



## **Freedom from Want and Fear: The Role of the UN Global Compact**

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*NHO - Confederation of Norwegian Enterprise Conference*  
*“Business, Globalization and Sustainable Development: New Dilemmas and Approaches”*  
*12 December 2006, Oslo*

Good morning, it is a great privilege to be here with you today. We at the United Nations are delighted that the 2006 Nobel Peace Prize has been awarded for “efforts to create economic and social development from below”. Indeed, this year’s award is a powerful statement on the intimate link between freedom from want and freedom from fear, the two moral principles that underpinned the creation of the United Nations over sixty years ago. Principles which remain of the essence in today’s paradoxical world – where, on one hand, nations, economies and cultures are increasingly connected through technology and commerce, yet on the other hand, they are increasingly divided by inequity, intolerance and fear.

The gap between the outcomes of globalization and the needs of humanity remains wide. Two percent of the population holds over 50 percent of global assets, while half the world’s population lives on less than US\$ 2 per day. 30,000 children die each day from poverty. The most recent *Human Development Report* released by the United Nations Development Programme enumerates the many areas where there are “large gaps in well-being and life chances”. It is most urgent for us to address these disparities in development; for poverty and its resulting discontents are directly linked to violence, conflict and disease – ultimately posing serious threats to global peace and security in the 21<sup>st</sup> century. Finding and scaling-up practical solutions for sustained poverty reduction must be a collective priority.

The good news is that a growing number of countries have shown that it is possible to overcome poverty and exclusion through concerted efforts to promote extensive business growth and inclusion in the global economy. In the span of one generation, we have witnessed remarkable, rapid jumps in overall development levels in some countries – as measured by increased average income, education levels and life expectancy for millions of people.

At the most fundamental level, successful development can only be achieved if there is sufficient economic activity and private investment to enable broad-based growth. The pioneering work of Professor Yunus to provide loans to the poor provides critical evidence. The impacts of small loans are many – both for the individual recipients and the community at large – through the creation of productive capital, human capital and social capital. Such loans enable people to start small businesses that can lead to longer-term stability and increased flow of money within villages, jump-starting activity and development. Increases in income tend to be put towards education and health services for children, and ultimately provide a greater chance to enjoy human rights related to gender equality, education and democratic participation, for example. Microfinance has shown that entrepreneurship and the role of business – no matter how small – are critical to our common humanity, peace, sustainable development and human rights.

This is a particularly welcome signal for the United Nations Global Compact, the world's largest corporate citizenship initiative. The Global Compact was founded on the conviction that business practices which are rooted in universal principles can help achieve social and economic inclusion in the global marketplace, ultimately advancing collective goals of international cooperation, peace and development. Responsible business is our best hope for delivering broad-based development and creating sustainable markets.

Today, there are 3,700 business participants and other stakeholders engaged in the Global Compact – working to advance ten universal principles in the areas of human rights, labour standards, the environment and anti-corruption. As a multi-stakeholder initiative, the Global Compact brings together all relevant actors – government, business, workers and civil society – at the global and local levels. The Compact – through our participants and local networks – can be found in 100 countries, a majority of them in the developing world, suggesting that the notion

of principled corporate behavior is valued in regions and cultures far and wide. Business solutions are nurtured through incentives, learning and dialogue platforms. A system of public accountability ensures that engagement is increasingly associated with a commitment by business to continuous performance improvement.

In many ways, the environment for corporate responsibility has not been more promising in the six years since launching the Global Compact. Corporate citizenship has grown both as a concept and in practice around the world. Its moral validity is now compounded by a strong business case. More and more, responsible businesses are proving to be a positive force in spurring development and improving human conditions. Based on the experiences of the Global Compact, I want to share with you three key insights related to the contribution of business to sustainable development and peace.

First, there is increasingly a common understanding that people are not poor because of the presence of business. Rather, it is the absence of business that condemns billions to poverty. Business creates employment and income, provides technical skills, and can bring market-based solutions to pressing social and environmental problems. Sustainable development can occur only if sufficient private investment enables broad-based growth. This is a simple yet fundamental statement which has enormous implications for what governments can do, what governments could do better, and what governments should not do.

An investment climate that encourages business development and rewards good practices is critical to realizing growth, social benefits and environmental protection. It is the duty of government to cultivate an environment with sufficient economic institutions and supportive policies to provide long-term stability, promote transparency and minimize bureaucratic obstacles. Business will provide benefits to society only in an enabling environment.

Second, we know that business growth without a moral compass is not good enough. Business can be exploitative and culturally insensitive. It can exacerbate conflicts, add to social tensions and sustain abusive forms of power. History is filled with examples of how narrow business

interests have inflicted enormous damage to people, cultures, economies and the environment. It matters how business conducts itself.

