

Business for Social Responsibility

# Working With Multilaterals



Simon Zadek  
and the Staff of  
Business for Social Responsibility

June 2002



This report was created as a collaborative effort between Simon Zadek and Business for Social Responsibility. Tara Gruzen of BSR provided primary support and helped in the writing of the report, along with the assistance of other BSR staff, especially Mark Lee and Aron Cramer. Tanya Schwarz also offered key support in the research and writing.

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**Business for Social Responsibility (BSR)** is a global nonprofit organization that partners with member companies to achieve commercial success in ways that respect ethical values, people, communities and the environment. Advancing the worldwide adoption of business practices that build a more just society and sustainable economy, BSR provides information resources, advisory services, networking and collaborative opportunities to make corporate social responsibility an integral part of business operations and strategies. BSR member companies have total annual revenues of nearly \$2 trillion and employ more than six million workers around the world. For more information, visit [www.bsr.org](http://www.bsr.org).



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## Looking to the Future

Why should a business interested in furthering its commitment to corporate responsibility collaborate with institutions with which it has little in common, which have a long history of antagonism towards business, and which most businesses see at best as inefficient and incompetent? Why, in short, should businesses partner with multilaterals such as the United Nations?

The fact is that there has been dramatic growth in recent years in the number of business-multilateral partnerships. The more skeptical business community views these partnerships as a result of naively enthusiastic corporate attempts at “doing good” and misconceived risk management and market development strategies. From this view, most partnerships will fail to deliver adequate business benefits, and the companies involved will disengage and return to “business-as-usual”. The skeptical view also holds that these partnerships will be restricted to “special-needs” businesses requiring the protective umbrella of brands such as the UN to effectively manage their reputational vulnerabilities, such as pharmaceutical companies faced with unusually significant reputation challenges over drug pricing, apparel companies over child labor, and energy and mining over human rights and the environment.<sup>1</sup>

Short-term, financial bottom-line realities certainly drive business behavior and affect the terms on which they choose whether to engage with multilaterals and with other non-business players like civil society organizations. But it turns out that

most partnerships with multilaterals are not grounded in such short-term concerns. Businesses most ready to engage with multilaterals see that future business success will depend on their ability to effectively handle social and environmental opportunities and risks in innovative, value-adding ways. It is these businesses, for example, that are profiled in the Dow Jones Sustainability Index – those most advanced in the development of innovative products and services most likely to realize business rewards by effectively delivering social and environmental benefits.

On the other hand, the fact that there are business opportunities in addressing the challenges of sustainable development does not make partnering with multilaterals the only option. Initiatives like the Global Sullivan Principles encourage businesses to take greater account of social and environmental issues without the added complication of partnering with the UN or indeed any non-profit organizations. For some businesses, including smaller companies, the perceived legal and bureaucratic hurdles of engaging with multilaterals are simply too high. For other businesses, partnering with multilaterals offers real opportunities to enhance their participation in the global economy. Businesses in Africa, Asia, and Latin America see such partnering as a means of building profile or knowledge networks taken for granted by Western multinationals and, at the same time, addressing their domestic or regional development challenges.

Even today's most imaginative business leaders find it hard to predict what their companies might look like in years to come. But one thing is sure. Businesses will have developed competencies to handle social and environmental issues such as

human rights and bioethics, just as many of yesterday's companies did in aspects of eco-efficiency and equal opportunity. Board members and directors will be as attuned to 'sustainability' data as they are today to their company's short-term financial results. Social and environmental knowledge networks will be an integral part of their mainstream business processes.

Today's partnerships with multilaterals are an early and often immature element of tomorrow's business success models. Certainly, many that exist today will flounder. Most may be forgotten within a decade. But it is the longer-term vision and potential from such investments that endow such partnerships with strategic significance. So-called 'development' benefits may appear different from (and sometimes in conflict with) 'business' benefits in the short term, but their convergence lies at the heart of tomorrow's markets. The businesses that partner with multilaterals today are most likely to have the requisite competencies to compete effectively in tomorrow's markets. Learning from such engagements is therefore the strategic imperative, while ensuring that these engagements deliver adequate

short-term benefits. Bridging these shorter and longer-term aims, activities and benefits, like all business propositions, is the leadership challenge, and the subject of this report.

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## The Report

Business for Social Responsibility (BSR) has commissioned this report to better understand the trends unfolding in corporate-multilateral partnerships, focusing on the potential benefits of such relationships, and how best to achieve them. Project methodology includes:

- Analysis of case studies across sectors and types of collaboration (SEE FIGURE 2 AND APPENDIX ON PG. 22).
- Discussions with selected participants in case study collaborations and with experts in the field (a list of people consulted is included in the appendix).<sup>2</sup>
- Research of key reports and other documentation on business-multilateral partnerships (a short bibliography has been included in the appendix).

This report summarizes the findings in four main sections:

- **The Partnership Imperative** summarizes the historic approach of the UN towards business and emerging forms of engagement.
- **It Takes Two to Tango** explores some of the practical lessons emerging from the case studies such as to how to make partnerships work.
- **Analyzing Risk and Return** provides a simple tool for assessing potential risks and returns from engagement that could be used by businesses, multilaterals and indeed other partners, illustrating its application with case-study material.
- **Near Futures** summarizes some of the key developments needed to secure more effective partnerships that deliver both short-term business and development benefits, and longer-term, strategic gains.

### Research Aims

- To explore the experience of business working with multilaterals, particularly the UN.
- To identify the short- and long-term potential from greater business engagement with multilaterals.
- To explore how best to assess and most effectively manage risks associated with such engagement.

