JIU/REP/2010/9

United Nations corporate partnerships: The role and functioning of the Global Compact

Prepared by

Papa Louis Fall
Mohamed Mounir Zahran

Joint Inspection Unit

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EXECUTIVE SUMMARY

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The JIU included a review of the role and functioning of the Global Compact in its Programme of Work for 2009. The Global Compact, initiaitve launched by the former Secretary-General at the World Economic Forum held in Davos in 1999, is aimed at promoting among the business participants in the initiative, ten agreed principles of responsible corporate citizenship that embrace United Nations universal values in four areas of action: human rights, labour, environment and anti-corruption. The objective of this review is to examine the role and degree of success of the Global Compact and the risks associated with the use of the United Nations brand by companies that may benefit from their association with the Organization without having to prove their conformity with United Nations core values and principles. The report identifies best practices, lessons learned and challenges ahead and formulates recommendations towards an effective, transparent and accountable management of this type of corporate partnership. It covers the activities of the Office from its inception until April 2010, with greater focus on the last two programmatic biennia.

Main findings and conclusions

Originally established in the Office of the Secretary-General, the Global Compact initiative quickly evolved under the shield of the Secretary-General into full-fledged office with growing staff, premises, funding, functions and ambitious objectives, functioning within a "special regime," but lacking a proper regulatory governmental and institutional framework. Against this background, the Global Compact has succeeded in expanding significantly its constituency and multiplying its outreach activities to the private sector, contributing to legitimizing the Organization's engagement with the private sector over the years. Yet, the lack of a clear and articulated mandate has resulted in blurred focus and impact; the absence of adequate entry criteria and an effective monitoring system to measure actual implementation of the principles by participants has drawn some criticism and reputational risk for the Organization, and the Office's special set up has countered existing rules and procedures. Ten years after its creation, despite the intense activity carried out by the Office and the increasing resources received, results are mixed and risks unmitigated. Therefore, the Inspectors are of the view that Member States involvement is required to provide a clear mandate for the Office to rethink and refocus its action. Since the Global Compact Office (GCO) is financed by voluntary contributions from a small group of donor countries and business participants, the Inspectors believe that General Assembly direction is needed to guide the Secretary-General in better delineating the functions of the GCO, in order to prevent a situation whereby any external group or actor(s) may divert attention from the strategic goals agreed to promote interests which may damage the reputation of the United Nations.

Lack of regulatory and institutional framework

The General Assembly adopted six resolutions under agenda item "Towards global partnerships" which, while recognizing the value of the Global Compact, refrain from giving "carte blanche" to the initiative. Since its activities are funded by extrabudgetary resources, the GCO needs not only a clear mandate, but also a long-term strategic framework.

Unlike other United Nations offices, the functions and reporting lines of the GCO are not published in a specific Secretary-General's bulletin and need clear delimitation with regard to UNOP/UNFIP functions. Its coexistence with UNOP/UNFIP has spread out and, to some extent, duplicated responsibilities and resources for engaging with the private sector within the Secretariat. The Inspectors are of the view that the two offices should be grouped under the same umbrella, with a single reporting line to the Deputy Secretary-General.

Lack of effective screening and monitoring of engagement of participants

With the ambition of becoming the largest world multi-stakeholder initiative, the entry process has not been selective enough nor conducive to quality participation. Furthermore, with no specific targets, imbalance in the number, type and regional representation of business participants and local networks has arisen and needs to be redressed.

Mere commitment to the principles upon joining the initiative is not a certificate of future "good behaviour" on the part of participants. The voluntary nature of the commitment and the "learning" premise on which the initiative is based do not provide adequate safeguards for behaviour. Although the introduction of the "Integrity Measures" has brought more credibility to the initiative, the "Communication on Progress" as the reporting and self-evaluation mechanism does not provide adequate and effective monitoring and verification of actual implementation of the principles by participants. Without more transparent handling of complaints, the initiative lacks the "teeth" needed and demanded by many.

Special management, funding structure and staffing procedures

On the basis of its special management support, funding and position within the Organization (A/RES/62/211), the Global Compact and the GCO have been granted special status to function with more flexibility than usual regarding its financing and staffing modalities. At times this has led to bypassing existing rules and regulations. For instance, GCO staff, consultants and interns were first employed and subsequently regularized under conditions that do not fully adhere to relevant recruitment and promotion procedures. However, recent efforts to regularize its management have started to address the situation.

In the absence of a robust funding strategy, the limited and unbalanced funding structure of the Office is dependent on about a dozen donor countries, mostly from Europe, and contributions from businesses that have multiplied ten times in five years.

There is no consolidated, transparent and clear budgetary and financial reporting of the Office's income and expenditure under the United Nations Trust Fund (Government contributions) and the Foundation of the Global Compact (private-sector contributions).

The Foundation of the Global Compact not only raised but also spent funds for the benefit of the GCO, bypassing existing United Nations rules and procedures, while applying the national laws of the host country.

Costly and questionably effective governance

The new governance structure adopted in 2005 and consisting of seven entities, each operating within a multi-centric framework, without central decision-making, and with distinct membership, functions and meetings, is cumbersome, costly and ineffective. Member States are not represented in the Board, which is highly unusual, if not unheard of, for an intergovernmental organization such as the United Nations.

The nomination of Board members is top down. The composition of the Board is not inclusive; SMEs and core United Nations agencies are not represented and, in the absence of the Secretary-General, meetings are chaired by an outsider to the Organization. The Board does not meet frequently as needed on an annual basis so as to provide adequate guidance and monitoring.

With the creation of the Inter-Agency Team, the strategic influence of the six core agencies that actively participated in the Advisory Council (the previous Board) has declined. Rather than a coordination and governance tool, the Inter-Agency Team meetings have become a mere information exchange forum held on the margins of other events.

The new structure has weakened, rather than reinforced, the initiative's governance framework, placing the GCO at the centre of decision-making.

Need for regular unbiased and independent performance evaluation

There is no formal performance reporting mechanism to assess the work of the GCO. The Annual Review Report is based on the findings of surveys of business participants, and therefore amounts to a self-assessment exercise. Non-business participants are not surveyed. As such, the Annual Reviews do not depict an independent, unbiased and comprehensive picture of the Global Compact successes and failures, risks and opportunities.

Recommendations

This report contains **16 recommendations,** four of which (recommendations 1, 2, 5 and 8) are addressed to the General Assembly for action, five (5) are directed to the Secretary-General, and seven (7) to the Global Compact Office.

The recommendations are intended to establish and implement a clear and articulated mandate, long-term strategy and function for the GCO (recommendations 1 and 2); regroup the GCO and UNOP/UNFIP (recommendation 3); redress the imbalance in the composition of participants, and establish a proper selection process (recommendations 4 and 5); reinforce the implementation of the Integrity Measures and accountability in implementing the ten principles (recommendation 6); balance and diversify public and private funding (recommendation 7); enhance reporting transparency with regard to total budget, income and expenditure, and actual staffing of the office (recommendation 8); enhance effectiveness and self-reliance of local networks, coherence in the work, and better geographical representation of regional centres as advisory and coordinating hubs (recommendations 9 and 10); focus on promoting partnerships towards the implementation of the ten principles, and periodically review them to disseminate best practices (recommendation 11); strengthen the Global Compact governance structure through reinstating the advisory role of the Inter-Agency Team, and ensure more transparent nomination of Board members and inclusive representation of participants (recommendations 12, 13 and 14); and enhance the effectiveness and accountability of the initiative through annual self-assessment performance reports of the impact of the Office's activities in relation to established objectives and its mandate, and periodic independent evaluation (recommendations 15 and 16).

The Inspectors are pleased to note that the Strategic Planning Unit of the Executive Office of the Secretary-General, in its comments of 20 September 2010 to the draft report, indicated that "many of the recommendations provided by JIU inspectors echo the direction in which the senior management of the Global Compact and the Secretary-General would like to take the initiative."

The Inspectors were also requested to update the assessment of the Global Compact activities with developments that took place during the Leaders Summit in June 2010. Unfortunately, those positive developments fell outside the scope and timeframe of this review.

CONTENTS

ANNEXES

ABBREVIATIONS

ALNF	Annual Local Network Forum
CEB	United Nations System Chief Executives Board for Coordination
COP	Communication on Progress
CSOs	Civil society organizations
CSR	Corporate Social Responsibility
DESA	Department of Economic and Social Affairs
DPI	Department of Pubic Information
FAO	Food and Agriculture Organization of the United Nations
GCLN	Global Compact Local Network
GCO	Global Compact Office
IAEA	International Atomic Energy Agency
ILO	International Labour Organization
IMO	International Maritime Organization
ITU	International Telecommunication Union
JIU	Joint Inspection Unit
MDGs	Millennium Development Goals
NGOs	Non-governmental organizations
OCHA	Office for the Coordination of Humanitarian Affairs
OHCHR	Office of the United Nations High Commissioner for Human Rights
OIOS	Office of Internal Oversight Services
OLA	Office of Legal Affairs
UNCAC	United Nations Convention Against Corruption
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFIP	United Nations Fund for International Partnerships
UN-HABITAT	United Nations Human Settlements Programme
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children’s Fund
UNJSPF	United Nations Joint Staff Pension Fund
UNIDO	United Nations Industrial Development Organization
UNODC	United Nations Office on Drugs and Crime
UNOP	United Nations Office for Partnerships
UNWTO	World Tourism Organization
WFP	World Food Programme
WHO	World Health Organization

I. INTRODUCTION

1. As part of its programme of work for 2009, the Joint Inspection Unit (JIU) conducted an assessment of the role and functioning of the Global Compact within the context of the United Nations corporate partnerships, from May 2009 to April 2010.

2. In view of the increasing engagement of the United Nations in partnerships with businesses in recent years, the JIU has looked into this subject twice.[1] Its second review found that there was some misunderstanding within the United Nations system regarding the purpose and role of the Global Compact initiative, while some non-governmental organizations (NGOs) grouped under the Alliance for a Corporate-Free United Nations accused the United Nations of "bluewashing," by allowing some of the largest and richest corporations to wrap themselves in its blue flag without requiring them to do anything new.[2] Other stakeholders considered the initiative to be a success, a major milestone in the evolution of the relationship between the United Nations and the private sector, and a call to business leaders around the globe to embrace and implement, in their own spheres of influence, a set of universally agreed principles in the areas of human rights, labour, environment and anti-corruption.

3. These divergent views can be explained by the fact that the initiative was conceived as a learning tool rather than as a regulatory instrument. Indeed, the Global Compact does not police companies, nor measure their behaviour and actions, nor enforce its principles. Thus, paradoxically, it cannot be ensured that companies associated with the United Nations image and reputation effectively comply with its basic principles.

4. The current report examines the Global Compact's role and degree of success in bringing together multiple stakeholders to promote the ten agreed principles of responsible corporate citizenship. It also addresses the sensitive issue of the use of the United Nations brand by companies that may benefit from their association with the Organization, without having to prove their conformity with United Nations core values and principles. The report identifies best practices, lessons learned and challenges ahead and formulates recommendations towards an effective, transparent and accountable management of this type of corporate partnership.

5. The review covered the activities of the New York-based Global Compact Office (GCO), some 90 networks worldwide, and five regional centres. It also examined the financial mechanism of the Foundation for the Global Compact and the activities of the United Nations Office for Partnerships (UNOP).

