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Global Compact – African Impact:
A Brief Analysis of African Participation

by

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Executive Summary

The United Nations Global Compact is the world's largest voluntary corporate citizenship initiative, and describes itself as "a framework for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labour, the environment and anti-corruption" (www.globalcompact.org). The paper describes and assesses African company participation in the Global Compact. Through a brief analysis of Communications on Progress (CoPs) that have been submitted by participating companies, the local value added is discussed within the context of Integrative Social Contracts Theory. The 10 principles of the Global Compact can potentially be regarded as hyper norms – they are based on widely accepted international norms and enjoy a very high level of support in terms of country legislation and international conventions. The application of the principles should be seen within the context of micro contracts – the activities that companies report on are always context specific. At the moment, African participation is very limited – the 93 African company participants account for less than 5% of global company participation. Although it has been very encouraging to see increasing levels of participation since 2006, the litmus test will be the scope and quality of Communications of Progress to be published over the next year or two. At the moment, it is not very encouraging to see the low levels of communication as well as the varying quality of CoPs.

Introduction

In 1999, Kofi Annan, then secretary general of the United Nations, introduced the concept of a Global Compact to multinational corporations gathered at the World Economic Forum in Davos, Switzerland. On the 31st of January 1999 Annan stated the following:

> Globalization is a fact of life. But I believe we have underestimated its fragility. The problem is this. The spread of markets outpaces the ability of societies and their political systems to adjust to them, let alone to guide the course they take. History teaches us that such an imbalance between the economic, social and political realms can never be sustained for very long … I call on you - individually through your firms, and collectively through your business associations - to embrace, support and enact a set of core values in the areas of human rights, labour standards, and environmental practices.[1]

Although this call was not meant to result in a formal structure, the response from the business sector was so encouraging that the concept was formalized soon afterwards. Today the Global Compact is the world's largest voluntary corporate citizenship initiative (Hall, 2007: 30), and describes itself as "a framework for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labour, the environment and anti-corruption[2]" (www.unglobalcompact.org).

The 10 Global Compact principles are:

- Human Rights
    - Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
    - Principle 2: make sure that they are not complicit in human rights abuses.
- Labour Standards
    - Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
    - Principle 4: the elimination of all forms of forced and compulsory labour;
    - Principle 5: the effective abolition of child labour; and
    - Principle 6: the elimination of discrimination in respect of employment and occupation.
- Environment
    - Principle 7: Businesses should support a precautionary approach to environmental challenges;
    - Principle 8: undertake initiatives to promote greater environmental responsibility; and
    - Principle 9: encourage the development and diffusion of environmentally friendly technologies.
- Anti-Corruption

[1] http://www.un.org/News/ossg/sg/stories/statments_search_full.asp?statID=22, accessed 25 September 2007.

[2] The Global Compact initially comprised a set of 9 principles (environmental, human rights and social), with the 10th principle added a few years later as a result of consistent lobbying by anti-corruption agencies and initiatives.

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

According to Williams (2007: 619), the "Global Compact offers a forum under the umbrella of the United Nations with its visibility, global reach and convening power where some of the best members of civil society – non-government organizations, academic and public policy institutions, individual companies, business associations and labor representatives – can come together to discuss the changing role of business and its moral purpose".

African participation in the Global Compact

Since its launch on 26 July 2000, more than 5 000 participants from 120 countries (including more than 4 000 businesses) have signed up to the Global Compact[3]. African participation in the Global Compact got off to a slow start with one solitary participant signing up in 2000. The South African electricity utility company, Eskom became the first African company to sign up on day one: 26 July 2000. More than a year elapsed before the second African signatory joined in August 2001 – once again it was a South African company (Sasol). Again there was a waiting period of more than a year before the third participant, the Coca-Cola Bottling Company of Ghana, joined on 31 August 2002. There were three new joiners in 2003, five in 2004 and only two in 2005, before a sudden surge of 32 companies in 2006 and 26 new joiners in 2007. On 11 April 2008, 17 South African companies signed up simultaneously at an event in Johannesburg, coordinated by the National Business Initiative, the South African focal point of the Global Compact. At the end of April 2008 the total number of African company participants stood at 93. At this time there were also 132 African SME participants (according to the Global Compact, companies are classified as entities with 250 employees or more, while entities with less than 250 employees are classified as Small and Medium Enterprises or SMEs). Participation is expected to increase further after the African Private Sector Forum Declaration, presented to Heads of State and Government Ministers on the opening day of the 10th African Union Summit (22 January 2008), specifically recommended that Private Sector organizations from Africa should adopt the 10 Global Compact Principles[4].

