Chapter 10

Mobilizing business action to advance the 2030 Agenda: harnessing the potential of the UN Global Compact

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Introduction

"I propose that you, the business leaders… and we, the United Nations, initiate a global compact of shared values and principles, which will give a human face to the global market."

United Nations Secretary General Kofi Annan (1997-2006)

The UN Global Compact was founded in 2000 as a special initiative of the Secretary-General "to give a human face to the global market". Its very name emphasized the global scope and ambition of the initiative, at a time when the United Nations and Governments grappled with the risks and opportunities afforded by globalization and markets. To provide a framework for business to fulfill a new role as a force for good, the Secretary-General outlined a set of universal principles, drawing on United Nations conventions and declarations in the areas of human rights, labour, the environment and anti-corruption.

The creation of the UN Global Compact was a major milestone in the relationship between the United Nations and the private sector. Sagafi-Nejad (2008) provides an exhaustive account of how this relationship has evolved drastically over time, "from Code of Conduct to Global Compact". In particular, the author analyzes trends in Member States' views, from the establishment of the Commission on Transnational Corporations in 1974, which was mostly skeptical of the private sector's objectives, to an increasingly partnership-oriented and multi-stakeholder perspective that was ultimately crystallized in the UN Global Compact.

In addition to the global dimension, as early as 2002 country-level "chapters" or organizations claiming to support the UN Global Compact began to be established. These grass-roots organizations, anchored in different institutional contexts, eventually came to be known as Global Compact Local Networks. Rasche & Kell (2010) provide a first-hand account of the early history and debates surrounding the creation of the UN Global Compact, including achievements, trends and challenges in the development of these Local Networks.

Almost twenty years later, the UN Global Compact has grown into the world's largest corporate sustainability initiative, with almost 10,000 member companies based in over 160 countries, across all regions, representing nearly every sector. Participating companies must make a commitment to the Global Compact's principles and are given a platform to communicate on their progress. With the advent of the 2030 Agenda, companies are also encouraged to pursue opportunities that advance the Sustainable Development Goals (SDGs). The Global Compact Office, headquartered in New York, coordinates the overall initiative with a mission to mobilize "a global movement of sustainable companies and stakeholders to create the world we want".

The 2030 Agenda and the repositioning of the United Nations Development System emphasize the country-level dimension in sustainable development and are raising the level of ambition for Local Networks. As Member States seek to ensure the broad mobilization of all stakeholders, including the private sector, Local Networks are increasingly becoming valuable partners in enabling partnerships for the SDGs. Today, almost 70 Local Networks exist in all continents, translating the Global Compact into local public-private partnerships, and embedding corporate sustainability in national policy dialogue.

This chapter begins by providing background and data on how Local Networks of the UN Global Compact have progressively become more involved in national SDG coordination mechanisms and Voluntary National Reviews (VNRs). It then proceeds to analyze challenges and opportunities in mobilizing the participation of the private sector in these processes, considering both normative and capacity gaps in the "offer" and "demand" for partnerships. As a conclusion, the chapter considers the way forward on the UN Global Compact's strategy for engagement in national SDG processes, as we enter the Decade of Action on the SDGs.

I. Anchoring the UN Global Compact in national policy dialogue

1. From letting a thousand flowers bloom to "Making Global Goals Local Business"

During the early years of the UN Global Compact, country-level support grew organically, reflecting myriad institutional arrangements – such as employers' organizations, sustainability non-governmental organizations or academic institutions, among others. While these entities were not formally under oversight of the United Nations, they began to establish links with the Global Compact Office in New York through a series of legal agreements. Thus were born the "Local Networks" of the Global Compact. The Global Compact Office's initial strategy was akin to letting a thousand flowers bloom, allowing local private sector communities to create and grow Local Networks with significant flexibility, as part of an impetus to extend the reach of the initiative at country level. The agreements between Local Networks and the Global Compact Office consisted essentially of measures to safeguard the name and emblem of the United Nations, clarifying Networks' legal status as independent entities.