6. In line with JIU internal standards, guidelines and working procedures, the methodology followed in preparing this report included a preliminary desk review, interviews with more than 50 United Nations officials and participants in the initiative, questionnaires/surveys and an in-depth analysis of results. An electronic survey in three languages was sent to 90 Global Compact local networks (GCLNs) and obtained with a response rate of 43 per cent. Two additional surveys designed for business and non-business participants could not be launched because the GCO declined to provide their contact information on grounds of confidentiality and "client survey fatigue." The GCO instead shared the results of its own recent survey of business participants. Consequently, the Inspectors were not able to get independent views from participants on GCO performance, and the initiative's success.

7. Comments on the draft report were sought from participating organizations and other interviewees, and taken into account in the preparation of the report, where appropriate. In accordance with article 11.2 of the JIU statute, the report was finalized in consultation with other Inspectors so as to test its conclusions and recommendations against the collective wisdom of the Unit.

8. In order to facilitate the handling of the report, and the implementation and monitoring of its recommendations by the organizations, a table indicating whether the report is submitted for action or for

[1] See JIU/REP/99/6 and A/54/700 on "Private Sector Involvement and Cooperation with the UN system," and JIU/NOTE/2009/1 on "Corporate sponsoring in the United Nations system: Principles and Guidelines."
[2] Ibid., paragraphs 34 and 35.

information is contained in Annex I. The table identifies the recommendations relevant for each organization, specifying whether they require a decision by the organization's legislative or governing body or they can be acted upon by the organization's executive head.

9. The Inspectors wish to express their appreciation to all those who assisted them in the preparation of this report, and particularly to those who participated in the interviews and survey, and so willingly shared their knowledge and expertise.

II. ROLE OF THE GLOBAL COMPACT

A. The Initiative

10. Former United Nations Secretary-General, Kofi Annan, launched the Global Compact initiative at the World Economic Forum in Davos on 31 January 1999, stating as follows:

> **"***This year, I want to challenge you to join me in taking our relationship to a still higher level. I propose that you, the business leaders gathered in Davos, and we, the United Nations, initiate a global compact of shared values and principles, which will give a human face to the global market. […] I call on you […] to embrace, support and enact a set of core values in the areas of human rights, labour standards, and environmental practices.*
>
> *Why those three? […] because they are all areas where you […] can make a difference, […] they are areas in which universal values have been already defined by international agreements […and], if we do not act, there may be a threat to the open global market, and specially to the multilateral trade regime.*
>
> *Essentially there are two ways we can do it. One is through the international policy arena. You can encourage States to give us, the multilateral institutions of which they are all members, the resources and the authority we need to do our job. […] The second way you can promote these values is by taking them directly, by taking action in your own corporate sphere. Many of you are big investors, employers and producers in […] countries around the world. That power brings with it great opportunities—and great responsibilities.*
>
> *The United Nations agencies […] all stand ready to assist you, if you need help, in incorporating these agreed values and principles into your mission statements and corporate practices. And we are ready to facilitate a dialogue between you and other social groups, to help find viable solutions to the genuine concerns that they have raised. […] More important, perhaps, is what we can do in the political arena, to help make the case for and maintain an environment which favours trade and open markets."*[3]

11. Thus, the Global Compact was born, and nine principles (a tenth anti-corruption principle was added in 2004) were adopted in four areas of action: human rights, labour, environment and anti-corruption, deriving from four major United Nations instruments.[4] These focus areas/principles embrace a number of United Nations universal values set out in the Preamble and Article 1 of the Charter of the United Nations. Regrettably they do not include the pursuit of peace and development.

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[3] Press release SG/SM/6881 of 1 February 1999

[4] The Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the United Nations Convention Against Corruption (UNCAC).

The Ten Principles

Human Rights

Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights;
Principle 2 Businesses should make sure that they are not complicit in human rights abuses;

Labour

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

Environment

Principle 7 Businesses are asked to support a precautionary approach to environmental challenges;
Principle 8 Businesses should undertake initiatives to promote greater environmental responsibility;
Principle 9 Businesses should encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery.

12. The Global Compact became operational in 2000. It was set within the Office of the Secretary-General and was rapidly supported by a full-fledged office with a modest but growing staff complement, its own premises, funding, specific functions and an ambitious mandate. Over the years it has significantly expanded its constituency and outreach activities to the private sector.

B. Mandate, mission and functions of the Global Compact Office

In need of a clear mandate

13. Since 2000, the General Assembly has adopted six resolutions under agenda item “Towards global partnerships.”[5] While they recognize the value of the Global Compact, the resolutions refrain from giving it a clear mandate or “carte blanche.”

[5] A/RES/55/215 of 21 December 2000, A/RES/56/76 of 11 December 2001, A/RES/58/129 of 19 December 2003, A/RES/60/215 of 22 December 2005, A/RES/62/211 of 19 December 2007, and A/RES/64/223 of 19 December 2009.

14. The early resolutions acknowledged the importance of the Global Compact as a multi-stakeholder initiative for good corporate responsibility,[6] took note of United Nations work on partnerships such as the Global Compact,[7] and encouraged the GCO to promote the sharing of best practices and positive action.[8]

15. In 2007, following an audit by the Office of Internal Oversight Services (OIOS) recommending that the Secretary-General seek a formal mandate from the General Assembly to fully legitimize the role of the GCO and provide a basis for assessing its performance,[9] the General Assembly extended its recognition to the Global Compact "as an innovative public-private partnership to advance United Nations values and responsible business practices," and acknowledged the special set up of the Office, encouraging it "to continue its efforts, in particular in continuing to share relevant lessons learned and positive experiences from partnerships."[10] This resolution was construed by the GCO as a renewal and expansion of its mandate.[11] The last resolution[12] adopted in 2009 goes along the same lines. The Inspectors consider that a more clear articulation of the GCO is needed.

16. Unlike other United Nations offices, the functions of the GCO are not published in a specific bulletin issued by the Secretary-General. In the absence of such official document, the Office defines the Global Compact as a policy platform and a practical framework for businesses committed to sustainability and responsible business practices; a leadership initiative seeking to align business operations and strategies worldwide with ten universally accepted principles; and a voluntary initiative that relies on public accountability, transparency and disclosure to complement regulation and provide a space for innovation.[13] As the Global Compact entered its second phase in 2005, the Office reiterated its mission and objectives to be the world's most inclusive voluntary initiative to promote responsible corporate citizenship, ensuring that business, in partnership with other societal actors, plays its essential part in achieving the United Nations' vision of a more sustainable and equitable global economy, by making the Compact and its principles an integral part of business operations and activities worldwide; and by encouraging and facilitating dialogue and partnerships among key stakeholders in support of the ten principles and broader United Nations goals, such as the MDGs.[14]

17. A review of all General Assembly resolutions on global partnerships revealed no reference to the GCO's self-set objective of encouraging and facilitating dialogue and partnerships among key stakeholders in support of the ten principles and broader United Nations goals, *such as the MDGs,* nor of its mission statement to be *the world's most inclusive voluntary initiative to promote responsible corporate citizenship*. These goals go beyond relevant General Assembly resolutions. While it is true that GCO activities are financed by voluntary contributions from (a small group of) donor countries and business participants, the Inspectors are of the opinion that Member States should determine the role of the Office, and that the Secretary-General should delineate its functions based on strategic direction provided by Member States. This would be necessary in order to prevent a situation in which any external group or actor(s) may divert attention from the strategic goals agreed by the Organization to promote interests which may damage the reputation of the United Nations.

18. Implementation of the following recommendation would contribute to increasing the effectiveness and accountability of the Global Compact.

Recommendation 1

The General Assembly should set a clear mandate for the Global Compact Office at its 66th session and request the Secretary-General to publish within one year a bulletin outlining its functions in accordance with the mandate entrusted to it.

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[6] A/RES/56/76 (2001).
[7] A/RES/58/129 (2003).
[8] A/RES/60/215 (2005).
[9] OIOS Audit No. AH2006/520/01-Performance Audit of the Global Compact Initiative.
[10] A/RES/62/211 (2007).
[11] Global Compact Annual Review 2008, page 8.
[12] A/RES/64/223.
[13] Global Compact brochure, available at www.unglobalcompact.org
[14] See The Global Compact's next phase, 6 September 2005.

19. The Strategic Planning Unit of the Executive Office of the Secretary-General (EOSG) indicated that "both the Secretary-General and the Global Compact Office would welcome such a development."

Need for a result-based long-term strategic framework

20. The 2010-2011 biennial programme budget of the United Nations[15]does not define strategic priorities, activities and performance indicators for the GCO, given that its activities are extrabudgetarily funded. Consequently, only an estimate of the relevant Trust Fund expenditure is published.

21. The GCO, for its part, has taken the initiative to prepare annual Activity Plans since 2005. The Office also prepared a budget proposal overview for 2006 and a funding proposal for 2008-2010.

22. In 2008, the Global Compact Board (see paragraph 110 below) had discussed a draft of "The Strategic Direction of the UN Global Compact, 2008-2009," which was qualified more as a historic overview of the initiative than a full-fledged strategic paper. Board members agreed that a process for identifying and discussing goals and related priorities needed to be developed. They also acknowledged that there had been a strategy of "letting many flowers bloom," which risked making the Global Compact lose its focus,[16] and decided that a new draft should be prepared and circulated.

23. It is unclear whether this paper was ever finalized or replaced by the above-mentioned 2008-2010 funding proposal. Despite assertions by the Strategic Planning Unit/EOSG that the funding proposal constitutes the long-term strategy, the Inspectors are of the opinion that a 2 to 3-year strategy paper, funding proposal or plan cannot provide the long-term strategic vision required by the GCO. Such a document could, at best, be considered a medium-term strategy, although it places funding before strategy, which is contrary to standard United Nations practice. The exercise of setting short- and medium-term objectives should derive from the long-term goals and mandate approved by Member States and set out in a long-term strategic document prepared by a transparent and consultative decision-making process. Such a framework, which is key to endowing the Global Compact initiative with a strategic focus, is regrettably non-existent.

24. Bearing in mind the plethora of activities carried out, initiatives launched, and tools and materials published in recent years by the GCO, the Inspectors are of the opinion that such long-term strategy is definitively necessary to re-centre the Compact on a smaller number of goals or targeted activities so as to achieve greater impact.

25. Implementation of the following recommendation would increase the effectiveness and impact of the Global Compact.

Recommendation 2

The General Assembly should request the Global Compact Office to prepare and submit a long-term strategic framework for its consideration without delay. Such framework should outline the long-, medium- and short-term objectives of the GCO, in accordance with the mandate entrusted to it.

C. United Nations Office for Partnerships

Duplication or complementarity

26. Pursuant to General Assembly resolution A/RES/60/1, the United Nations Office for Partnerships (UNOP) was created in 2006 to strengthen system-wide coherence in establishing operational relationships with global

[15] A/64/6 - Part 1, Section 1: Overall policymaking, direction and coordination, page 5.
[16] Final Report, Meeting of the Global Compact Board, New York, May 2008.

partners of the United Nations[17] and to provide support for the United Nations Democracy Fund (UNDEF).[18] It also manages the United Nations Fund for International Partnerships (UNFIP) which was established by the Secretary-General in 1998 as an interface between the United Nations and the United Nations Foundation.[19]

27. UNOP is attached to the Department of Management; its Executive Director reports to the Secretary-General, while the Deputy Secretary-General oversees the day-to-day operations of the Office. It provides technical advice on partnership opportunities with the United Nations to a variety of private sector and civil society partners. It provides advisory services to United Nations agencies and programmes in the areas of partnership building, advocacy and resource mobilization strategies, and it serves as a gateway for Global Compact signatories to engage the United Nations system in identifying and developing partnership opportunities with non-State actors.