The good news is that, today, business increasingly is aware of its symbiotic relationship with society. Business cannot survive if society fails. Weak states, ineffective regulations, poor tax structures, the prevalence of corruption and social unrest are conditions which greatly affect the viability of business. And in this era of globalization, as long as institutional voids continue to prevail in too many places, market expansion will remain associated with dilemmas.

Therefore, exhibiting the social legitimacy of business and markets is critical to strengthening the global economy and countering rising concerns. Responsible business practices and cross-sector partnerships are critical. Corporate policies and practices that respect human rights and ensure safe and decent workplace conditions, environmental protection and good corporate governance create more sustainable value and benefits for workers and communities, as well as safeguard our climate and planet. They also enable business to attract and retain skilled workers, save costs, enhance productivity, create trust and build reputation.

Already, countless business practices and cross-sector partnerships are undertaken using the Global Compact's ten principles as a moral compass. We have documented hundreds of practical examples across a wide range of issues – from the Global Compact's core areas of human and labour rights, environment, corruption, to other priority topics such as peace-building, HIV/AIDS, water and climate change.

Companies are implementing the ten principles into business operations, and many are even taking a step further by innovating their business approaches to serve both corporate and societal interests. For example, micro-lending to communities, transferring environmental technology to build local capacities, and promoting standards within supply chains to help SME partners better manage risks and efficiencies. There are many examples of collective action being taken by Global Compact participants, for example in Malawi to strengthen anti-corruption measures and in Panama to eradicate child labour. I am proud to be here today in Norway, a country where Global Compact participants have exhibited true leadership in responsible business practices. It

is quite appropriate that EITI – the Extractive Industries Transparency Initiative – has chosen Oslo as the home for its secretariat given the country’s long tradition of corporate citizenship. The Global Compact is looking forward to further supporting this critical transparency initiative. Overall, progress and important advances in thinking – both by business and about business – are being made. But there is still much to be done to put a human face on globalization. Large-scale duplication of solutions and social initiatives is needed to make the global market more inclusive and sustainable. Without replicating and diffusing good practices, widespread, lasting changes will not occur.

The third – and final – insight I want to share with you today is that there is cause to be bullish on the potential of corporate citizenship. So long as political and economic openness govern relations between people, cultures and nations, there is hope that the search for scale and efficiency will converge toward greater responsibilities, thus enhancing the positive role of business. Indeed, several trends suggest that global actors are increasingly motivated to do so.

Notions of transparency are setting new standards for disclosure and for evaluating social and environmental impacts. Financial markets are starting to recognize that environmental, social and governance issues can be material to long term performance. Consumers and voters are increasingly aware that with power comes responsibility, expecting business to be part of the solution. There is growing recognition that voluntary and regulatory efforts are in fact complementary. Global awareness and understanding of the modern-day notion of “corporate responsibility” is markedly higher than a decade ago, with dialogues and debates on the topic being held in all regions. In combination, these developments make the current environment promising for the Global Compact and the corporate responsibility movement more generally – giving sustenance to the call for a more inclusive and sustainable global economy.

However, the battle for ideas and the shaping of global markets is an ongoing experiment; its success is far from assured. Certainly, technological change will continue to reduce transaction costs, permitting goods, services, ideas and innovations to more easily spread around the globe. Technological change is irreversible, at least within the span of a few generations. But the political counterpart in this equation – that is, the willingness of the people to sustain and

cultivate openness and interdependence – cannot be taken for granted, as history has taught us again and again. It must be earned.

All of us have a stake in getting the experiment of globalization right. Responsible business is our best hope for delivering broad-based development and creating sustainable markets. Now is the time to ensure that the early momentum gathered in the corporate responsibility movement is taken forward. This means ensuring that business – in partnership with the United Nations, government and civil society – fulfills the highest aspirations of its role in society. This also means ensuring that governments take steps to actively promote responsible business practices. It is only within a favorable investment and sociopolitical environment – as shaped by government and policy makers – that business and voluntary initiatives, such as the Global Compact, can produce widespread positive change.

Today, many of the world's challenges are too interconnected and complex for any one sector to face alone. Common objectives – such as building markets, combating corruption, safeguarding the environment and ensuring social inclusion – have finally paved the way for collaboration between business, government, civil society and the United Nations. This cooperation recalls the foundational spirit of the United Nations in 1945 when politicians, business leaders and scholars shared the conviction that business, trade and investment were essential pillars for enabling peace and prosperity. Let us commit to carry forward this spirit, working together to ensure that globalization and commerce advance in ways that benefit people everywhere – freeing the billions of humans who still live in want and fear.