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### Main Cases

- Business Partners for Development**
- Cisco Networking Academy**
- Global Alliance of Workers & Communities**
- Global Compact**
- Global e-Sustainability Initiative**
- Global Mining Initiative**
- Global Reporting Initiative**
- Sialkot Partners Agreement**
- International Finance Corporation**
- Merck and WHO (Mectizan Donation)**
- UNAIDS and COCA-Cola (AIDS)**
- UNAIDS and Female Health Company**
- UNEP FI / Insurance Sector**
- UNICEF Change for Good**

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## The Essence of the UN

**“The UN Charter’s very first Article defines our purposes: resolving disputes by peaceful means; devising cooperative solutions to economic, social, cultural and humanitarian problems; and broadly encouraging behavior in conformity with the principles of justice and international law.”**

- Kofi Annan, UN Secretary General<sup>3</sup>

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## The Partnership Imperative

Multilaterals are public institutions with multinational mandates in that they are owned and controlled by more than one government. There are a host of multilateral institutions, ranging from the Inter-American and Islamic Development Banks to the European Commission and the North Atlantic Treaty Organization (NATO). The focus here is on the UN family of multilateral institutions.<sup>4</sup> The UN is by far the largest multilateral in terms of size, geographic mandate, and scope of activities, including many high profile bodies such as UNCHR (dealing with human rights), UNHCR (for refugees), UNICEF (for children), and the WHO (dealing with health). Equally high profile but more distant members of the UN family include the International Monetary Fund (IMF), the United Nations Industrial Development Organization (UNIDO), the World Bank, and the World Trade Organization (WTO). Less well-known family members include the International Civil Aviation Authority, the International Telecommunications Union, and the International Maritime Organization.

What binds the UN is neither management nor ownership, although both play some part in ensuring cohesion. Rather, the critical binding force is a vision of universal values established through dialogue between sovereign states that sets the tone, if not always the letter of the law, of how societies manage their affairs, and their relationships with each other (SEE FIGURE 3).

### Partnership Histories

The UN has a long history of supporting business success as a means of enhancing international development.<sup>5</sup> It has done so most visibly and directly through the International Finance Corporation (IFC) – part of the UN family. Since its founding in 1956, the IFC has committed more than US\$31 billion of its own funds and has helped to arrange \$20 billion in syndications for more than 2,500 companies in 140 developing countries.



Beyond this lies a far more extensive UN engagement in establishing multilateral regulatory frameworks essential to all international business transactions. When ships sail freely across the seas and through international straits, they are protected by rules defined at UN conferences. Commercial airlines have the right to fly across borders, and to land in case of emergency, due to agreements negotiated through the International Civil Aviation Authority. Universal Postal Union protocols prevent losses and allow mail to move unimpeded across borders. The UN Sales Convention and the UN Convention on the Carriage of Goods by Sea help to establish rights and obligations for buyers and sellers in international commercial transactions. International Telecommunications Union allotment of frequencies keep the air waves from becoming hopelessly clogged.

### *New Forms of Engagement*

The Central Intelligence Agency's report on the world in 2015 (SEE FIGURE 4) shows clearly that the development challenge is enormous. Business is not only a primary engine of economic development, but also a major determinant of social and environmental outcomes. However, the negative social and environmental impact of business is not adequately offset by traditional statutory mechanisms, particularly in countries where enforcement is weak. Furthermore, the development potential of the business community's expertise and resources is not fully realized through "business-as-usual."

The UN has therefore increasingly experimented with new forms of engagement with the business community, particularly the international business community - the 70,000 or so multinational corporations and their many subsidiaries and affiliates. These new forms of engagement extend beyond both the rule-making underlying much of the UN's work in earlier decades and the traditional forms of philanthropy based around the business-as-giver model (SEE FIGURE 5).<sup>6</sup>

Most international business operations simply could not take place as effectively without the existence of invisible tramlines established through multilateral efforts.

## The CIA's View of the World in 2015

### • **Demographics**

Population will reach 7.2 billion, with 95 percent of that growth in developing countries, fostering instability.

### • **Food**

Political instability coupled with worsening poverty will lead to a major increase in numbers of malnourished people.

### • **Water**

More than 3 billion people will live in countries that are 'water-stressed.'

### • **Environment**

Degradation of arable land and tropical forests will continue. Greenhouse gas emissions will increase substantially.

### • **Health**

Disparities in health status between developed and developing countries will consume more than 50 percent of many health budgets.

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## *Mobilizing Funds*

Philanthropy remains an important aspect of business-UN partnerships. UNICEF's 'Change for Good' program, involving the collection of donations from airline customers, is the most traditional philanthropic model in the cases considered. However, also in this category are single-company partnerships such as the Mectizan Donation Program involving Merck and the World Health Organization. Mectizan provides drug donations as well as other levels of engagement to ensure effective planning and delivery of drugs to those in need.

## *Voluntary Standards*

Other initiatives are involved in establishing non-statutory rules under which businesses agree to operate. For a business, "partnership" here might involve participation in the development of such initiatives, or more simply the agreement to abide by the rules established through the initiative. A key example of this is the Global Reporting Initiative, established with UNEP and supported by grants from the United Nations Foundation (itself a collaboration with business, established through a US\$1 billion grant from Ted Turner). The Sialkot Partnership is another voluntary standards initiative. However, in this case, there was far more engagement. Companies worked with the ILO and NGOs to ensure that soccer balls made in Pakistan were not made by child labor and at the same time developed education and alternative income opportunities for families.

## *Policy Dialogue*

Next come the higher-level policy dialogues that involve the UN and the business community, often together with civil society and labor organizations. Often such dialogues are part of initiatives that can incorporate voluntary standards. The Global Compact illustrates this with literally hundreds of companies engaged at national and international levels with diverse UN agencies in public policy dialogue while seeking to demonstrate their adherence to the Compact's nine principles. The UNEP Finance Initiative, similarly, brings together global financial institutions to develop



and apply voluntary guidelines on key environmental concerns and to influence relevant international policy.

