopted a CEO-led structure. The 2009 fiscal year will start with the Annual Assembly and Learning Forum. GC-JN members will share and learn the outcomes of subcommittee activities during the 2008 fiscal year.

According to the result of the survey conducted last February-March 2009, three quarters of GC-JN members joined the GC-JN with the purpose of learning about other companies' activities related to CSR and the GC. We are planning to provide GC-JN members with excellent opportunities to get a better understanding of practical efforts to realize the Ten Principles in their business activities as well as to create new collaborations among members.

Furthermore, we are also planning to start a new programme that will involve the CEOs

of member companies into GC-JN activities in order to promote their understanding about the GC and CSR.

We hope that the increased presence of this organization will not only build strength for the Global Compact in Japan, but also invigorate networks in other countries.

STAYING WITH THE SUSTAINABLE DEVELOPMENT AGENDA IN CHALLENGING TIMES

Cynthia Carroll

Chief Executive, Anglo American plc

In these times of severe economic dislocation, which have shaken people's trust in business to act responsibly and indeed called into question market-based economics, there is a danger that business could lose sight of the sustainable development agenda.

We must guard against this. As I pointed out in Anglo American's recently published *Report to Society 2008*: *"The global challenges of addressing change, of reducing carbon emissions and of reaching the Millennium Development Goals have not gone away, and we in the extractives industry must guard against attempting to secure short-term financial and long-term energy-security needs at the expense of the environment and poverty reduction."*

For Anglo American, these issues are not discretionary but are core to our business and must be managed as such. In doing so, we firmly believe that the Global Compact is of real importance for us.

Our company joined the Global Compact in June 2004 and is fully committed to its Ten

Principles. Indeed, we have benchmarked our Report to Society 2008 against these Principles. In addition, our chairman, Sir Mark Moody-Stuart, is also chairman of the Foundation for the Global Compact and has spoken of the Compact's providing a sign of hope during these tough economic times. Its power, he has observed, lies partly in the involvement of civil society and labour organisations: *"If we want to address an issue in a country, it has to be done not just by the business sector but by everyone in the country; by civil society and labour working together with government, central and local, to address the issues. One of the strengths of the Global Compact is its system of local network which encourages the coming together of these groupings."*

Our own participation in the Compact is a reflection of our fundamental belief that business has to be an integral part of addressing the big challenges facing society. Particularly at the moment, some people are pursuing a political agenda that portrays business as being at the root of our problems.

They argue that we are experiencing a crisis of capitalism even though the downturn is the result of market failure and a failure of regulation in just one —albeit important— sector: financial services. *I believe a market-based economy is still, by a long way, the system that best balances economic efficiency and fairness; though there may well need to be some significant regulatory changes.*

Business must be prepared to argue its corner and bring creativity to bear on improving the lot of those around us. That is what our company is seeking to do, as we recognise that business is not only about the bottom line. We have the rare privilege of being able to lead and to innovate in areas like the creation of new businesses, community development and the management of HIV/AIDS. We have the ability to open the way to many positive opportunities for the communities where we do business.

Over the past decade, there have been significant gains in relation to business' contribution to the realisation of the tenets of the Global Compact and in areas such as development and combating poverty.

Partnerships

Ten years ago, partnerships between companies and governments or between companies and NGOs were rare. Now it is recognised that each brings distinctive skills. Working together, we can achieve things that we cannot do on our own. Hence, in the extractive sector, we have seen the success of multi-stakeholder partnerships such as the Kimberley Process, which has helped to virtually eliminate the flow of conflict diamonds and to provide assurance

to consumers about diamonds from well-run and peaceful countries like Botswana — one of Africa's key success stories. In addition, [the Extractive Industries Transparency Initiative](#) is having a significant impact on the management of resource revenues, in increasing the accountability of both governments and companies and in reducing opportunities for corruption. The EITI is being adopted by 26 resource-rich countries and shows what can be done when governments, civil society and companies work together. The International Council on Mining & Metals' Resource Endowment work, in which Anglo American plays a major role, has also clearly shown the importance of partnerships in delivering sound and sustainable socio-economic outcomes at both national and local level.

In addition, individual companies are forging increasingly productive partnerships with NGOs on a bilateral basis. Anglo American, for example, has a global development partnership with CARE in southern Africa and Brazil and with Fauna & Flora International on biodiversity, as well as with a myriad of others at a country level.

Business and Development

We are also seeing a much greater appreciation of the central role of business in development, in achieving the Millennium Development Goals and in combating poverty. Last year [I was proud to be amongst the business leaders who signed the MDGs Business Call to Action \(BCtA\)](#), which emphasised the need for all actors —not just governments— to play a role.

Anglo American is involved in supporting

the creation of new sustainable small firms. In South Africa, Chile and Brazil, we are supporting companies that are now generating more than 13,000 jobs through our various enterprise-development units; in South Africa alone, the collective turnover by the 228 companies in our portfolio for 2008 was around \$160 million. We are also working with governments and other companies through the Investment Climate Facility for Africa to make it easier to get new businesses off the ground in reforming countries like Rwanda, Liberia, Sierra Leone and Zambia. Similarly, more consumer-facing companies are doing excellent work in creating products and services which meet the needs of the so-called 'bottom billion' at the base of the pyramid of our global society.