The Global Compact Office soon realized that such agreements did not sufficiently mitigate the integrity risks associated with the operations of Local Networks. A more robust set of "quality standards" was necessary to ensure that Local Networks could effectively and credibly support the UN Global Compact. Such quality standards would come to encompass a wide range of areas, from policies on conflicts of interest between Local Networks and host entities, to requiring a board governance structure, among others. The progressive implementation of these quality standards globally also led to a significant increase in Local Networks' capacity to engage more meaningfully with programmatic initiatives in the four areas of the Ten Principles. Examples include the establishment of working groups convening sustainability professionals, as well as workshops to build capacity in specific areas, from human rights due diligence to anti-corruption compliance, localizing this content in national contexts.

The 2030 Agenda represented a paradigm shift for the United Nations. It established a framework of SDGs, to be implemented and measured by all Member States in partnership with all

stakeholders, including the private sector. Due to their universal reach, the SDGs are also progressively emerging as the common language of corporate sustainability, enabling companies from all sectors and geographies to coordinate sustainability efforts, amongst themselves and with other stakeholders. This stands in stark contrast to a corporate sustainability landscape that has otherwise often been fragmented, with competing frameworks that might be industry- or issue-specific, and not conducive to promoting multi-stakeholder dialogue or partnerships. The SDGs also contributed to a paradigm shift in the private sector, from the concept of "corporate social responsibility" towards the more contemporary idea of "corporate sustainability".

To achieve this transformational agenda, Member States also agreed to the 2016 quadrennial comprehensive policy review and a bold agenda of repositioning of the United Nations Development System, both of which underscore the central importance of the country-level dimension in development. The reform agenda raised the level of ambition for Local Networks and the UN Global Compact to enable and enhance partnerships locally. Increasingly, Local Networks are expected to engage with Resident Coordinators, UN Country Teams and Governments on policy dialogue or other projects related to the SDGs. This includes, for instance, increased interest in the participation of Local Network representatives on national SDG commissions, or in the contribution of private sector data and insights to VNRs. In its 2019 "Towards Global Partnerships" Resolution, the General Assembly recognized Local Networks' role in supporting the implementation of the 2030 Agenda locally.

This shift towards a more robust role for Local Networks is not just an external demand. It also reflects the Global Compact Office's strategic focus on articulating the global and country-level dimensions, as reflected in the campaign "Making Global Goals Local Business", launched in 2016 and which continues to be implemented, in coordination with Local Networks. In addition, a new Theory of Change developed in 2018 clearly identified Local Networks' role in disseminating sustainability at scale as being central to the organization's mission. Building on this understanding, in 2019 the Global Compact began to launch a number of "Global Impact Initiatives" – programmatic activities that build capacity in corporate sustainability, designed by the Global Compact Office, and to be delivered by Local Networks, to scale-up impact across business in different geographies. Rather than just a rebranding exercise, these initiatives represent a significant paradigm shift, as the UN Global Compact redirected its focus and resources towards corporate sustainability at the country level to advance progress on the SDGs.

2. *Local Networks' engagement in national policy processes (2015-2018)*

The 2030 Agenda emphasizes the national ownership of Member States in reviewing progress on the SDGs, developing coordination mechanisms for sustainable development, and engaging in VNRs at the regional or global levels. While the United Nations has a mandate to support Member States in these endeavours, the outcome is that different countries have developed different institutional arrangements for national policy-making on the SDGs, consisting in some cases of National Councils for the SDGs, inter-ministerial coordination mechanisms housed in Ministries of Planning, as well as SDG focal points within the office of the Head of State or Government. Different institutional arrangements have also translated into different approaches to engagement of the private sector in VNRs.

