

UN Global Compact 2018-2020

Key results:

- A more responsible business sector in developing countries that contribute to delivering development results.
- The capacity of Global Compact Local Networks in developing countries is augmented. Consequently, they are better situated to drive development impact and corporate engagement on the ground.
- Increased capacity of the UN system to partner with the private sector, including at the local level.

Justification for support:

- A responsible business sector contributes to implementing the UN Sustainable Development Goals, including in developing countries
- A responsible business sector is vital for creating decent jobs. This is especially pertinent in developing countries and tier 1 supply chain activities. A responsible business sector can also make tremendous contributions to women's economic empowerment, which poses the greatest challenges in developing countries.
- UN Global Compact has Local Networks in more than 70 countries – independent entities that work to promote and engage local stakeholders in support of Global Compact objectives on the ground. Half of the Local Networks are in developing countries.
- Denmark has supported the UNGC for a number of years to drive the corporate sustainability agenda globally and locally. It has developed tools and resources for companies to learn and to deepen their engagement on topics related to development (e.g. human rights and women's empowerment). Finally, UNGC is working closely with relevant partners from within and outside the UN system to leverage their competencies and avoid duplication.

Major risks and challenges:

- UNGC presents only a percentage of the global business community. Sufficient scale is needed to reach a tipping-point. UNGC has put in place outreach and retention procedures to mitigate the risk related to growth, including with a focus on participants from developing countries.
- Demonstrating the impact (incl. development impact) has been a challenge for Global Compact. A new results-matrix mitigates this risk.

File No.	2018-32532						
Country	Global						
Responsible Unit	VBE						
Sector	25040 – Responsible Business Conduct						
Partner	UN Global Compact						
	<i>DKK mill.</i>	2018	2019	2020	2021	2022	Tot.
Commitment	9						9
Projected ann. disb.	3	3	3	-	-		9
Duration	3 years						
Previous grants	DKK 12,700,000 for 2013-2017						
Finance Act code	06.38.02.12						
Head of unit	Ole Thonke						
Desk officer	Marie Wibe						
Financial officer	Hans-Henrik Christensen						

Relevant SDGs

 1 NO POVERTY No Poverty	 2 NO HUNGER No Hunger	 3 GOOD HEALTH Good Health, Wellbeing	 4 QUALITY EDUCATION Quality Education	 5 GENDER EQUALITY Gender Equality	 6 CLEAN WATER AND SANITATION Clean Water, Sanitation
 7 AFFORDABLE CLEAN ENERGY Affordable Clean Energy	 8 DECENT JOBS AND ECONOMIC GROWTH Decent Jobs, Econ. Growth	 9 INDUSTRY AND INFRASTRUCTURE Industry, Innovation, Infrastructure	 10 REDUCED INEQUALITIES Reduced Inequalities	 11 SUSTAINABLE CITIES AND COMMUNITIES Sustainable Cities, Communities	 12 RESPONSIBLE CONSUMPTION & PRODUCTION Responsible Consumption & Production
 13 CLIMATE ACTION Climate Action	 14 LIFE BELOW WATER Life below Water	 15 LIFE ON LAND Life on Land	 16 PEACE AND JUSTICE, STRONG INST. Peace & Justice, strong Inst.	 17 PARTNERSHIPS FOR GOALS Partnerships for Goals	

Strategic objectives:

1. Engage more companies in the corporate sustainability agenda to help lift people out of poverty by providing decent work, empowering women, and addressing climate change. Securing more Global Compact participants from developing countries, as well as engaging more companies in UN-partnerships in developing countries, is integral to the objective.
2. Support UN efforts to partner with the business sector, including by strengthening synergies between UN and LNs at the local level.

Justification for choice of partner:

Established as a public-private initiative in 2000, the UN Global Compact is the world's largest corporate sustainability initiative and a primary platform of the United Nations (UN) to cooperate with the private sector. The role of the Global Compact is recognised in the UN General Assembly resolution: Towards Global Partnerships – a principles-based approach to enhanced cooperation between the United Nations and all relevant partners. With approx. 13,300 participants and Local Networks in more than 70 countries – half of which are in developing countries – the Global Compact is well placed to promote the corporate sustainability agenda globally and in developing countries.

Summary:

In response to the ambitions of the 2030 Agenda, the UNGC developed a new strategy: “The 2020 Global Strategy”, which sets out to mobilize a global movement of sustainable companies and stakeholders to create the world we want. To make this happen, the UNGC supports companies to: 1) Do business responsibly by aligning their strategies and operations with [Ten Principles](#) on human rights, labour, environment and anti-corruption; and 2) Take strategic actions to advance [broader societal goals](#), such as the [UN Sustainable Development Goals](#), with an emphasis on collaboration and innovation. The Danish commitment is provided under the umbrella of a Strategic Partnership Agreement between Denmark and UN Global Compact covering 2017-2020. The Commitment supports UNGC's 2020 Strategy with a focus on promoting the uptake and impact of the UNGC in developing countries including by building capacity on Local Networks in developing countries and enhancing UN-business collaboration system-wide and in developing countries through closer collaboration with Resident Coordinators.