Human Rights

We have seen significant strides too in the area of business and human rights. The issues are much better understood; [human rights are a concern for all actors in society and the number of companies with a human rights policy is growing rapidly](#).

In the extractive sector, the Voluntary Principles on Security and Human Rights have made a palpable difference to how corporate security needs are planned and implemented. The influential work of John Ruggie, the UN Secretary-General's Special Representative on human rights and transnational corporations and other business enterprises, has opened up a route to a possible consensus about the relative responsibilities of governments and companies based on three principles: government responsibility to respect human rights, business' responsibility to respect human rights, and the importance of

ensuring that accessible mechanisms are in place to address grievances.

Labour Rights

In relation to labour rights, there are still global challenges in areas like trafficking and child, bonded or forced labour. However, [at the mining industry level, there is evidence that relationships between management and labour are becoming more constructive](#). In South Africa, for example, our own Group's—and the country's— safety performance has shown significant improvement since last year's historic tripartite safety summit (which was initiated by Anglo American) between business, government and labour. Similarly, the increasing number of employees involved in our HIV workplace-treatment programmes reflects a steadily improving relationship with the trades unions.

Anti-Corruption

Ten years ago, even the Global Compact did not have an Anti-Corruption Principle and in many European countries bribes were still tax-deductible. [The climate of opinion has been transformed in the intervening years, helped by the introduction of extra-territorial legislation against bribery in most OECD countries and a focus on both the supply and demand ends of corruption](#). Business, civil society and governments are increasingly working together against corruption through initiatives like the EITI.

Environment

Although much progress has been made, it is in the environmental area that this progress

perhaps lags our aspirations most. [The central issue of climate change continues to dominate and, although businesses are innovating and improving energy efficiency, they have to do so without a clear and predictable regulatory framework for carbon-emission management](#). Major carbon-abatement projects—like the development of 'clean coal' solutions—are dependent upon this certainty if the required focus and level of investment are to be delivered. The water, biodiversity and deforestation agendas are also critically reliant upon the success of measures to address climate change.

So what of the future? [Through institutions like the Global Compact and the Global Reporting Initiative, I believe business has moved closer to where society expects us to be](#). Major transnational companies such as our own have a huge influence on the lives of those who work for us or who are touched by our products, services or operations. Consequently, there is both a clear expectation that we run our core businesses responsibly and a clear recognition that we are accountable to our stakeholders. Business has too big an influence on and stake in the societies where we work for us to stand aloof.

DEVELOPING INCLUSIVE BUSINESS MODELS: A REVIEW OF COCA-COLA'S MANUAL DISTRIBUTION CENTERS IN ETHIOPIA AND TANZANIA

Jane Nelson, Eriko Ishikawa and Alexis Geaneotes⁷

“Doing business with poor people brings them into the marketplace—a critical step in the path out of poverty—and for entrepreneurs and firms it drives innovation, builds markets and creates new spaces for growth. Inclusive business models both produce and reap the benefits of human development.”

United Nations Development Programme (UNDP)
Creating Value for All: Strategies for Doing Business with the Poor, 2008

[...] During 2008, the International Finance Corporation [IFC] worked with the Corporate Social Responsibility Initiative at the Harvard Kennedy School to review the operations of the Manual Distribution Center [MDC] model implemented by Coca-Cola Sabco, one of the Coca-Cola Company's bottling partners, in Dar es Salaam, Tanzania and Addis Ababa, Ethiopia.

The project aimed to explore two sets of questions:

- 1) How is the MDC business model in these two countries structured and implemented, including the relationship between the owners and employees of the MDCs and the managers in Coca-Cola Sabco?
- 2) How is the MDC business model contributing to expanding economic opportunity and human capital development?

This report summarizes some of the key findings and recommendations from the research to date. It will form the basis of ongoing dialogue and local engagement by the partners involved.

⁷ This is an abbreviated version of the original report, available at: <http://www.hks.harvard.edu/m-rcbg/CSRI/>. Nothing has been added and all parts not figuring in this version are signaled by the [...] mark.
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Statistics provided by The Coca-Cola Company.