28. At first glance, it may appear that the GCO objective of encouraging and facilitating dialogue and partnerships among key stakeholders in support of broader United Nations goals duplicates, to some extent, UNOP's role. However, closer scrutiny reveals that the two offices promote distinct types of partnerships: the GCO focuses on "standard setting" and MDG advocacy (e.g., Caring for Climate, CEO Water Mandate, Principles for Responsible Investment, Principles for Responsible Management Education), while UNOP concentrates on the more operational side of assisting in setting up partnerships and funding concrete MDG-related projects, a role which is complementary to the standard-setting role of the GCO.

29. The GCO is also tasked with updating United Nations guidelines for partnerships with input from all relevant United Nations entities. It also convenes, in coordination with UNOP/UNFIP, the annual UN Private Sector Focal Point Meetings and prepares the Secretary-General's annual report to the General Assembly on "Towards global partnerships." In addition, it develops accountability tools for partnerships, offers training opportunities through the United Nations staff college and other relevant entities, organizes information sharing and learning meetings and manages a system-wide website for partnerships (previously run by UNFIP).

30. In the Inspectors' view, the above activities fall more within the mandate of UNOP/UNFIP than that of the GCO. In this regard, the Inspectors recall that in his 2002 report "Strengthening the United Nations: An agenda for further change,"[20] former Secretary-General, Kofi Annan, proposed in Action 20 the creation of a Partnerships Office which would group the GCO and UNFIP under one umbrella, with distinct funding. While recognizing the importance of having a single focal point for the Organization's engagement with the private sector, the Secretary-General envisaged distinct roles for the two units: the GCO promoting the ten principles, and UNFIP facilitating and mobilizing resources for partnerships and philanthropic organizations. Although the proposed Partnerships Office was set up a few years later, it did not group the GCO and UNFIP under the same umbrella, nor was a single focal point for the Organization's engagement with the private sector created. UNOP/UNFIP apparently further developed the proposal to group the two offices, and the issue was submitted to the current Secretary-General for consideration. No decision has yet been taken.

31. The Inspectors are of the opinion that there is merit in the proposal of the former Secretary-General and recommend that the proposal be revisited. Implementation of the following recommendation would create further synergies and enhance coordination and cooperation across the United Nations system in the area of partnerships with the private sector.

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[17] ST/SGB/2009/14
[18] UNDEF was established by the Secretary-General in July 2005 to support democratization processes through a competitive grant-making facility to civil society organizations engaged in promoting democratic values.
[19] A public charity created in 1998 by Ted Turner to manage his US$1 billion donation to support United Nations causes and activities over a 10-year period. The agreement was renewed in 2008 until 2017 to raise an additional US$1 billion.
[20] A/57/387 of 9 September 2002, pages 25-26.

Recommendation 3

The Secretary-General should, as previously proposed, regroup the GCO and UNOP under one umbrella, building on their complementarities and distinctive roles, and clearly delineate their respective responsibilities, jurisdiction, monitoring tools and reporting requirements so that the GCO can focus on the implementation of the ten principles by businesses, and UNOP on developing United Nations business partnerships and related capacities.

32. While the Strategic Planning Unit/EOSG indicated that "this recommendation would help consolidate the United Nations evolving partnership with the private sector," it pointed out that a number of issues would have to be considered if the entities were grouped together, including the need to staff the combined entity at the right level with (perhaps) an Assistant Secretary-General, and secure funding beyond the annual budget cycles of the trust funds and biennial budget planning. This statement was then contradicted by the additional observation that "the combined entity could lead to economies of scale when engaging non-State actors, from a programmatic and budget perspective, which is also at the heart of the JIU recommendation.

D. Advancing United Nations values and responsible business practices within the United Nations system

33. The idea to "walk the talk" and promote responsible business practices within the United Nations has been on the GCO agenda since 2004, three years before General Assembly resolution 62/24 raised the matter.

34. In his 2007 report entitled "Enhanced cooperation between the United Nations and all relevant partners, in particular the private sector," the Secretary-General indicated that "the GCO has also promoted the internalization of its ten principles in the work of the United Nations," and reiterated that progress had been made in several areas, including the renovation of the United Nations Headquarters to reduce energy use drastically and the commitment of the United Nations Joint Staff Pension Fund (UNJSPF) to the Principles for Responsible Investment. The report acknowledged that further efforts were necessary to ensure the continued implementation of the said principles within the Organization.

35. In its 2008 Annual Review, the GCO reported that the ten principles had been incorporated into the procurement function. However, United Nations procurement officials informed the Inspectors that although they advertised and supported the ten principles, they were not applied in procurement as the existing rules and regulations refer to best value for money, equity, transparency and international competition only. They did confirm, however, that there was a new trend towards sustainable procurement, which combined economic considerations (value for money) with environmental and corporate social responsibility ones, but this has not yet been implemented pending a General Assembly decision. The Inspectors consider that these efforts should be pursued, including in the areas of procurement, and that the GCO should continue reporting in its Annual Review on concrete actions taken towards the promotion and application of the Global Compact principles throughout the Organization.

36. The Procurement Division (PD) further clarified that commitment to the ten principles are part of the registration process for every vendor registering through the United Nations Global Marketplace (UNGM). However, it should be noted that at the advice of the General Legal Division, PD has taken the position that the Global Compact should be viewed as a learning tool and something to aspire to, and not a concept to be enforced, as the Secretariat has neither the proper mechanism nor resources to monitor compliance by vendors.

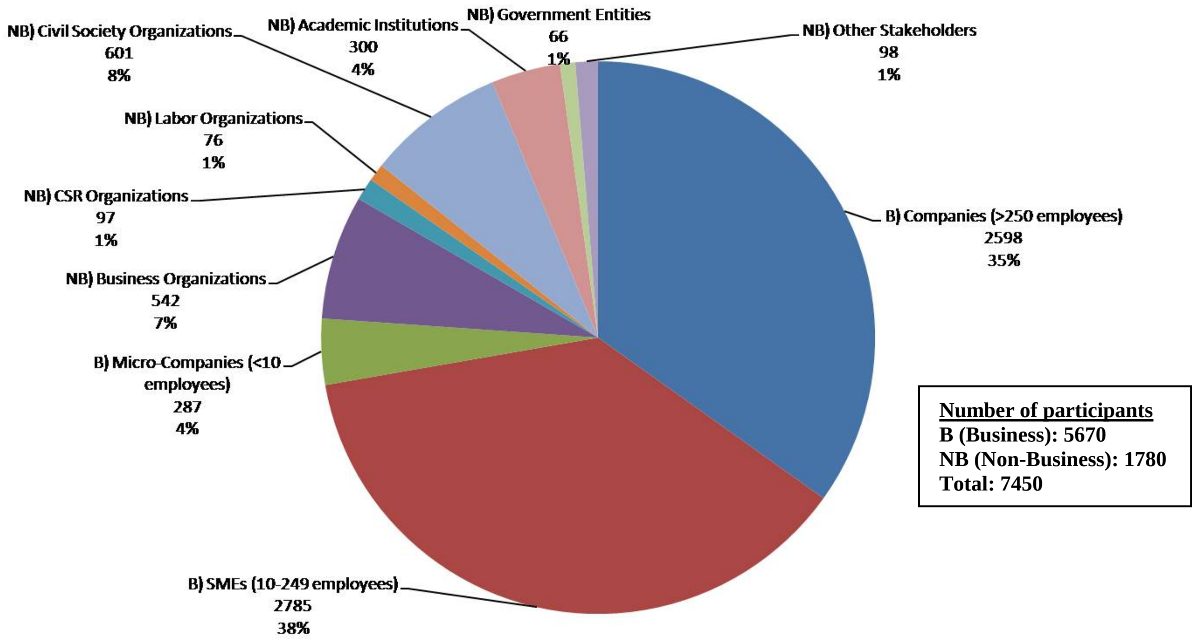
III. THE FUNCTIONING OF THE GLOBAL COMPACT

A. Participants

37. According to the GCO, the Global Compact is the world's largest global corporate citizenship initiative, with participants from more than 135 countries.[21] In 2009, 7,450 participants were registered in the database, of which 5,670 were business participants, and 1,780 non-business participants. These figures may seem insignificant when compared to the number of companies worldwide,[22] but become meaningful if compared to participation in similar initiatives such as the World Business Council for Sustainable Development and the Global Reporting Initiative.

38. In terms of business size, current participants are almost equally divided between large companies (35 per cent) and small- and medium-sized enterprises of less than 250 employees (37 per cent), while micro-enterprises of less than 10 employees account for only 4 per cent of participants.

Figure 1. Participants by type



Source: GCLN knowledge-sharing site

39. Among the large companies, 100 are ranked on the Financial Times Global 500[23] and 60 feature on UNCTAD's list of the world's largest 100 non-financial transnational corporations. The engagement of these companies is vital given their size and resources, number of employees, market capitalization and revenues. For the GCO, ensuring their committed participation and the rollout of the ten principles throughout their subsidiaries and supply chains is a matter of strategic priority.

40. Regarding non-business actors, civil society organizations (CSOs) account for 8 per cent of participants, business organizations, 7 per cent, and academic institutions (4 per cent). In contrast, labour organizations represent only 1 per cent. Among CSOs, few are internationally renowned with global reach.

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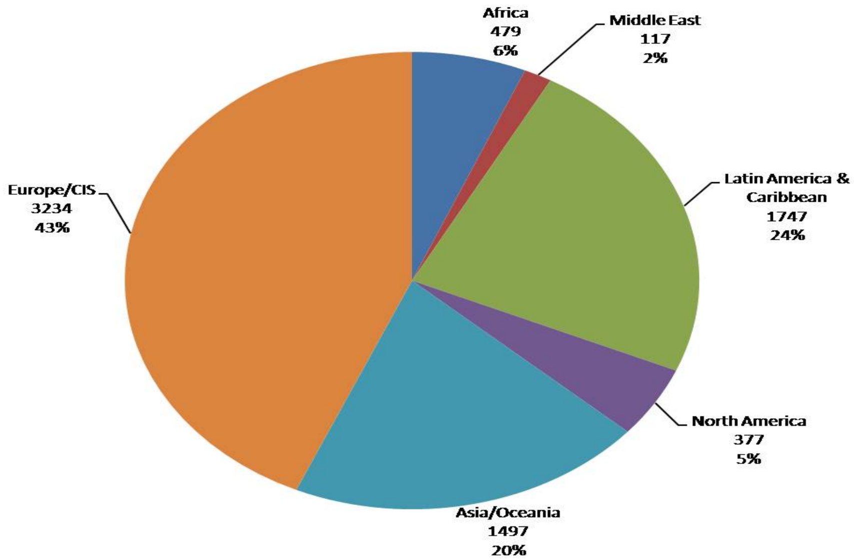
[21] Global Compact Annual Review 2008, page 8.
[22] According to the 2009 World Investment Report, there were 82,000 transnational corporations plus 810,000 foreign affiliates in 2008 (as per UNCTAD/PRESS/PT/2009/051 of 17 September 2009).
[23] Global Compact Annual Review 2007.

