

Global Compact: This is it?

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The Global Compact is a set of ten principles proposed by the United Nations as a guide to responsible conduct for the business sector. The Compact includes principles concerning human rights protection, labour standards, environment and combating corruption, drawn from existing UN principles, conventions and declarations concerning these issues. In a way, it is possible to affirm that the Global Compact principles don't add much to the existing set of "soft" international regulation. However it may also be said that they add value in that they condense ten fundamental principles from a bulkier and wearisome mass of documents which is read only by a few people, appearing overwhelming to many. A good summary, an attractive name, the promotion by a respectable institution. High potential.

As a set of principles, the Global Compact is a very useful guide, especially for large companies highly exposed to the attention of the media, civil society organizations and other prominent actors. However, due to their very nature, they are too general and cannot be seen as a guide for action. A company's adherence to the Compact simply results in a political declaration of good intent, unless these intentions are then transformed into actions. Companies may profess their adherence to these principles and, in turn, publicize this in order to obtain, with some luck, some benefit from it. The Compact currently has over 5.800 members, including companies (4.444 altogether, of which 3.747 are active), NGOs and non-profit organizations. Brazil has 243 members (179 companies), Argentina has 177 (138 companies) and a small country like Panama has 92 (51 companies). Companies sign a letter of commitment declaring: "we express our intent to advance those principles within our sphere of influence. We are committed to making the Global Compact and its principles part of the strategy, culture and day-to-day operations of our company...". So far, so good.

Adherence implies that the company must carry out its activities in accordance with these principles and promote responsible development. The activities are not specified beyond the general principles, which are voluntary, and there is no obligation to do anything in particular. There is no penalty for omitting to comply with the principles. The Global Compact lacks the capacity to verify companies' activities, let alone to determine whether they are actually contributing in any form. In response to its critics, the Global Compact established its members' duty to communicate on the activities carried out by them in their compliance with the principles. This is the ONLY true obligation, and it only consists in the task of informing about what is being done; the extent of the impact -or even the fact of not doing anything at all- remains unimportant. By complying with this

requirement of reporting something, members maintain their full-membership status. The only penalty consists in being expelled for not complying with the duty to inform, and this only occurs after THREE consecutive years of failing to report. In June 2003, 630 companies were delisted for failing to comply with this requirement over the past three years. Clearly, some companies lacked the intention to do anything at all, not even making the effort to send in a report manifesting that they hadn't done anything. It was time to enforce the mandatory submission of Communication on Progress reports. This turned out to be an improvement.

Among its members, the Global Compact has several leaders in responsible practices and companies making significant contributions to economic and social development. However, as in many other cases, irresponsible companies benefit from those which are responsible. There are also many irresponsible or indifferent members.

While the principles constitute a useful guide, they only impact on companies that would have carried out responsible practices either way -regardless of the Global Compact- but wish to benefit from the additional public exposure. To these responsible companies, being a Global Compact member doesn't add much value since membership should be valuable to companies which are initiating or extending their responsible practices. But for the Global Compact to add value, it must become a more exclusive club, one that implies a "membership fee", that is, one that demands responsible conduct from all its members. Membership, as currently posed, is free of charge, has no cost. Anyone can join and will only be expelled after three years of failing to report on what they do concerning the principles. Let's not ask whether or not they do anything at all. The preservation of membership must be subjected to a more rigorous test than the occasional delivery of a simple report, the content of which is not under scrutiny. Perhaps there are too many members for a club like the one proposed, which admits anyone, and therefore devalues its membership.

Global Compact leaders have maintained that it was never expected for the Compact to be an instrument of control, that it is only an instrument to raise awareness. Nevertheless, they have created mechanisms –like membership and everything it entails- that go beyond the principles' dissemination. In addition, they expanded membership to include institutions, associations and organizations, for example trade unions, consulting firms and civil society organizations whose actions have little or no relation to the principles and which also reap benefits without incurring costs. Unfortunately, the Compact is being abused by irresponsible –or at least indifferent- companies and institutions "using" the Compact's name and their membership in it to create and propagate the impression that their practices are responsible. In order for responsible practices to bear fruit, as we say, "it's not just necessary to be but also to

appear responsible”, meaning that the interested parties must know that the company is responsible and act accordingly (unless one wishes to be responsible for moral or ethical reasons only). What happens in the case of the Global Compact is the opposite: many companies expect to reap benefits without incurring costs, using the Global Compact in order to “appear” without “being” responsible.

As politically complicated as it may be for a multilateral organization to make a value judgment on a company’s conduct, this step cannot be avoided if the Global Compact wants to preserve its credibility. Someone has to do it. It should at least encourage civil society organizations to monitor, on their own, the Global Compact’s members and inform on companies’ responsible practices. As currently posed, the Global Compact risks becoming irrelevant in ensuring responsible practices. In practice, its contribution has been limited to increasing awareness on the need to implement responsible practices, and it remains difficult to affirm whether this has resulted in any kind of action.

For more information on the Global Compact, go to www.unglobalcompact.org, and for a critical perspective, see www.globalcompactcritics.net.