

# Strategic Alliance between the United Nations and the Private Sector in the Development Cooperation Field

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## I . Introduction

The private sector has played an active role in the United Nations (UN) since its establishment in 1945. Cooperation between the UN and the private sector has gone through various phases over the last half a century. Since the appointment of Kofi A. Annan as UN Secretary-General in 1997, there has been a renewed effort to forge a strategic alliance between these two parties. This is represented by the launching of the Global Compact, which asks businesses to observe nine core values relating to human rights, labour standards, and environmental protection. This latest endeavour involves exciting prospects as well as potential risks. This paper examines the possibilities and implications of a closer cooperation between the UN and the private sector, and the various issues that need to be addressed in this regard.

In the present paper, the relevance of UN-private sector partnership is first discussed. This is followed by a discussion on the present status of the relationship between the UN and the private sector, including the Global Compact. Then, a number of issues that must be addressed in this context are examined. In the final section, prospects for the future are considered with some concluding remarks.

With regard to the definition of the term “private sector”, there is no unified official definition that is used within the UN system. Various UN organizations have defined “private sector” in different ways in their respective guidelines. For instance, the United Nations Development Programme (UNDP) includes foundations and private non-profit organizations in its definition of “private sector”.<sup>1</sup> The United Nations Children’s Fund (UNICEF) uses a narrower

definition of “private sector” referring to profit-making corporations. The Guidelines on Cooperation between the United Nations and the Business Community issued by the UN on 17 July 2000 define “business” as “for-profit enterprises”. The definition of “private sector” that Sandrine Tesner uses in *The United Nations and Business: A Partnership Recovered* is “privately held commercial enterprises engaged in profit-making activities, be they in the manufacturing or service sector”.<sup>2</sup> Following a review of different definitions used by various UN agencies, this paper adopts Tesner’s definition for the term “private sector”. While UN-private sector relationships exist in a broad sphere, this paper mainly deals with those in the development cooperation field.

## II. Relevance of UN-Private Sector Partnership

The relevance of UN-private sector partnership must be looked at in the global context. The rapid pace of change in the socio-economic situation today cuts across traditional boundaries of states, academic disciplines, and professional fields of expertise. To effectively deal with key development issues including poverty, population, environment, and social justice, strong partnerships among different sectors and organizations are necessary. In this context, partnership among governments, international organizations, the private sector, and civil society is not only extremely important but also indispensable. This point is reflected in the UN Secretary-General’s report “‘We the Peoples’: The Role of the United Nations in the 21<sup>st</sup> Century” prepared in March 2000 for the UN Millennium Assembly, and the UN Millennium Declaration adopted at this Assembly held in September 2000.

The goals of the UN and those of the business community can be mutually supportive. History has seen that free market forces must be balanced by policies that support broad societal concerns and protect human security, especially for the vulnerable populations. For globalization and integration of economies to be sustainable, they must be accompanied by promotion and protection of basic and universally recognized social values such as human rights, labour standards, gender equality, and environmental protection. A clear demonstration that these are being advanced as part of the

globalization process should help to ensure that markets remain open and more people participate in and benefit from globalization. To close the gap between the economic sphere of market forces, driven mainly by the private sector, and the broader social agendas of the world promoted by the UN, cooperation between the two parties is essential.

An important element in establishing an effective partnership is the comparative advantage of the partner. From the UN's perspective, the private sector possesses a number of comparative advantages. These include: expertise and human resources; technology; research and development capabilities; financial resources; and business and management methods and culture. There are arguments whether the last item can be considered a comparative advantage since some corporate practices may not be considered appropriate in the UN context. The UN needs the private sector to participate and invest in the development of developing countries. Through collaboration with the private sector, the UN system can extend its reach for advocacy and awareness raising far wider than through traditional means. For instance, business groups can serve as interlocutors and information providers not only within the business community but also with policy makers in governments. Obtaining corporate backing for a stronger UN would also be a positive gain.

There are several reasons for the private sector to cooperate with the UN. The former recognizes the role of the latter in contributing to peace and stability in the world, thereby forming the basic condition for an array of private sector activities. The corporate world also appreciates the role of the UN in establishing global norms, rules, standards and regimes governing commercial activities, as they ensure the rule of law, guarantee certain rights, reduce business risks, and lower transaction costs, contributing to economic and business efficiency. Such regulatory and normative functions of the UN contribute to creating an environment that is conducive to private sector activities. It is also in the interest of the private sector to work closer with the UN and governments to design the multilateral rules for the worldwide marketplace. Working with the UN could offer access to new countries and unrealized markets in developing countries in which the private company may wish to operate. Moreover, association with the UN will project a good

image of corporate social responsibility and good corporate global citizenship.<sup>3</sup> Furthermore, the UN is seen by the private sector as providing a convenient forum for negotiations with governments, international organizations, civil society groups, workers, consumers, the media, and other parties.

