



MINISTERIAL ROUNDTABLE

**THE ROLE OF GOVERNMENTS
IN PROMOTING
RESPONSIBLE CORPORATE CITIZENSHIP**

SUMMARY REPORT

**6 JULY 2007
PALAIS DES NATIONS
GENEVA
SWITZERLAND**

SUMMARY REPORT
OF THE
GLOBAL COMPACT'S
MINISTERIAL ROUNDTABLE

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EXECUTIVE SUMMARY

The Global Compact's Ministerial Roundtable was held in conjunction with its Triennial Leaders Summit at the Palais des Nations in Geneva, Switzerland on 6 July 2007. The Roundtable was chaired by UN General Assembly President H.E. Sheikha Haya Rashed al Khalifa and co-hosted by H.E. Dr. Maxwell M. Mkwezalamba, Commissioner for Economic Affairs, African Union and H.E. Mr. Sten Tolgfors, Minister for Foreign Trade, Ministry for Foreign Affairs, Sweden. Mr. Talal Abu-Ghazaleh, Vice Chairman of the Global Compact's Board, represented the Global Compact.

The Roundtable's participants included representatives from nineteen selected countries as well as the League of Arab States. Dr. Simon Zadek, Chief Executive Officer of AccountAbility and Mr. Paul Hohnen, Special Advisor to the Global Compact, each gave presentations to stimulate the discussion. The focus was on the role of governments in promoting responsible corporate citizenship, the enhanced competitiveness of countries that promote corporate citizenship and how voluntary measures can promote responsible business practices. Following the presentations, there was a roundtable discussion on the topics addressed. At the conclusion of the meeting, a Chairperson's Summary was adopted by the Roundtable's participants.

This report contains: (1) a list of the Ministerial Roundtable's participants, (2) the Chairperson's Summary, (3) a brief overview of the statements by each of the Roundtable's speakers, (4) official statements distributed by the Swedish and Chinese Ministers and (5) an unofficial transcript of the proceedings.

LIST OF PARTICIPANTS

Chair:

H.E. Sheikha Haya Rashed Al Khalifa, President of the 61st Session of the General Assembly

Co-hosts:

H.E. Dr. Maxwell M. Mkwezalamba, Commissioner for Economic Affairs, African Union

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H.E. Mr Sten Tolgfors, Minister for Foreign Trade, Ministry for Foreign Affairs, Sweden

Invited Speakers:

Dr Simon Zadek, Chief Executive Officer of AccountAbility

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Mr Paul Hohnen, Special Advisor to the Global Compact

Global Compact Office:

Mr Talal Abu-Ghazaleh, Vice Chairman, Global Compact Board Member

Country	Representative
Argentina	H.E. Dr Carlos A. Tomada, Minister of Labour, Employment and Social Security
Australia	H.E. Mr Robert Hill, Ambassador, Permanent Representative to the UN in New York
Belgium	H.E. Mr Alex Van Meeuwen, Ambassador, Permanent Representative to the UN and other International Organizations in Geneva
Chile	Mr Ricardo Escobar, Commissioner, Inland Revenue Service
China	H.E. Mr Li Baodong, Ambassador, Permanent Representative to the UN and other International Organizations in Geneva
Colombia	H.E. Mrs Adriana Mejia Hernandez, Deputy Minister for Multilateral Affairs
Denmark	H.E. Mr Carsten Staur, Ambassador, Permanent Representative to the UN in New York
Italy	Mr. Claudio Spinedi, Ministry of Foreign Affairs
League of Arab States	H.E. Mr Saad Alfarargi, Ambassador, Permanent Observer in Geneva
Mexico	Mr Alberto Ortega, Chief of Staff, Ministry of Economy
Netherlands	Mr Roel Nieuwenkamp, Director, Trade Policy Department