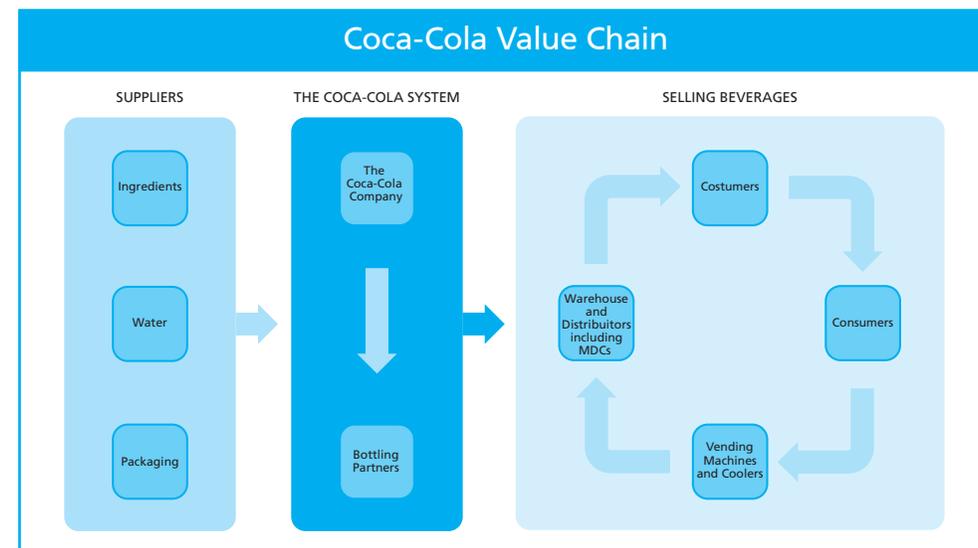
The Coca-Cola System

The Coca-Cola Company (TCCC) is the largest non-alcoholic beverage company in the world, manufacturing nearly 500 brands and 3,000 beverage products, and serving 1.6 billion consumers a day. In the 200 countries and territories in which it operates, TCCC provides beverage syrup to its bottling partners, who then manufacture, package, distribute and sell products for local consumption. TCCC has more than 300 bottling partners worldwide, which are local companies that are either independently owned or partially or fully owned by TCCC. It has had a presence in Africa since 1928 and today is one of the continent's largest private sector employers, operating about 160 bottling and canning plants through its local bottling partners and working with more than 900,000 retail outlets.

TCCC and its bottling partners (collectively known as “the Coca-Cola system”) are

renowned for their ability to make their products available to consumers in even the most remote locations. They have utilized a wide range of innovative distribution methods to accomplish this. In many countries, particularly developed countries, the system primarily uses traditional distribution models in which large amounts of product are delivered via trucks or other motorized vehicles to large retail outlets. Yet in much of the developing world, road infrastructure, terrain, retail markets, cost implications and customer needs differ. Thus, other distribution methods have been developed to distribute much smaller amounts of product to a diversity of retail outlets utilizing methods such as bicycles, boats, and pushcarts.

The Coca-Cola system uses the full range of distribution methods in Africa. In the most developed, urban parts of the continent, the system uses the more traditional model of supplying large retailers such as grocery stores, hotels, universities, and other



institutions using delivery trucks. However, for a large proportion of its retail customers, particularly in East Africa, where they are mostly small neighbourhood restaurants or bars, corner stores, and one-person kiosks, the Coca-Cola system has adopted a manual delivery approach working with small-scale distributors to deliver products to small-scale retailers in densely populated urban areas. One of TCCC's key bottling partners in Africa, Coca-Cola Sabco (CCS), has been at the forefront of innovation in this approach, known as the Manual Distribution Centers model.

CCS is one of the Coca-Cola system's largest bottlers in Africa, operating 18 bottling plants and directly employing more than 7,900 people in East and Southern Africa. Headquartered in South Africa, it is 80% owned by a private investment group and 20% owned by TCCC.

The Manual Distribution Center (MDC) Model

MDCs are independently owned, low-cost manual operations created to service emerging urban retail markets where classic distribution models are not effective or efficient. Common characteristics include:

- A central point for warehousing of product, with a manageable coverage area and defined customer base (typically about 150 retail outlets).
- Distribution of product is mostly manual (e.g. by pushcarts) to keep costs at a minimum.
- Outlets served are typically low-volume with high service frequency requirements and limited cash flow, requiring fast turnaround of stock.

Coca-Cola Sabco first developed the MDC model as a pilot, which created ten MDCs in Addis Ababa, Ethiopia, in 1999. By 2002, it had implemented the model on a broad scale throughout its markets in East Africa. Although the exact number of MDCs changes on a regular basis, as of November 2008 there were 165 MDCs in Addis Ababa and 651 in Ethiopia as a whole, accounting for 83% of CCS sales nationwide. Also as of November 2008, there were 152 MDCs in Dar es Salaam and 412 in Tanzania as a whole, accounting for 93% of CCS sales nationwide⁹. CCS now relies on the MDC model as its core distribution model in Ethiopia, Kenya, Uganda, Mozambique, Tanzania, and to a smaller extent in Namibia.

It is worth clarifying that most of the MDC owners are not from the poorest segment of the population —the so-called 'Base of the Pyramid'¹⁰. The majority of those interviewed have a minimum of primary school education and most had previously been employed or were in school before becoming an MDC owner. For 75 percent of the Ethiopians interviewed and 32 percent of the Tanzanians, however, this was their first time as a business owner. *These people therefore represent part of a growing entrepreneurial middle-class —what have been termed 'opportunity' entrepreneurs as opposed to 'survival' entrepreneurs¹¹. These are the types of people who have the potential to grow*

⁹ Ibid.

¹⁰ The terms 'Bottom of the Pyramid' and 'Base of the Pyramid' were coined by Professor Stu Hart, Professor C.K. Prahalad, and Allen Hammond.

¹¹ Patricof, Alan. J and Sunderland, Julie. E Venture Capital for Development. Paper prepared for Brookings-Blum Roundtable: The Private Sector in the Fight Against Global Poverty. Aspen Institute, August 3-4 2005.

a business, employ others, raise productivity, and increase incomes on a sustained basis, all of which are essential for alleviating poverty.

Assessing the MDC Model's Contribution to the Business and to Development

1) Business Benefits

The MDC model was born out of business need and has been driven by the mainstream operations of the business. Since the beginning, the model has helped Coca-Cola increase sales by reaching small-scale retail outlets located in densely populated urban areas where truck delivery is not effective or efficient, and where outlets demand smaller, more frequent deliveries of product. Since the model was first piloted in 1999, it has scaled to the point where more than 80% of the company's products are currently distributed through the MDC model in Ethiopia and Tanzania.

