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# **UN-Business Partnerships: Whose Agenda Counts?**

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## **Introduction**

Relations between the United Nations and the private sector are undergoing a significant transformation, which is reflected in the increasing number of so-called “partnerships” involving UN agencies and large corporations. This paper questions the validity of the partnership approach from the perspective of fulfilling the UN’s goal of promoting development and human rights for all. It begins by briefly describing the changes that have occurred in UN-business relations during the past three decades. It then identifies the various forces and rationales that are driving the partnership phenomenon, and suggests that some of these give rise to concerns about the motivations and agendas underpinning partnerships. It goes on to look at certain problems that have arisen with partnerships as they operate in practice. The paper concludes by suggesting that the goal of promoting greater corporate environmental and social responsibility requires the UN to be an ally of the global corporate accountability movement. Currently, however, the partnership approach seems to be straining, rather than strengthening, relations between the UN and certain actors in this movement.

## **Changing relations**

UN-business relations have undergone a profound change during the past three decades. In the 1970s, amidst calls for a New International Economic Order, work began on drafting an international code of conduct to regulate the activities of TNCs. The United Nations Centre on Transnational Corporations (UNCTC) was mandated to carry out this normative work. It also monitored the activities of TNCs and provided developing countries with advice about how to deal with TNCs. Rightly or wrongly, TNCs were perceived to be responsible for key aspects of underdevelopment and to exert undue influence over many third world states. During the 1980s, there were several attempts to draft inter-governmental codes related to specific products. Those that succeeded included the 1981 WHO/UNICEF International Code of Marketing of Breastmilk Substitutes, the 1985 FAO Code of Conduct on the Distribution and Use of Pesticides and the 1988 WHO Ethical Criteria for Medicinal Drug Promotion (Richter, forthcoming).

The 1980s, however, also witnessed a significant shift in approach. Partly reflecting the influence of neo-liberalism, UN policy towards TNCs changed course. Instead of trying to regulate foreign direct investment (FDI), UN agencies like UNCTAD sought to

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facilitate the access of developing countries to FDI. Deregulation was encouraged. By the early 1990s various regulatory initiatives ground to a halt, including several inter-governmental codes. A set of environmental recommendations for TNCs drafted by the UNCTC failed to be adopted at the Earth Summit in 1992 and in that same year UNCTC ceased to function as a separate entity (Hansen, 1997).

In recent years, UN-business relations have entered a new era as many agencies and other UN bodies strive to develop partnerships with large corporations or projects and programmes funded by corporate philanthropists. Since 1997, there have been several major developments. These include, for example, the establishment of the United Nations Foundation with a one billion dollar grant from CNN founder Ted Turner<sup>2</sup>; the formation of the Global Alliance for Vaccines and Immunization (GAVI) whose contributors include the Bill and Melinda Gates Foundation<sup>3</sup>; and the Global Compact, which is in the process of enlisting the support of some of the world's largest TNCs and companies in developing countries to promote values and best practices associated with environmental protection, labour standards and human rights<sup>4</sup>.

UN-business partnerships are usually justified in terms of resource mobilization and the promotion of certain values and forms of governance. They provide a means of tapping the funds, technology, competencies, creativity and global reach of the business community and employing these for developmental and ethical goals. They may also serve to raise the profile of human rights, labour standards and environmental issues, in a world which appears more concerned with market economics and corporate profitability than people-centred development. Partnerships may provide a means of correcting what Kell and Ruggie refer to as two disequilibria which emerged in the late 20<sup>th</sup> century, namely, the disconnection between the economic sphere and broader frameworks of shared values and practices, and the imbalances in international governance structures. While “there has been a significant expansion of global economic rule making ... aimed largely at creating the institutional bases for the functioning of global markets ... these expressions of rule-making have not been matched by comparable efforts on behalf of other global concerns, such as environment, human rights or poverty ...” (Kell and Ruggie, 1999).

Partnerships may also reflect the fact that traditional power relations are changing. They are part and parcel of what has been called “complex multilateralism” (O’Brien 1997), in other words a system of governance which involves not only formal state-based institutions (national and multilateral) but also the private sector and civil society. According to Nelson and Zadek, “traditional power hierarchies are being replaced by a

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<sup>2</sup> The Turner grant, made up of Time Warner stock, is to be made in ten annual instalments, each valued at \$100 million. The United Nations Foundation supports projects primarily in the fields of environment, children's health, women and population, and peace, security and human rights.