### III. Overview of UN-Private Sector Relationship

#### A. General Background

The UN Charter acknowledges the role of “non-governmental organizations” by providing under Article 71 an accreditation mechanism for civil society organizations and business associations.<sup>4</sup> The International Chamber of Commerce (ICC) obtained accreditation to the UN as early as in 1946. This was followed by labour and employers’ unions. The International Labour Organization (ILO) maintains a unique public-private tripartite structure, in which representatives of workers and employers have an equal voice with those of governments in formulating its policies and taking management responsibilities. Many UN agencies, including the United Nations Conference on Trade and Development (UNCTAD), UNDP, United Nations Population Fund (UNFPA), UNICEF, United Nations Industrial Development Organization (UNIDO), United Nations Office for Project Services (UNOPS), World Food Programme (WFP), and World Health Organization (WHO), have been cooperating with the private sector in various ways. The forms of cooperation are multifaceted and cover a wide spectrum. They range from the traditional and basic level of UN awarding contracts to private sector entities for the provision of goods and services to collaboration in policy formulation, project implementation, advocacy and awareness raising, fund-raising, and research and development. UN agencies such as UNCTAD, UNDP, and UNIDO have worked with developing countries to promote small and medium industries development, trade, and foreign investment.

Over the years, the work of many UN organizations has contributed to the establishment and maintenance of international commercial order and openness, thereby helping the business

community in a significant way. These include: setting international laws governing commercial transactions; promoting accords on intellectual property rights relevant to international commerce; standardizing and harmonizing rules for international commercial transactions; and others.

Since the 1990s, cooperation between the UN system and the private sector intensified, albeit with differing degrees in various UN agencies. The UN Guidelines on Cooperation between the UN and the Business Community list, under section VI “Modalities”, five different modalities for entering into partnerships with the business community, which are distinct from procurement activities. These are: a) direct contribution by the business partner; b) indirect contribution by the business partner through the establishment of a charitable organization or foundation; c) partnership in technical assistance projects; d) partnership in promoting the purposes and activities of the UN; and e) partnership in cooperative projects. In discussing existing UN-private sector cooperation, a different categorization will be used in this paper.

## B. The Global Compact

Only a month after being appointed as UN Secretary-General, Kofi Annan announced at the World Economic Forum in Davos in February 1997 his priority to strengthen the relationship between the UN and the private sector. An important milestone was the Global Compact that Kofi Annan proposed two years later at the Davos World Economic Forum in January 1999. The Secretary-General challenged world business leaders — individually through companies, and collectively through business associations — to embrace, support and enact a set of nine principles in the areas of human rights, labour standards, and environmental protection.<sup>5</sup> The nine principles are derived from the Universal Declaration of Human Rights, the Declaration of the ILO on Fundamental Principles and Rights at Work, the Declaration of the 1995 Copenhagen World Summit for Social Development, and the Rio Declaration of the United Nations Conference on Environment and Development (UNCED). These areas and principles were chosen as they are the ones especially relevant to business practices, would pose a threat to an open global market and multilateral trade regime if not tackled,

and already rooted in international commitments and treaty obligations. Since the launching of the Global Compact, many corporations joined in, while at the same time, labour and civil society organizations were enlisted as partners. As such, the Compact is now a coalition of business, labour and civil society organizations working with the UN around universal values whose implementation is the overall goal of the Compact.

A year and a half later, in July 2000, a High-Level Meeting on the Global Compact was held in the UN Headquarters, attended by representatives of the UN and leaders of business, labour and civil society organizations. At the meeting, the companies pledged to translate the principles of the Compact into corporate practice through three actions: 1) advocate the Compact in their mission statements, annual reports and similar venues; 2) at least once a year, post on the Global Compact webpage specific examples of progress they have made, or lessons they have learned, in putting the principles into practice; and 3) join the UN in partnership projects, either at the policy level or at the operational level in developing countries. The labour and civil society partners agreed to help and deepen the Compact, and lend their expertise and support to designing and implementing its undertakings. The involvement of labour and civil society was considered crucial “to root the Compact in the fabric of communities - local and global.”<sup>6</sup> The UN Secretary-General expressed his hope that the Compact will serve as a forum for dialogue among the three partners to devise “common solutions to common problems”.<sup>7</sup> He also announced that he would establish a Global Compact Office to provide better support on the UN’s part.

The reaction of the business and labour community to the Global Compact has been generally positive. The ICC, which represents mainly large companies, has pledged to work with UN agencies to implement the Global Compact. It has also endorsed the notion that a stronger UN in the three areas of human rights, labour, and environment is needed to secure open markets. Other private sector bodies including the Prince of Wales Business Leaders Forum (PWBLF), International Organization of Employers (IOE), and the World Business Council for Sustainable Development have supported the Global Compact. The representatives of the international labour movement led by the International Confederation of Free Trade Unions (ICFTU) also expressed their

support for the Global Compact.