The focus in this article is only on African company participation. Figure 1 presents the number of new African signatories per year since the launch in 2000.

[3] http://www.unglobalcompact.org/ParticipantsAndStakeholders/index.html, accessed 15 May 2008. On this date there were 5 200 participants, including 4 165 businesses of which 2 058 were listed as companies (i.e. more than 250 employees).

[4] http://www.unglobalcompact.org/NewsAndEvents/news_archives/2008_02_06.html, accessed 2 March 2008.

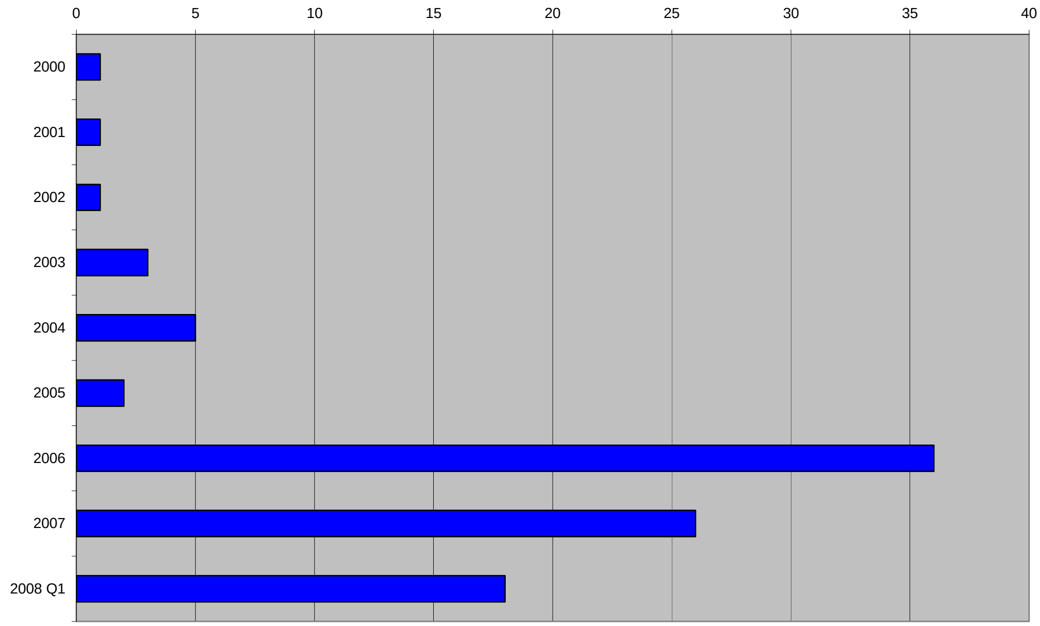

Figure 1: Number of New Signatories per year

In terms of country participation, South Africa is currently the leader with 25% of all participants. As can be seen from the figure below, seven countries jointly provide 73% of all participants, followed by 10 other countries[5] that have provided between one and four participants each.

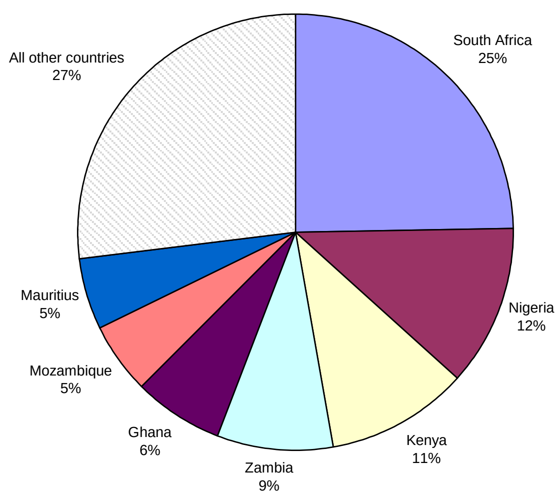

Figure 2: Country participation in the UN Global Compact

The figure below summarises the industries represented, dominated by the Finance and Insurance, Food and Drink and Metals and Mining industries, jointly representing

[5] Cameroon, Democratic Republic of the Congo, Ivory Coast, Gabon, Madagascar, Malawi, Namibia, Senegal, Sudan and Uganda.