41. By region, the largest representation is Europe (43 per cent) and the smallest, the Middle East (2 per cent). Participation by North American companies is low (5 per cent), apparently due to fear of litigation, labour rights and damaging the reputation of the United Nations.[24]

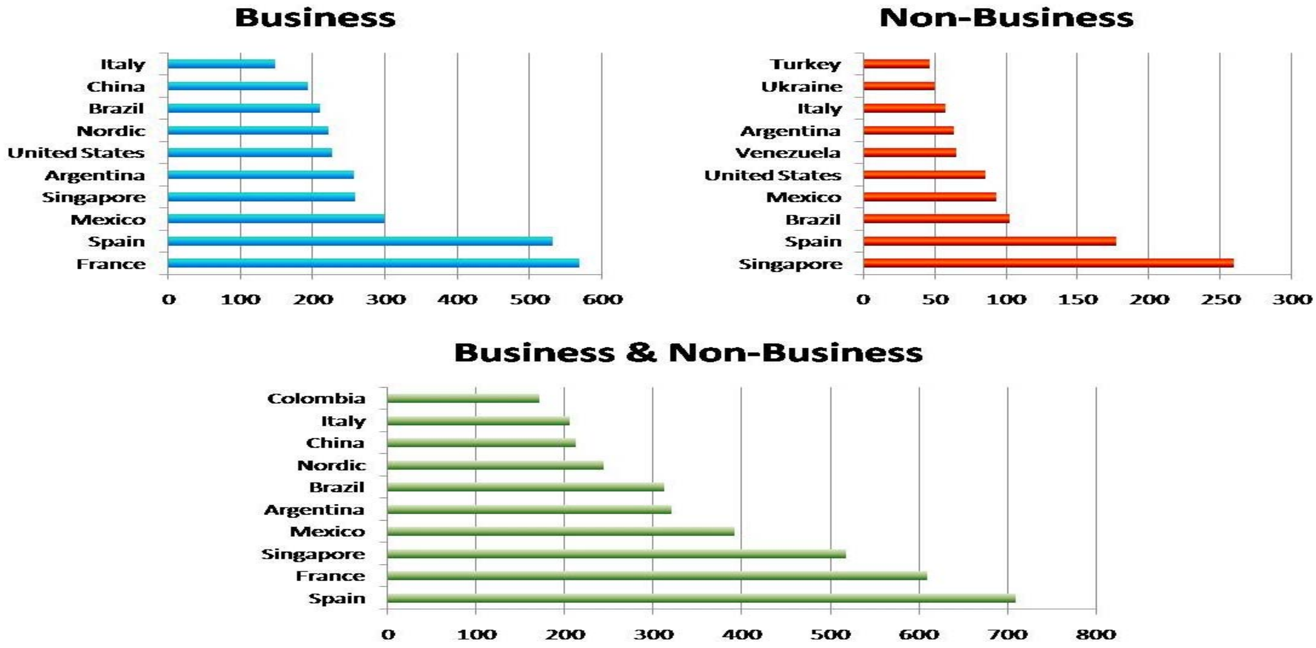
Figure 2. Participants by geographical area



42. About 50 per cent of the top ten participants are from developing/emerging economies such as Argentina, Brazil, Colombia, China, Mexico and Singapore. Participation varies considerably from country to country: globally, France and Spain boast the largest business participant base (close to 10 per cent).

[24] Assessing the Global Compact's Impact, McKinsey & Company, May 11, 2004, page 11.

Figure 3. Top ten business and non-business participants



Source: GCLN knowledge-sharing site

Quantity versus quality

43. During its "start-up phase," the GCO rightly concentrated its efforts on increasing and diversifying its participant base. As a result, the number of signatories, especially non-business participants, has progressed steadily, in particular over the past three years.

44. At present, the issue is no longer how many new actors are joining, but who is and who is not in and why. It is about what matters – rapid growth in signatories or in-depth commitment and impact, and how to accomplish it. It is also about the need to set a manageable and viable ceiling on the number of participants so as to allow for effective dialogue and social vetting.

45. The GCO addressed some of these issues in its Funding Proposal for 2008-2010. The proposal defines two groups of corporate participants: a small group of "leading companies" which have embraced the initiative's principles as a strategic opportunity; and a large group of "starters." The challenge, according to the paper, is how to keep the leading companies motivated and engaged, while at the same time ensure that the Global Compact provides an entry-level platform for "starters." The proposal presents five immediate objectives, of which three relate to managing the initiative's growth and the quality of participants' engagement, and sets indicators for their successful implementation, as outlined in the table below:

Table 1. GCO Funding Proposal 2008-2010 – Objectives and indicators

Objective	Success indicator
To manage the growth and reach of the initiative	5 per cent annual increase in the number of both business participants and local networks
To enhance public accountability and transparency of participants	Increase in the percentage of Communication on Progress (COPs)[25] to 70 per cent of participants by 2010 Engagement of 20 per cent of the local networks in the social vetting process[26]
To deepen the engagement of participants on the ground	Increased number of signatories to issue-specific initiatives Enhanced sharing of best practices Growing participation in issue-specific working groups; Increase in the number of public-private partnership projects aligned with the ten principles Improvement in participants' self-assessments

46. While the proposed objectives and indicators are valid, it remains that GCO strategic orientation falls short of fully tackling the core issue of managing quality and achieving wider impact. In addition, no specific group is targeted to redress existing imbalances in membership.

47. In this regard, 85 per cent of the JIU survey respondents felt that the number of participants should continue to increase, while 76 per cent were also in favour of more qualitative commitments.

48. The Global Compact Board discussed the issue of "quantity versus quality" in 2008 without reaching a decision due to the diverse expectations of its multiple stakeholders. The Inspectors believe that this is a key strategic decision that cannot be further postponed if the effectiveness and impact of the initiative is to be enhanced. The following recommendation goes in this direction.

Recommendation 4

The Global Compact Office should seek to adopt, after consultation with all stakeholders, a policy decision on the composition of participants by category and geographical region, in order to ensure an appropriate balance between the number of Global Compact participants and qualitative representation, and reinforce the universal application and relevance of the ten principles.

49. With respect to the above recommendation, the Strategic Planning Unit/EOSG indicated that a policy decision concerning composition was "not consistent with its character as a voluntary initiative," and that "the Global Compact does its best to reach out to all regions of the world and all business sectors and encourage them to participate." The Inspectors are of the opinion that participants' decision to join voluntarily does not necessarily preclude the GCO from actively pursuing its efforts to better reach certain regions of the world and categories of non-business actors who are currently unrepresented, in order to achieve inclusiveness and universality. In its

[25] The evaluation and reporting mechanism used by Global Compact participants.
[26] Social vetting in the context of the Global Compact is the process of providing feedback to participants on COPs. It allows the media, civil society and the public at large to review, challenge and/or validate information given by companies on progress made in implementing the ten principles.

comments to the draft report, ILO supported a more inclusive approach towards labour organizations, which "could enhance understanding and further support the implementation of the labour principles in business organizations."

Participants' engagement

50. The reasons for participants' engagement are diverse. The main reason why businesses join is to increase trust in the company, and influence public opinion and relevant national legislation. For business associations, the main reason for joining is to support business interests and for some NGOs and labour organizations, the initiative provides an opportunity to influence companies' behaviour and hold them accountable for their commitments under the Global Compact. Academics tend to join because they consider the initiative a learning tool that inspires corporate social responsibility thinking. The United Nations' objective is to engage companies in the implementation of the ten principles, however, for the United Nations system as a whole (except for a few "ice-breakers" such as UNDP and UNICEF which preceded the United Nations in building such partnerships), the Global Compact provides an entry point to the private sector.

51. Participants' expectations of the Global Compact are also diverse and have proven to be a source of frustration with the initiative, resulting in criticism. Overall, the initiative has been a "victim of its own success." Its rising profile has led to demands for closer scrutiny and accountability of companies. The GCO approach to managing the initiative is known to be pragmatic and opportunity-led. Although it has adopted a set of integrity measures to reduce brand management risk, it has not taken a strong stand on participant selection and handling of complaints.

52. Some NGOs and labour groups find the Global Compact's all-embracing approach, voluntary nature and reluctance to assume a more normative regulatory role disappointing. Businesses, on the other hand, are mostly unwilling to be subjected to any kind of monitoring.

53. In order to participate in the Global Compact, the CEO of a business must address a signed letter of commitment to the Secretary-General. The letter must state that the company pledges to make the ten principles an integral part of its business strategy, day-to-day operations and organizational culture. The company must also pledge to publicly advocate the Global Compact and its principles, and to publish an annual COP describing the actions taken to implement the said principles. Although the requirements of this letter have been tightened recently, they do not provide sufficient guarantee that companies will mainstream the ten principles into their corporate social responsibility policy or engage in their supply chain and subsidiaries.

54. Non-business participants are also required to sign a letter committing to the ten principles and pledging to take part in the activities of the Global Compact by participating in local networks, engaging in partnerships and specialized initiatives and providing commentary to companies on their COPs.

55. The Inspectors wish to point out that even after interviewing Global Compact officials and being informed that, as of 2009, new applications were also being checked against the World-Check database, they were unable to determine what criteria the GCO applied in selecting participants. Global Compact officials argued that the admission of companies was not in itself a certification of good behaviour. They reiterated that the initiative was about learning, dialogue and partnerships and that its role was to assist companies in implementing the principles and provide them with the tools and resources to communicate progress on their pledges.

56. Unlike the GCO, some United Nations agencies are convinced that alliances with business actors might involve a reputational risk and have therefore put in place a rigorous selection process for potential partners. UNICEF seems to have developed one of the best modalities, which include confidential pre-screening (conducted by an external firm) against agreed eligibility criteria (company reputation, compliance with human rights and child labour principles, past or ongoing litigation, etc.). Approximately 100 companies are screened every year and their rating remains valid for one year. The Division of Private Sector Fundraising and Partnership is in charge of the process and problematic cases are referred to a Coordination Committee whose work is guided by specific Terms of Reference.

57. Some organizations automatically exclude companies banned by WHO (companies selling alcohol, tobacco, arms and some food companies). These organizations are not keen on becoming partner organizations or core agencies of the Global Compact. In fact, their partner eligibility criteria are more stringent than those of the revised United Nations Guidelines on Cooperation between the United Nations and the Business Sector, which state that the United Nations should not partner only with those businesses that *systematically fail* to demonstrate commitment to the Global Compact principles. Indeed, the lack of company monitoring is often considered to be the initiative's Achilles' heel,[27] a "serious flaw giving companies notorious for human rights violations a free ride on the Secretary-General's prestigious coat-tails."[28] Some NGOs such as ActionAid, Greenpeace, Amnesty International and the Berne Declaration have criticised the initiative with business as "lacking teeth,"[29] while the Corporate Observatory Group has claimed that the International Chamber of Commerce is the primary partner and co-designer of the Global Compact and promoter of its not engagement in any form of monitoring.[30] Some interviewees also questioned why certain United Nations Member States were signalled out for not upholding the Organization's values, while Global Compact companies enjoyed the benefit of doubt when accused of failing to honour their commitments.

58. In sum, there is concern that the Global Compact is being undermined by some companies' reluctance to meet the challenge of in-depth commitment, and which use the Global Compact and the United Nations for their "bluewashing" benefits.

59. The Inspectors cannot confirm whether these allegations are true, but concur that there is a reputational risk which needs to be managed. At present, the GCO tracks and internally disseminates media references to the Global Compact, but does not analyze their content. Although the GCO claims that perception of the initiative has improved over the years, this has never been officially documented. Furthermore, responding to complaints is not a primary concern for the GCO given its stand that it does not police, enforce or monitor the behaviour and actions of companies.

60. The Inspectors consider that trust needs to be built on the basis of yardsticks by which performance can be measured. The Global Compact's principles are principles of behaviour and as such need to be translated into concrete standards and actions, compliance with which should be monitored by special mechanisms. In this regard, 79 per cent of the local networks that participated in the JIU survey stated that they had been consulted about the admission of new companies, and only 33 per cent were in favour of a more rigorous selection process.