<sup>3</sup> GAVI aims to expand the reach and effectiveness of immunization programmes and accelerate the development of new vaccines, particularly for the developing world. Partners include the Bill and Melinda Gates Children's Vaccine Program, the International Federation of Pharmaceutical Manufacturers Associations (IFPMA), public health and research institutions, national governments, the Rockefeller Foundation, the World Bank Group, UNICEF and WHO.

<sup>4</sup> When officially launched in July 2000, the Global Compact included 44 corporations, 6 business and industry associations and 14 non-governmental and trade union organizations. Companies participating in the Global Compact commit themselves to: a) advocate the Global Compact and its nine principles in their mission statements and annual reports; b) post on the Global Compact website examples of best practices, and c) enter into partnership projects of benefit to developing countries with UN agencies.

more complex, multi-relational balance of power, where citizens and companies are playing an active role in shaping socio-economic change and addressing problems that were previously the sole responsibility of government” (Nelson and Zadek, 2000).

From the perspective of the UN, it has been argued that “... the UN’s policy of rapprochement with the business community is ... motivated by an attempt ... to regain policy relevance in the context of a global world ... [The United Nations] stands in good stead to revitalize its mission and structure by welcoming nonstate actors into its deliberative forums and policymaking bodies” (Tesner, 2000: 150). Multipartite governance structures, it is argued, are best suited to the conditions of the global era (ibid.:160). According to this perspective we are likely to see – and should see – increasing private sector involvement not only in decision-making but also in project implementation. “At the heart of the partnership approach ... is the realization that only private sector firms can provide the research, technology, and development capacity to address global health, environmental, and information challenges of the coming decade – to cite only three priorities of international action” (ibid: 150). And with this realization, the UN will increasingly delegate this role to the private sector.

### **Multiple agendas**

In sharp contrast to this position, there has been a reaction to UN-business partnerships, notably on the part of some NGOs. They have argued “that corporate influence at the UN is already too great, and that new partnerships are leading down a slippery slope toward the partial privatisation and commercialization of the UN system itself” (TRAC, 2000). There is concern that partnerships are subordinating the mission and values of the United Nations to commercial trade, investment and finance rules, and are aiding and abetting “the growing concentration of wealth and power in the hands of fundamentally undemocratic global corporations ... with no accountability to governments or peoples” (Citizens Compact).

The UN clearly finds itself in a difficult position. On the one hand it is well aware of the material and political limitations of multilateral institutions in dealing with the major social and environmental problems that afflict the world. Experiences like that of the UNCTC have also made it aware of the difficulties of promoting corporate responsibility through a stronger regulatory approach. Partnerships, in this context, seem to be a pragmatic way forward.

There is, however, a potential downside to partnerships which is often overlooked in UN circles. At times, partnerships are viewed somewhat naively as inevitable “win-win” relationships where two or more stakeholders get together to work towards a common goal associated with ethical principles.

There are in fact a variety of forces and rationales that are driving the partnership phenomenon. Once these are identified, we see that the different actors involved in partnerships may have different agendas and may be working towards quite different goals. Five forces are identified below which suggest that the agendas involved may be somewhat self-centred and may ultimately contradict the goal of promoting development and human rights for all.

Part of the rationale underpinning partnerships has to do with the dominance of neo-liberalism which emphasizes, amongst other things, the freeing up of the market and a reduced role for the state in regulatory activities. Reflecting the power of neoliberalism as an ideology, binding forms of regulation have come to be labelled somewhat pejoratively as “command and control” regulation. So-called “voluntary initiatives”, which include partnerships, have become the preferred way of encouraging business to act responsibly. Such initiatives, however, are often very weak and do little to significantly improve corporate social and environmental performance (Utting, 2000). Legislation and inter-governmental agreements remain important components of a strategy to promote corporate responsibility. The danger is that rather than complementing these stronger forms of regulation, voluntary initiatives and “corporate self-regulation” attempt to replace them. A key question, then, is whether voluntary initiatives in general and partnerships in particular are part of a broader agenda that aims to further weaken the regulatory role of the state and inter-governmental bodies. If such a weakening were to occur, there are fears that it would reinforce a pattern of economic globalization that is concentrating power in the hands of global corporations and generating excessive social and environmental costs.

