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EXECUTIVE OFFICE OF THE SECRETARY-GENERAL  
CABINET DU SECRETAIRE GENERAL

REFERENCE

19 November 2004

Dear Network Focal Points,

As the Global Compact continues its rapid growth – we will soon have more than 2,000 companies from approximately 80 countries – Local Networks will play an increasingly powerful role in managing growth and in rooting the Compact within different cultural and linguistic environments. Further, as questions of accountability and impact increasingly influence the overall credibility of the Global Compact initiative, it is clear that we all have a common stake in improving the quality of engagement and brand management of the initiative. In so many respects, Local Networks *are the future* of the Global Compact.

A milestone in coming to grips with this evolution occurred in London on 4-5 November at the Second Networks Conference. In addition to featuring a constructive exchange of experiences and practices, the London meeting laid the foundation for better understanding the role of Local Networks in the future governance of the Global Compact. It is our hope that based on this understanding we can now work together, in a highly consultative process, so that by June 2005 we can respond to the Secretary-General's request to come up with an improved organizational framework for the initiative as a whole.

Based on the discussion in London, I would like to take this opportunity to communicate the key points that have emerged with respect to networks governance and to outline the important work that has commenced. I am fully confident that this process will ultimately lead to a full empowering of Local Networks so that they can maximize their role and impact, and help us all realize the full potential of the Global Compact. With this, we will truly move to the Global Compact's next performance level.

### **The Importance and Role of Local Networks in Future Governance**

With the ever-increasing number of participants and stakeholders in the Global Compact, managing growth in ways that improve accountability and impact is paramount. For Local Networks, it is clear that establishing more defined governance systems, while retaining flexibility and nuance, will be a key success factor moving forward

I wish to be clear – “governance” is not about building bureaucracies. It is about protecting and building the “Global Compact” brand, improving the quality of engagement and, above all, about achieving greater positive impact on the ground. We fully recognize that there are many different

ways regarding how best to achieve these aims. We must respect diversity in approaches – there can be no one-size-fits-all model. Nonetheless, there is a pressing need to more clearly define the role of Global Compact Local Networks.

Based on the London meeting, and previous dialogues with and among networks, some clear directions have emerged: Relatively autonomous networks will strive to spread and deepen the Global Compact worldwide. Some networks will in the future more actively represent the Global Compact in their countries and speak on behalf of the Compact. Some networks will help find solutions to situations related to the Global Compact's integrity measures. Other networks intend to charge membership fees to acquire the resources needed to undertake professional activities to benefit participants, stakeholders, and the Global Compact brand.

At present, networks have unique characteristics and approaches and are at different stages of development. However, a consensus has emerged – based on the first networks conference in Berne in 2003, and discussion at the London meeting – that in order to qualify as a Global Compact Local Network, each network should pursue the following minimum governance requirements:

1. Each network has to be committed to the principles and practices of the Global Compact. This includes the ten principles themselves, the practice of learning by doing, dialogue, partnerships, and striving to bring together other stakeholders.
2. Each network, for management purposes, should establish a focal point authorized by the network to interact with the Global Compact Office and the wider Global Compact network.
3. Each network should produce an annual activities report, describing activities and initiatives undertaken in the previous year. Each network is expected to run a minimum number of events/activities annually.
4. Each network should display a willingness to actively support efforts by participants to develop Communications on Progress, and help find solutions to situations related to the integrity measures.

A major distinction between networks is the degree of organisational structure they find appropriate. Some networks already have formalised structures; others have up to now not seen the need to become more formal. In London, it was agreed that the implications of further defining Global Compact networks need careful and thorough discussion. To this end, two working groups were formed. A third working group was also created to focus on the implementation of the 10<sup>th</sup> principle on anti-corruption.

### **Working Group One: Networks With a Formal Structure**

The following ten networks volunteered to be part of Working Group One: Argentina, Brazil, France, Colombia, India, Italy, Malawi, Spain, United Kingdom, Zambia. Working Group One will have two tasks.

1. Explore and define the rationale and the detailed characteristics of a more formal network governance structure. Among the questions to be explored: What stakeholders should participate in the network? Whom exactly does the network represent? How should networks be governed? How will decisions be taken? Where do resources come from? What legal form may be required? The working group will produce recommendations on these issues.

2. Networks with formally organized structures will – in addition to the four minimum governance requirements listed above – engage in the following activities: i) ensure that participants in the network develop Communications on Progress; ii) proactively manage and protect the Global Compact brand and develop capacities to find solutions to dilemma situations related to the integrity measures; iii) prepare in-depth and detailed activities reports; and iv) if they choose, collect participation fees from participants, and reach agreement with the Global Compact Office on the allocation of such fees. Networks of this working group that represent sufficient numbers of Global Compact participants will commence a pilot phase to implement these functions.

### **Working Group Two: Networks with a Less Formal Structure**

The following six networks volunteered to be part of Working Group Two: Dominican Republic, Germany, Nordic Network, South Africa, United States, Canada (network coming into existence soon). Working Group Two will pursue two tasks:

1. Explore and discuss implementation of the minimum governance requirements. What stakeholders should participate in the network? How should networks be governed? How will decisions be made? Where do resources come from? The working group will produce recommendations on these issues.