61. As for NGOs' engagement, OIOS expressed concern in its 2006 audit that NGOs might gain direct access to the United Nations through the Global Compact without going through the usual screening and accreditation process administered by the Department of Economic and Social Affairs (DESA) and the Division of Public Information (DPI). At the time, the GCO had responded that a newly recruited NGO coordinator would facilitate the development of a mechanism to promote and monitor the engagement of non-business participants.[31] The Inspectors could not measure any progress in this respect.

62. To conclude, the Inspectors are of the opinion that minimum selection criteria should be established and all businesses and non-businesses interested in participating in the Global Compact initiative should undergo an entry check.

Recommendation 5

The General Assembly should call for the institution of a selection process in which business and non-business applicants are screened against pre-set entry criteria, so as to mitigate brand management risk and enhance the Office's accountability for accepting new participants in the Global Compact initiative.

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[27] Bruno, Kenny and Joshua Karliner, *Earthsummit.Biz: The Corporate Takeover of Sustainable Development*, 2002, page 53.
[28] Ibid., page 40.
[29] CorpWatch, "UN Global Compact with Business 'lacks teeth' – NGOs," available at www.corpwatch.org
[30] Bruno, Kenny and Joshua Karliner, *Earthsummit.Biz: The Corporate Takeover of Sustainable Development*, 2002, page 52, 53.
[31] OIOS, Performance Audit of the Global Compact Initiative, AH2006/520/01, paragraph 32.

63. In connection with this recommendation, the GCO indicated that it already has a twofold screening process for new participants: by using a global database to identify potential concerns, and asking local networks if there is any reason why the company should not be permitted to join. It added that companies which have problems but are willing to change can join the initiative. Nevertheless, the Global Compact Board is considering the relative merits of having minimum entry criteria.

64. The Strategic Planning Unit/EOSG has indicated that the institution of a selection process in which business and non-business applicants are screened against pre-set criteria is contrary to the basic principles on which the Global Compact was founded as a voluntary association. The Inspectors note the conflict that such recommendation may entail to the existence of the initiative, and as such, are of the opinion that the General Assembly would be better positioned to decide on an issue that goes with the credibility of the organization itself.

Integrity Measures

65. The 2004 McKinsey & Company Global Compact evaluation report called for the introduction of integrity measures. The first version of such measures was finalized in 2005, after consultation with the Office of Legal Affairs (OLA).

66. The purpose of the measures was to strengthen participants' accountability in three areas: 1) misuse of the Global Compact's name and logo; 2) failure by companies to produce COPs; and 3) procedures to deal with allegations of systemic or egregious abuses of the Global Compact principles by companies.

67. Given GCO claims that its hands are tied by the voluntary nature of the initiative and companies' resistance to any form of monitoring, not much has been done to reinforce these measures, except to de-list companies that fail to submit a COP. In this respect, OLA advised the GCO in 2005 that the resolution of complaints against participating companies should be left solely to the parties involved, although the Global Compact could provide guidance and assistance to the companies concerned in aligning their actions with the commitment they have undertaken with regard to the Global Compact principles.

68. Global Compact officials interviewed acknowledged that they were not fully satisfied with the way the integrity measures were implemented. They indicated that the Board, which oversees their implementation, was requested in 2009 to review a proposal to introduce new stipulations concerning the non-reporting period for de-listing and the frequency of reporting by area of principle. The Inspectors consider, however, that the issue at stake is less about introducing new requirements, and more the need to effectively disseminate and apply existing ones. These views were also expressed by other United Nations officials interviewed and in comments received to the draft report.

69. Regarding the JIU survey, 23 per cent of respondents reported that they were not aware of the integrity measures; 46 per cent believed that they should be more vigorously implemented with respect to allegations received; 43 per cent said that they were consulted about the de-listing of companies; and only 18 per cent indicated that they had been involved in the handling of complaints related to business participants.

Allegations of systemic or egregious abuses of the principles by business participants

70. According to the GCO, "safeguarding the reputation, integrity and good efforts of the Global Compact and its participants requires transparent means to handle credible allegations of systematic or egregious abuse of the Global Compact's overall aims and principles."[32]

71. The GCO provides guidance to promote quality engagement and assist participants in aligning their actions with their commitments. However, the GCO will not involve itself in any claims of a legal nature, nor will it enquire into media allegations of violations. Under current procedures, whenever a written complaint is received,

[32] Integrity Measures, Global Compact website.

the GCO should first encourage dialogue among the parties. However, if the company concerned does not cooperate within two months, it may be considered as "non-communicating" and subsequently de-listed.

72. GCO informed the Inspectors that 73 cases had been received, of which only 29 had been handled through the dialogue facilitation process (since "not all persons raising matters desired to progress through the facilitation process or the matters were not suitable for the process."[33] The Inspectors could not obtain detailed figures on the number and type of allegations received, handled and resolved, or the number of companies de-listed.

73. In the Inspectors' view, more comprehensive information and transparency are necessary in disclosing statistics on allegations and actions taken.

Communication on Progress (COP)

74. As mentioned earlier, COPs are the self-evaluation and reporting mechanism of the Global Compact business participants. They are an explicit commitment by companies signing on to the initiative.[34] Only business participants are required to annually submit a COP, which is then published on the Global Compact website and may be consulted by other stakeholders and the public at large.

75. Initially, COP submission was not given due consideration, and the percentage of "communicating" participants was relatively low (35 per cent in 2002, 40 per cent in 2003).[35] In the wake of growing concern over the initiative's effectiveness, and calls for closer scrutiny of firms, the GCO introduced in 2004 its first COP policy guidelines. The policy became operational in 2005, was strengthened progressively in 2006, 2008 and 2009, and publicized by the GCO and local networks through tools guidance materials, learning sessions and workshops. As a result, in 2008, approximately 76 per cent of the participants had submitted a COP, a sharp increase compared to preceding years.[36]

76. A recent review by the Gilé Foundation of 40 COPs submitted by large companies shows a wide disparity in the comprehensiveness and quality of information available per principle.[37] Regarding the principles, environmental responsibility scored the highest mark, followed by human rights, discrimination and anti-corruption, freedom of association, child labour and forced labour.[38]

77. The Inspectors undertook a separate review of a random sample of COPs (submitted by different sized companies) which it assessed against the requirements of the Practical Guide to COPs. Out of the 58 COPs examined, two thirds met all requirements. All the COPs reported on nine of the principles. The principles least reported on were child labour and anti-corruption. The most poorly rated were freedom of association, child labour and forced labour. The two most reported on and highly rated were those designed to promote a precautionary approach to environmental challenges and greater environmental responsibility. On the whole, the results of the JIU review for all types of business were similar to those of the Gilé Foundation for large companies.

78. The Inspectors' review found that some participants were duplicated or placed in the wrong category, and that some COPs shown on the Global Compact website as meeting all requirements were in fact unsatisfactory and vice versa. It also found that COPs that were incorporated in annual reports were not as clear as stand-alone COPs.[39] These findings point to the need to improve scrutiny. Furthermore, the fact that COPs are submitted in any language exacerbates the problem.

[33] Final Report, Meeting of the Global Compact Board, New York, 24 July 2009.
[34] See www.unglobalcompact.org.
[35] Briefing paper, Meeting of the Global Compact Board, 4 April 2007, page 19.
[36] Global Compact Annual Review 2008, page 53.
[37] Overall reporting performance was rated between 0.3 and 0.5 on a scale of 1 for comprehensiveness, and between 0.4 and 0.6 for quality.
[38] Global Compact Annual Review 2008.
[39] According to a GCO review of 1,230 COPs submitted between 2006 and 2009, 53 per cent were stand alone reports, and 42 per cent were integrated in standard company communications.

79. The GCO indicated that it did not have the capacity to check the information provided in COPs. Although the Board has discussed their independent validation/certification, it has reached no agreement on the issue, which continues to pose a reputational risk for the initiative.

80. Of the local networks responding to the Inspectors' survey, 71 per cent indicated that they followed up on non-submissions and provided training, 34 per cent provided feedback after submission, and 25 per cent conducted peer reviews during the process. It should be noted that small and medium-sized enterprises have more difficulties submitting COPs because of insufficient capacity and resources and lack of specific guidance materials, even in United Nations official languages. One network formally complained that most correspondence was in English.

81. The Spanish local network is a good example of the application of best practices. It has prepared detailed guidelines in Spanish, including for small companies, and developed an on-line COP template. It also reviews COPs for clarity, comprehensiveness and compliance with reporting requirements before they are posted online. Between 40 and 50 COPs are reviewed and rated internally every year and those considered "Notable" are selected.

82. In conclusion, more should be done to improve the quality of reporting. Local networks should be induced to conduct peer reviews of COPs, while CSOs and academics should be encouraged to actively exercise "social vetting." In addition, large companies should be requested to report on their subsidiaries' progress in implementing the ten principles, or the subsidiaries should be requested to submit a COP directly. Finally, following the recommendation of the 2009 Annual Local Network Forum (ALNF), CSOs should also be required to submit a COP, and a template for reporting should be created in all United Nations official languages.

Recommendation 6

The Secretary-General, in his capacity as Chairman of the Global Compact Board, should submit to the consideration of the Board concrete measures to reinforce accountability in the implementation of the Integrity Measures, including (a) closer scrutiny of COPs by local networks and civil society; (b) type and frequency of monitoring of COPs by the GCO; (c) submission of COPs by non-business participants; and (d) more proactive and transparent handling of complaints.

B. Office

<u>Office location and reporting lines</u>

83. Within the organizational structure of the United Nations, the GCO was administratively and substantively part of the Executive Office of the Secretary-General until 2008, when the administrative functions were transferred to the Executive Office of the Department of Management. Strategic guidance and direction of the programme of work remained within the Office of the Secretary-General. The Executive Director of the Global Compact is accountable to the Secretary-General through the Assistant Secretary-General for Policy Planning.

84. Some Global Compact officials consider the association of the GCO with the Office of the Secretary-General critical to the initiative's success, and that it should be maintained. However, given the criticism the initiative has come under, the Inspectors are of the opinion that maintaining a close association between the GCO and the Secretary-General entails a reputational risk for the Organization. Furthermore, since the Global Compact has evolved from a simple initiative of the Secretary-General to a fully established office, there is no longer a need to maintain a direct "attachment" to the Office of the Secretary-General. As such, the Inspectors consider that with the recommended re-grouping of the GCO and the UNOP/UNFIP under one umbrella, the reporting line of the GCO should be transferred to the Deputy Secretary-General.

Funding

85. The GCO was almost exclusively funded from Governments' annual voluntary contributions to a Trust Fund until 2006, when the Foundation for the Global Compact was set up to raise voluntary annual contributions from business participants as well.

86. In 2007, General Assembly resolution 62/211 acknowledged the "special funding structure" of the Global Compact as being "specifically designed to reflect the diversity of its stakeholders." [40]

87. Contributions to the Global Compact have been exceptionally charged only a 7 per cent programme support cost since 2005, unlike other voluntary contributions, which are charged 13 per cent. Five per cent of these costs is retained by the GCO, and 2 per cent is paid to the Foundation for services provided.