Analysis of VNR reports submitted to the 2019 High-level Political Forum indicates that there have been varying levels of engagement of the private sector (Partners for Review 2019). This has included surveys among the private sector (e.g. Liechtenstein, Rwanda, Serbia), the establishment of SDG-related platforms or networks (e.g. Indonesia, Mauritius, New Zealand, Turkey), and coordination of input by Chambers of Commerce (e.g. Azerbaijan, Chile, Croatia). Other 2019 VNR reports mentioning participation of the private sector include Cambodia, Cameroon, Guyana, Iraq, Kuwait, Lesotho, Mongolia, Pakistan, the Philippines, Rwanda, Saint Lucia, Sierra Leone, Tanzania and Timor Leste.

The engagement of the UN Global Compact and the Local Networks also reflects the variety of national institutional arrangements. The publication "Accelerating National SDG Implementation" (UN Global Compact 2018) takes stock of these diverse experiences and provides both an analytical perspective and country case studies, articulating Local Networks' record across five key areas:
- Awareness raising: helping business understand SDG risks and opportunities
- Capacity-building: mainstreaming a principle-based approach to the SDGs
- Recognizing leadership: providing inspiration through good business practices
- Policy dialogue: engaging responsible business on national SDG action plans and policies
- Multi-stakeholder partnerships facilitating collaboration and collective action

Focusing on the policy dialogue angle alone, Local Networks engaged in 205 policy dialogue initiatives, involving over 6,000 companies in discussions with national and local governments. Combining 2017 and 2018, 42 Local Networks contributed to their respective national processes for the implementation of the SDGs, including 29 Local Networks that made direct contributions to VNRs presented at the High-Level Political Forum in those years. Some examples include:
- **Argentina**: The Local Network engaged in dialogue with the national SDG coordination body, the *Consejo Nacional de Coordinación de Políticas Sociales*, which led to the inclusion of a chapter on the role of the private sector as part of the country's VNR report. The President of the Local Network was welcomed to take part in the official national delegation to the High-Level Political Forum in New York.
- **Spain**: The Local Network facilitated dialogue between the government's High-Level Group for the 2030 Agenda and the business community, providing a contribution to the VNR and also for the implementation of a 2030 Agenda action plan. This policy engagement translated led to concrete deliverables, including a set of recommendations on sustainability for public procurement consistent with the SDGs.
- **Australia**: The Local Network developed a website, in collaboration with the Department of Foreign Affairs and Trade, to raise awareness on the 2030 Agenda among the public at large. It also collected private sector input into the country's VNR, and participated in discussions regarding national SDG coordination.

In addition to these examples of formal participation at VNRs and national SDG coordination bodies, Local Networks are reported to have engaged in a large number of activities related to the SDGs at country. This has included over 1,500 awareness raising and capacity-building workshops and events, which have engaged at least 14,000 companies.

The UN Global Compact's 2019 Progress Report, launched at the opening of the 74th General Assembly, also provides extensive brand new data about the private sector's work in advancing the SDGs, at both the global and local levels. In the area of policy dialogue, it casts light on Local Networks' engagement in a variety of multi-stakeholder initiatives related to aspects of the 2030 Agenda, such as the UN Guiding Principles on Business and Human Rights, the Science-Based Targets initiative, the Katowice Climate Change Conference (COP 24), or the Women's Empowerment Principles, among others.

II. Raising the level of ambition in partnerships for the SDGs

The multi-stakeholder approach enshrined in the 2030 Agenda explicitly calls on Member States to build partnerships with the private sector to advance progress on the SDGs. However, national SDG coordination mechanisms and VNRs have not systematically engaged the private sector in a meaningful way. To understand why this has not been the case, this chapter proposes a simplified model for the "offer" and "demand" of such partnerships, considering both normative and capacity gaps. By normative, we mean the different guidances and recommendations that exist on the preparation of VNRs by Member States, arising from the intergovernmental process of the 2030 Agenda or prepared by other organizations. Capacity refers to different stakeholders' knowledge and ability to fulfill the expectations embedded in the 2030 Agenda. Given that the review of the SDGs is led by national governments, the demand for partnerships comes from the government, while the offer emanates from different stakeholders, in this case the private sector.