Budget:

Total support to UN Global Compact	DKK 9 million
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Project Document
Support to UN Global Compact – 2018 - 2020

December 2018

Cover Page

Countries: Global

Project Title: Support to United Nations Global Compact, 2018 - 2020

Start-End Date: 2018 – 2020

Budget: DKK 9 million

Oversight: As a UN initiative, the Executive Director of the Global Compact reports to the Secretary-General through the Deputy Secretary-General. The Global Compact is coordinated by the UN Global Compact Office under the Department of Management.

To reflect the initiative's public-private and multi-stakeholder character, the governance framework distributes governance functions among several entities so as to engage participants and stakeholders at the global and local levels in decision-making and giving advice on the matters of greatest importance to their respective roles and participation in the UN Global Compact. Most important, this includes the Global Compact Board, which is a multi-stakeholder Board chaired by the UN Secretary-General. In addition, regional network councils and the Government Group, comprised of approx. 10 donor countries, take part of the governance. The Government Group engages in a strategic dialogue and monitors the implementation of the UNGC's annual work plans. As a public-private partnership, the UNGC is funded through public as well as private sources with a current split of approx. 20/80 per cent.

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Abbreviations

DKK	Danish Kroner
KFU	Technical and Quality Support department of the Ministry of Foreign Affairs
LN	Local Networks
MFA	Ministry of Foreign Affairs of Denmark
M&E	Monitoring and Evaluation
P4G	Partnering for Green Growth and the Global Goals
PRME	Principles for Responsible Management Education
PRI	Principles for Responsible Investment
SDGs	UN Sustainable Development Goals
ToO	Theory of Change
VBE	Growth and Employment department of the Ministry of Foreign Affairs
UN	United Nations
UNGC	United Nations Global Compact
UNGP	United Nations Guiding Principles on Human Rights and Business
UN PSFP	UN Private Sector Focal Points Network
USD	United States dollar

1 Introduction

This Project Document presents the rationale and justification, the objectives and expected outcomes and impact as well as the management arrangements for the allocation of DKK 9 million for the UN Global Compact (UNGC), which is included in the 2018 Finance Act.

Established as a public-private initiative in 2000, the UNGC is the world's largest corporate sustainability initiative and a primary platform of the United Nations (UN) to cooperate with the private sector. The role of the UNGC is recognised in the UN General Assembly resolution: Towards Global Partnerships – a principles-based approach to enhanced cooperation between the United Nations and all relevant partners (A/RES/70/224¹).

With participants from more than 160 countries, and Local Networks in more than 70 countries – half of which are in developing countries - the UNGC is well placed to fulfil its mission *to mobilize a global movement of sustainable companies and stakeholders to create the world we want*. To do so, the initiative supports companies to 1) do business responsibly by aligning their strategies and operations with ten principles on human rights, labour, environment and anti-corruption, and 2) take strategic actions to advance broader societal goals, such as the SDGs with an emphasis on collaboration and innovation. In addition, the role of the UNGC in supporting the UN system partner with the private sector, incl. supporting measures to safeguard the organisation's integrity, is significant.

With the adoption of the 2030 Agenda for Sustainable Development, it became widely accepted that all global and local stakeholders need to mobilise and work together to achieve the ambitions of the agenda, which also requires active engagement and participation of the private sector. In response to the ambitions of the 2030 Agenda, the UNGC developed a new strategy: "The 2020 Global Strategy" (henceforth the 2020 Strategy). The 2020 Strategy builds on four important pillars designed to drive change and to utilize the role of the UNGC. These pillars include: (1) fostering and mainstreaming responsible business & leadership practices, (2) the SDGs as the 'lighthouse' to guide responsible business action, (3) the UNGC as a global/local platform and connector, and (4) the ability of the UNGC to measure and communicate the impact of, and progress on, responsible business. When implemented, the UNGC and its signatories will be better placed to drive and deliver positive contributions to the SDGs, including in developing countries and emerging markets. In this regard, it is noted that the UNGC supports participants to deliver on the implementation of the SDGs in developing countries *and* globally ("global public good"). The two dimensions are interlinked and mutually reinforcing.

In 2017, the Government of Denmark and the UNGC signed a Strategic Partnership Agreement (Agreement) covering years 2017-2020. The 9 million DKK commitment is provided under the umbrella of this Agreement to promote the uptake and impact of the UNGC in developing countries.

¹ An updated Partnership resolution was adopted by the General Assembly in the beginning of December 2018. The updated version has not yet been given a number. Final draft: A/C2/73/L.32/Rev.1

2 Brief summary of issues to be addressed and institutional context

2.1 Institutional context and issues to be addressed

Over the past 15 years, the UNGC² has built a global platform for businesses to responsibly address the challenges and opportunities they face around the world. This convening platform provides the opportunity for engagement with key stakeholders such as Governments, civil society, labour, educators, investors and the UN –among many key actors.