88. While the number of contributing companies surged from 42 in 2006 to 475 in 2009,[41] the number of donor countries has remained low at about a dozen (mostly European).[42] Such a limited funding base and unbalanced geographical representation of donor countries, if not properly addressed, may challenge the legitimacy of the GCO in the long run. In this regard, the Inspectors recognize the efforts of the GCO to increase Member States contributions, although, the GCO Funding Proposal for 2008-2010 does not address this issue. This document foresees a budget of US$14.7 million for the three-year period, with a budget increase of 15 percent by the end of the period. Funding from Member States is estimated to remain stable, and the increase would result from contributions made by companies through the Foundation,

89. GCO income and expenditure are separately accounted for under the United Nations Trust Fund (Government contributions) and the Foundation for the Global Compact (private-sector contributions). The Inspectors were unable to find a complete overview of the Global Compact budget and expenditure in either the relevant Proposed Programme Budget, or in the United Nations audited financial statements, or the GC Annual Reviews. It was by adding figures in the Trust Fund and the Foundation financial statements,[43] that they were able to determine that total income in 2008-2009 amounted to approximately US$16 million, and total expenditure to some US$12.6 million, largely exceeding the 2008-2009 funding proposal estimate US$9.5 million. The Inspectors consider that a single, comprehensive and transparent reporting on resources is needed, at least in the Global Compact Annual Review.

90. The Inspectors are concerned about the implications of the limited Member States funding base in relation to growing private-sector contributions, as well as the lack of consolidated and clear financial reporting, and the exceptional reduction in the programme support cost charged to voluntary contributions to the GCO. They consider that ensuring transparent and balanced public and private funding is crucial to safeguarding the name, credibility and interests of both the Global Compact and the United Nations, and to preventing their being perceived as funded and controlled by corporations.

Recommendation 7

The Global Compact Office should put in place a robust funding strategy that addresses the need to increase and diversify contributions from Member States, and to achieve more balanced public and private funding so as to enhance effectiveness, transparency and accountability.

[40] A/RES/62/211, paragraph 9.
[41] See www.globalcompactfoundation.org.
[42] Donor countries as at May 2010: China, Colombia, Denmark, Finland, France, Germany, Italy, Republic of Korea, Norway, Spain, Sweden, Switzerland and the United Kingdom.
[43] Financial year end for the Trust Funds is 31 December, and 31 March for the Foundation.

Foundation for the Global Compact

91. A Memorandum of Understanding signed in 2006 stated that the Foundation's main functions were fundraising to support the work of the GCO, and other activities to promote the initiative. In their review of the Foundation's activities, the Inspectors found that between 2006 (year of its establishment) and 2008, it had neither staff nor a physical address. A service contract officer at the GCO managed the accounts of the Foundation until separate premises were rented outside the United Nations Headquarters in November 2008.

92. The Inspectors also learned that the Foundation funds were used for the benefit of the GCO, including to pay former GCO staff who were employed to promote initiatives such as the Principles for Responsible Investment and the Principles for Responsible Management, companies organizing events for the GCO; printing publications; and occasionally the travel costs for GCO staff attending meetings. In addition, at the end of the year, a portion of uncommitted funds (US$350,000 in 2008 and US$300,000 in 2009) was transferred as a grant to the United Nations Trust Fund to finance the operating expenses of the GCO.

93. Despite the provisions of General Assembly resolution A/RES/62/211 which acknowledge the "special management and funding structure" of the GCO, the Inspectors express concern at these unusual financial arrangements which bypass existing United Nations rules and procedures, given that as a separate entity to the United Nations, the Foundation is committed not only to raising, but also to spending funds on behalf of the GCO, while applying the laws of the United States of America.

GCO Staffing

94. At the time of the JIU review, no information on the staffing situation at the GCO was available, either on the Global Compact website, in its annual reports or other public documents. According to data provided, the staffing situation at the time of the JIU review was as follows: 15 fixed-term (1D2, 2P5, 3P4, 5P3, 2P2, and 2GS), one permanent, 14 consultants (nine paid by the Trust Fund, and five by the Foundation), three paid by the Foundation and employed under service contracts for the Principles for Responsible Investment and Principles for Responsible Management Education (PRME), and four non-remunerated interns, for a total of 37 persons.

95. In 2006, the OIOS audit report found irregularities in the recruitment of the GCO short-term staff.[44] Among others, it noted that consultants were not competitively selected and that their contracts were extended beyond the authorized duration without proper justification.

96. In 2008, the Office of Human Resources Management (OHRM) decided to advertise all the posts at the GCO, except the D2 Director post, which continues to be on loan from UNCTAD for a 10th consecutive year. Vacancies were advertised on Galaxy and open to internal candidates exclusively. Only two applicants, one of whom was already working in the GCO, were short-listed for each post. In the end, all the candidates from the GCO were selected, but since their selection was not approved by the Central Review Board, their appointments were limited to the GCO.

97. The Inspectors are aware that these arrangements were designed to regularize dedicated staff employed under precarious conditions for several years. Nevertheless, they note that their recruitment did not comply with United Nations regulations and rules. In particular, appointments at the P2 and P3 levels are reserved for candidates who have passed the National Competitive Examination or for management reassignment. Furthermore, short-term professional staff are not eligible for appointment to the posts they occupy, whereas consultants and interns are not eligible for appointment to any post within the Secretariat for a period of six months following the end of their employment/internship contract. The Inspectors were however assured that the United Nations rules on the recruitment of staff, consultants and interns were now observed. Therefore, the Inspectors expect that no further regularization process would be allowed.

[44] OIOS Audit Report 2006, paragraphs 53 to 60.

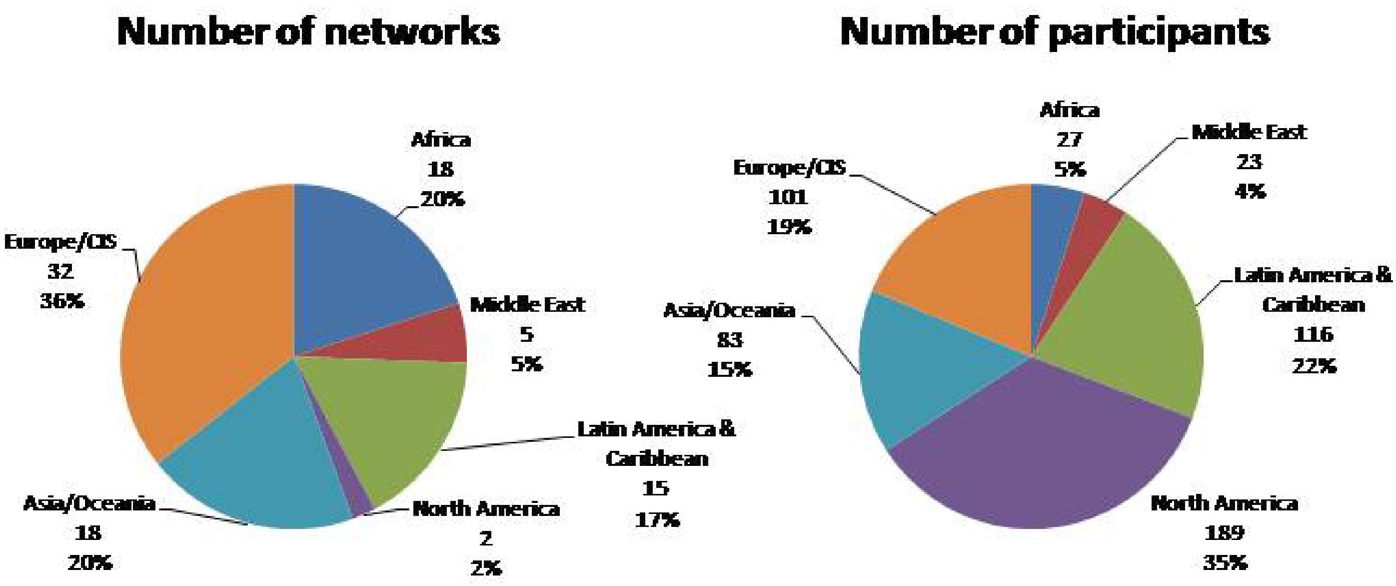
Recommendation 8

The General Assembly should request the Secretary-General to ensure that the flexible application of existing United Nations rules and procedures, with regard to the special management, support, funding structure and position of the Global Compact, is accompanied by appropriate transparency and accountability safeguards. In particular, the Global Compact Office should be required to include in its Annual Review information on its total budget requirements, actual staffing and all income and expenditure incurred on behalf of the Office under the Trust Fund and the Foundation for the Global Compact.

C. Country presence: Global Compact local networks

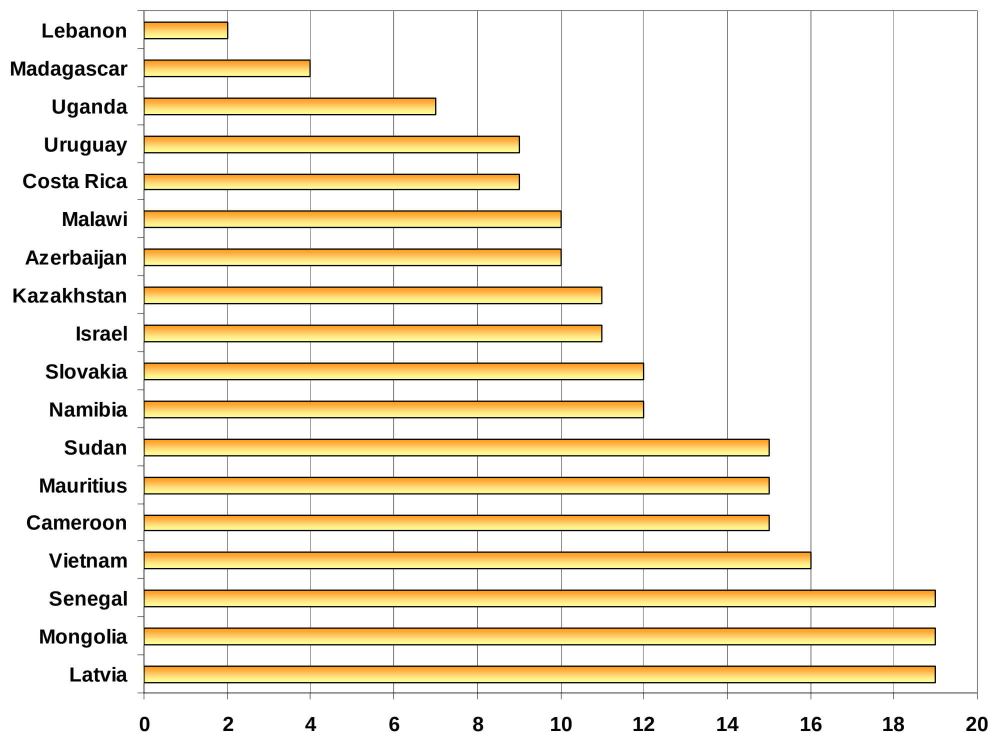
98. The Global Compact local networks are clusters of participants that come together at national or regional level to advance the initiative and its principles. Local networks have experienced exponential growth in recent years, numbering 90 in 2009, of which 70 per cent are "established" and 30 per cent "emerging". Their highest concentration is in Europe, and the lowest in the Middle East. The Americas, Asia/Oceania and Africa have a similar number of networks. The number of participants by network varies significantly – North America boasts the highest number, followed by Latin America and Europe. Conversely, one fifth of the networks has less than 20 participants, including some that have four or less.

Figure 4. Geographical distribution of networks and participants



Source: GCLN knowledge-sharing site

Figure 5. Local networks with less than 20 participants



Source: GCLN knowledge-sharing site

99. Business participants have the largest representation within the networks and their governing bodies.[45] In fact, some networks are composed exclusively of business participants.[46] By contrast, labour organizations are absent in 76 per cent of the networks.[47] This imbalance raises questions about the multi-stakeholder nature of the initiative at the local level. Conscious efforts should be made to inform local labour unions of the establishment of new networks, and persuade them to join and become members of their steering committees/boards.