While the Global Compact is gaining increasing support from the private sector, the non-governmental organization (NGO) community is divided over this matter. Many large international NGOs view the approach of constructive engagement as a positive development, and they have expressed their support. Many smaller NGOs and those that are focussed on a specific issue have expressed concern. In a letter of 25 July 2000 to the UN Secretary-General, a group of NGOs and civil society members stated that “the Global Compact and related partnerships threaten the mission and integrity of the UN”. Discussion on the various issues related to the Global Compact is continuing at different levels involving numerous parties. One must see such discussions, consultations, and even confrontations as a healthy process of deepening understanding of each other and of this endeavour, and of arriving at an optimum collaborative arrangement. Some of the salient issues that must be considered in this context are discussed below in section IV. Issues for Consideration.

Member states of the UN do not seem to hold a uniform view on the Global Compact. Some developing countries have expressed concern that big corporations of developed countries will dominate their economies and UN bodies. They also fear that many developing countries will not have the expertise or resources to effectively counter the corporate sector in case of differing views.

### C. Fund-Raising and Advocacy

According to Tesner, most UN officials publicly claim that fund-raising “is not the objective of their partnership with the private sector. They stress rather the desirability of ‘win-win solutions’ benefiting both parties, as well as the conceptual and technological contributions corporations can make.”<sup>8</sup> While this is fully recognized, fund-raising nevertheless constitutes an important element in the UN-private sector relationship. This is especially so as the magnitude of financial resources that the private sector is able to provide to the UN or in support of UN programmes cannot be easily matched by other partners. A large number of private sector companies have in fact been making cash and in-kind donations to UN agencies. The in-kind contributions include vaccines, medical

equipment and pharmaceuticals, communications equipment, computers, technical training, advertising time and services, and others.

An unprecedented financial support was the US\$1 billion donation made by Ted Turner in 1997 to support UN causes. The donation will be disbursed in ten annual installments of US\$100 million each. He chose the UN as the vehicle for his global gift because “the UN alone provides the machinery to help find solutions to international challenges, and to deal with pressing concerns facing people everywhere....It provides the best means available to help mobilize and sustain international cooperation into the new millennium.”<sup>9</sup> Complementing the Turner gift was the “Turner promise” to encourage other leaders from the worlds of business and philanthropy to join in supporting the programmes and purposes served by the UN. To manage the fund, Ted Turner set up the United Nations Foundation. Within the UN, the United Nations Fund for International Partnerships (UNFIP) was established to serve as the administrative vehicle to identify and select projects, receive and distribute funds, and monitor and report on the use of such funds. The UNFIP Advisory Board is chaired by the UN Deputy Secretary-General. As of November 2000, the Fund has programmed over US\$326 million for 168 projects in 113 countries, implemented by more than 20 UN Specialized Agencies, Funds and Programmes. These projects are in the four programme priority areas set for UN Foundation grants: children’s health (US\$131 million); population and women (US\$95 million); environment (US\$58 million); and humanitarian and other areas (US\$42 million).

In December 2000, Ted Turner made a separate donation of US\$34 million to cover the shortfall in the US government contribution to the UN for the year 2001.<sup>10</sup>

The Bill and Melinda Gates Foundation focuses on improving people’s lives through health and learning. While the working modality is different from that of UN Foundation, it has provided numerous grants to various UN agencies to promote these causes. Examples include: US\$78 million donation for programmes of WHO and UNICEF to accelerate polio eradication; US\$26 million grant to UNICEF towards eliminating maternal and neonatal tetanus; and US\$57 million grant to UNFPA to protect African youth against AIDS.



It should be recognized that when private sector entities make donations or raise funds towards UN programmes, whether in cash or in kind, they are also playing an advocacy role. These two aspects are in fact very closely interlinked. In the above two examples, the Foundations are making advocacy statements by their decision to support certain areas of activities. Not only are they raising awareness about the severity of the development and humanitarian situation in the world, but also about the work of UN agencies in these areas. In addition, the UN Foundation has a daily e-mail news service dispatching news on UN and related issues free of charge to subscribers all over the world.

Another interesting example of UN-private sector collaboration that combines fund-raising and advocacy is Netaid, an internet website created in October 1999 through the collaboration of UNDP and CISCO Systems.<sup>11</sup> Through this public-private partnership, and in alliance with internet users, Netaid is trying to create a large global online community acting on extreme poverty worldwide. The website offers information on the poverty situation of the world, and a wide range of activities that people can participate through a platform of “eAction”. Netaid has received donations from internet users in support of HIV/AIDS prevention and control, clean water supply, basic education, maternal and child health care, and other areas. In its first year, donations totalled about US\$12 million. In March 2000, an online volunteering service was added to the website. Through this, services for creating a database, advice on sales of specific products for income generation, and online teaching have been provided to people and organizations in developing countries.

There are many other examples of UN-private sector partnership for advocacy, awareness raising, and fund-raising. Some partnerships have centered on advocacy and joint action without including the fund-raising element. Examples of these include: the agreement signed between ILO and UNICEF with the Pakistani Chamber of Commerce and Industry to eliminate child labour; and the Global Business Council on HIV/AIDS established by the Joint United Nations Programme on HIV/AIDS (UNAIDS) to promote effective business response to HIV/AIDS, including workplace programmes and policies.