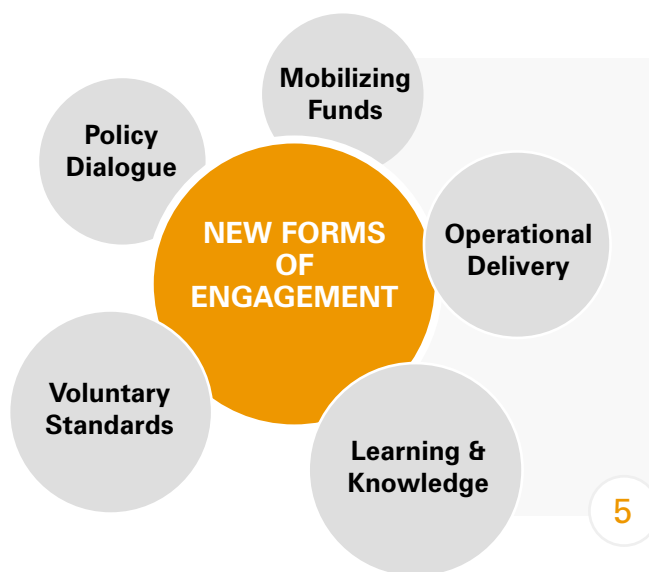
### *Learning and Knowledge*

All initiatives of course require a certain amount of learning. But some are designed specifically to promote education. Business Partners for Development, for example, describes itself as a “project-based learning initiative” that, through its engagement in and support and development of specific partnerships, explores what role different sectors in society can play in a collaborative approach to sustainable development. Over its three-year life, this initiative has involved more than 120 companies, civil society organizations, and government agencies participating in 30 different “focus projects” and programs in 20 countries spread across four “clusters”: natural resources, water and sanitation, youth development and road safety.

### *Operational Delivery*

Increasingly, businesses are working with the UN in the actual delivery of goods and services for development. Some philanthropic programs involve operational delivery, such as the recently launched partnership between UNAIDS and Coca-Cola, which will use the company’s global product distribution infrastructure to assist UNAIDS in the delivery of drugs and information. Other initiatives such as the Cisco Networking Academy and the collaboration between UNAIDS and the Female Health Company are specifically designed to deliver goods and services.

Most partnerships often involve several of these models, and in some cases all of them. The Global Compact, for example, involves building philanthropic relationships with UN agencies through the national-level Compact, policy engagement through the Policy Dialogues and the endorsing companies’ commitment to report on their approach to one or more of the Compact’s principles. These new forms of engagement between businesses and multilaterals require an understanding



Although significant, the UN's historic approach of enabling "business-as-usual" has proved inadequate as a means of effectively addressing this development challenge.

of their diverse underlying drivers, as well as the different operational lessons emerging from established partnerships. This is the topic of the next section.

## It Takes Two to Tango

### *Why Engage?*

Sustained, meaningful engagement between businesses and multilaterals requires tangible benefits to both parties. Personal satisfaction and acknowledgment is important. Brand enhancement is essential. Real, positive social and environmental effects are crucial. But none of these by itself will necessarily deliver the necessary institutional rewards.

- **For Multilaterals**

Not only must partnerships succeed at their immediate goals, they must also maintain "commercial neutrality" and sustain, or at least not undermine, patronage from sovereign governments.

- **For Business**

Partnerships need to deliver financial value in ways that effectively bridge short- and long-term objectives and that can be subjected to effective risk assessment and management. This does not mean that people working in businesses do not wish to "do good." But competitive markets pressure companies to make sustained, significant investments where there is a reasonable prospect of acceptable financial returns.

There is no "general business case" for engaging with multilaterals, or indeed for any aspect of corporate responsibility. Each case is unique; business decisions and needs in relation to partnerships with multilaterals need to be understood on these terms. Specific incentives to create partnerships have been identified for each case considered, and grouped under four general headings adopted from categories developed originally through the Business Partners for Development program. (SEE FIGURE 6)<sup>7</sup>

### *Risk Management*

The Global Mining Initiative is intended to enhance its corporate members' approach to individual and collective risk and expectations management. As one corporate member explained, "We need to make sense to all our stakeholders. UNEP has relevant expertise and great credibility with the public sector in developing countries."

### *Market Development*

The partnership between the Female Health Company and UNAIDS illustrates how collaboration with UN agencies can provide very tangible market development opportunities. The potential for market development is perhaps highest for smaller companies, particularly those located in developing countries. As an executive from Amazon Caribbean Guyana Ltd. stated, "Signing up to the Global Compact raises our visibility in the local press, but also to potential international clients, particularly those who have also signed up to the Compact."



### Legal and Contract Compliance

Water management companies such as the French giant Suez are under greater pressure to demonstrate their ability to handle the complex social dimensions of water access when bidding for contracts involving funding from multilateral sources such as the IFC and the Inter-American Development Bank.

### Business Processes and Productivity

Businesses tend to assume that multilaterals provide reputational cover, but lack competencies relevant to core business performance. Certainly, the cases confirmed that credibility was a key incentive for businesses to partner with multilaterals. As one business executive involved in the Sialkot Partnership frankly explained, “If the monitoring was done by a private firm, there would be those who would not deem it as credible...The ILO had credibility that could not be beat...It made us synonymous with a credible initiative.” But multilateral expertise turned out to be equally important. As one Cisco executive stated, “Cisco partners where we do not have our core competencies. We are an Internet company, not a development company.” One business executive went further: “By engaging with communities in new markets through multilaterals, we are able more effectively to understand how best to service these markets, what new products are needed and how best to deliver them.”