38%, followed by three industries representing a further 18%, and finally by a further 18 industries contributing the remaining 44%.

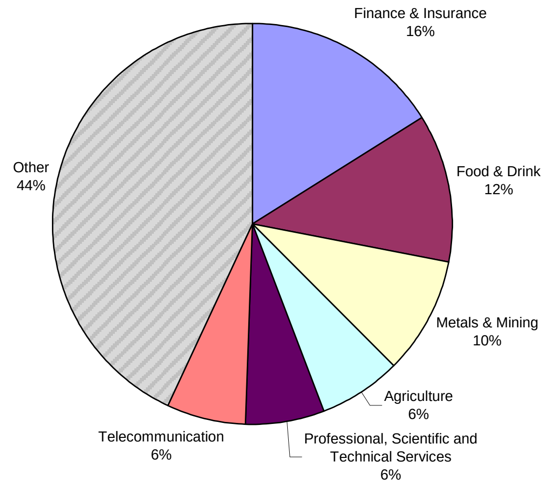

Figure 3: Industries represented by Global Compact participants

Communicating on Progress

Once a company has signed up as a member of the Global Compact, certain conditions must be met, including the need to publish in its annual report or similar public corporate report (e.g. sustainability report) a description of the ways in which it is supporting the Global Compact and its principles – this document is referred to as a Communication on Progress (CoP). The CoP is the most important indicator of how successful members have been in supporting the principles of the Compact. It remains a subjective account, even if verified externally, but does provide useful insight into activities of Global Compact signatories, and is probably the most important way in which stakeholders can assess the performance of a participating company.

The Global Compact rule in terms of an initial CoP reads as follows: “Company participants are required to submit a first CoP within two years from the date of joining the Global Compact. Should a company fail to meet this initial submission deadline, they will be marked as non-communicating in the participant database of the Global Compact website. Further, should a company also miss the second CoP deadline after an additional year, the company will be removed from the Global Compact database of active participants and listed as inactive on the Global Compact website”[6].

The way in which the CoP system is administered has created the impression amongst some stakeholders that the Global Compact is a compliance-based system. Although the CoP system is there to provide some consistency and accountability, it should not be viewed as a compliance-based initiative. In the words of Georg Kell, CEO of the Global Compact: “the Compact never pretended to [be compliance-based], nor was it designed as one. The fact that some observers continue to criticize the Compact for something it never pretended to be is remarkable. Ever since the

[6] http://www.unglobalcompact.org/COP/FAQ.html#7, accessed 29 February 2008.

inaugural launch on 26 July 2000, we have been very clear that the Compact is about learning, dialogue and partnerships. The UN does not endorse companies or their performance. Rather, it seeks to promote collaborative efforts, transparency and public accountability"[7].

Because of the rapid increase in participation rates from 2006 onwards, a relatively small pool of 24 companies should have submitted at least one Communication on Progress (CoP) by the middle of May 2008. At this time, 31 CoPs had been submitted by these companies. Using the guideline of a first CoP within the first two years and thereafter an annual submission, this group should have produced roughly 50 CoPs. The difference between CoPs submitted and required is presented in the figure below.