## D. Policy Formulation and Operational Activities

Traditionally, UN agencies involved the private sector only at the implementation phase of development cooperation activities. In recent years, many private sector and civil society organizations have cooperated with UN bodies at various stages of the programme/project cycle — from policy and strategy formulation to programme/project identification, formulation, implementation, monitoring, and evaluation. There are mutual benefits to be derived from such broader cooperation. With regard to policy formulation on economic and social issues, perspectives and viewpoints of relevant actors, including the private sector, should be reflected. This should be the case not only for national policy and strategy formulation, but also for such issues as global economy and trade, where the corporate sector plays a dominant role.

In the operational area, many innovative UN-private sector partnerships have been launched during recent years. In many of these, the private company enters into business ventures that have an accompanying component of development activities. Others combine technology and financial resources of the private sector with the UN agencies' development expertise. The private sector companies that joined in the Global Compact should participate more actively in development projects in partnership with appropriate UN agencies.

## E. Research and Development

A comparative advantage that private sector corporations possess is research and development capabilities. This can be combined with UN agencies' expertise and experience in development cooperation to yield beneficial results for the poor in developing countries.

An example is the US\$750 million grant made in January 2000 by the Bill and Melinda Gates Foundation towards the Global Alliance for Vaccines and Immunization (GAVI). This is a public-private coalition that includes UNICEF, WHO, the World Bank, the International Federation of Pharmaceutical Manufacturers Associations, research and public health institutions, governments of developed and developing countries, and other philanthropic groups. Its aims are to: accelerate introduction of new vaccines; expand the

use of all existing cost-effective vaccines; and accelerate research and development efforts for vaccines and related products relevant to developing countries such as vaccines against HIV/AIDS, malaria, and tuberculosis. In this undertaking, the private sector research and development capabilities and financial resources are effectively combined with the technical cooperation expertise of UN agencies to deliver vaccines to the target population in developing countries while at the same time assisting these countries to strengthen their immunization programmes and health services.

It is estimated that more than US\$56 billion a year is spent on health research, but less than 10% of that sum is directed toward diseases, such as tuberculosis and malaria, that afflict 90% of the world's population.<sup>12</sup> Intensified efforts should be made to promote research to develop drugs for tropical diseases crippling millions of people in developing countries. This is an area that cooperation between the private sector and UN agencies should be intensified.

Related to this is the issue for pharmaceutical companies to lower the price of drugs sold to developing countries. Discussion is ongoing between pharmaceutical companies and UN organizations to explore ways to broaden access to care and treatment, with affordable drugs for HIV/AIDS related illnesses in developing countries. While reduction in the prices of drugs will be helpful, this will not be sufficient to improve the health condition. It will have to be combined with improvements in health systems and delivery capabilities as well as follow-up on patients. These are areas that UN agencies have been supporting.

#### IV. Issues for Consideration

In strengthening strategic alliance between the UN and the private sector, a number of important issues need to be addressed. These are discussed below.

##### A. Conflict of Interest

In promoting cooperation between the UN and the private sector, a fundamental issue is whether this may result in conflict of interest. Yet, the UN Guidelines do not include a provision on this issue. The

guidelines of many UN agencies hardly deal with it either. This is an anomaly that should be corrected. The WHO has developed guidelines on conflict-of-interest issues as it must rely on pharmaceutical companies for help in product development, clinical trials, and in-kind donations — activities from which the corporations can derive market advantage. The World Bank Group's guidelines describe four risk categories in its private sector partnership. They are: reputational risk; conflicts of interest risk; dilution of World Bank Group convening power risks; and risk of diverting World Bank Group resources to non-priority areas.<sup>13</sup> Considering the differing cooperative situations between the UN and the private sector, it would be appropriate to leave the preparation of policies and corresponding guidelines on this subject to each UN agency. The guidelines should not only spell out corrective and punitive measures against conflict-of-interest situations, but also a clear explanation of what constitutes a conflict-of-interest situation so as to prevent such occurrences from happening. As information disclosure and transparency will act as deterrents to conflict-of-interest situations, these should be promoted and ensured with specific guidelines.

## B. Selection of a Partner

The UN Guidelines include a brief section on “Choosing a Partner”. What is contained therein is mainly in reference to the Global Compact. It states “Business entities that are complicit in human rights abuses, tolerate forced or compulsory labour or the use of child labour, are involved in the sale or manufacture of anti-personnel mines or their components, or that otherwise do not meet relevant obligations or responsibilities by the UN, are not eligible for partnership.”