Some of the specific business benefits of the model have been as follows:

- **Facilitates delivery in "road-poor" settings:** The MDC model allows for access to areas that are hard to reach by large trucks, such as crowded urban settings where roads are not built, are too narrow to be accessible, or are in disrepair.
- **Allows for small drop sizes at retail outlets:** The close proximity of the MDCs to their retail outlets allows them to make frequent, small deliveries, enabling outlets to carry less inventory and to purchase more on a demand-driven basis, addressing some of the financial and space limitations that the retail outlets face.

- **Provides improved customer service:** Whereas under the traditional model, retail outlets had to wait for infrequent truck deliveries and risk running out of supply, outlets have constant access to products under the MDC system (12 hours a day/six or seven days a week). In addition, through regular interaction with retailers, the MDCs and CCS can ensure that merchandising standards are also better adhered to and that problems are rectified faster than in traditional models.

Overall, the model has led to positive business results in Ethiopia and Tanzania and has been a contributing factor to Coca-Cola's sales and volume growth in these two countries, as well as elsewhere in East Africa.

2) Development Contributions

The study captured a snapshot of the MDC model's impact in three broad areas:

a) Creating Opportunities for Entrepreneurship and Employment: The MDC model directly contributes to creating new entrepreneurship and employment opportunities especially in the formal sector. Furthermore, the economic opportunities and income created for MDC owners and employees indirectly impact their household members who according to interviews often depend on the income from the MDC to pay for food, housing, and education. It should be noted that these figures relate only to the MDCs themselves and do not include the thousands of small retail outlets they are supporting further along the value chain, which were not analyzed for this research.

- To date, the Coca-Cola system has created over 2,500 MDCs in Africa, generating over

12,000 jobs and more than \$500 million in annual revenues. MDC owners and employees support an estimated 48,000 dependents.

- The 651 MDCs in Ethiopia and 412 MDCs in Tanzania have helped to create ownership opportunities for both existing and new small business owners and entrepreneurs and they have provided nearly 6,000 jobs since 2000. Based on the sample of 48 MDCs surveyed in this study, each MDC employs an average of 3.9 people in Ethiopia and 6.9 in Tanzania. Some Coca-Cola Sabco jobs and benefits were lost during the shift towards the MDC model, but these losses were limited relative to net new job creation.
- The MDC owners earn a set profit margin for each case sold equivalent to the difference between the cost to the MDC for purchasing a case of beverages and the retail price to customers. With affordability being such a key driver of volume, CCS sets a consistent retail price across all MDCs. The nature of the industry means that the MDCs target high quantity sales to derive satisfactory

incomes, with profit margins in the range of 3% to 5%. In addition, MDC owners are eligible for a monthly bonus based partly on adherence to a CCS management tool and ability to meet sales targets, but this bonus system does not operate everywhere.

b) Promoting Women’s Economic Empowerment: *The MDC system has created new economic opportunities for women as MDC owners and employees as well as managers and sales staff in Coca-Cola Sabco.*

- Across East Africa, the MDCs have created entrepreneurship opportunities for close to 300 women. Furthermore, couples jointly own a high proportion of MDCs, many of which are managed by the women.
- Among the MDCs sampled, 19% were owned by women in Ethiopia and 32% were owned by women in Tanzania.
- In addition, an average of 6.5% of employees among the MDCs surveyed in Ethiopia and Tanzania were women.

c) Catalyzing Human Capital Development: The Company and the MDC owners and employees consider training and technical assistance to be a highly important element of the MDC model. Evidence suggests that it not only increases the skills and competencies of individual owners and staff, but also creates a sense of loyalty between Coca-Cola Sabco and the MDC owners. The intensity of training varied between Ethiopia and Tanzania, with the former being more regular and intense, although plans are underway to increase the offering of training in Tanzania. Training provided to owners ranged from management training in areas such as basic business skills, warehouse and distribution management, account development, merchandising and customer service, to regular one-on-one coaching. In the case of MDC employees, training focused on customer service and sales and on traffic safety issues. MDC owners and employees also report that the near daily contact and supervision that they receive from CCS staff is also a very valuable resource for business skills development.

global development and in partnering with corporations in this effort. These five recommendations are as follows:

- Invest in continuous improvement of the core business model.
- Broaden socio-economic opportunity for MDC owners and employees.
- Promote small business development and entrepreneurship more widely.
- Explore how the business model could distribute social products or messages.
- Undertake participatory evaluation and action-based learning. [...]

Conclusion

Inclusive business models such as the Coca-Cola system’s MDC model shed light on the capacity of companies to stimulate socio-economic development as a part of, not at the expense of, their core business operations. Such models have the potential to deliver both direct and indirect development benefits, which are both economic and social in nature.

The field research and stakeholder dialogue that formed the foundation for this report evaluated how the MDC model currently operates in Ethiopia and Tanzania and provided initial recommendations for enhancing its business and development impact as it expands and is replicated in Africa and elsewhere. The study has provided some examples of the contribution of the MDC model to creating opportunities for entrepreneurship and employment, promoting the empowerment of women, and catalyzing human capital development.