Another force has to do with changes that have occurred in corporate governance and the way companies choose to control their operational environment. In recent decades there has been a partial shift away from models of industrial organization based on vertical integration and shareholder accountability to ones based on networking and stakeholder accountability. Some companies are responding to the competitive pressures associated with globalization by being more responsive not only to investors and customers but also to a wider group of stakeholders. As Nelson explains: “...many of the strategic trends which are increasing the competitive pressures on companies are also increasing the need for new and creative forms of co-operation ... In today’s global economy ... the relationships which a company maintains with its ... employees, customers, suppliers, local communities, governments, social and environmental activist groups, research institutes, etc. ... are becoming increasingly complex, covering a wider range of organisations, issues and geographies than ever before. In order to respond to these trends, companies need to build more integrated and strategic approaches for building and managing stakeholder relations” (Nelson, 1997:47-48). As they extend their global reach, some companies are rethinking their role in local communities and seeking acceptance and support not only from host governments but also host communities and the public (Nelson, 1997:35). UN-business partnerships can play an important part in such strategies, enhancing a company’s relations and reputation with various stakeholders and boosting its profile and image in localities around the world where it has linked up with UN agencies or projects. What needs to be borne in mind is that the bottom line of such partnerships, from the perspective of the corporation, may have as much to do with competitiveness as the humanitarian or developmentalist goals of the UN. Furthermore, a company might be able to enhance its competitiveness through a fairly minimalist agenda of corporate social and environmental responsibility – introducing, for example, a relatively weak code of conduct with no provisions for independent monitoring (Utting, 2000). Such an agenda is unlikely to contribute significantly to meeting the goals and standards set by the UN.

A third force relates to the way in which elite groups in democratic societies exert their dominance. One body of political theory associated with Gramsci refers to a struggle for hegemony, where domination by one group in society is achieved not on the basis of

coercion but through consensus. The involvement of big business in partnerships can be seen as a part of such a strategy. Traditionally big business was perceived to have a thick skin. It was not particularly concerned about its social and environmental performance and was largely immune to criticism. To some extent, this is now changing. Today certain sectors of business are more conscious of company and brand-name reputation, and are wary of civil society campaigns and consumer boycotts that might damage sales, market share and shareholder value. To maintain legitimacy, some corporations are changing tactics and attempting to lead by example. They want to minimize confrontation and engage in dialogue with multiple stakeholders. Corporate public relations (PR) strategies play a key role in this process. As Richter explains: “PR professionals repeatedly stress that a good public image is a key political resource and that legitimacy and credibility is ‘capital’ in modern societies. To create and disseminate such an image, various positive stories are circulated about the company itself and the industry sector it belongs to...” (Richter, 1998). This attempt to lead through consensus partly underpins the phenomenon of partnerships. The question to be asked here is will the partnership change anything of substance in relation to company policy or will it merely serve a window-dressing purpose. Will a company be able to diminish or deflect criticism of its practices by simply engaging in a dialogue with its critics, rather than fundamentally changing the way it does business?

The move towards partnerships is also reinforced by the rapid growth of philanthropy and sponsorship among certain sectors of the business community. Much of this has been associated with individuals and companies linked to the information technology sector. Billionaires such as Ted Turner and Bill Gates and companies such as Hewlett Packard and Cisco Systems have established foundations and entered into partnerships with United Nations agencies. Financiers such as George Soros have also become active on the development scene. As was the case during the early decades of the 20<sup>th</sup> century when the Carnegie’s and Rockefeller’s of this world donated large sums to charity, philanthropy is part of a wider agenda. It may certainly provide billions of dollars each year for worthy causes but it is also a key element in a corporate strategy to fend off criticism and project an image of fairness and solidarity in a world where inequality and social injustice are rife. Writing about corporate relations with the WHO, the International Baby Food Action Network (IBFAN) notes that some companies engage in “‘strategic corporate sponsorship’ to influence agencies and public opinion in their favour when they are facing tighter regulation and/or are being criticised for socially irresponsible behaviour. When pharmaceutical or other corporations offer large contributions in kind, there is a need for thorough scrutiny as to whether this contribution is meant to deflect attention away from the corporation by enhancing its reputation by publicising its donation to WHO” (IBFAN, 1999). Some might see the consolidation of the Bill and Melinda Gates Foundation (with an injection of \$15.8 billion in 1999), at a time when Microsoft was under attack for having broken anti-trust laws, as more than coincidental. The type of corporate image that is gained from philanthropy is a crucial element in corporate strategies to gain competitive advantage through fostering clean and wholesome reputations of both companies and brands. To what extent, therefore, are partnerships part of the efforts of big corporations to enhance their public image, irrespective of whether the companies in question merit a good reputation?