The UN must at all times ensure that the objectives of the UN Charter are compatible with those of the corporate partner. Many UN agencies have developed their own criteria with regard to companies with which they will not enter into partnership. While there are some differences between the agencies, criteria for excluding private sector partners include: categories of industries, such as tobacco, alcoholic beverages, and weapons manufacturers; links to unacceptable activities such as gambling, drug trafficking,

pornography, and illegal financial transactions; and undesirable labour practices such as child labour, discrimination based on race, sex, and ethnicity. UNICEF has had a long partnership with the private sector, and its guidelines are thorough. Moreover, its screening process is assisted by the services of ethical research agencies retained under UNICEF contracts.<sup>14</sup> In selecting business partners, the World Bank uses a Corporate Social Ratings Monitor, called SOCRATES, which contains data on the social and environmental records of over 1,600 publicly traded companies. The experience of UNICEF and the World Bank should be useful for the Global Compact and other UN agencies in strengthening the system of company selection. Consideration should also be given to enlisting an ethical research agency as a partner in the Global Compact.

One criticism of the NGO group was over the choice of corporations participating in the Global Compact. They stated that some of the companies in the partnership are in clear violation of the UN Guidelines, and that other companies' impacts on communities, workers, and the global environment are broadly opposed by citizen movements.<sup>15</sup> The measures suggested below under section E. Performance Monitoring, namely the use of code of conduct, social accounting, and open forums, should facilitate the screening of companies before they join in the Global Compact.

### C. Use of the UN Name and Emblem

A contentious issue is the use of the UN name and emblem by private sector partners. The UN Guidelines devote a section on this subject, and spell out the terms and conditions based on which the business entity may be authorized to use the name and emblem of the UN. Moreover, "The use of the name and emblem must be expressly approved in advance in writing and upon such terms and conditions as may be specified." The NGO community is not satisfied with these Guidelines. It expressed concern that the UN logo will be used for "the positive branding of corporations that violate UN principles".<sup>16</sup> In order to ensure the appropriate use of the UN name and emblem, each application should be carefully scrutinized. Information and advice of civil society organizations should be useful in this regard.

## D. Enabling Environment

An enabling environment is necessary for the UN-private sector partnership to strengthen and become a fruitful and lasting undertaking. Policy frameworks and institutional capacities need to be developed on both sides to successfully manage the cooperative relationship. The issuance of the Guidelines on Cooperation between the UN and the Business Community in July 2000 was timely in this regard. Bearing in mind the diversity of the nature and activities of the UN agencies and their cooperation with the private sector, it is appropriate that these Guidelines are to serve only as a common framework. UN organizations are encouraged to develop more specific guidelines in accordance with their particular mandates and activities. Continuous review and streamlining of such guidelines by each agency is certainly needed not only because the UN Guidelines are kept at a general level but also because the UN-private sector relationship is evolving dynamically in recent years.

Many UN agencies already have a unit or a focal point responsible for cooperation with the private sector. Where necessary, such units should be strengthened with adequate staffing and office infrastructure. The UN Secretary-General's decision to establish a Global Compact Office is welcome in this regard.

Furthermore, both sides must deepen their understanding of each other, develop competencies to properly manage the relationship, and adopt a working culture that is acceptable to both. On the UN side, staff members need to be equipped with capabilities to properly assess and guide the relationship, work effectively with corporate counterparts, detect and manage conflict-of-interest situations, be creative in partnering, help design projects, and monitor and evaluate cooperation projects. In this connection, the UN Staff College and the PWBLF, together with business representatives, launched a course in 2000, to train UN staff members in partnering techniques between private and public entities, best practices in this area, and case studies of UN-business partnerships. The course was financed by the UN Foundation. There are plans to provide similar distance learning training courses in 2001 for other UN staff members. Besides training UN staff members, consideration should also be given to recruit people from the corporate world into the UN system to serve in positions dealing with the private sector.

On the private sector side, business people must recognize that certain protocol, formalities, and sensitivities must be respected when working in a multi-cultural diplomatic environment as the UN. They should understand that profit and efficiency might not be the driving force or primary emphasis in the partnership. It is important that business people remain patient over this difference.

#### E. Performance Monitoring

Through participation in the Global Compact, corporations are to translate the nine key principles in the areas of human rights, labour standards, and environmental considerations into corporate practice. The criticism of the NGO community centers on the fact that the Compact is non-binding, with no enforcement mechanisms. Soon after the issuance of the UN Guidelines, the NGO community expressed concern on this issue in a letter dated 25 July 2000 addressed to the UN Secretary-General. The letter stated “Given that there is no provision for monitoring a corporation’s record in abiding by UN principles, the Guidelines’ modalities for partnerships are quite susceptible to abuse” and that companies can “gain all the benefits of association with the UN without any responsibilities.” As the Guidelines were not specifically developed for the purpose of the Global Compact, except for one section, its general nature is understandable. Pierre Sane, Secretary General of Amnesty International, warned that only independent monitoring, with public reporting of the companies’ performance, along with strong enforcement mechanisms such as sanctions, would give the Global Compact credibility.<sup>17</sup>

The UN’s response to such comments is that the Global Compact seeks to utilize the power of transparency and dialogue as its chief tools. Addressing the NGO community on 13 October 2000 in Geneva, Assistant Secretary-General John Ruggie explained that the Global Compact is not designed as a regulatory instrument, but rather an open-ended institutional experiment intended to identify, disseminate and promote good practices based on universal principles. As such, the Global Compact is a voluntary and cooperative instrument to promote corporate social responsibility. It is “an action and learning model” to “demonstrate their good intentions by concrete action”.<sup>18</sup>

The question is whether this kind of voluntary action based on goodwill is sufficient to promote good corporate practices on a lasting basis. Activities of multinational corporations constitute a dominant part of the global economy, affecting the lives of a large segment of the population. Their actions must therefore be accounted for beyond what is normally required for their shareholders. Moreover, it is expected that many small and medium size firms around the world may participate in the Compact in the future. If and when the number of companies participating in the Compact reaches hundreds or thousands, it would be unrealistic to assume that voluntary action and goodwill alone will bring about good corporate practices in all these companies.