It is equally important to distinguish between the many possible reasons for multilaterals seeking increased engagement with business. Businesses often assume that multilaterals only want access to resources, whether financial or in-kind. Certainly resources are often a key part of the equation. UNICEF’s “Change for Good” program is the most straightforwardly philanthropic of all the cases considered. The OneWorld Alliance of airlines, for example, has pledged to raise US\$25 million for UNICEF through this and other programs over the

## Business and Development Incentives

- **Achieving social and environmental objectives:** A public, but also sometimes a business objective
- **Increased access to resources:** Accessing financial, technical and managerial resources to address common and partner-specific aims.
- **Better access to information and risk management:** Helping private and public institutions improve service delivery and manage risk.
- **Growing human capital:** Creating new opportunities for training, incentive programs, awareness raising, volunteering and leadership development.
- **Improved operational efficiency:** Achieving reduced risks and costs, increased process efficiency and better safety delivery.
- **Organizational innovation:** Helping partnering organizations develop new ways of operating to meet complex challenges and opportunities.
- **More effective products and services:** Creates openings for the more effective design and delivery of private and public products and services.
- **Enhanced reputation and credibility:** Building better relations with key stakeholder groups.

## Case Study: Market Access as Business Incentive

- **Partnership**

US-based Female Health Company and UNAIDS team up to expand use of the female condom in developing countries as a means of HIV protection and contraception.

- **Business Opportunities**

Create a public sector market for a new culturally sensitive product, namely the female condom.

- **Development Opportunities**

Promote a product that supports the fight against AIDS. Working with a commercial provider could speed up adoption in the developing world.

- **Activities**

UNAIDS arranges for the sale and delivery of female condoms to countries. FHC sells the product at cost and provides advice and technical assistance to countries on introductory strategies, program design and implementation and handling the logistics of delivery.

- **Key Business Benefit of Partnership with Multilateral**

Provides legitimacy and so enhances market access for product.

next five years. However, even here UNICEF has multiple aims and certainly sees the partnership, as one executive stated, as a means, “Not only of raising a lot of money...but also raising awareness of (and wider support for the work of) UNICEF.”

Initiatives like the Global Compact and the Global Reporting Initiative have also involved resource transfers, such as the corporate sponsorship underpinning the institutionalization of the Global Reporting Initiative, and funding UN activities through national-level Compact initiatives. However, the underlying reasons for UN engagement in these initiatives concerning business conduct and wider global governance issues have been:

- To learn from those companies what approaches were likely to be most effective.
- To affect directly the behavior of participating companies.
- To leverage more companies into compliance with the initiatives’ approaches once it is developed and launched.

There are diverse reasons why companies decide to engage with multilaterals. The overarching rationale is, however, clear. There is a growing recognition that “going it alone” is both risky and unnecessary, and that engaging with multilaterals is a way of enhancing knowledge and networks, offsetting risks, and opening up new opportunities for first mover competitive advantage.



## Case Study: Philanthropy and Awareness

### Getting Started

Collaboration is often painfully difficult even between commercial organizations with similar financial interests, competencies and approaches. Not surprisingly, collaboration between business and multilaterals is difficult, involving organizations with an historic mistrust of each other, as well as divergent core interests, motives, organizational cultures and operating styles.

Businesses are more or less unanimous in their criticism of the UN during partnership start-up periods. There is a universal sense that it takes far too long to get going. Most businesses point to apparent confusion of aims, priorities and decision making within the UN. Many are especially irritated by their sense that would-be UN partners seem too focused on securing resources from the business community, often at the cost of building longer-term partnerships with far greater potential business and development benefits. Several companies were critical of what they perceived as the UN's adversity to risk. As one business executive commented, "They were concerned with being co-opted and being perceived as whitewashed. They were blowing us off, but we kept working because we knew we were going to have to do something anyway."

Some cautioned that newcomers should not expect the multilaterals to deliver much in tangible terms, particularly compared to what they sensed as having been offered in the early stages of the relationship.

Several cases highlighted strategies for getting through this initial period with a minimum of difficulties. One business executive with several years

- **Partnership**

UNICEF's signature service program has operated since 1987, involving UNICEF, the United Nations Children's Fund and the international airline industry to raise funds for and public awareness of children in need.

- **Business Opportunities**

Build a good reputation with airline customers and enhance employee productivity.

- **Development Opportunities**

Fundraising and raising public awareness.

- **Activities**

Collects passengers' foreign change for life-saving materials and services for the world's neediest children. Currently involves 13 carriers (Air Lingus, Air Mauritius, Alitalia, All Nippon Airways (ANA), American Airlines, Asiana Airlines, British Airways, Cathay Pacific, Crossair, Finnair, Japan Airlines, Qantas and Trans World Airlines).

- **Key Business Benefit of Partnership with Multilateral**

Confers credibility on in-plane fundraising and provides low-responsibility approach to ensuring funds are used.

## Slow Start, Frustrating Moments: Company Comments on Multilaterals

“When we first approached them, there was the attitude that they had already done all this. Stuck their nose in the air. We had to go through a long seduction.”

“When we approached the key UN agency, they said that they wanted US\$100,000 for their web site before coming on board. Well the agency’s web site had nothing to do with the proposed initiative, so the whole partnership had to be dropped.”

“For the first six-to-eight months, we were trying to work out if the ILO was for us or against us. It was like a kabuki dance for the both of us.”

“This has been a period of frustration and inaction. Here, so far, nothing has happened.”

“I could not believe it when we started. It just did not seem as if the ‘doing’ bit was very important to them – as it certainly was to us.”

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experience in working with the UN reflected on the start-up period: “You have to be prepared to come to the table with a full set of cards... You have to have the head count to be able to do the work... Once the goals have been set, someone has to be there to make sure they are met. That’s sometimes hard to accept.” Another executive cautioned against seeking direct commercial advantage: “Some companies think they will become the favored son in terms of vendors. You have to be realistic about what the UN has to offer. If you are hoping for big, direct, financial gain, you are in the wrong place.”

According to one executive, the most important lesson is, “These partnerships are not between businesses and multilaterals, but between individuals that work within these institutions.” Another executive, summarizing his experience in initiating a new multi-company partnership, was starker still, “Without [the UN official’s] involvement, we would not have even begun to engage with them...And actually they would not have even thought of engaging with us.”