1. Enabling a meaningful contribution of the private sector

On the offer side, despite the progressive mainstreaming of corporate sustainability, many companies are not yet engaged in the 2030 Agenda, or necessarily aware of the SDGs. They may not realize their role within the development partnerships ecosystem, and view eventual "corporate social responsibility" initiatives with a philanthropic lens, if at all. They do not yet speak the language of development, and may not be sufficiently equipped to provide a meaningful contribution to policy dialogue on the 2030 Agenda, especially when we look at the country-level dimension. This is also often the case for business organizations that may have an institutional role in liaising with governments on public policy matters, such as chambers of commerce or employers' organizations – even though their global umbrella organizations may work on such themes, in the case of the International Chamber of Commerce of the International Organization of Employers.

This significant capacity gap stands in contrast to the advanced normative tools that inform current practices in corporate sustainability. Since 2000 the UN Global Compact has been standing at the forefront of such efforts, beginning with the articulation of the Ten Principles as a framework for sustainable business. With the 2030 Agenda, the UN Global Compact developed a number of frameworks that enabled companies to assess their performance and impact on the SDGs, such as the SDG Compass. The UN Global Compact has also built partnerships with the sustainability reporting industry, to develop a framework for companies to be able to provide stakeholders with sustainability reports aligned with the SDGs. Working closely with the Global Reporting Initiative, the Action Platform on Reporting on the SDGs developed a series of publications, providing a list of indicators for SDG reporting, as well as a practical guide to integrate the SDGs into their

reporting cycles. Such broad "SDG business" guidances complement a wide range of other documents focusing on specific SDGs, across all areas, and prepared by the UN Global Compact or by a wide range of other organizations that are part of the partnerships ecosystem. Recognizing the large number of existing normative initiatives, the UN Global Compact has sought to position itself as a "platform of platforms". To companies, a key element of the UN Global Compact's value proposition is precisely this ability to convene and curate sustainability frameworks, and build capacity.

To increase the "offer" of meaningful partnerships, Local Networks can play a significant role in bridging the capacity gap by implementing concrete initiatives, such as awareness-raising training and workshops, and whenever relevant further localizing this material to embrace specific country-level issues, including legal and regulatory aspects. This is especially relevant when considering participation in national SDG processes, or in the case of companies that engage with the Global Compact essentially at the country level, which is overwhelmingly the case for small and medium-sized enterprises. By doing so, Local Networks can provide a critical mass of companies that not only have an understanding of the 2030 Agenda, but are also ready to engage in national SDG policy processes and VNRs in a meaningful way. It also provides a space for companies to mobilize in a more institutional and coordinated way.

Based on conversations held with Global Compact Local Networks, a potential normative gap has been identified in the provision of guidance on how the private sector community can engage with national SDG coordination processes and VNRs, in a language that is accessible to this stakeholder group, with concrete examples. Many of the existing guidances are geared towards government officials, or are too abstract and not easily actionable for the private sector. In other cases, guidances may focus on broader multi-stakeholder engagement, which encompasses a wide range of stakeholders, for instance as reflected in the Agenda 21's "Major Groups" (Business and Industry, Children and Youth, Farmers, Indigenous Peoples, Local Authorities, NGOs, Scientific and Technological Community, Women, and Workers and Trade Unions). As a result, they may not address issues that could be of particular interest to the private sector, and are less effective in conveying the value of private sector engagement in VNRs.

2. *Institutional channels to galvanize partnerships at country level*

On the demand side, Governments find themselves faced with the challenge of identifying which private sector voices are legitimate or relevant to VNRs, while avoiding situations that could lend themselves to the appearance of favouring one company or industry over another. For instance, there may be multiple chambers of commerce or industry associations, with competing interests and membership, and potential integrity issues, owing to the awareness issues mentioned previously in this chapter. Given the large amount of national coordination work required to produce a meaningful VNR, which may include the establishment of standalone SDG coordination bodies, these challenges in easily identifying the adequate private sector stakeholders may lead governments to deprioritize stakeholder engagement. To date there is no systematic approach for private sector engagement in VNRs or for stakeholder engagement more generally.