Consideration should therefore be given to developing an appropriate mechanism to assess the performance of firms that participate in the Global Compact. This could take the form of guidelines or code of conduct. They should be based on globally agreed principles of performance. This is not a new idea as some multinational companies already use codes of conducts. The demand for social auditing — a thorough check as to whether corporations are living up to their social responsibilities — of multinational corporations is increasing in recent years.<sup>19</sup> Social auditors are emerging, and other accounting firms are also carrying out social auditing.

Monitoring of corporate performance requires detailed and specific guidelines, codes, and generally accepted indicators. For instance, such items as action against offenders of the nine principles should be included. It should be reasonable for the rules to state that companies that do not abide by the nine principles should be expelled from the Compact. At a press conference on the Compact held in UN Headquarters on 28 July 2000, a business representative stressed the importance of developing guidelines by which all companies had to work.<sup>20</sup> At the same time, some business leaders have expressed reluctance at any suggestion of external assessment of corporate performance or prescriptive regulations that would bind their activities.

Various efforts are ongoing to develop guidelines and standards related to corporate responsibility and accountability. The Social Accountability International (SAI), formerly known as the Council on Economic Priorities Accreditation Agency (CEPAA), developed a



system called Social Accountability 8000 (SA8000) that focuses on the enhancement of corporate responsibility in the areas of human rights and labour standards. According to SAI, SA8000 provides transparent, measurable, verifiable standards for certifying the performance of organizations in nine essential areas, based on a number of existing international human rights and labour standards, including the Universal Declaration of Human Rights, ILO Conventions, and the UN Convention on the Rights of the Child. These nine areas are: child labour; forced labour; health and safety; compensation; working hours; discrimination; discipline; free association and collective bargaining; and management systems. SA8000's monitoring and verification system is modelled after the established ISO 9000 and ISO 14000 standards for quality control and environmental management systems. Compliance with SA8000 is also verified through third-party audits conducted by qualified certification organizations around the world. SAI expressed its commitment to support the UN and the Global Compact.

Another possible option is to use a global forum to guide and monitor the implementation of the Global Compact. Such a forum should consist of representatives of labour and civil society, including the media and consumer groups, in addition to the private sector, the UN system, and governments. Representatives should be both from the developed and the developing world. The forum should be useful in maintaining an open dialogue among the diverse partners in the international community, besides assuming the monitoring function. A periodic meeting of the Global Compact participants could serve this purpose, provided that the voices of the respective parties can be reflected in a balanced manner, and that its conclusions and recommendations will be implemented. Alternatively, a separate forum can be established for this purpose.

Incentives, awards, good publicity, and public recognition can help promote good corporate behavior. The Council for Economic Priorities, a US-based corporate social responsibility research institute, gives annual awards to Fortune 500 companies demonstrating exceptional performance in community partnership, employee empowerment and gender equity, environmental stewardship, social mission, and human rights.

Transparency and accountability must be ensured through information disclosure using the web and other means so that the

public is informed about the corporations' activities and the nature of the partnership with the UN. On-line and public dialogue and scrutiny should be also promoted. The labour and civil society partners in the Compact are in any case expected to play an essential monitoring role and to exercise vigilance in this respect.

While discussion in this section centered around monitoring performance of corporations participating in the Global Compact, similar arrangements could also be considered for monitoring the performance of various UN-private sector collaboration efforts.

#### F. Representation of Private Sector in UN Organs

As stated earlier, private sector bodies may participate in the activities of the UN through the accreditation mechanism. This will enable them to obtain a consultative status in the Economic and Social Council (ECOSOC) of the UN. However, participation under this category is rather limiting. First of all, ECOSOC's role is quite weak and its relevance is not significant. Secondly, the consultative status does not provide many important rights and facilities accorded to official members of these bodies. For instance, no voting rights are given to consultative status organizations. Depending on the category within the consultative status, certain restrictions are applied such as not being able to propose agenda items, or submit written statements unless invited by the Secretary-General.

When a series of global conferences were held under the sponsorship of the UN in the 1990s, a large number of private sector organizations and business associations attended these and contributed to the discussions. These included, among others, the UNCED held in 1992 in Rio de Janeiro, and the Second UN Conference on Human Settlements held in 1996 in Istanbul. However, their participation in the follow-up conferences was by no means secured. The inclusion of the private sector in the follow-up consultations and implementation of the conclusions and recommendations of these conferences is imperative if the various targets are to be achieved. The commitment, contribution, resources, and action of the private sector are too crucial to be kept outside of the ongoing global dialogue.