100. In 2004, the Annual Local networks Forum (ALNF) decided that networks would be required to convene at least one meeting a year, undertake a minimum number of activities and submit an annual report. In this regard, 9 per cent of the respondents to the JIU survey reported that they did not hold an annual general meeting, 57 per cent reported that they organized more than three activities per year, of which learning was the most frequent for 74 per cent of respondents, followed by outreach (69 per cent) and COPs (63 per cent).

101. The number of network reports increased from five in 2004 to 51 in 2006-2007, before falling to only two in 2008, and none in 2009.[48] Surprisingly, unlike business participants, networks are not considered as "non-communicating" if they do not submit a report. In fact, this requirement was dropped after the introduction of a network knowledge-sharing system in 2009. While this system contains useful quantitative data, the Inspectors consider that it cannot substitute a qualitative performance assessment of networks, and regular feedback from the GCO, which are needed to promote efficiency and synergies between the Global Compact's global and local structures.

102. According to the Local Network Report 2008, the networks are unstable: some are growing consistently

[45] United Nations Global Compact Local Network Report 2008, page 42.
[46] Madagascar, Mauritius, Tunis, Macedonia.
[47] Cameroon, Cote d'Ivoire, Egypt, Gulf States, Israel, Jordan, Kenya, Lebanon, Madagascar, Malawi, Mauritius, Mozambique, Croatia, Cyprus, France, Georgia, Germany, Nigeria, Senegal, Sudan, Syria, Tunisia, Uganda, Argentina, Bolivia, Canada, Chile, Greece, Hungary, Kosovo, Latvia, Macedonia, Netherlands, Portugal, Costa Rica, Dominican Republic, El Salvador, Jamaica, Panama, Peru, United States, Uruguay, Australia, Azerbaijan, Bangladesh, China, India, Russia, Serbia, Slovakia, Slovenia, Indonesia, Japan, Kazakhstan, Malaysia, Nepal, Pakistan, Sri Lanka, Thailand, Vietnam, Albania, Armenia, Austria, Belarus, Bosnia and Herzegovina, Bulgaria, Spain, Switzerland.
[48] www.unglobalcompact.org

while others are receding. Funding appears to be highly related to stability – 50 per cent of the legally established networks are in Asia/Oceania, where a fee structure exists in 70 per cent of the networks. The lowest percentage of legally established networks is in Europe (14 per cent), where only 17 per cent require participant fees.[49]

103. At the time of the JIU review, UNDP was hosting about three fourth of all networks, including facilitating their creation, financing some of their costs, and providing them with secretariat services and premises. However, the ultimate objective should be ownership of the networks, disengagement of UNDP (which has no expertise to assist them), and the involvement of United Nations programmes and specialized agencies (e.g. ILO, OHCHR and UNEP) which can provide networks with the necessary technical and normative assistance.

104. While an increasing number of networks can be regarded as successful, an ongoing major challenge is how to ensure that the networks are inclusive, self-governing, networking, sharing experiences and actively involved in implementing the ten principles. In fact, 60 per cent of networks responding to the JIU survey indicated that they interacted with other GC networks only sporadically, whereas between 42 per cent and 64 per cent indicated that they were not consulted on major strategic decisions, complaints related to participants, de-listing of companies, election of candidates to the Board, or participation in its working groups. Thirty-two per cent of respondents qualified the feedback they received from the GCO as poor or they had no opinion, while 76 per cent reported that the quality of information they received from the GCO was "very good" or "good."

105. Furthermore, SMEs seem to have more difficulties submitting COPs because of insufficient resources and capacity, and lack of specific guidance materials in languages other than English. The latter was the subject of a formal complaint by some participants.

106. The Inspectors are of the opinion that reinforcing local networks will give the initiative the grass-root level focus it needs in order to achieve true impact. Instead of simply continuing to create new networks, the GCO should, at this stage, conceive a plan of action to strengthen existing ones. The more networks there are, the more difficult it will be for the GCO to interact with them and provide managerial and substantive feedback.

107. Implementation of the following recommendation would contribute to enhancing the effectiveness of local networks.

Recommendation 9

The GCO should devise a Plan of Action to provide local networks with more effective guidance on how to achieve self-reliance and ownership in implementing the ten principles, taking into account their various needs, including language diversity.

D. Regional presence: support centres

108. The GCO has established sectoral or topical support centers both at the global and regional level. At present, there are five centres (two global and three regional), with two located in Europe, one in North America, one in Latin America, and one in Asia.[50] These centers have distinct objectives, activities and financing arrangements, and are mostly autonomous, functioning in collaboration with, but independently from, the GCO.

109. Based on interviews with officials at four centers and their responses to the JIU, it emerged that these centers have different set up, purposes, funding, budget and area of interaction. They were created between 2005 and 2008 to establish/strengthen local networks within their respective region or worldwide, provide analytical/research capacity, organize activities and/or provide funding. Their activities are financed by UNDP, and voluntary contributions from governments or private foundations, and their budget range between US$0.5 million and US$1.5 million. They communicate with the GCO mostly by e-mail–qualifying this interaction as generally good. They also have some exchanges with other networks within their respective region and/or during

[49] United Nations Global Compact Local Network Report 2008, pages 5 and 41.
[50] The centre for Sub-Saharan Africa is no longer operating.

meetings of the ALNF, and occasionally with other support centres.

110. It seems that they differ in opinion about the Global Compact governance structure, which is considered either “good” or “too loose,” recommending that it should be more business- and less UNDP-driven at the local level, and more “democratic” at the global level. Regarding the engagement and commitment of participants, the centres are in favor of some form of screening or due-diligence process when reviewing new applications, and consider that the delisting of non-compliant companies is a step in the right direction in implementation accountability, but believe that more needs to be done in this respect, while at the same time providing incentives for positive behavior, so as not to turn the Global Compact into a complaint-driven initiative. They also consider that while the public disclosure process is key to continuous improvements, it should not focus exclusively on reporting, but also on implementation. Finally, they consider that the weakness of the networks and the lack of support from the United Nations at the country level undermine the implementation of the ten principles, at the local level.

111. The Inspectors consider that these support centres are under-utilized as regional hubs to create synergies between local and global structures, and facilitate interaction among networks. To ensure better regional representation, similar hubs should be created in the African region.

Recommendation 10

The GCO should ensure a better balanced geographical presence and a more coherent approach to the work of the global/regional support centres in order to create synergies between its global and local structures, and enhance cooperation and coordination among these centres and between the regional centre and networks within the same region.

E. Partnerships

112. The Global Compact Office has coordinated, entered into and/or promoted the launch by the Secretary-General of several global partnerships related to the dissemination of best practices and positive actions such as the Global Reporting Initiative, the Globally Responsible Leadership Initiative, the Principles for responsible Management Education, the Principles for Responsible Investment, Caring for Climate, the CEO Water Mandate and Who Cares Win. Most of these partnerships, which fall within the Office’s mandate of promoting the implementation of the ten principles worldwide, were too new to have had a tangible impact at the time of the Inspectors’ review. However, the GCO consider them a success. The Inspectors are of the view that it would be highly desirable to undertake an independent evaluation of lessons learned from current partnerships before entering into new ones.

113. The GCO is also encouraging participants to engage in partnerships for advancing other United Nations goals, such as the MDGs.[51] Such partnerships are beyond the implementation of the principles and scope of the GCO mandate of “sharing relevant lessons learned and positive experiences from partnerships.” Indeed, they have a broader and more concrete impact, and the Inspectors are of the opinion that their promotion would better fit within the UNOP/UNFIP mandate.

[51] In 2008, 51 per cent of business participants responding to the Global Compact survey reported being engaged in cross-sector partnerships.

Recommendation 11

The GCO should focus on developing global partnerships to promote the implementation of the ten principles, and review them periodically in order to disseminate best practices and lessons learned from.

F. Governance

114. The governance structure of the Global Compact was adopted in 2005, implemented as of 2006, and revamped in 2008. It consists of seven entities: the Leaders Summit, local networks, ANLF, Global Compact Board, GCO, Inter-Agency Team, and Global Compact Donor Group, each operating within a “multi-centric” framework, without central decision-making and having distinct membership, functions and meetings.

115. Qualified as “light” by the GCO, the governance structure, with so many entities, participants and meetings, is, in the opinion of the Inspectors, quite the opposite. Costly and questionably effective, it is also “unique” for an intergovernmental organization such as the United Nations, in that its main strategic direction is provided by a Board with no Member State representation. Some Member States attend as observers.

Global Compact Board

116. The Global Compact Board provides strategic and policy advice for the initiative as a whole, makes recommendations to the GCO, participants and other stakeholders, and oversees the implementation of the Integrity Measures. The Board provides strategic direction but cannot alter basic agreements or impose specific implementation plans, since major decisions require participants’ approval.[52] The Board is chaired by the Secretary-General and is comprised of 20 members plus two ex-officio ones appointed by the Secretary-General on the recommendation of the Board Nominating Committee established by the Secretary-General, based on input from the GCO. The members represent four constituencies (business, civil society, labour and the United Nations) and are elected in a process which is neither democratic nor inclusive. They are appointed “top-down,” and small- and medium-sized enterprises (SMEs), core United Nations agencies and Member States are not represented. Furthermore, the Vice-Chair of the Board is also Chair of the Global Compact Foundation, and ultimately represents the interests of business.

117. The Board meets twice a year, which is insufficient to ensure adequate guidance and monitoring. In addition, there is no follow-up and reporting at subsequent meetings on the few recommendations that it adopts, or modalities to put them to higher governance body with greater decision-making power. Although the Board’s issue-related working groups have contributed, to some extent, to the operationalization of the ten principles, they remain weak and their output is still scarce, partly because they have only recently been created.

Inter-Agency Team

118. The Inter-Agency Team is composed of ILO, OHCHR, UNDP, UNEP, UNIDO and UNODC. Despite its mandate over transnational corporations and the high representation of these companies in the Global Compact, UNCTAD is not part of the Team.

119. Prior to the creation of the Board, these programmes and agencies took part in the work of the former Advisory Council, and reviewed the work programme of the GCO. However, over the years, their strategic influence has declined and from a coordination and governance tool, the Inter-Agency Team is now a mere information exchange forum held in the margins of events such as the ALNF.

[52] www.unglobalcompact.org, update of 6 November 2008.

120. Team members expressed their discontent with their current involvement to the Inspectors, complaining that ad-hoc requests from the GCO arrive throughout the year, and do not follow a communicated or negotiated work plan, which makes resources and workload planning, as well as consistent input impossible. An example of inadequate involvement of the core agencies by the Global Compact Office can be seen in the preparation of the Caring for Climate/C4C Constitution, which was prepared with little reference to UNEP, even though in communication material it was first presented as a joint initiative with UNEP." Only later was UNEP effectively involved in the initiative.

121. One Team member commented that the governance structure should distinguish between general promotional outreach carried out by the Global Compact, and technical expertise on the underlying normative instruments of the Principles. This would prevent the recurrence of some experiences where tools, platforms and guides addressing certain principles were prepared "with little or no knowledge" of standards and substantives issues. This agency was in favour of reconvening the Advisory Council of United Nations agencies and proposed that rules of engagement and interaction between the Council, on the one hand, and the Board and the GCO, on the other hand, be adopted which "could lead to a new and empower relationship" between them and "ensure that the GCO activities complement and strengthen, and not compete with or undermine, the work of the United Nations agencies."