Recommendations

Drawing on the research and stakeholder dialogue, there are five broad areas of recommendation. These are of relevance not only to the Coca-Cola system in Ethiopia, Tanzania and elsewhere in Africa and other developing countries, but also to other major corporations that are developing inclusive business models or, as some call them, “base of the pyramid” business models. The recommendations are also of relevance to governments, donor agencies, private foundations and civil society organizations interested in increasing the quantity and quality of private sector resources supporting

Examples of MDC Development Contributions

	Ethiopia	Tanzania
Generating Economic Opportunity	75% of owners are "new business owners" 80% of owners rely on MDC as sole income source An average of 3.9 people are employed by each MDC 80% of staff and 95% of owners indicate they "make more money now than before"	75% of owners are "new business owners" 80% of owners rely on MDC as sole income source An average of 6.9 people are employed by each MDC 80% of staff and 95% of owners indicate they "make more money now than before"
Promoting Women's Economic Empowerment	19% of owners and 80% of staff are female 32% of MDCs employed at least one female	32% of owners and 5% of staff are female 42% of MDCs employed at least one female
Catalyzing Human Development	80% of owners and 90% of pushcart operators report receiving training	n/a

It represents a 'work in progress', both from a research and evaluation perspective and in terms of the company's own journey in creating inclusive business models that aim to deliver both business benefits and contribute to development in the countries and communities where the company operates.

The MDC model is not a panacea —neither from a commercial perspective nor from a development perspective. It is one approach of many that have been developed by fast moving consumer goods companies to better serve and grow their customer bases, while also creating local jobs and incomes and, indirectly, other business and development benefits. It is only one aspect of The Coca-Cola Company's development footprint. Nevertheless, it is clear that the MDC model is one with potential for replication and scale-up, especially in partnership with others.

A growing number of companies can point to similar inclusive business models of their own, which integrate low-income people into corporate value chains either as producers, entrepreneurs and employees, or as consumers. *While recognizing competitive realities and pressures, there is an opportunity for leading companies to develop more of these pioneering business-led approaches to poverty alleviation and, as they do so, to learn from each other what works and to mobilize other companies to get involved.* Likewise, governments and development experts can play vital roles in supporting the business models and value chains that demonstrate measurable business and development impact and that have the potential of reaching sustainability and scale. Most importantly, all of these players will need to become more effective at learning from and working with the millions of men

and women living in low-income urban and rural communities —the majority of whom are not asking for charity, but rather seeking opportunity.

CORPORATE SOCIAL RESPONSIBILITY IN FUNDACIÓN CAROLINA

Isabel Roser

Head of the Corporate Social Responsibility Programme in Fundación Carolina

Fundación Carolina, as an organisation within the Spanish Foreign Policy and Cooperation for Development system, is unique in character. This is due to, on the one hand, the hybrid nature (state-private) of its Board of Trustees and, on the other, its mandate to intervene in the cultural, educational and scientific field. The latter enables FC to act as a liaison between different sectors, supporting and furthering initiatives by the corporate world and aligning them with Spanish foreign policy and Spain's policy of cooperation for development in Latin America, and also backing the Spanish Government's support to Spanish companies in their operations in Latin America.

Fundación Carolina's Corporate Social Responsibility Programme (CSR) was first set up in 2005 in accordance with the guidelines of the 2005-2008 Master Plan for Spanish Cooperation. The programme acknowledges the importance that Spanish companies have in promoting the comprehensive development of the countries in which they operate and also the strategic value that

their social responsibility initiatives have for the companies themselves. Since 2005, Fundación Carolina has promoted a series of initiatives, both of its own accord (our Annual Workshop for Board of Trustees companies, the working breakfasts and our International Congress) as well as in association with other key institutions in the area of CSR. These initiatives have turned FC into a flagship in this field on both sides of the Atlantic due to its impact and to the fact that it serves as a liaison between strategic stakeholders in the two regions who are involved in developing CSR.

We have attained some accumulated expertise over these years through establishing contacts, taking part in existing networks (a member of the Executive Committee of the Spanish Association of the Global Compact), participating in forums and institutions (a member of the State Council of CSR since it was founded in 2008, a member of the Interamerican CSR and BID Conferences Advisory Board) and collaborating in the organisation of seminars and conferences

in conjunction with Spain-UNDP MDGs Achievement Fund, AECID (Spanish Agency for International Development Cooperation, ICEX(Spanish Institute for Foreign Trade), etc. This has demonstrated that Fundación Carolina is able to play a strategic role and that the organisation needs to continue to progress in achieving the objectives which it originally put forward to its Board of Trustees. Without wishing to take away any protagonism from the initiatives of Spanish and South American third sector companies and organisations, the Foundation needs to exercise the role of facilitator and mediator in promoting, analysing and discussing CSR in Spain, Latin America and the EU, thus becoming a frontline “brand” in CSR in the Iberoamerican Nations Community. In this way, we contribute to reinforcing the transatlantic Iberoamerican link in both the cultural and educational fields (a specific mandate and commitment of our institution) as well as in joint public-private initiatives for development in general.

We believe that the key to our success lies precisely in our ability to bring about consensus among different development stakeholders, both public and private, and in conceiving Social Responsibility as an active, constructive company policy based on dialogue through which they can positively manage their social and environmental impact in the long term. Hence, online networking and the setting up of spaces for dialogue among different CSR stakeholders have been a central focus of the institution’s initiatives in this field.