Civil society organizations are also in a similar situation, and they have continued to pressure the UN and governments to upgrade

their representation status in the UN. While the private sector has not been as active and vocal as the civil society group on this issue, it is likely that they will also be making demands for a higher representational status in the future.

The UN member states must accept that non-state actors have become and will increasingly be key players in the global political, economic, social, human rights, and humanitarian spheres. If the UN is to remain a relevant universal organization of the world community, it has to reflect the reality of the international system, and find an appropriate way to represent the voices of these diverse actors. At one extreme, the possibility of granting representational status equal to those of member states in a UN body as the General Assembly could be considered. Such an arrangement will of course not come easy in view of the strong opposition that is expected from member states and some civil society groups. Complex issues including selection process, criteria, appropriate number of representatives, geographical balance, and sector balance of private sector representatives will need to be thoroughly examined and discussed in considering such an option. If voting rights are to be given to private sector representatives, the issue of sovereign equality among member states will have to be reexamined.

Other alternatives include setting up of a separate committee with private sector representatives as a subsidiary body to UN organs.<sup>21</sup> A slightly different third option would be to establish business advisory bodies attached to UN agencies. An interesting example is the UNOPS Business Advisory Council established in May 2000. It was the first board of business advisers created by a UN agency. Its purpose is to advise UNOPS on developing practical ways of engaging business to meet complex international needs, such as poverty reduction, promotion of peace, and economic development. As the only entirely self-financing “business organization” of the UN, UNOPS needs business advice to face the challenges of competition, constant product development and refinement, changes in technology and knowledge, and the profound transformation that is affecting international cooperation. The 24-member Council gathers business leaders from 15 countries around the world and a variety of sectors, including logistics, finance, management consulting, marketing, communication, and retail. Members of the Council originate in every continent. All members of the Council

were required to sign a “no conflict of interest” pledge.<sup>22</sup> The experience and lessons learned from this Council should guide future endeavours of this kind.

A fourth option is to include private sector representatives as members of state delegation attending various UN fora. The different options described above can also be applied in combination. In any case, the pros and cons of each option must be scrutinized in arriving at the optimum arrangement. The issue should be considered in conjunction with civil society representation in the UN.

## V. Prospects for the Future

The relationship between the UN and the private sector has developed into one of trust and mutual respect. Both sides recognize the common aims and interests as well as mutual gains and benefits in collaboration. While corporate social responsibility and good corporate citizenship may be placed high on the agenda of private sector entities, one must be conscious of the fact that in many cases, corporations enter into partnership with UN agencies with a profit motive. This in itself should not pose a problem to the relationship. There are already ample examples of win-win situation where mutual gains are derived from UN-private sector partnership. The challenge is how to sustain, expand, and deepen such partnerships.

The short-term orientation of private sector entities is likely to remain a hindrance to building a lasting partnership. Corporate partners will expect action, concrete results, and tangible benefits from the cooperation in a relatively short timeframe. How the UN can respond to the expectations of the private sector will be an important determinant of long-term cooperation. The extent that the UN can derive benefits from collaboration with the private sector will of course be of equal importance.

For the Global Compact to truly promote corporate social responsibility and good corporate citizenship to help balance the economic imperatives of globalization and make it more responsive to social and environmental needs, it must strengthen its platform while expanding its reach much broader. It is encouraging that the High-Level Meeting on Global Compact held in July 2000 ended on a

high note. However, it should be noted that private sector representation was limited to about 50 transnational companies, many of them large. The meeting set the goal of adding to the Compact 100 large transnational corporations and 1,000 companies from across the world's regions within a period of three years. While this is a positive direction, it is doubtful whether this would be sufficient for the Compact to bring about a real impact. Importantly, the Compact should include not only large transnational corporations, but also small and medium sized private sector firms and associations in both developed and developing countries. Outreach efforts must be accelerated to engage many more companies from all the regions. One way to do this is to simultaneously establish decentralized Global Compacts at the country level, coordinated by a UN agency such as UNDP. The timing and pace to do this must be carefully considered in each country setting in consultation with other partners including labour and civil society communities. At the same time, the Compact should further advance dialogue among the business community, civil society, United Nations agencies, and governments to catalize action and bring about optimum synergies.

Development cooperation in the future needs multiple actors and stakeholders for a wide range of activities, including the provision of funds, resources, advice and ideas, as well as in the formulation, operationalization, monitoring, and evaluation of activities. Diversity and comparative advantages of the various actors — governments, international organizations, the private sector, and civil society — should serve as strengths when partnering takes place among them. Each party should be encouraged to explore partnering opportunities through innovation, creativity, and flexibility. It is through the closer partnership and concerted efforts of all these parties that global development challenges can be addressed effectively.