122. In contrast, one United Nations programme that is closely related to, and highly supportive of, GCO activities considered that the "report underestimates the challenge, under values the achievement and ignores the positive effect of the GC in supporting UN agencies to develop their own initiatives."

123. From the foregoing, it is clear that opinions diverge considerably, which is an indication that the current concept and partnership of the core agencies within the Inter-Agency Team needs to be revisited and improved.

Global Compact Donor Group

124. The Donor Group, which consists of donor countries, was incorporated into the Global Compact governance structure in 2008. It is called on to programme and review the use of contributions made to the Trust Fund. However, in reality, its bi-annual meetings have a purely informative role.

Leaders Summit

125. Held every three years, the Leaders Summit was intended to be the Global Compact's highest decision-making forum. However, the 2004 and 2007 summits were a public-relations event attended by a relatively small number of participants, where few strategic decisions were adopted.

Local networks and the Annual Forum

126. The ALNF and the regional network meetings constitute useful fora for sharing experiences and lesson learned. The governance function of the networks is exercised through working groups that formulate recommendations which are submitted to the ALNF. However, most local networks are too weak to exercise governance and their contribution is mainly in the area of capacity building.

127. In conclusion, the new structure has put the GCO at the centre of decision-making and has weakened, rather than reinforced, the initiative's governance framework. Four years after its introduction there are still no effective solutions in sight to the main governance challenges of how to balance participants' diverse interests, promote local ownership of the initiative, and increase the number of participants while ensuring qualitative engagement and sound brand management.

128. In the Inspectors' view, there are three levels at which effective governance of the Global Compact can and should be exercised and reinforced: the local level, through the ALNF; the global level, through an elected and more inclusive Board; and the system level, through an interactive Inter-Agency Team. The following recommendations have been formulated to enhance the effectiveness of the current decision-making framework in a more transparent and inclusive manner.

Recommendation 12

The Secretary-General should reinstate the advisory role of the Inter-Agency Team.

Recommendation 13

The Secretary-General should encourage local networks to nominate candidates to the Global Compact Board.

Recommendation 14

The Secretary-General should propose to the General Assembly the participation of Member States representatives and SMEs on the Global Compact Board.

129. With respect to recommendation 12 above, the Strategic Planning Unit/EOSG indicated that since the GC is a voluntary initiative, the Secretary-General can encourage, but cannot mandate the nature of agency involvement. Notwithstanding the above statement, the Inspectors are of the opinion that their recommendation is advisable and possible, given the prominent role exercised by the Secretary-General in the initiative that originated in, was led by and further supported by the Executive Office. As for recommendation 13, although local networks have the right to vet nominations to the Board since January 2009, the Inspectors do not consider that it has the same “democratic” and inclusive intent as the proposed possibility of nominating candidates to the Board. Regarding recommendation 14, the explanation that “Member States have not been able to agree on how best to implement such an idea” anticipates any decision of the General Assembly in that respect. Furthermore, the assertion that SMEs are already represented by the International Organization of Employers is also valid for large companies which are represented on the Board, and therefore insufficient to preclude representation of about half of the business participants in the initiative. The Inspectors therefore reinstate their recommendations.

G. Evaluation of the Global Compact Initiative

130. Evaluation, both external and internal, is a mandated activity of the United Nations Secretariat. Its ultimate goal is to provide stakeholders with a systematic and objective assessment of the efficiency, effectiveness and impact of their activities in relation to the objectives set, and allow for reflection and corrective action.[53]

131. Since its introduction in 2000, the Global Compact initiative was subject to one external evaluation in 2004 performed by McKinsey & Company, and one performance audit, conducted in 2006 by OIOS.

132. The McKinsey evaluation concluded that while the Global Compact had established itself as an important voice in the corporate citizenships chorus, and was well placed to provide meaningful impetus for corporate change due to its solid roster of participants and dynamic local networks, inconsistent participation and divergent and unfulfilled expectations eroded its impact and threatened its credibility. The report also argued that a diffuse agenda of activities had prevented the Global Compact from following up on most major meetings to ensure that working groups delivered the promised end products.[54]

133. The OIOS audit pointed to the need to clarify the GCO mandate, work programme, location, internal governance structure, fundraising mechanisms, reporting of in-kind donations, staff appointments and reporting

[53] Managing for results: a Guide to Using Evaluation in the United Nations Secretariat, June 2005.
[54] McKinsey & Company, Assessing the Global Compact’s Impact, May 11, 2004, page 16.

requirements for COPs.

134. The GCO, for its part, has published annual reviews since 2007. Although the review surveys were intended to benchmark participants' engagement over the years, no comparative progress analysis was done in the 2008 annual review. However, the Inspectors were informed that following a review of the methodology and performance indicators, subsequent reviews would allow benchmarking.

135. Furthermore, these reviews, which are based on the findings of surveys of business participants, are basically a self-assessment exercise of business participants' progress in implementing the ten principles. The majority of survey respondents to date have been European companies which have already adopted corporate social responsibility policies. Non-business participants, which tend to be more critical of the initiative, have never been surveyed. As a result, the surveys do not depict an independent, unbiased and comprehensive picture of the Global Compact successes and failures, opportunities and risks. The Inspectors are of the opinion that other performance review mechanisms should be put in place to increase effectiveness and accountability, as recommended below.

Recommendation 15

The GCO should include in its Annual Review a self-assessment of its performance in relation to approved objectives and indicators, as defined in its programme budget and mandate.

Recommendation 16

The GCO should periodically commission independent evaluations of the impact of its activities in relation to approved objectives and indicators, as defined in its programme budget and mandate.

H. Conclusion

136. On the whole, the Global Compact has been successful in legitimating the progressive and generalized engagement of the United Nations with the private sector, and promoting new partnerships whose effectiveness is yet to be proved. However, it has been less successful in making business participants translate their commitment into real policy change. To date, the initiative has enjoyed unusual administrative independence, showing a high level of creativity compared to other United Nations offices. But in substance it has been more output- than impact-oriented.

137. In concrete terms, its success should be measured by reference to its "mandate" and the acknowledgement it receives from the General Assembly in advancing United Nations values and responsible business practices within the United Nations system and among the global business community, including through an increased number of local networks;[55] and in promoting the sharing of best practices and positive action through learning, dialogue and partnerships.[56]

138. In advancing responsible business practices within the United Nations system, the Global Compact has contributed to securing the commitment of the United Nations Joint Staff Pension Fund (UNJSPF) to the Principles of Responsible Investment, and promoting environmentally friendly business practices – although positive steps in the latter area cannot be fully attributed to its actions, and much remains to be done in the area of sustainable procurement. Furthermore, its actions have been limited to the United Nations Secretariat, since it does not have authority over other United Nations system organizations.

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[55] See A/RES/62/211, paragraph 9..
[56] See A/RES/60/215, paragraph 9.

139. If success in promoting responsible business practices among the global business community is to be measured by the number of local networks whose participants have committed to embracing the ten principles, then the Global Compact has fulfilled its mandate. If, however, actual implementation of the ten principles by participating companies is the marker, then there is no way of measuring success given that there is no system in place to make an independent assessment, since the survey is a self-assessment by business participants themselves and COPs are not verified. Alternatively, if success is to be measured by the networks' sustainability, qualitative engagement and actions, then the initiative's outcome is mixed. Likewise, the increasing number of COPs could be counted as a measure of success, however, if their comprehensiveness and quality is the yardstick, then progress has been moderate.

140. With regard to promoting best practices and positive action through learning dialogue and partnerships, the initiative could be considered successful only if the number of activities, meetings and workshops publications, tools and partnerships entered into is counted. But if the outcome and impact of these activities and partnerships, and the use of available tools by end-users are assessed, then again the initiative has only been moderately successful.

141. Without a clear and articulated mandate, the GCO, in its all-embracing approach, has extended its activities beyond the four areas (human rights, labour, environment and anti-corruption) of the ten principles into other fields such as financial markets, conflict prevention, peace-building and partnerships towards achieving the MDGs. This all-embracing approach offers opportunities for success, but also risks of under-achievement. On the one hand, the GCO is indeed abreast of most key issues on the United Nations agenda, but on the other hand, such broad orientation may entail a loss of focus and effectiveness.

142. Given the special status, intense activity, increasing resources received, and the risks associated with the all-embracing approach, the Inspectors consider that there is room for improvement. They are of the opinion that the GCO should refocus on its initial vision, recentre its priorities, address the issue of its self-expanded mandate so as to better secure the benefit the United Nations anticipate from the initiative, and achieve the respective expectations of Member States, participants and other stakeholders. In this regard, the Inspectors welcome the assurances given to them that many of these issues will be addressed in the new strategy.

ANNEX I

OVERVIEW OF ACTION TO BE TAKEN BY PARTICIPATING ORGANIZATIONS ON JIU RECOMMENDATIONS JIU/REP/2010/9

				United Nations, its funds and programmes											Specialized agencies and IAEA												
		Intended impact	CEB*	United Nations**	UNCTAD	UNODC	UNEP	UN-HABITAT	UNHCR	UNRWA	UNDP	UNFPA	UNICEF	WFP	OTHERS	ILO	FAO	UNESCO	ICAO	WHO	UPU	ITU	WMO	IMO	WIPO	UNIDO	UNWTO	IAEA
Report	For action		☐	☒	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Report	For information		☒	☐	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒
Recommendation 1		e	☐	L	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
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Recommendation 3		c	☐	E	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Recommendation 4		e	☐	E	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Recommendation 5		a	☐	L	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
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Recommendation 7		e	☐	E	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Recommendation 8		a	☐	L	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Recommendation 9		e	☐	E	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

Legend: **L:** Recommendation for decision by legislative organ
E: Recommendation for action by executive head
☐**:** Recommendation does not require action by this organization

Intended impact: **a:** enhanced accountability; **b:** dissemination of best practices; **c:** enhanced coordination and cooperation; **d:** enhanced controls and compliance; **e:** enhanced effectiveness; **f:** significant financial savings; **g:** enhanced efficiency; **o:** other

* In the case of the CEB, action to be taken by the Chair.
** Covers all entities listed in ST/SGB/2002/11, other than UNCTAD, UNODC, UNEP, UN-HABITAT, UNHCR, UNRWA.

				United Nations, its funds and programmes												Specialized agencies and IAEA												
		Intended impact	CEB*	United Nations**	UNCTAD	UNODC	UNEP	UN-HABITAT	UNHCR	UNRWA	UNDP	UNFPA	UNICEF	WFP	OTHERS	ILO	FAO	UNESCO	ICAO	WHO	UPU	ITU	WMO	IMO	WIPO	UNIDO	UNWTO	IAEA
Report	For action		☐	☒	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
	For information		☒	☐	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒
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Recommendation 11		b	☐	E	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Recommendation 12		e	☐	E	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Recommendation 13		e	☐	E	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Recommendation 14		e	☐	E	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Recommendation 15		e	☐	E	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Recommendation 16		e	☐	E	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

Legend:
L: Recommendation for decision by legislative organ
E: Recommendation for action by executive head
☐ **:** Recommendation does not require action by this organization

Intended impact: **a:** enhanced accountability **b:** dissemination of best practices **c:** enhanced coordination and cooperation **d:** enhanced controls and compliance **e:** enhanced effectiveness **f:** significant financial savings **g:** enhanced efficiency **o:** other

* In case of the CEB, action to be taken by the Chair.
** Covers all entities listed in ST/SGB/2002/11 other than UNCTAD, UNODC, UNEP, UN-HABITAT, UNHCR, UNRWA.