Given the interrelationships that govern economic transactions in an increasingly interdependent and globalised world, our expertise together with the impact of our activities have led the Foundation to the

firm conviction that no complex organisation—including companies— can remain isolated from the social and environmental surroundings in which it operates. The Foundation’s CSR Programme is driven and inspired by a number of key considerations such as gauging the positive and negative impacts of its operations, promoting leadership in social responsibility by demonstrating best practices that the companies of the Board of Trustees can implement in Latin America, and by consolidating effective initiatives in this open and dynamic environment. Its scope of action has steadily increased year after year, multiplying the outreach of its initiatives.

The lines of action of the CSR Programme for this year are closely aligned with the objectives of our Foundation’s 2008-2010 Strategic Plan and with the document that sets the guidelines for and coordinates all official Spanish cooperation, the recently approved Master Plan for Spanish Cooperation 2009-2012. In the words of the Secretary of State for International Cooperation, Soraya Rodríguez, this General Directive, will be “one of quality, coherence and the 0.7 percent”. The new plan intends to make the transition from a foreign policy of aid to development towards a comprehensive policy for development where the coherence and efficacy of all public policies will strengthen the effects of our strategic association for development with countries of the southern hemisphere and also speed up the accomplishment of the Millennium Development Goals. One of the most innovative instruments stipulated in this General Directive is the Public-Private Alliances for Development (APPD), which entails specific initiatives by the public sector seeking convergence with committed private companies that act responsibly in all the sectors and areas in which they operate. These

alliances have constituted the philosophy of our Programme from the very start. Thus, together with our Foundation’s Centre of Studies for Latin America and International Cooperation, we have taken on the task of generating expert knowledge, debate and discussion around this methodology through applied research and specific opportunities for cross-sector initiatives via concerted online networking.

In order to systematise this online networking, boost participation levels and promote interrelationships among all the institutions, experts and stakeholders working with Fundación Carolina, we are specifically committed to the “Carolina Network” project. This will incorporate all of our stakeholders: scholarship students and researchers, guests on visitors’ programmes, links to the CSR programmes of the Board of Trustees companies, Official cooperation agencies, etc.). We also intend to extend the network to other Iberoamerican countries with the results of the mass identification project of CSR promoters (CSR mapping project and online tool at <http://www.mapeo-rse.info/>).

The more activities we help to promote, the more we become aware of the immense possibilities for spreading the philosophy of responsibility, sustainability and solidarity, as well as of the intrinsic value that company-society relationships have in instigating social and economic change. We want to be active frontline participants in this process, building debate and furthering initiatives.

CARING FOR CLIMATE

Claude Fussler

Senior Advisor to the UN Global Compact
Director *Caring for Climate* Programme

*Caring for Climate*¹² is an initiative introduced by United Nations Secretary-General Ban Ki-moon in July 2007. Caring for Climate calls the leadership of a company, already engaged in the UN Global Compact, to focus on the risk of climate change with a triple commitment:

- One of performance to drive energy efficiency to a low carbon burden in its production and services, in its supply-chains and in shaping consumer and public attitudes
- A second commitment on measuring and annual reporting of progress to the public
- A third on supporting policy makers towards a successful outcome of the current climate negotiations with the examples of successful practices

With these three conditions, Caring for Climate is not something to sign lightly.

Yet more and more companies are getting into action. Three hundred and fifty CEOs in sixty countries have signed on to Caring for

Climate by May 2009; it has thus emerged as the largest and most diversified platform of business engagement for climate mitigation.

[To slow down climate change and adapt to its effects implies a revolution in technologies and in economic and social behaviour. The drivers of competitiveness will be profoundly changed.](#) It is already happening where companies, investors and governments are seriously putting economic recovery packages towards sustainable consumption and production. According to a HSBC Bank research report¹³, 430 billion US dollars of fiscal stimulus will be allocated to climate mitigation investments over the next years, with China and the USA leading the way. Competitiveness will also be affected where governments —as in Europe and soon probably in the USA, New Zealand and

12 Caring for Climate engagement platform, participants and reference documents and tools at www.unglobalcompact.org

13 A Climate for Recovery — the colour of stimulus goes green; HSBC bank plc; www.research.hsbc.com

Australia— are causing markets to put a price on excess carbon usage and emissions. Every third signatory of the Caring for Climate engagement is now a leading company from an emerging economy, an evidence of foresight and technology capacity in these important countries. In most of these growing markets the best, by now, are setting their own voluntary emission reduction targets. They adopt practices that enable them to compete with their international peer group.

A recent survey¹⁴ asked a representative sample of Caring for Climate signatories to rank their most important activities in addressing the challenge. With innovation at the top of the list, the actions cover three dimensions:

- Providing low carbon and renewable energy solutions across the portfolio of activities
- Reaching out to affect broader change in their supply chains, markets and communities
- Deep integration in strategies and company culture instead of a fixation on short term results and fixes

In the spirit of the UN Global Compact, committed companies understand the big picture: [Global integration, investment flows and open trade can get us closer to development, environmental protection and peace, provided that they also relay an emulation to innovate at all levels of the supply chain towards ambitious objectives.](#) Climate trends and surges have started to affect operational costs: water scarcity, floods or storms, heat waves, crops and fishing yields or forest fires. All these cause business people to understand the

connections between green house gases emission levels, water and land-use and human development dynamics. [Adaptation to climate change is no longer an option and waiting for government initiatives could be a costly mistake.](#) With already one degree Celsius of irreversible average, global warming adaptation is becoming a dimension of risk management, not just for insurance providers, but also for business leaders and investment managers.