Getting going is too often a major challenge for all concerned, and the experience runs counter to the culture of performance so common among the business community. The presence of advocates within multilaterals and businesses is obviously crucial to overcoming historical barriers and real differences of interest. There is also a need to move beyond an advocate-led process if the partnership is to survive beyond the initial entrepreneurial stages.

### *Accountability Dilemmas*

The UN’s most important asset is its legitimacy as the independent steward of universal values, developed through consensual dialogue between sovereign states over five decades.



## The UN's Rules of Engagement

The centrality of its independence underpins any of its concerns of the potential dangers of engaging with businesses. As one public appeal to Kofi Annan claimed, “We are well aware that many corporations would like nothing better than to wrap themselves in the flag of the United Nations in order to ‘bluewash’ their public image, while at the same time avoiding significant changes to their behavior.”<sup>8</sup> Such concerns have led to considerable caution on the part of UN agencies when considering or implementing any business collaboration, or when establishing formal guidelines for such engagement. (SEE EXCERPT, FIGURE 10)<sup>9</sup>

The dilemma is that the UN’s traditional approach to accountability does not necessarily secure independence, nor is it a guarantee of effective performance. International experience of public-private partnerships has revealed the inadequacy of traditional approaches to accountability when they are applied to the more complex operating environment of today’s public bodies.<sup>10</sup> As one UN official commented, “The bottom line of accountability is making sure no one is going to make a fuss, that there is general buy-in. Beyond that, accountability is driven by personal integrity and ambitions shrouded by institutional aims.”

Each of the partnerships examined in this report have developed their own particular accountability mechanisms. Collaboration to develop business standards has tended to build more structured governance processes based on specific, declared principles. Notable in this respect have been the Global Mining Initiative, the Global Reporting Initiative, the Global Alliance for Workers and Communities and the UNEP Insurance Industry Initiative (SEE FIGURE 11). However, even when more sophisticated accountability mechanisms have been put in place, they are rarely adequate in defining

- **Advancement of United Nations’ Goals**

The objective needs to be articulated clearly and must advance the United Nations’ goals as set forth in the Charter.

- **Clear Delineation of Responsibilities and Roles**

The arrangement must be based on a clear understanding of respective roles and expectations, with accountability and a clear division of responsibilities.

- **Maintenance of Integrity and Independence**

Arrangements should not diminish the United Nations’ integrity, independence and impartiality.

- **No Unfair Advantage**

Every member of the business community should have the opportunity to propose cooperative arrangements, within the parameters of these guidelines. Cooperation should not imply endorsement or preference of a particular business entity or its products or services.

- **Transparency**

Cooperation with the business community sector must be transparent. Information on the nature and scope of cooperative arrangements should be available within the Organization and to the public at large.

## Structuring Accountability

- **Global Alliance for Workers & Communities**

An Operating Council was established consisting of corporate, nonprofit, and “jointly selected” members, with ultimate responsibility lying with the Board of the International Youth Foundation.

- **Global Compact**

Accountability has initially resided through the offices of the Secretary General and more broadly via reputation. Now, an external advisory group will oversee key decisions.

- **Global Reporting Initiative**

It has evolved a sophisticated two-tier governance structure with elected representatives of registered stakeholders.

- **Business Partners for Development**

Decision-making is highly decentralized to partnership “clusters.” Each has evolved distinct governance systems.

UN contributions. Indeed, many business executives and, less publicly, UN officials confirmed that it is often hard to even get UN bodies to understand that there are any accountability issues to address when it comes to their performance.

In practice, the accountability of UN agencies that partner with businesses is often rooted in personal rather than institutional forms of accountability. As one executive involved in a commercially significant project noted, “There is no really formal basis. Accountability happens because we speak at least twice a week.” As another business executive said, “These are partnerships between people who drag their institutions with them, more or less willingly.”

The issue of accountability in relation to the Global Compact was cited by many of those interviewed as reflecting many of the underlying issues. The Compact is about accountability and seeks companies’ endorsement of the need for such accountability.

Furthermore, the Compact looks to these endorsing companies to demonstrate their accountability and reserves the right to exclude companies that do not live up to the spirit of the principles. At the same time, the basis for the Compact’s own accountability is unclear, since it has no transparent governance process and no line of recourse if it makes decisions that are seen to damage businesses or other related participants. Several interviewees compared it to the Global Sullivan Principles, and argued that the latter had a clearer accountability mechanism, albeit one that was far narrower.

Once again, interviewees highlighted means of closing this accountability gap in the interest of building effective collaboration. Most focused on personal commitment as the most significant element of accountability: “Personal and financial commitment... trust and communication... After a while, we knew each other well enough to be able to call up and ask, ‘What is going on?’” Others high-



lighted the significance of resource-based commitments as a key accountability mechanism. As one executive explained, “A lot of times people don’t understand the true meaning of partnerships. Partnerships begin with having shared goals and measurable goals... You need to drill down and find out what each group is bringing to the table.” Interestingly, no one suggested resorting to the law as an effective accountability device. Similarly, public exposure was not seen by any collaborator as an effective means of securing accountability.

### Was it Worth it?

Knowing whether a partnership has succeeded or failed is not always so simple, particularly when it is still at its early development stages or where its outcome is diffused or contested. There are some clear instances where it is possible to note significant positive business and/or development benefits, and others where views were mixed:

- **Product and Market Development**

Cisco and the Female Health Company both argue that the direct business benefit certainly warranted the investment in building partnerships with multilaterals.

- **Strategic Philanthropy**

Companies involved in the Change for Good initiative and the Mectizan Donation Program considered that reputational and other business gains easily outweighed program costs.

- **Voluntary Standards**

There were diverse views expressed by those companies involved in the Sialkot Partnership, the Global Compact, the Global Mining Initiative, the Global Reporting Initiative and the UNEP Finance Initiatives. Businesses involved in the Sialkot Partnership generally said they had achieved the desired reputational gains, but were less confident that the program had really delivered the desired development results. Similarly, there is widespread support for progress to date of the Global Reporting

## Laws of Stakeholder Accountability

- Involve anyone you want to get involved to help design the process - including how to begin.
- No single group should own the process.
- A group representative of the various constituencies should steer the process and meet the tests of balance of opinion, geography, knowledge and much more.
- Decentralize the process as far as we can go to the affected groups and communities.