Finally, a fifth force underpinning partnerships has to do with both the aid crisis and the UN financial crisis, which became particularly acute in the 1990s. Levels of OECD development assistance declined from \$61 billion to \$48 billion dollars between 1992 and

1997 or from 0.33 to 0.22 per cent of GNP, a fraction of the 0.7 per cent which the industrialized countries pledged in the 1960s. The US government had run up arrears of \$1 billion in its payments to the UN. Restructuring and budget cuts became the order of the day and there was even talk in some circles of closing down agencies such as UNIDO and UNCTAD. While these agencies appear to have weathered the storm, others such as UNDP have recently experienced serious budget cuts. In such a context, the private sector came to be seen as a potentially important source of alternative funding. UN agencies came under pressure to seek out private sources of funding. Ted Turner attempted to ease the situation regarding US government arrears with a one billion dollar donation over a ten year period. Various agencies see in partnerships the possibility of tapping additional resources. When considering the pro and cons of partnerships it is important to ask to what extent UN agencies are pursuing a narrow financial agenda. And if so, are they compromising their values, standards and conventional agenda for financial reasons?

### **Partnerships in Practice**

Does the trend towards partnerships provide the UN with a means of retaining relevance in the global era and enhancing its capacity to promote development and human rights for all? Or does it amount to a de facto privatisation of the multilateral system that fundamentally benefits corporate interests? The answer will depend very much on which of the agendas and rationales mentioned above comes to the fore. Clearly it is difficult to generalize as the motives of specific partners may vary considerably in different contexts. But what this analysis does indicate is that it is important to keep a watchful eye on partnerships and corporate partners.

Partnerships shouldn't be seen simply as inevitable win-win relationships. Yet the tendency in some UN circles has been to approach the issue of partnerships somewhat naively and ignore the multiple agendas that exist. There is a danger that some UN bodies are rushing headlong into partnerships without adequately assessing the risks, which include, for example, conflicts of interest, increasing self-censorship, the poor choice of partners and the tarnishing of the UN's reputation. This lack of critical reflection is leading to a number of problems which are identified below.

*Unpredictable outcomes:* While partnerships tend to have lofty goals, it is not at all certain whether such goals will be realized. Much will depend on the balance of forces within the partnership and the type of power struggle which takes place as the different actors interact to advance their specific agendas. The case of the Global Compact illustrates this point. Formally a multi-stakeholder partnership, the Global Compact was established to encourage business to promote good corporate practices in the fields of environmental protection, human rights and labour standards. At its inception, however, the balance of forces appears to favour big business. This need not be a problem if the goals and agenda of the partners are the same. But are they?

From the statements made by the participants at the conference which launched the Global Compact in July 2000, it seems that the different actors want different things. Business supports a soft approach, with no imposition of standards, minimal scrutiny, no independent monitoring and with specific companies being allowed to go at their own pace. As the Secretary-General of the International Chamber of Commerce wrote in an editorial column of the International Herald Tribune: "Business would look askance at any suggestion involving external assessment of corporate performance, whether by

special interest groups or by UN agencies. The Global Compact is a joint commitment to shared values, not a qualification to be met” (Cattai,2000). Some NGOs and trade union organizations, which participate in the Global Compact, have been joined by the United Nations High Commissioner for Human Rights in calling for tougher measures, independent monitoring and a faster response on the part of business. During the inaugural conference, Mary Robinson called on the participants “to recognize ... that there is a price to be paid for participating in the Global Compact ... We must be working towards independent monitoring of the application of the principles; there must be public reporting of how principles are implemented ... and we must identify measures to be taken against those who have subscribed to the Global Compact but clearly are not adhering to the principles. It is quite clear that you can’t just sign on and think that there will be a free ride.”

It remains to be seen which of these different approaches will prevail. The hope is that the Global Compact may nudge business towards social and environmental responsibility. The fear is that it may become a site where business can engage in “greenwash” – or what some are now calling “bluewash” - with companies using their association with the UN to project a good image, while changing little by way of corporate policies and practices. The latter outcome probably stands a greater chance of becoming reality if the softer approach outlined above prevails.