The momentum of the current warming trend would carry us over a dangerous temperature threshold: another degree and scientists predict a high probability of catastrophic disruptions. Therefore, all Caring for Climate champions —whether they are energy intensive producers, universal large asset owners for pension funds or innovative entrepreneurs at the forefront of clean technologies— all endorse ambitious greenhouse gases reduction objectives. They also expect governments to provide clarity and certainty for research and investments by mandating this drastic departure from the current patterns of emissions.

The wisdom that early action is the low cost option by an order of magnitude will only play out in real critical mass when governments decide to set up the appropriate incentives. The bargain is not voluntary initiatives instead of public policies, but smart public policies to power smart business solutions to the scale and speed required by the climate risk. In this context, it would be wrong and counterproductive to yield to calls for border-crossing adjustments and other protective

14 Best practices and Policy Expectations — 2009 Survey of caring for Climate Signatories; Globescan — www.unglobalcompact.org

mechanisms. On the contrary, to efficiently disseminate clean technologies where they are needed most, governments must make every effort to cooperate on a global climate framework based on fundamental principles of non-discrimination in trade and investment.

There is also acute awareness that climate risk cannot be solved by a revolution in energy and carbon management alone but through joined innovations in conserving water, using land, producing food and treating our forests; all through the respect of human rights as much as fighting corruption and failures of good governance.

CLIMATE CHANGE: IS BUSINESS DOING ENOUGH?¹⁵

Most People Today Understand the Urgency of Climate Change but Few Are Prepared to Act .

Georg Kell

Executive Director, United Nations Global Compact

As economic gloom and government intervention of unprecedented proportions mark a new era, today's key question is whether we can turn crisis into opportunity and lay the foundation for a low-carbon economy that creates jobs, fosters innovation and advances economic efficiency.

Certainly, this will require much political will. To begin with, governments participating in COP 15 must step up to the plate and deliver a comprehensive and effective global climate framework. But business has a vital stake in this process. In fact, it is only with the private sector that we will be able to turn the tide on climate change.

How so? First off, businesses are masters of persuasion—for better or worse. More than anyone else, they have the power to create demand for products and services (through marketing), shape public opinion (through advocacy and public relations), and they influence policy makers (through lobbying). It is about time they put these capacities to use to support the fights against climate change.

More importantly, business has unparalleled resources and know-how to innovate and create the kind of solutions we need. In many cases, that has already been done: According to a recent McKinsey estimate, almost 40 percent of future energy demand growth could be abated by improving energy productivity through existing technologies.

These arguments appear compelling, at least at first glance. As climate change is fundamentally transformative, taking early action appears to be in line with business logic. Also, given the long-term life cycles many investment decisions imply, one would assume that many businesses have long begun repositioning themselves, already discounting for future costs and identifying new opportunities.

Moreover, global business growth of the

¹⁵ This article was first published on February 23, 2009 on the Climate Blog on the United Nations Climate Change Conference (COP15) Official Website: <http://en.cop15.dk/>
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scale seen in the past three decades has been the result of widespread and massive economic integration. *What is at stake now is nothing less than the long-term viability of this globally integrated economy.* Without a successful outcome of COP 15, there is a high likelihood of new trade barriers and competition-distorting fallouts, adding to the frightening spectre of protectionism already emerging in response to the economic crisis.

In sum, one would assume that businesses everywhere are fully aware of these stakes, eager to act in order to minimize risk and capitalize on new opportunities. However, the reality is a different one. *Business is doing alarmingly little of what would be in its best long-term interest.*

Certainly, many companies have been developing and marketing products and services for the green economy. In addition, energy efficiency as a powerful driver of cost reductions has been understood for years, if not decades.

Nonetheless, only a small share of companies is making climate change a central strategic and operational priority—setting emission reduction goals and publicly disclosing results, investing in clean technologies and innovating green solutions in critical areas—from energy to transportation and to buildings. According to a 2008 study by the Ethical Investment Research Service (EIRIS), only 10 percent of companies in high impact sectors like oil and gas have adopted a good or advanced response to climate change risk.

These sobering figures are supported by the UN Global Compact's own experience: *While more than 5,000 businesses have made a*

commitment to its Ten Principles, showing that corporate responsibility has truly gone global, efforts to win over business for concrete and tangible climate action have been moving rather slowly.

It is hard to pinpoint the exact causes of this reluctance to act. Businesses often point to regulatory uncertainties or lack of clarity about carbon pricing. A crucial factor appears to be that climate change is a long-term systemic challenge and—lacking the cyclical nature of downturn and recession—is likely to stay with us for a long time. Much of the private sector, however, plans and operates in relative short cycles, having to meet the quarterly or annual expectations of capital owners. Managing this paradigm shift from short-term profit maximization to long-term sustainability will thus be one of the most important tasks to set the stage for the low-carbon global economy we have to build.