*Richard Sandbrook, Global Mining Initiative<sup>11</sup>*

Initiative and the UNEP Finance Initiative. But some questioned how effective the Global Mining Initiative and the Global Compact were, although it was pointed out that it is too early to tell what will be the outcome of both these broader initiatives.

Just as there is no “general” business case for corporate responsibility, there can be no general conclusion whether business-multilateral partnerships pay, either in financial or development terms. The

research, supported by evidence from other work (SEE FIGURE 14) suggests that partnerships can pay on both ends if they are done right, if there is loads of effort and personal commitment and not a little luck. This conclusion is of course unsurprising in that it is similar to any business investment decision, whether a new product area, new plant, or a major re-branding exercise. Partnerships with multilaterals are not profitable initiatives waiting to be discovered. They are potentially rewarding investments, with commensurate risks, waiting to be created. It is to these risks that we now turn.

## Analyzing Risk and Return

A major constraint in the evolution of business-multilateral engagement is the difficulty of assessing the risk-reward potential.

### For multilaterals

When the multilaterals have no clear basis for assessing potential risks and rewards, they, like most bureaucracies, respond through prevarication and delay. This can cause frustrating slippages for businesses in the planning and start-up phases.

### Businesses have more experience in working with risk

But it became apparent during the research that few if any companies were effectively able to calibrate the risk-reward potential of working with multilaterals.

### Risk Parameters

There are many factors involved in assessing the risk-reward potential. No single tool will do the job even with the best possible information. Below we have set out three spectrums along which an assessment can be undertaken, with illustrations drawn from the case studies.

### Short- vs. Long-Term Benefits

Initiatives like the Global Compact and the Global Reporting Initiative offer the prospect of

## Practice Makes Perfect: What Companies Learned

- **Think globally, act locally**

“It has worked best where we have had personal relations with the countries’ ministries and local UN partners... Involve beneficiary countries and appropriate government departments at the formulation of the program.”

- **Forging strong personal relations among partners**

“The lines of communication are open. The strength I’ve seen is the close personal relationship.”

- **Develop a solid structure and a common language...**

“Be patient! Help the UN to come up with concrete proposals as opposed to wish lists.”

- **...But don’t get stuck on agreeing on every detail**

“Agree on a common goal, but let all have their own agenda. Too much time was wasted trying to iron out differences.”



long-term rather than short-term business benefits - for example by enhancing a company's overall reputation. Other types of engagement, such as the UNAIDS/Female Health Company alliance, offer the prospect of short-term business benefits through direct product sales. Compliance-based initiatives such as the Sialkot Partnership may also offer short-term business gain through reduced risk of actual damage to the brand.

### Direct and Indirect Benefits

Business benefits to corporate participants in the Global Mining Initiative are largely indirect because they are associated with an overall improvement in the reputation of the mining industry. Businesses involved in the Sialkot Partnership, the UNEP Finance Initiative and the Global Compact also benefited indirectly. Increased sales and profitability to Merck for its leadership role in the development of the Mectizan Donation Program are, on the other hand, far more direct.

### Philanthropy to New Business Models

The UNICEF Change for Good program essentially comprises cause-related marketing. It generates funds for UNICEF but involves no significant change in the business model of the airlines involved. The Global Reporting Initiative, on the other hand, would be of little interest to its non-profit (and indeed many founding business) partners, including UNEP, unless it led to different behavior by the businesses adopting the reporting guidelines. The Global Compact is a hybrid that involves companies engaged in purely philanthropic ventures, and yet is fundamentally about changing the way markets work.

Critical to the decision-making process is a company's perception of the risks in engaging with a multilateral. Risks tend to be lower with philanthropic initiatives, since these do not involve what the company itself is doing. Risks tend to be higher in the area of standards since the performance of the business itself is being challenged, monitored and often publicly disclosed and debated.

## Direct Partnership Costs and Benefits

**The Sarshatali Coal Mining Project** In India has implemented a range of income restoration and trust-building measures near the mine. The partnership's net financial benefits to date have been estimated at about \$280,000, made up mainly of costs savings in achieving the following:

- Information and knowledge acquisition
- Trust-building measures and community development
- Road construction

- **Enduring Myth**  
Partnership costs are so high to make them unprofitable for the participating business units.
- **Enduring Truth**  
Focused partnerships can yield net benefits to the participating organizations, including the business units, in both short and long term.

Furthermore, initiatives specifically designed to offset existing, short-term reputational risk, such as the Sialkot Partnership and the Global Mining Initiative, tend to have a higher risk than other standards initiatives that focus on longer-term risk and opportunities, such as the Global Reporting Initiative and the Global Compact. Risks for companies involved in the GMI, for example, would include its perception as another case of “blue-wash,” which would worsen rather than improve the reputations of the corporate participants and the industry as a whole. Similarly for the Global Compact, if the open-access model easily leads to many companies with a negative reputation joining, this could reflect badly on other signatories and the initiative as a whole. For this reason, the lack of any enforceable code of practice underpinning the Compact has been highlighted by its critics and supporters as a potential weakness.

The approach outlined above for considering risk-reward potential involves major simplifications. Most significant, perhaps, is that the potential for a given initiative changes over time, and varies among corporate partners. Referring to a standards initiative, for example, one business executive commented, “Once the original threat passed over, most of our guys didn’t want to spend any more time or money on this. They couldn’t afford to.” That is, once the initiative was successfully established, both its own risk and the risk to those involved of “doing less” was reduced.

The risk-reward potential of any given initiative also varies among partners.