The danger with such a situation is that the partnership may end up serving the purpose of legitimising big business rather than substantially improving the environmental and social performance of TNCs and other companies. This, in fact, is a common outcome of situations where the governance of multilateral institutions is opened up to non-state actors. One research project which looked at the the increasing interaction between global economic institutions such as the World Bank and civil society interests found that the process changed the way in which some decisions were taken but changed little, if anything, in terms of policy (O’Brien et al., 2000). This study found that two sets of interests are at play. One set of interests, associated with civil society actors, was more concerned with changing the policy direction of the institutions (O’Brien, 1999). Another, associated with global economic institutions, was more concerned with maintaining the existing policy direction and ensuring the smooth implementation of policy. This analysis could also apply to transnational corporations involved in certain partnerships such as the Global Compact. For some companies, such involvement may be part of a strategy of risk management which aims to minimize threats associated with mandatory regulations, civil society opposition and consumer boycotts.

To some extent, this criticism, which involves stabilising, rather than fundamentally changing the existing system, could also be levelled at the UN itself. Part of the original rationale for launching the Global Compact was in fact to ensure the smooth functioning of international trade and investment regimes, and to overcome the threat posed by various interest groups “to load the trade regime and investment agreements with restrictions aimed at reaching adequate standards in human rights, labour and environment” (Annan, 1999). The Global Compact and the voluntary approach it espouses are partly seen as a way of removing such impediments to free trade and investment.

*Institutional capture:* If institutions such as governments or UN agencies are to serve the public interest they must keep a certain distance from private interests. This is because an

organisation like the United Nations is driven, to some extent, by a set of ethical principles while business is largely driven by the profit motive and the interests of shareholders (Bellamy, 1999). Tensions and conflicts of interest, therefore, are likely to arise when private interests exert undue influence over the decision-making processes of public-interest organisations and engage in what has been called “institutional capture”.

There are concerns that this is happening in some UN agencies as a result of partnerships with big business, which can provide a company with greater access and influence. The South Centre (a body which acts as a think tank for the Group of 77) has voiced its concern that “the growing close relationship between the UN and big business may be undermining the scope for developing the type of global policy framework needed to provide people worldwide with decent livelihoods and economic and social security. If global public policies become founded on the values and principles which currently accord with the maxim that ‘what is good for big business is what is good for the world at large’, the hopes for an equitable world economic system and social justice are indeed slender” (The South Centre, 1999:1).

NGOs and others have long been critical of what they see as undue influence of TNCs in the such bodies as the Codex Alimentarius Commission, which was set up by the FAO and WHO in 1963 to establish food safety and quality standards (Krut, 1997; Rundell, 2000). Some large corporations have an obvious interest in gaining access to international bodies which set standards that affect their operations. A recent WHO report identifies how companies in the tobacco industry have penetrated and influenced the WHO. “In one of their most significant strategies”, the report notes, “tobacco companies developed and maintained relationships with current or former WHO staff, consultants and advisors ... Of greatest concern, tobacco companies have, in some cases, had their own consultants in positions at WHO ... Some of these cases raise serious questions about whether the integrity of WHO decision making has been compromised. All of them illustrate the need for rules requiring that current and prospective WHO employees ... disclose any ties to the tobacco industry” (WHO, 2000). If tobacco interests have been able to penetrate organizations such as the WHO, it is quite probable that other corporate interests, which do not have a pariah status, have been far more effective. Certain companies in the pharmaceuticals and food industries actively seek to influence the decision-making processes of such agencies. Partnerships are likely to facilitate these attempts to gain influence.

*Self-censorship:* Are the agendas of UN agencies changing as they get closer to business? Given the absence of any systematic research into this question it is difficult to provide an answer. There is concern, however, that the doors to certain legitimate fields of UN inquiry and analysis are gradually being closed. This is apparent, for example, in relation to the issue of regulation of TNCs, the discussion of which within the UN system has been largely relegated to small autonomous bodies such as the Sub-Commission on the Promotion and Protection of Human Rights and the United Nations Research Institute for Social Development (UNRISD). The way in which certain issues are being dropped is also apparent in relation to analysis which is critical of TNCs. As UN agencies have got closer to business, some officials feel more inhibited about writing anything that runs counter to the current. The point Rundell makes about NGO-TNC partnerships is probably just as valid for UN-business relations: “Because these partnerships also involve ... working with people who are PR experts, relationships change. Those who once spoke out against unethical behaviour, soon find it uncomfortable and embarrassing. If they do

criticise, they do it privately, in off-the-record meetings, rarely in public” (Rundell, 2000).