Strategic alliance between the UN and the private sector is not a choice to ponder over, but a necessity for promoting global peace, security, and development in the present and the future. What is at stake is not just a partnership issue. The private sector can and must play a more active role in the betterment of the human condition. For the UN, establishing and managing a fruitful strategic alliance with the private sector is a serious challenge, and one that will determine its role and relevance in the twenty-first century.

## Notes

- 1) Guidelines for Procedures for Mobilization of Resources from the Private Sector, Division for Resources Mobilization, Bureau for Resources and External Affairs, UNDP, November 1998.
- 2) See Sandrine Tesner, *The United Nations and Business: A Partnership Recovered*, St. Martin's Press, 2000.
- 3) There is no universally agreed definition of "corporate social responsibility" or "corporate global citizenship". The Prince of Wales Business Leaders Forum defines "corporate social responsibility" as follows: "Corporate social responsibility means open and transparent business practices that are based on ethical values and respect for employees, communities and the environment. It is designed to deliver sustainable value to society at large, as well as to shareholders." This definition appears in World Bank Group's guidelines "Business Partnership & Outreach Group: Corporate Social Responsibility and the World Bank Group", <http://www.worldbank.org/business>. The World Business Council for Sustainable Development uses the following definition: "Corporate social responsibility, in broad summary, is the ethical behavior of a company towards society. In particular, this means management acting responsibly in its relationships with other stakeholders who have a legitimate interest in business — not just the shareholders." Noel M. Tichy, Andrew R. McGill, Lynda St. Clair, ed., *Corporate Global Citizenship: Doing Business in the Public Eye*, The New Lexington Press, 1997, states on page 2 "We see corporate global citizenship as one of the many different types of activities that make up the broader concept of corporate social responsibility."; on page 4, it defines "global corporate citizenship" as follows: "Global citizenship entails an understanding and awareness of future trends that will affect both the climate for doing business and the quality of life of the world's population. As we move into the 21st century, global businesses will find themselves increasingly intertwined with global political, social and environmental issues that will force them to redefine their role as a potent force for world integration. This force, coupled with the pressure being exerted by a burgeoning world population, is determining the need for global citizenship".

- 4) The term “non-governmental organizations” in Article 71 is understood to include business associations and labour groups, in addition to other civil society organizations.
- 5) Speech of UN Secretary-General Kofi Annan to the World Economic Forum in Davos, Switzerland, on 31 January 1999.
- 6) From the Executive Summary and Conclusion of the High-Level Meeting on the Global Compact, United Nations, 26 July 2000.
- 7) From the opening remarks of the UN Secretary-General to the High-Level Meeting on the Global Compact, New York, 26 July 2000.
- 8) Tesner, page 114.
- 9) See website of United Nations Foundation, <http://www.unfoundation.org>.
- 10) In December 2000, the UN General Assembly adopted a resolution to determine the scale of assessments of Member States. According to the resolution, the scale of assessment for the United States will be lowered from 25% to 22% from the year 2001. However, some countries expressed difficulties in paying a higher scale of assessment in 2001 to make up the difference. In order to resolve this impasse, Ted Turner offered to pay US\$34 million to cover the difference.
- 11) <http://www.netaid.org>.
- 12) “Health Research: Fairer Distribution of Funding Needed — Report”, UN Wire, UN Foundation, 4 May 2000.
- 13) “Business Partnership: Risk Assessment, Mitigation and Management”, Business Partnership & Outreach Group, The World Bank Group, <http://www.worldbank.org/business>.
- 14) Tesner, page 79.
- 15) Kenny Bruno and Joshua Karliner, “Tangled Up In Blue”, Transnational Resource & Action Center (TRAC), September 2000.
- 16) From a letter dated 25 July 2000 addressed to the UN Secretary-General by a group of NGO and other civil society representatives.
- 17) Statement by Pierre Sane, Secretary General, Amnesty International, Global Compact Press Conference, UN Headquarters, 26 July 2000.
- 18) Quote from “Corporate Citizenship: Defining the New Responsibilities” by George Kell, United Nations, on 24 October

- 2000 at Chatham House, London.
- 19) UNDP, *Human Development Report 1999*, Oxford University Press, 1999, page 101.
  - 20) See press briefing “Panel Discusses Global Compact at Headquarters Press Conference”, United Nations, 27 July 2000.
  - 21) In 1969, a Consultative Committee was set up between the International Chamber of Commerce (ICC), the UN, and General Agreements on Tariffs and Trade (GATT) to establish a permanent dialogue between business and intergovernmental organizations, with special reference to economic development. The committee was expected to meet annually with the heads of UN economic and social agencies. However, attendance was low, and it fell into oblivion for lack of UN interest.
  - 22) The “no conflict of interest” pledge states that the advisory role assumes loyalty to UNOPS, including adherence to the principles of the Charter of the United Nations and with only such interests in view. The members of the Business Advisory Council act at all times in their personal capacities and render their advice so as to protect UNOPS’ interests. They cannot seek or accept instructions in regard to the performance of their roles from any government, or other authority or entity external to UNOPS.