- In the Global Mining Initiative, highly visible companies like Rio Tinto have both the most to gain through its success and the most to lose if it fails.
- The Global Alliance for Workers and Communities has a similar dilemma: asymmetrical risks between the existing corporate partners – Gap and Nike – and other potential corporate partners that find the initiative attractive but per-

ceive the risks of association with such high-profile, historically-troubled companies as too high.

- A further complication is that philanthropic initiatives can turn into initiatives that change the way companies do business. Many of the more recent initiatives in the pharmaceutical sector are focused on drug price reductions or direct donations, such as Merck’s Mectizan program. But it

## Assessing Risk & Opportunity

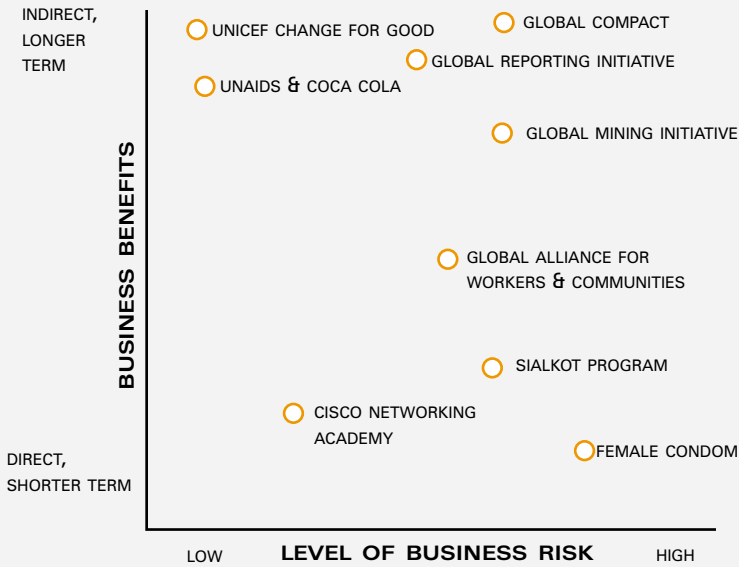
“We want to do some international programs, but we do not know where to start. There are so many agencies, we do not really understand the differences. We have no way of telling what is and is not really on offer. It’s all very well for companies that can afford teams of people to work on this stuff, but for most of us, that’s for the birds. In the end, we cannot invest without a better sense of what is likely to happen.”

*-Company Executive*

15

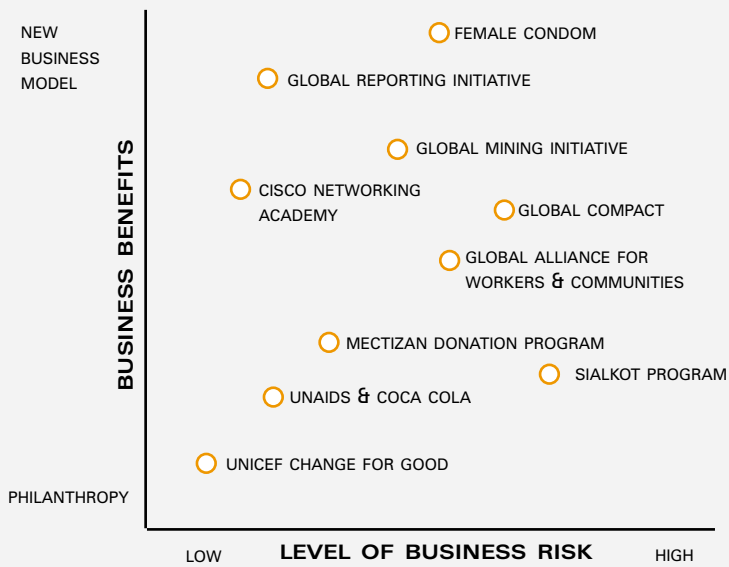


## Risk and Short-and Long-Term Benefits



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## Risk and Proximity to Business Performance



17

is already clear that some of these programs are likely to evolve over time to embrace the need for the pharmaceutical business model to take account of changing societal demands.

- Even participation in an initiative as apparently risk-free as UNICEF's Change for Good program can involve significant unmeasured risk since the corporate partners have no oversight, let alone control, over how the monies are spent. The reputational risk associated with exiting may be so high as to lock in corporate partners even under unfavorable circumstances.

The point here is not that there are risks. That is obvious. It is that businesses and multilaterals need to be able to assess potential risk on an on going basis, and to turn that into possible and ultimately realized rewards. Most effective would be if partners – potential or ongoing – collaborated in more explicit risk-reward assessments, which would then set the stage for more effective partnership-based risk management and, hopefully, better performance. This might involve:

- Development of simple, appropriate risk assessment and management tools for use by all partners.
- More explicit formulation of partnership accountability structures and processes.
- Development of partnership capacity for collaborative risk assessment and management.
- More systematic reporting on partnership processes and performance.

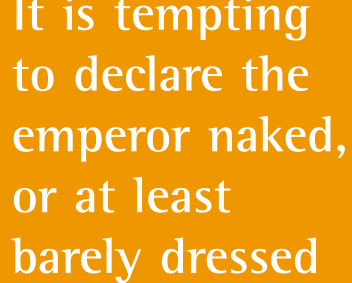
## Near Futures

There is much talk of how business partnerships with multilaterals are key to the future of international development. Enthusiasts argue that by aligning development objectives with business interests, they can accelerate the pace of international development. Cynics argue that such partnerships signal the collapse of any meaningful public policy process distinct from commercial interests and with it create the danger of further increases in poverty, inequality and environmental insecurity.

The truth is probably that business-multilateral-partnerships are the key to international development for both of these reasons. We are at a very early stage in the evolution of these collaborative arrangements between business and multilateral organizations. Most collaborations remain essentially philanthropic mechanisms, securing the application of private resources for public ends.