The danger is that an unhealthy degree of self-censorship may be starting to manifest itself. Once this occurs, it is likely to undermine the capacity of UN agencies to fulfil their roles as independent advocates for human rights and development for all, and as professional bodies which can raise the level of debate on development issues and facilitate the search for alternatives. In some agencies, or departments within agencies, some fairly blatant instances of self-censorship have already emerged. At a recent WHO conference on infant feeding, for example, the presenters of two papers were actually told they could not refer to several pages of their reports that contained critical references to transnational corporations (Ferriman, 2000). The official response in such cases is generally that the analysis lacks “scientific objectivity”. There are concerns, however, that the real reason for self-censorship is the fear of being associated with critical positions and alternative thinking.

As one NGO network points out, the partnership discourse “risks blunting the critical faculties which are essential for the assessment of the potential pitfalls of a too close and trusting interaction” (IBFAN, 1999). This group goes on to point out that “‘caution’ and healthy distrust seem to be the appropriate attitude for dealing with commercial enterprises, many of which are currently involved in a public relations exercise aiming to present themselves as ‘responsible corporate citizens’ who should be allowed to operate with a minimum of outside interference or regulation.”

One should not underestimate, however, the dilemmas faced by agencies in this regard. UNICEF, for example, has maintained a policy of not accepting contributions from manufacturers of infant formula whose marketing practices violate the International Code of Marketing of Breast Milk Substitutes. Recently, however, this policy has had to be reviewed as a result of UNICEF’s association with UNAIDS, which has entered into a partnership with five pharmaceutical companies to supply drugs to combat HIV/AIDS at discounted prices to developing countries<sup>5</sup>. One of the companies involved is known for its violation of the international code. Endorsing the UNAIDS partnership would therefore undermine UNICEF’s attempt to distance itself from companies violating the Code. (Bellamy, 2000)

Another potentially worrisome development concerns the fact that some UN agencies are currently considering relationships with business that involve big corporations essentially footing the bill for evaluations of their activities. This is likely to give rise to a very delicate relationship, with the possibility that criticism may be toned down, if not muted. There is also the danger that the evaluation or analysis in question will lose credibility as many will be sceptical of the findings of research which has been funded by the party being investigated.

*Naivety:* Some UN agencies appear to be going into partnerships in a somewhat naïve way, assuming that virtually any relationship constitutes a partnership and that almost any company can be a worthy partner. Institutions and people who not long ago were simply referred to as beneficiaries of technical assistance, project counterparts or sponsors are

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<sup>5</sup> The companies include Boehringer Ingelheim, Bristol-Myers Squibb, Roche, Glaxo Wellcome and Merck and Co.

today referred to as “partners”. In common parlance, it is probably not incorrect to call these relationships partnerships. According to the Oxford dictionary, a partnership may simply involve two or more people working together. Sociologically, however, and in development discourse, the term partnership is more complex. Partnerships involve not only different actors and institutions coming together to pursue a common goal, but also mutual respect, transparency, balanced power relations, and the equitable distribution of benefits, responsibilities and risks (Fowler, 2000:27). Furthermore, the common cause which is being pursued has a societal or social dimension to it. Such relationships have been called “new social partnerships” (Nelson and Zadek, 2000). They involve “people and organisations from some combination of public, business and civil constituencies who engage in voluntary, mutually beneficial, innovative relationships to address common societal aims through combining their resources and competencies” (Nelson and Zadek, 2000). When we talk, then, of UN-business partnerships we are talking about a specific type of relationship which aims, amongst other things, to promote corporate responsibility and accountability. In practice, however, the term is often applied very loosely. Of late, there has been a reassessment by some agencies of their use of the term “partnership”. WHO refers increasingly to “interaction” with the private sector while UNICEF is considering the term “alliances” to describe some of its relations with large companies.