Now, what is it that business can and must do at this point?

The good news is that at least some companies are leading by example, driving innovation in their sectors and sharing good practices—from ambitious emission reduction programs to innovative approaches to carbon capture and storage. Much of this has been taking place under the umbrella of Caring for Climate, the UN Global Compact's own climate engagement platform with now close to 400 signatories from 65 countries¹⁶.

However, capitalizing on the core strengths outlined earlier, business must flex its

¹⁶ More information: www.unglobalcompact.org/Issues/Environment/Climate_Change/

advocacy muscle and push even more companies to take action on climate change—within their sectors, their markets, down their supply chains. *Likewise, business should use its influence with policy makers to lobby for carbon reductions and workable technical standards. What we really need is a new era of business statesmanship driven by the realization that the time to act is now.*

On the technological side, we need to stimulate and encourage more innovation and support so that existing solutions are widely shared. This will also require a strong stand on open markets, free trade and global integration—and against protectionism and further barriers—as *globally integrated supply chains are our best guarantee to quickly diffuse technological innovation across the globe.*

Finally, while focusing on climate action and the reduction of carbon emissions, *business will also need to tackle the consequences of climate change.* There is a market for adaptation and already companies are actively addressing that climate change is intimately linked to other challenges, such as water sustainability.

On 24-26 May 2009, business leaders from around the world will come together in Copenhagen for the World Business Summit on Climate Change, the central business gathering in the lead-up to COP15. It is our hope that the positive experiences to be shared there will trigger a truly transformative movement of business taking action on the momentous opportunity before us.

DOING BUSINESS IN A MULTICULTURAL WORLD: CHALLENGES AND OPPORTUNITIES¹⁷

A Joint Report by the United Nations Alliance of Civilizations and the United Nations Global Compact Office

One of the most remarkable aspects of global economic integration is the rapidly growing interaction among people and communities around the world. In some ways, this interconnectedness has brought us closer together and diminished our differences. However, it has also heightened awareness of our differences and, in some cases, created opportunities for political conflict in which cultural differences are used to divide and polarize populations.

As a key player in global economic integration, business has an important stake in facilitating cooperative relations among peoples. *Growing tensions and polarization along cultural, religious and ethnic lines undermine stable, sustainable business environments and can be targeted directly at companies. At the same time, successfully managing diversity—among employees, customers and other stakeholders—is increasingly recognized as an imperative for business success.*

Businesses also have a vital role to play in fostering intercultural understanding

and dialogue, given their role in building economies, their position as places of shared purpose and identity, and their pioneering work in cross-cultural management, motivated by a “bottom-line” need to understand and leverage the diverse perspectives of their stakeholders. Through these efforts, business can actively contribute to promoting peace.

The stake and the role of business in fostering intercultural understanding and dialogue can be seen in a variety of concrete, innovative actions that companies have taken to manage cross-cultural diversity issues in the workplace, the marketplace and communities. In some cases, civil society organizations have facilitated the role of business in building cooperative intercultural relations.

¹⁷ This excerpt is the Executive Summary of the Report, which was presented at the First Forum of the Alliance of Civilizations held in Madrid on 15 — 16 January 2009.

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These examples suggest that business, governments and civil society have a common interest in promoting intercultural understanding and dialogue and that business and society would benefit from sharing experiences, good practices and lessons learned in the private sector.

The Report

For these reasons, a group of senior business leaders, together with NGOs and government representatives, met in a corporate working session at the First Forum of the United Nations Alliance of Civilizations, held in Madrid in January 2008, to consider the role of the private sector in promoting intercultural understanding and dialogue. Participants of the session agreed that business is an important actor for promoting intercultural understanding, dialogue, and cooperation, all of which contribute to stability and growth, and they called on companies and governments to collaborate to explore these issues.

A survey of UN Global Compact signatory companies conducted in June 2008 on the subject of Business and Peace underlined the view that companies recognize the importance of the proactive contribution they can make to peace and development.

Based on these interactions with the private sector, *it became clear that there was a need for additional guidance regarding the potential role of business in this area and the kinds of activities that companies should undertake.*

The UN Alliance of Civilizations and the UN Global Compact Office have therefore developed this report in order to provide companies and others with a useful tool to...

- *Explore* the cross-cultural challenges that companies are facing in an increasingly globalized world and understand why intercultural relations are important for business
- *Highlight* good practices and lessons learned by companies, as well as by business associations and non-governmental organizations (NGOs), in which business has played a constructive role in fostering intercultural understanding, mutual respect and cooperative relations
- *Stimulate ideas* about opportunities for practical, collaborative initiatives that could be undertaken

The question is this: *How can business, as a key player in the process of global economic integration, which has brought individuals and cultures into unprecedented proximity, contribute to cultures of understanding, respect and cooperation?*

This report represents a first foray into this subject. It is exploratory, not comprehensive. It reviews a wide spectrum of private sector activities, to uncover areas of shared concern and possible collaboration.

In this way, it is an initial step in a process of engaging the private sector and identifying ways in which collaboration with the Alliance and the Global Compact can help companies address the cross-cultural issues their business are facing and contribute to intercultural understanding in ways that benefit business and society.

The complete Report is available at:
http://www.unglobalcompact.org/docs/news_events/9.1_news_archives/2009_04_07/DBMW_Final_Web.pdf



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