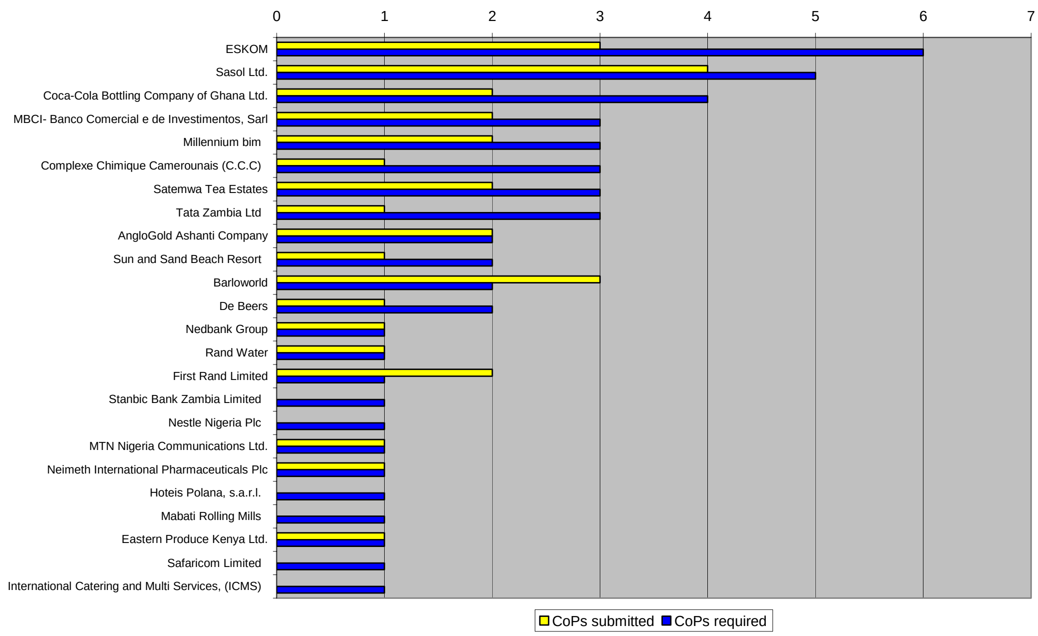

Figure 4: CoP submitted and required

Of some concern is the fact that 10 of the 24 companies have been listed as non-communicating by the Global Compact Office. A further 25 companies (those that joined between May and December 2006) must publish a CoP before 31 December 2008.

To get a rough indication of the quality of reports, the most recent CoPs of all communicating companies that joined prior to May 2006 were briefly analysed. The results are summarised below with an indication whether the CoP is an existing sustainability report, an annual report or a customized CoP:

- Anglogold Ashanti (Sustainability Report): although the company is listed as South African, the CoP is the company's Ghana country report, and there is only one reference to the Global Compact with regards to human rights;
- Barloworld (CoP): a detailed table comprising page references to the annual report – all 10 principles are addressed;
- BGFI (CoP): a detailed 26 page document with actions listed per principle;
- Coca-Cola (CoP): an 8-page table with detailed, localized examples;
- Complex Chiminique (CoP): a 13-page document comprising local examples;

[7] http://www.ethicalcorp.com/content.asp?ContentID=5898&newsletter=24, accessed 13 May 2008.

- Rand Water (Annual Report): this report does not contain one reference to the Global Compact, but there is a 5 page sustainability report integrated with the annual report, mostly comprising references to HIV/Aids and environmental issues;
- De Beers (CoP): a document listing relevant policies per principle, including supporting evidence, G3 indicators (Global Reporting Initiative), progress report as well as links to relevant case studies;
- Eskom (CoP): a six page document with information per principle; there is some evidence of copy and paste from other documents, but overall some relevant references;
- FirstRand (Sustainability Report): the 10 principles are printed on the inside back cover of the document! There is a commitment to index to the principles in future and also one reference to the Global Compact in the annual report;
- MBCI Banco (Global Compact): a 6-page PowerPoint presentation with brief descriptions of relevant facts as well as the impact on the company;
- Millenium Bim (Annual Report): one page with relevant facts is devoted to the Global Compact in the annual report;
- Nedbank (Sustainability Report): a very detailed sustainability report, but with only one reference to the Global Compact and the principle of human rights;
- Sasol (Sustainability Report): references to the Global Compact integrated throughout the report, including the remarks from the chief executive officer, there is also a reference to an independent study that was commissioned on the principle of human rights;
- Satemwa Tea Estates (CoP): 11 pages with commitments, activities, measurement per principle, but the information is a bit sketchy, e.g. one of the outcomes that is used frequently is "positive company image portrayed";
- Sun and Sand (unclassifiable): the "CoP" comprises a photocopy of a newspaper article on a CSR project!
- Tata Zambia (CoP): 1 page table with information on the principles, but somewhat sketchy, e.g. their response to the anti-corruption principle is "We have a disciplinary code".