Although an agency might have a policy that states that only companies with a good environmental, social and human rights record will be considered as partners, often this record is not examined in any depth. A few agencies, notably UNICEF, have encouraged caution and have exercised “due diligence” by screening companies and attaching “ethical strings” to supply contracts (Bellamy, 1999). According to UNICEF’s Executive Director, Carol Bellamy, “it is dangerous to assume that the goals of the private sector are somehow synonymous with those of the United Nations, because they most emphatically are not ... In coming together with the private sector, the UN must carefully, and constantly, appraise the relationship ... The UN must look carefully at these companies ... Without due diligence, one runs the risk of becoming associated with companies whose past records suggest that they may not be the best partners.” (Bellamy, 1999).

Most UN agencies, as well as the Global Compact, have little capacity to systematically screen companies. This is leading to situations where partnerships are announced with corporations that are well-known amongst the NGO community for their environmental and human rights abuses and poor social performance. As a result, some UN partnership initiatives have aroused considerable opposition from various NGOs. This happened in 1999 with UNDP’s Global Sustainable Development Facility<sup>6</sup>, which eventually collapsed, partly due to NGO opposition to the inclusion of companies such as Rio Tinto and Dow Chemical Corporation. NGOs have also criticized both the Global Compact, which includes Shell and Nike, and UNHCR’s involvement in the Business Humanitarian Forum, which includes Nestlé and Unocal. WHO’s involvement in the World Alliance for Community Health, which involves mining companies like BHP, Placer Dome, Rio Tinto and WMC, may run into similar opposition. All of the above companies are the targets of NGO campaigns.

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<sup>6</sup> The Global Sustainable Development Facility was intended to fund investment projects to help poor countries meet social, environmental and human development goals. Sixteen corporations initially contributed \$50,000 each to cover start up costs.

As IBFAN has pointed out, key elements of partnerships such as mutual respect and trust have “to be ... based on a serious and meticulous evaluation of the track record of each particular company, industry sector, and/or business association” (IBFAN, 1999). The UN currently has little capacity to conduct such an evaluation. There are various ways in which this could be done. Individual agencies could follow the example of UNICEF and establish an office to screen companies and periodically review corporate performance. UN organizations could also undertake a broad-based consultation with NGOs, trade unions, ethical investment firms and research organizations which have knowledge of the company in question. Another possibility – which might reduce problems of duplication – would be to establish a UN entity which could gather the information required, perhaps something akin to the UN Centre on Transnational Corporations, which existed prior to 1992.

Various parts of the UN system have recently drawn up, or are in the process of formulating, guidelines on interaction with the private sector. The urgency which some agencies and officials display in engaging corporations as “partners” may lead to guidelines being ignored. In July 2000 the UN Secretary-General issued a formal set of guidelines for cooperation with the business community. They state, *inter alia*, that “business entities that are complicit in human rights abuses ... are not eligible for partnership” and that “private enterprises should have demonstrated a commitment to meeting or exceeding the principles of the [Global] Compact by translating them into operational corporate practice”. In practice, some UN institutions appear to be ignoring the letter and spirit of these guidelines. The criteria they adopt for selecting partners may be quite lax. Even the Global Compact, which was formally launched just one week after the guidelines, has been criticized for including some companies which have committed human rights abuses (TRAC, 2000). A debate has arisen over whether companies with troubled pasts should be excluded from partnerships. “What would be the point?”, wrote one adviser to the Secretary-General in the *International Herald Tribune*, implying that the UN should be seeking to convert those with troubled pasts (Ruggie, 2000a). This may be a well-intentioned endeavour but it does run the risk of contradicting the UN guidelines.

If UN agencies are to pursue the route of partnerships with TNCs, they can either work with “the good guys” or collaborate with companies with tarnished reputations who now say they want to change. A key question is can such firms be trusted. Unfortunately the history of corporate social responsibility is littered with cases of companies making exaggerated claims and engaging in window-dressing. Some would argue, therefore, that trust shouldn’t be taken for granted – it needs to be earned.

Another problem with guidelines is that they rarely spell out the risks associated with interaction with the private sector. Some guidelines also remain quite broad or vague. For example, regarding the use of the UN logo, the Secretary-General’s guidelines state: “The use of the name and emblem by a business entity may be authorized, even if it involves the making of profit, so long as the principle purpose of such use is to show support for the purposes and activities of the UN, including the raising of funds for the Organization, and the generation of profit by the business entity is only incidental.” Such a clause has led to confusion in some UN quarters as to when business should be allowed to use the UN logo.