2. Networks with a less formally organised structure will not be able to raise funds using the Global Compact logo. They are encouraged to use the Global Compact brand to convene meetings and pursue other activities. The working group will recommend parameters for the use of the Global Compact name and logo by networks with a less formalized structure, with an eye to protecting the integrity of the initiative.

### **Working Group Three: Implementation of the 10<sup>th</sup> principle**

In addition to the two working groups on networks governance, a third working group was established at the London conference to discuss how networks can support the rollout of the 10<sup>th</sup> principle in 2005.

The following four networks volunteered for Working Group Three: Botswana, Dominican Republic, Germany, and Zambia. Working Group Three will discuss and propose what Global Compact country and regional networks can do at their level to support a forceful promotion and implementation of the 10<sup>th</sup> principle on anti-corruption around the world during 2005. The working group will produce a draft action programme.

In annex, we list the three working groups and their members, and also propose next steps.

Finally, I would like to draw your attention to two more crucial issues regarding the functioning of networks.

First, a significant number of networks – approximately 25 – have been set up by UNDP, UNIC, or by other organisations not representing business participants. UN agencies are critical stakeholders in the Global Compact, particularly in transition and developing country networks. They offer knowledge and tools for the implementation of the 10 principles by companies, while also providing operational support to implement partnership projects to advance broad UN development goals. UN agencies also offer a useful convening function for Global Compact Local Networks.

In some UN agency-led Local Networks, companies are not sufficiently involved in the network's priority setting and decision-making activities. In London, a consensus emerged that such networks should work towards including a number of business champions within the network steering committees. A letter will soon be sent to all UN Resident Coordinators with Global Compact networks in their country or region, inviting them to work in this direction.

Second, only active networks can contribute to the integrity and impact of the initiative. Focal points heading networks that are not pursuing significant activities should decide whether they see an opportunity to revitalize their network. We are prepared to support your efforts in this regard. Inactive networks should contact Mr. Anton Stadler at the Global Compact Office; [stadler@un.org](mailto:stadler@un.org).

My purpose in writing to you was to lay out the scope of work and priorities related to the next critical phase of the Global Compact. As I said in the beginning, in so many ways you represent the future of the Global Compact. I wish to take this opportunity to sincerely thank you for being an active part of the exciting evolution of the Global Compact.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Georg Kell', written in a cursive style.

Georg Kell  
Executive Head, Global Compact  
Office of the Secretary-General

## ANNEX: Working Groups and Proposed Next Steps

### Working Group One: Networks with a Formal Structure

Argentina	Mr. Flavio Fuertes	flavio.fuertes@undp.org
Brazil	Mr. Marcelo Linguitte	mlinguitte@ethos.org.br
France	Mr. Konrad Eckenschwiller	eckenschwiller.konrad@wanadoo.fr
India	Mr. Uddesh Kolhi	uddeshkohli@yahoo.com
Italy	Mr. Antonio Gaudio	a.gaudio@cittadinanzattiva.it
Malawi	Ms. Daisy Kambalame	daisy@bcamalawi.com
Spain	Mr. Manuel Escudero	manuel.escudero@ie.edu
United Kingdom	Mr. Anthony Sampson	anthony.sampson@aviva.com
Zambia	Ms. Grace Chibwa	<a href="mailto:lchibwa@yahoo.co.uk">lchibwa@yahoo.co.uk</a>
Colombia	Mr. Luis Ernesto Salinas	globalcompactcolombia@yahoo.com

### Working Group Two: Networks with a Less Formal Structure

Dominican Republic	Mr. John R Gagain Jr.	j.gagain@funglode.org
Germany	Mr. Jorg Hartmann	joerg.hartmann@gtz.de
Nordic Network	Mr. David Stoneham	david.stoneham@nokia.com
South Africa	Mr. Nkosithabile Ndlovu	nkosi@aiccafrica.org
United States	Mr. Jim Thomas	jim-1.thomas@ch.novartis.com
Canada	Ms. Adine Mees	adine@cbsr.ca

### Working Group Three: Implementation of the 10<sup>th</sup> principle

Botswana	Ms. Virginia Malobela	digitech@botsnet.bw
Dominican Republic	Mr. John R Gagain Jr.	j.gagain@funglode.org
Germany	Mr. Jorg Hartmann	joerg.hartmann@gtz.de
Zambia	Ms. Grace Chibwa	<a href="mailto:lchibwa@yahoo.co.uk">lchibwa@yahoo.co.uk</a>

### Proposed Next Steps for the Three Working Groups

1. We invite a “champion network” to come forward as soon as possible to act as the coordinator to initiate discussion for each of the respective working groups.
2. We suggest that focal points of networks participating in the three working groups start network-internal discussions with their participants. We suggest that these discussions conclude by 31 December this year.
3. In early 2005, discussions between networks of the same working group should commence. Working group recommendations should be finalized by 31 March 2005.
4. The recommendations of this working group will become part of the Global Compact White Paper outlining the new overall governance structure of the Compact. The draft White Paper will be shared with governments, businesses, labour and civil society groups, for comments and input.
5. The Global Compact Office is ready to support the work of the groups. Working Groups One and Two should contact Anton Stadler at [stadler@un.org](mailto:stadler@un.org) for more information and support. Working Group Three should contact Birgit Errath [errath@un.org](mailto:errath@un.org).