Analysis of African participation

It should be acknowledged that CoPs by themselves cannot provide a comprehensive indication of the quality of participation in the Global Compact. Even though it is relatively easy to highlight examples of poor and bad practice, comparisons can be dangerous. By way of example, both FirstRand's action of merely copying the Global Compact principles in the inside back cover of its sustainability report, and Sun and Sand's submission of a photocopied newspaper article are problematic. However, FirstRand's report and the newspaper article contain important information on relevant practices, which could be linked to Global Compact principles, even though not explicitly stated. It could even be argued that Rand Water's "CoP" that does not contain a single reference to the Compact contains relevant information in terms of the environmental principle.

A key challenge moving forward is to focus on "localization" practices, e.g. to identify the extent to which companies allow relevant interpretations of the principles to fit local conditions and different standards that might be regarded as acceptable at the local level. A theoretical framework that could assist in this regard is Integrative

Social Contracts Theory (ISCT). ISCT was developed by Tom Donaldson and Thomas Dunfee from Wharton University to provide guidance on ethical issues in international business (including social and political involvement of corporations), and in essence suggests that there is an absolute moral threshold (so-called hyper norms) that would apply anywhere in the world, that large corporations should have respect for local customs and traditions and can therefore negotiate micro contracts without transgressing this moral threshold, and finally that context matters when deciding between right and wrong[8].

In terms of ISCT the ten principles of the Global Compact can be regarded as hyper norms – they are based on widely accepted international norms and enjoy a very high level of support in terms of country legislation and international conventions. In addition, the *application* of the ten principles should be seen within the context of micro contracts – the activities that companies report on are always context specific. In the case of large multinational companies one would expect to see differences in global and local reporting practices, hopefully with a consistency between local applications and the ten principles. In the case of local companies (i.e. companies without a global presence and / or SMEs), one would expect to see local interpretations of the ten principles. By way of example, it would be largely ineffectual for any company to simply re-affirm a commitment to human rights or fair labour conditions, without answering the question: What does this principle mean for our company in our current location within the current timeframe? For Tata Zambia to merely state that they have a disciplinary code therefore does not really add any real value to the discussion about their contribution to the anti-corruption principles. Compare this approach to that of Coca-Cola in Ghana, which provides detailed information on the code, as well as local audit findings and reports on business frauds. This local information is also demonstrated clearly by Coca-Cola in terms of the environmental responsibility principle – this is information with which stakeholders can identify:

> TCCBCG has invested about $2.0million in waste water treatment in two plants operations in Ghana. We are the only bottling plant in Ghana with a functioning wastewater treatment system.
> We provide financial support for the protection of Sakumono Ramsar Site into which our discharge flows. We have adopted the La Pleasure Beach, a large span of beach in Accra, as a Coca-Cola “Clean Zone”. The project is a campaign to keep the beach as a model of environmental cleanliness to serve as a model for all other beaches in Ghana. We participated in ECOFEST 2004 – an ecological preservation festival. We used the platform to create awareness on need to treat waste water before disposal into natural water bodies. The effluent discharged from our facilities support aquatic life. EPA monthly monitors all discharges from the facilities and reports on findings. Summonses are issued if violations or non-compliances are noted. There have been no summonses since the installation of the Waste Water Treatment plants.

Conclusion

This very cursory analysis of African participation in the Global Compact has revealed an encouraging trend in terms of participation. However, African participation is still very limited – the 93 African company participants account for less than 5% of global company participation. Although it has been very encouraging to see the surge in uptake from 2006 onwards, the litmus test will be the scope and quality of Communications of Progress to be published over the next year or two. At the moment, it is not very encouraging to see the low levels of communication as well as the varying quality of CoPs.

[8] A key part of increasing the focus on local value will be to emphasise the role of the Global Compact’s local and regional networks. As Rieth, Zimmer, Hamann and Hanks (2007) have argued, decentralization is crucial to the adaptation of the principles at a local level.

In conclusion, it should be noted that it is potentially dangerous for companies to merely submit their annual report (or even an annual sustainability report) as a CoP. Although there are excellent tools and templates available on the Global Compact web site (www.unglobalcompact.org), even advice on how to link with the Global Reporting Initiative's G3 Reporting Guidelines, there is no substitute for a detailed, internal process to critically think through the requirements and implications of the principles for individual firms. Just as with sustainability reporting in general, the danger is that companies will spend more time on trying to find things to report on, than spending time to do meaningful things that could be reported on. Over the next year it will become evident whether African companies can rise to this challenge.

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