Naivety is also apparent in relation to the lack of attention to key questions of independent monitoring and evaluation of partnerships. Given the actual or potential problems and conflicts of interest involved, it seems that UN-business relationships should be subjected to greater scrutiny.

### **Whose agenda counts?**

While partnerships may encourage some corporations to take measures to improve their social and environmental performance, there are clearly limits to this process of change – not least because of a) the relatively small number of corporations that will ever be involved in partnerships with UN agencies<sup>7</sup>, and b) the piecemeal project or “best practices” approach that characterizes many partnership initiatives. The hope is that closer interaction between the private sector and the United Nations will indeed elevate values associated with human rights, environmental protection and social well-being, and that these values will become a more prominent feature of corporate culture. But there is also a worrisome flipside to this scenario. If the process of constructing partnerships pursues its current path, there are grounds for concern. As we saw earlier, the different actors involved in partnerships may get involved for a variety of reasons, some of which have as much to do with narrow self-interest than with some notion of the common good. If the problems outlined above persist, then we could well see the more self-centred agendas come to the fore.

Through partnerships, corporate influence within the multilateral system is likely to increase. As it increases, there may be growing acceptance within the UN for development strategies that basically involve tinkering with the current model of economic globalization that provides obvious benefits for rich countries, certain social groups and corporations, but far less obvious benefits for poor people and countries. As corporate influence grows, policy approaches associated with deregulation and voluntary initiatives are likely to prevail over those that involve redistributive policies and binding regulations. Yet, historically, it is essentially the latter that have obliged business to act in ways more compatible with sustainable and social development. Voluntary initiatives typically extend to a relatively small number of companies and involve numerous loopholes. If they are to be effective they need to be part of a regulatory framework that not only defines a set of rules but also to create an institutional mechanism to oversee these rules and a system of penalties and rewards related to compliance (Zadek et al., 2000).

It can be argued that the political conditions for enacting statutory regulations at both national and international levels are not present, and that in the absence of this option, it makes sense to pursue the voluntary route. There may be some justification for this position although ongoing regulatory initiatives within some countries and the European Union, as well as debates taking place on an international code of conduct for TNCs within the United Nations Sub-Commission on the Promotion and Protection of Human Rights, suggest that the option of binding regulations is certainly not yet off-limits.

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<sup>7</sup> The most ambitious UN-business partnership, in terms of the numbers of companies involved, is the Global Compact, which has plans to enlist 100 corporations and 1,000 companies overall over a three year period. UNCTAD estimates that there are in the world 63,000 transnational corporations with 690,000 affiliates (UNCTAD, 2000).

Today, however, there is another force, other than state regulation, that is obliging business to act more responsibly. This has been called “civil regulation”, which involves changing corporate policy and practices through pressures from civil society organizations (Murphy and Bendell, 1999). The driving force underpinning civil regulation is a global corporate accountability movement (Broad and Cavanagh, 1999). Consisting of a myriad of civil society organizations, this movement is placing corporations in the spotlight, detecting and publicizing abuses, threatening company reputations and demanding that they improve their social and environmental performance. Big business is having to adapt to these circumstances although some corporations will choose to do so through fairly piecemeal changes in corporate policy and practice, and by attempting to enhance legitimacy through “stakeholder dialogues”, public relations exercises and other strategies of reputation management. Partnerships with organisations like the UN can be an important element in such strategies.

The UN has a choice. Either it can be a party to corporate strategies of reputation management or it can be an ally of the global corporate accountability movement and insist, in stronger terms than it has to date, that big business improve its social and environmental record. If the UN is to be associated with the corporate accountability movement it needs to build partnerships and alliances with the environmental, human rights, consumer, labour and other groups and organisations that make up this movement. As currently constituted, however, the UN-business partnership approach seems to straining rather than strengthening relations between the UN and an important sector of the NGO community.

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**Acronyms**

FAO	Food and Agriculture Organization of the United Nations
FDI	foreign direct investment
GNP	gross national product
IBFAN	International Baby Food Action Network
NGO	non-governmental organization
OECD	Organization for Economic Cooperation and Development
PR	public relations
TNC	transnational corporation
TRAC	Transnational Resource and Action Center
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNCTC	United Nations Centre on Transnational Corporations
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
US	United States
WHO	World Health Organization