Nigeria	H.E. Dr Martin I. Uhomoibhi, Ambassador, Permanent Representative to the UN and other International Organizations in Geneva
Norway	Mr Jostein Mykletun, Deputy Director General, Ministry of Foreign Affairs
Republic of Korea	H.E. Mr Soung-Jin Chung, Chairman, Korea Independent Commission against Corruption
Singapore	H.E. Mr Lim Boon Heng, Minister in the Prime Minister's Office
Spain	H.E. Mr Bernardino León, Secretary of State for Foreign Affairs
Switzerland	H.E. Walter Fust, Ambassador, Director General of the Swiss Agency for Development Cooperation
United Kingdom	Mr. Julian Metcalf, Deputy Permanent Representative to the UN and other International Organizations in Geneva
USA	H.E. Mr. Warren W. Tichenor, Ambassador to the UN and other International Organizations in Geneva

SUMMARY OF THE DISCUSSION

Introduction

H.E. Sheikha Haya Rashed Al Khalifa, President of the 61st Session of the General Assembly

The context for this Ministerial Roundtable on the role of governments in promoting responsible corporate citizenship is to explore opportunities for government action, not to replace government action. Its goal is to enhance countries' competitiveness while promoting universal values. In particular, its focus will be on promoting corporate citizenship and responsible business practices through voluntary measures.

Statements from the co-hosts

H.E. Mr. Sten Tolgfors, Minister for Foreign Trade, Ministry for Foreign Affairs, Sweden

Free trade and better market access for developing countries strengthens economic growth. Corporate social responsibility (CSR) is vital for a better trade system. Therefore, it is important that governments support voluntary initiatives and promote the dissemination of the Global Compact's principles and the OECD guidelines.

There is a strong business case for companies to implement CSR strategies. EU consumers increasingly favour products produced in good environmental and social conditions. If companies do not implement a CSR strategy, it could affect their market position.

Governments need to enforce the laws in order to create an even playing field. Today, CSR is seen as a strategy to help businesses relate to challenging conditions such as corruption. But corporate responsibility must be business-driven. It is not an alternative to legislation. CSR is also important for international relations because consumers' preferences determine which companies or suppliers to purchase from. Therefore, governments should encourage companies to act responsibly. This will also help strengthen civil society.

H.E. Dr. Maxwell M. Mkwezalamba, Commissioner for Economic Affairs, African Union

The African Union's objective is to promote good governance through an African peer review mechanism, a voluntary initiative with 27 signatories so far. Reviews have been completed for five countries. The primary focus lies on combating all forms of corruption based on the UN Convention against Corruption. Furthermore, the African Union seeks to promote private sector development in order to create a prosperous and inclusive economy.

CSR strengthens businesses' contribution towards poverty reduction and achieving the Millennium Development Goals in Africa. The Global Compact has been described as an important initiative for the AU, and the AU invites and challenges companies in Africa to participate in the initiative. Furthermore, the AU encourages its organs to promote CSR within the business community and civil society.

Presentations

Dr Simon Zadek, Chief Executive Officer of AccountAbility

AccountAbility's *The State of Responsible Competitiveness 2007: Making Sustainability Count in Global Markets* was distributed amongst the Roundtable's participants. The report contains two sections: (1) a rating of how 108 countries are doing in promoting CSR, and (2) a discussion of the link between CSR and a country's competitiveness.

The report's ratings are made up of 21 indicators organized into 3 sub-indices, with data from third-party, reliable sources (ILO, WB, WEF etc). It looks at policy drivers, business action and social enablers in each country.

The result? A strong positive relationship between CSR in a country and the state of competitiveness as measured by WEF's growth competitiveness index. Sweden is number one and the Nordic economies scored the best against composite indicators. South Africa is 28th out of 108 countries, just out of the top 20.

The responsible competitiveness index is just a start and is meant to encourage global discussion about competitiveness, which is currently weak. There is a need to measure linkages much more effectively. The strategy for the future is to take this approach to more countries and down to sectoral, industry and city/regional levels. This will bring the CSR agenda into the policy agenda.

Corporate governance is an issue for national competitiveness and deserves to be taken seriously. However, CSR is still a subject that many governments don't understand. Even when parts of governments understand, most governments are compartmentalized, so the message is not integrated. Governments need departments to be aligned in promotion of CSR.

Questions to panel:

1. What examples can you offer of how government policies can promote CSR and enhance competitiveness?
2. How has CSR enhanced ESG goals?
3. How can voluntary initiatives help government to advance ESG?