The Global Alliance for Workers and Communities may eventually point the way to a distinct business model for businesses to engage with and support workers around the world by delivering their products through global supply chains. But, for the moment, it is a way for Nike and Gap to deliver strategic philanthropy to young workers in their global supply chains with support from the International Youth Foundation. The Global Compact certainly has extraordinary aspirations. But subjected to that more mundane “Monday morning” test, the Compact remains at this stage no more or less than a place to debate problems and possible solutions, and a diverse assortment of examples of company programs as they relate to the Compact's nine principles.

Partnerships that today go significantly beyond strategic philanthropy are few and far between. Most involve the development of new business standards,



It is tempting  
to declare the  
emperor naked,  
or at least  
barely dressed

and there is excitement and concern in roughly equal measure as to what will come from them. Today, however, all we really know is that the impact of these initiatives on both development and business benefits remains untested.<sup>12</sup>

Today's increasing engagement between businesses and multilaterals is neither a passing fashion, nor a pastime reserved for "special-needs" companies. The research clearly indicates that such engagements are both extensive and growing, cutting across sectors, countries and regions, and approaches. Contrary to popular belief, many of these forms of collaboration are alive and well, difficult certainly, but providing tangible benefits to all sides. What will further extend such engagement, and make it increasingly effective, is honest acknowledgement of some of the current constraints and pitfalls. Of the many that exist, a small number of strategic challenges need to be addressed.

### Honest Analysis and Disclosure

There is little in-depth, serious research published about these engagements, despite the enormous amount of available 'partnership' material. Without some honest accounting for what does and does not work on the ground, it is hard to see how learning can really take place.

### Risk-Return Analysis

Participation in partnerships need to be framed within more coherent models that take greater account of the risk-return potential for all par-

ties. Without this, uncalibrated risk will understandably discourage much-needed experimentation and innovation.

### Accountability

Notable among these accountability challenges is the need to enormously strengthen accountability in such partnerships, for both the business partners and also crucially for the multilaterals themselves. This requires deep-rooted change in policy and governance frameworks.

### Future-Casting

Today's experiences of engagements between businesses and multilaterals need to be understood and judged in the context of likely futures. Although risky and seemingly forward-thinking, today's forms of engagement will be looked back on as uncertain steps towards a future where the traditions that distinguish these types of institutions will have become almost unrecognizable.

## Appendix: Principle Case Studies

Name	Multilaterals	Companies	Purpose	Web Site
<b>Cisco Networking Academy</b>	UNDP, UN Volunteers	Cisco	To deliver e-learning to 24 of the least-developed countries	<a href="http://www.cisco.com/warp/public/779/edu/academy">www.cisco.com/warp/public/779/edu/academy</a>
<b>Coca-Cola &amp; UNAIDS</b>	UNAIDS	Coca-Cola Africa	To assist in coordinating AIDS education, prevention and treatment – esp. infrastructure	<a href="http://usinfo.state.gov/topical/global/hiv/01062102.htm">usinfo.state.gov/topical/global/hiv/01062102.htm</a>
<b>Female Condom</b>	UNAIDS	Female Health Company	To introduce the female condom to the public sector in developing countries	<a href="http://www.femalehealth.com">www.femalehealth.com</a>
<b>Global Alliance for Workers</b>	World Bank	Gap, Nike	To improve workplace experience and life opportunities for workers in developing countries	<a href="http://www.theglobalalliance.org">www.theglobalalliance.org</a>
<b>Global Compact</b>	UN Office of Sec. General, UNEP, ILO, UNDP, etc.	Variety of companies worldwide	To build a more equitable marketplace through the development of corporate citizenship and private-public partnerships	<a href="http://www.unglobalcompact.org">www.unglobalcompact.org</a>
<b>Global Mining Initiative</b>	UNEP, World Bank	Global mining companies	To understand how the metals and mining industries can best contribute to sustainable development	<a href="http://www.globalmining.com">www.globalmining.com</a>
<b>Global Reporting Initiative</b>	UNEP	Variety of companies worldwide	To develop global guidelines for reporting on the economic, environmental and social performance of organizations	<a href="http://www.globalreporting.org">www.globalreporting.org</a>
<b>Mectizan Donation</b>	WHO	Merck	To donate as much Mectizan as necessary to treat river blindness and bring the disease under control	<a href="http://www.taskforce.org/MDP">www.taskforce.org/MDP</a>
<b>Sialkot Partners</b>	UNICEF, ILO	55 sporting goods makers (including Nike, Adidas, and Reebok)	To ensure soccer balls aren't made by child labor in Pakistan	<a href="http://www.us.ilo.org/news/focus/childpact.html">www.us.ilo.org/news/focus/childpact.html</a>
<b>UNEP Finance Initiatives</b>	UNEP	270 global insurance and financial companies	To develop and implement voluntary environmental guidelines and influence international policy	<a href="http://www.unepfi.net">www.unepfi.net</a>
<b>UNICEF Change for Good</b>	UNICEF	13 airlines (e.g. British Airways, American Airlines, TWA)	To redeem passenger donations and enable social programs for children worldwide	<a href="http://www.unicef.ca/eng/aide/change_good.html">www.unicef.ca/eng/aide/change_good.html</a>

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Zadek, S (2001a) *The Civil Corporation: the New Economy of Corporate Citizenship*, Earthscan, London. [www.earthscan.co.uk](http://www.earthscan.co.uk)

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## Endnotes

1. Zadek, S (2001a)
2. We are grateful for the time, information and insights given to us by those consulted, but would stress that the research findings are the responsibility of the authors and BSR.
3. Annan, Kofi (2000): 6
4. Although we believe our general observations to be relevant to collaborations between business and other multilaterals.
5. <http://www.un.org/partners/business/fs2>
6. Adapted from <http://www.unglobalcompact.org/un/gc/unweb.nsf/content/GAPS>
7. Adapted from S. Zadek (2001b)
8. Quoted in Zadek (2001a): 94
9. Utting, P (2000)
10. IPPR (2001)
11. Adapted from unpublished paper by Richard Sandbrook.
12. Utting, P (2000)