Given the diversity of public administrations, as well as the fact that not all countries have presented a VNR yet, assessing eventual capacity gaps necessarily leads to generalizations. Additional

research into public-private partnerships for sustainable development could yield relevant insights to address eventual normative or capacity gaps. Just like the private sector community may have a limited understanding of the language and institutional context of the 2030 Agenda, it is likely that governments may have limited awareness of the potential of the private sector as a force for good, or at least a stakeholder interested in advancing the SDGs.

The UN Global Compact plays a role in raising awareness of this potential and promoting dialogue between governments, the UN and the private sector, for instance through the SDG Business Forum or the ECOSOC Partnership Forum. In 2019, the Global Compact Office organized a number of events, both in New York and at country level as part of the "Making Global Goals Local Business" campaign.

Considering that several positive experiences of Global Compact Local Networks' engagement in these processes have taken place in the context of standalone SDG coordination bodies, it appears that this kind of institutional setting is prone to enhancing private sector participation in a more meaningful way. Local Networks have flagged that such institutional "pre-conditions" are a critical enabler of private sector participation in VNRs. Initiatives to share good practices on establishing these bodies, such as the Global Forum for National SDG Advisory Bodies, have the potential to increase the demand for partnerships with the private sector. They are also consistent with the strategy of Global Compact Local Networks, which can catalyze a critical mass of companies and private sector representatives that are "partner-ready" for policy discussions on the 2030 Agenda with all other stakeholders, though national SDG coordination entities.

Conclusion

Recognizing the need for enhanced exchange between the Global Compact Office and Local Networks on the topic of VNRs, in 2019 a project began on filling the normative gap that currently exists in the "offer" of private sector partnerships in VNRs. Throughout 2019, this project is gathering learnings from Local Networks' experiences, government input, and the SDG knowledge community with the ultimate goal of preparing an actionable guide for Global Compact Local Networks. On the demand side, the UN Global Compact also sought to raise awareness among governments of the value of the Local Networks, on the occasion of the 2019 High-Level Political Forum, and more generally by working with Local Networks on building connections with their respective national SDG coordination bodies. The Global Compact Office plans to develop a guidance package on private sector contribution to VNRs in 2020, including a plan for capacity-building of Local Networks, and an awareness-raising toolkit for Member States, so that they are more systematically aware of this partnership opportunity. It is expected that this package will operate considering a short-term horizon, the 2020 High-Level Political Forum in July 2020, and a more long-term horizon, leading up to 2030.

Global Compact Local Networks are uniquely positioned to fill existing gaps by providing an alliance of "partner-ready" companies that are educated on the 2030 Agenda and follow a mandatory integrity requirement to communicate on their sustainability performance. At the same time, as entities that have a formal link to the Global Compact, they can benefit from the visibility needed for Member States to activate them at the early stages of their VNR preparation, when stakeholder input can be more meaningful.

The Secretary-General has identified 2020-2030 as a critical Decade of Action to accelerate progress on the SDGs and fulfill the aspirations of the 2030 Agenda. To achieve this, all stakeholders need to significantly increase their level of ambition. This includes scaling up business action, moving from ad hoc corporate social responsibility projects towards transformational partnerships anchored in corporate sustainability. It also requires a qualitative leap in the private sector contribution to VNRs and SDG review processes, with more meaningful and data-driven participation. The UN Global Compact will play an essential role in mobilizing the private sector in support of the 2030 Agenda.

Note

The findings, interpretations and conclusions contained in this chapter are those of the author, and do not necessarily represent the views of the United Nations Secretariat or any other institution. The geographic and functional designations employed in this paper do not imply the expression of any opinion concerning the legal status of any country, territory, frontiers or authorities.

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