Paul Hohnen, Special Advisor to the Global Compact

Paul Hohnen's paper *Soft Power: How governments can use the 'soft power' art of encouragement and persuasion to advance corporate engagement on social and environmental issues* was distributed amongst the participants.

Governments need to use all the tools at their disposal to address sustainability and related challenges such as climate change. Central to this is the need to effectively harness the full power of the business sector. Traditional 'Voluntary vs. Regulatory' labels can be misleading, suggesting governments must either regulate, or adopt a 'hands off' position towards business. In fact there are at least a dozen different ways that governments can help

to advance voluntary activities by the private sector, without regulation. These options can be characterized as the exercise of 'soft power'.

The field of CSR offers governments an excellent opportunity to advance multiple goals. By working more closely with the business sector- using voluntary tools and 'soft power' - governments can help motivate business to contribute to wider societal goals. In doing so, government policies to promote trade, development, security and sustainability can be advanced.

Examples of 'soft power':

1. **Creating enabling environment:** acknowledge CSR and encourage companies to talk about it
2. **Raising awareness:** show official interest in CSR. Adoption of a CSR policy or providing guidance can be helpful.
3. **Promotion:** highlight specific initiatives that governments support, such as the UN Global Compact.
4. **Capacity building:** use web-based tools explaining different issues on CSR.
5. **Convening:** bring stakeholders together to learn and problem-solve. The Global Compact's Leaders Summit is a good example
6. **Mediation:** governments can play an 'honest broker' role in various ways. One country (Netherlands) has even 'out-sourced' mediation to an independent multi-stakeholder panel.
7. **Research:** there is much good research on CSR, but still gaps in knowledge. Governments can help by collating it or commissioning it.
8. **Funding:** CSR organizations rely heavily on funding. More support from governments would increase their potential and impacts.
9. **Partnerships:** it is in the public interest to bring together diverse actors on projects. Public/Private partnerships on trade/development/sustainability used by some countries are an example.
10. **Instruments Development:** governments can play a key role in helping create and scale-up new voluntary initiatives. The Global Compact is an example.
11. **Legislative consistency:** as governments enact new legislation, it is important to ensure consistency with wider sustainability and CSR policies. Wherever possible, GC principles should be injected into local CSR mechanisms.
12. **Apply standards:** to ensure their credibility, governments need to 'walk the talk'. Public authorities also need to observe internationally-recognised standards and principles.

Soft power has many key benefits. Its flexibility enables governments to interact with business and encourage creative and diverse responses. It helps governments focus on key issues and develop a common approach. By using soft power, governments can "stimulate the shared DNA of all sectors of society to act together to address shared goals"

Despite these advantages, it is also important to remember that 'soft power' comes with some caveats. It must be a complement to regulations, not a replacement. Regulation remains a vital core function of government.

Companies have become crucial actors on the international stage. Their actions, or inactions, are shaping the future. In the globalised world, they can play a vital role as

‘ambassadors of values’. By helping business to inject the DNA of international principles into their strategic plans, governments can unleash a major new source of power, with a truly historic positive impact.

Discussion

Spain

H.E. Mr. Bernardino León, Secretary of State for Foreign Affairs

Spain’s economy has grown dramatically over the past 25 years. It used to have mostly domestic companies, now some of its businesses rank among the most important investors in the world. Spain also moved from Latin American-based investments to global investments. Today, the government focuses on three main challenges: energy, terrorism and migration. Spain said that dialogue with the private sector was an important factor in resolving these issues. Some specific initiatives and issues the government is promoting with the private sector include: an optional protocol for social rights; human rights, in particular access to safe drinking water and sanitation through its companies operating in Latin America and Africa; water and environment issues in Spain; and the eradication of child labour.

Spain uses the soft power approach and has formed a parliamentary sub-committee to focus on corporate social responsibility. The government asks its companies to adhere to voluntary initiatives and a code of conduct, and demands an explanation of those companies that do not adhere to any CSR initiatives. Businesses comply on a gradual basis. This approach is working well, and the government has a positive experience with CSR. It helps improve the country’s competitiveness and also the government’s own capacities.

Colombia

H.E. Mrs. Adriana Mejia Hernandez, Deputy Minister for Multilateral Affairs

Colombia shares the vision of the Global Compact and said that the initiative helps promote human capital building and development. In order to maximize the GC’s potential, institutional actions are required. Governments should incorporate the Millennium Development Goals into their policies and, at the same time, create policies to encourage entrepreneurial activities. Colombia has a policy to promote SMEs and has set up the “Bank of Opportunities” to improve access to credit for low-income families and micro entrepreneurs. Governments should also promote national and international capacity building in the area of corporate social responsibility. Finally, governments must join other actors and engage in public-private partnerships to support local and regional projects. For example, Colombia is supporting the creation of a regional Global Compact centre in Bogota to support the initiative in Latin America.

United Kingdom

H.E. Mr. Julian Metcalf, Deputy Permanent Representative to the UN and other International Organizations in Geneva

Currently, over 250 million children worldwide are subjected to child labour. Poverty is the root cause of some important issues like this particular one, and the Global Compact

principles can address these issues. The UK government proposed five ways in which governments can support the initiative: help promote the business case for corporate social responsibility; provide technical assistance in developing countries, for example to eradicate corruption; engage in diplomatic dialogues within the framework of high-level meetings, like the Glen-Eagles Summit; audit trade and investment projects of the export credit agencies and ensure that ESG factors are included in the financial analysis of a project; similarly, ensure that UK companies that seek government funding adhere to the Global Compact principles; incorporate the principles throughout the government and its policies.

Mexico

Mr. Alberto Ortega, Chief of Staff, Ministry of Economy

Mexico addresses the challenge of how to build human capital and promote development through public-private partnerships with the private sector. Joint education projects focus on the values of good corporate citizenship and competitiveness.

Chile

Mr. Ricardo Escobar, Commissioner, Inland Revenue Service

One of Chile's challenges is promoting responsible tax payments. Currently, 90 per cent of taxes are paid by 2 per cent of the population. In order to encourage responsible behaviour, Chile is creating an IT-based taxpaying system and will issue responsibility certificates to taxpayers that use electronic systems. In addition, large corporations are asked to encourage their suppliers to use the same system. This project will be launched in August 2007.

Nigeria

H.E. Dr. Martin I. Uhomobhi, Ambassador, Permanent Representative to the UN and other International Organizations in Geneva

In March 2007, the Global Compact Nigerian Network was launched in the country and attended by the former Nigerian President. The government supports the Global Compact's objectives and is using soft power approaches, such as dialogues with labour, the academic community and companies to promote the principles. Nigeria believes in the efficiency of voluntary approaches, and said that governments and companies can enhance each other's goals. The government encourages its companies to sign on to the Global Compact and thinks it is important that ESG factors are integrated into business activities. It asks companies to disclose their CSR activities to the public because this reinforces the trend to integrate CSR principles into business operations.

Denmark

H.E. Mr. Carsten Staur, Ambassador, Permanent Representative to the UN in New York

Responsible competitiveness is aligned with the historic legacy of the Nordic model, which emphasizes sustainable development, the welfare state and socially responsible models. Denmark wants to expand its leadership role on this topic in a number of areas:

Create a national strategy for Corporate Social Responsibility, based on a unified government approach; tie CSR principles to Overseas Development Assistance in relation to private sector and public funding; develop standards for the energy sector and work in close relationship with the private sector on environment-related issues; and promote R&D of energy technologies through public-private partnership projects.

United States of America

H.E. Mr. Warren W. Tichenor, Ambassador to the UN and other International Organizations in Geneva

The United States recognizes the value of ESG factors in advancing global competitiveness and promotes the climate for sound practices based on these factors. The United States government said that a combination of sound regulation and stimulating incentives, such as corporate excellence awards, are key to promoting the integration of ESG factors into business practices. The government is making use of regulation, tax and litigation reforms to incorporate and promote ESG factors within its own policies.

Italy

Mr. Claudio Spinedi, Counselor, Director-General Development Cooperation, Ministry of Foreign Affairs

Italy promotes SME development and said that financial mechanisms that support sustainable development and CSR are gaining importance. It is currently mandating an Italian bank to research this subject. The government works with partners to encourage adoption of the Global Compact principles.

Netherlands

Mr. Roel Nieuwenkamp, Director, Trade Policy Department

The Netherlands promotes globalization while maintaining a balance of economic and social aspects. The challenge for the government is the governance gap – government regulation is local, but trade is growing internationally. It addresses this challenge in two ways, 1) in the public domain, using hard power, for example through international organizations such as the World Trade Organization and the International Labour Organization, and 2) in the private domain, by promoting responsible competitiveness, private sector initiatives and voluntary principles. The two approaches reinforce each other. Furthermore, the government focuses on creating coherence between international codes and CSR platform.

China

H.E. Mr. Li Baodong, Ambassador, Permanent Representative to the UN and other International Organizations in Geneva

Chinese businesses emphasize the values of ethics and profit equally. The government recently adopted a law which focuses on CSR and regulates Chinese companies that operate overseas, asking them to respect international rules and local regulations.

The Global Compact principles have laid a good foundation for China to promote competitiveness among its companies. However, China raised a concern about the principles and said that they need to be adapted to the local conditions in developing countries in order to avoid the misuse of the principles by promoting and protecting the interests of certain groups only.

Republic of Korea

H.E. Mr. Soung-Jin Chung, Chairman, Korea Independent Commission against Corruption

The Korean government said that it uses its soft power by promoting voluntary initiatives and engaging in public-private partnerships. For example, in March 2005, it signed the K-PACT (Korean Pact on Anti-Corruption and Transparency) with business and civil society partners to fight corruption. The Korean government supports the K-PACT's council by promoting best practices in fighting corruption and by encouraging its companies to participate in the Global Compact and adopt its principles. In addition, the government requests that companies are monitored by independent audit companies to ensure transparency and that CEOs certify their statements in order to protect the shareholders and prevent accounting fraud.

Argentina

H.E. Dr. Carlos A. Tomada, Minister of Labour, Employment and Social Security

The Argentine government said that corporate social responsibility is a useful tool to achieve the Millennium Development Goals, because it helps fight poverty and social exclusion. The government's focus within the area of CSR is on ensuring decent work. It requests that Argentine companies take into consideration labour issues and promote health standards, training opportunities, decent work and quality employment.

Argentina has around 200 participants in the Global Compact, including SMEs. The Argentine government is committed to promoting CSR and asks all large companies, SMEs and supply chains to adhere to labour standards and implement the Global Compact principles. The Ministry of Labour created programmes to promote the benefits of formal, registered labour and to analyse the relationship between employment conditions and competitiveness. It also created partnerships with universities and NGOs to promote training of young people throughout the value chain.

Singapore

H.E. Mr. Lim Boon Heng, Minister in the Prime Minister's Office

Singapore supports the Global Compact and actively promotes participation in the initiative. It created an independent organization in partnership with other stakeholders to assist companies in achieving the standards of the Global Compact principles and implementing them. For example, businesses are trained on how to form a constructive relationship between employers and trade unions.

Singapore is an international trading nation and needs to ensure that its population works under good conditions, based on certain standards. In addition, the government is developing programmes to address key issues such as the environment, access to water, energy, waste management and corruption.

Switzerland

H.E. Walter Fust, Ambassador, Director General of the Swiss Agency for Development Cooperation

The Swiss government does not believe in using either hard or soft power, but instead prefers to use the power of conviction and global consensus building. Some Swiss companies are exemplary in adopting corporate social responsibility programmes that go beyond implementing the Global Compact principles.

Switzerland is a key supporter of the initiative and said that more funding should be provided to the Global Compact.

Norway

Mr. Jostein Mykletun, Deputy Director General, Ministry of Foreign Affairs

The Norwegian government reiterated Switzerland's call for more government funding in support of the Global Compact. Norway held a large conference in March 2007, which resulted in a white paper on CSR. The paper is not a new regulation, but aims at promoting corporate social responsibility principles and creating a level playing field. For example, the document addresses certain challenges for the Ministry of Finance, Oil, Energy and Health. A joint committee consisting of representatives across all ministries is currently discussing the implementation of the white paper.