With the launch of the 2020 Strategy, the UNGC set out an ambitious path for the initiative. Successfully implementing the 2020 Strategy in all regions, requires a dedicated effort in relation to developing countries and emerging markets where the challenges are greatest and where the private sector can have a positive impact as development.

An important feature of the UNGC – and critical for successfully implementing the 2020 Strategy - is the Global Compact Local Networks (LNs). LN's are independent, self-financed³ and self-governing entities at country level, which play a critical role in advancing and growing the initiative, and creating impact on the ground. LNs around the world have started to work with national SDG commissions and other stakeholders — including UN Country Teams — in raising awareness among companies in their region around the SDGs and the Ten Principles, building capacities for business to align their strategies with the SDGs in support of Government priorities, participating in public-private policy dialogues and partnerships, and finding ways to mobilize financial resources for the SDGs. LNs, however, have varied capabilities and perform at different levels.

UNGC's mission and objectives are relevant from both a public good perspective and a development perspective. The Danish commitment will be utilised to promote development objectives by promoting issues addressed below and further elaborated in chapter 5 and the results framework.

Optimizing the Global Organisation [Local Networks in developing countries and emerging markets]: The UNGC is rolling out the GC LN Quality Standards after a series of consultations with LNs over the course of 2017. The purpose of a uniform set of standards is to provide more clarity around the expectations that exist for all LNs and to further align around a common minimum set for governance, management, strategic planning, reporting and integrity in the spirit of a “One Global Compact” outlined in the 2020 Strategy. These standards are also an effort to provide more support to LNs so that they become more efficient and improve their capacity as local platforms for multi-stakeholder engagement. In this sense, this alignment ensures the effectiveness and optimal functioning of LNs, which had proven to be challenging throughout the years with LNs at different stages of maturity and some with limited resources. Notably LNs in a number of developing countries may have more constraints than others delivering on the visions of the 2020 Strategy.

² Comprising the UN Global Compact Office, the Global Compact Foundation and Global Compact Local Networks

³ UNGC established the “Local Network Development Fund, which is a new financial assistance platform intended to support existing LNs that are resource- and capacity-constrained as well as to provide seed funding for new LNs. Five percent of all of the annual financial contributions that will be made by UNGC Signatories and Participants (i.e. donor contributions not included) as a result of the required annual contribution policy will be channelled to the LNDF. The first round of funding awarded funds to the following countries in 2018: Bangladesh, Brazil, DRC, Ghana, Indonesia, Pakistan, Philippines, South Africa, Tanzania, Thailand, Tunisia, UAE, and Ukraine.

Creating sustainable growth [in developing countries and emerging markets]: UNGC will host, co-host or support a number of outreach and engagement activities globally and locally that serve to implement the 2020 Strategy. This includes an increased number of participants that will have put in place sustainability policies and practices and/or engaging in partnership activities at the local level. In this regard, LNs play a critical role in convening important regional events to build sustainability awareness, translating the SDGs for business in their region, and helping to facilitate the development and implementation of national SDG plans of action in their respective countries to deliver the 2030 Agenda.

UN-Business: The UN Development System reform (2018) has pointed towards untapped potential for the UNGC to be leveraged for greater system-wide impact. Currently, the organization is exploring how to optimize its role as a driver of private sector action on the SDGs, in a way which delivers the strongest possible system-wide approach to partnerships, ensuring alignment between UNGC strategy, UN entities and the new UN architecture. This includes creating linkages at the local level with UN Resident Coordinators, and supporting companies to partner with the UN. Special emphasis on developing countries where the sustainable impact is greatest, and where the presence of relevant UN agencies is more likely.

2.2 UNGC achievements

Since its establishment, the UNGC has made significant contributions to the corporate sustainability agenda and the impact business activities has on people and planet. In many ways, the UNGC has been agenda setting and helped raise the bar on what to expect from business. The achievements include numerous examples within the various thematic priority areas at national and/or global level.

Corporate signatories – creating customer value: UNGC currently has 9942 business participants with 3380 non-business participants for a total of 13322 participants. Of the total number of participants, 3,357 are business participants and 1,667 are non-business participants located in G77 countries. The UNGC's 2018 Progress Report –which focused on providing evidence on how the private sector is contributing to sustainable development, found that 80% of the companies surveyed and participating in the UNGC are taking action to deliver on the SDGs while 66% are addressing the SDGs through adherence to the Ten Principles. The UNGC supports thousands of companies on this journey with tools, learning opportunities, accountability and a platform for multi-stakeholder engagement at the local level.

Local Networks: Since the launch of the initiative, the UNGC has emphasised the importance of local networks. Local Networks are self-governing entities, often hosted outside the UN (e.g. by business associations) that don't receive funding from the Global Compact Office⁴. Local Networks are multi-stakeholder platforms that provide an avenue for signatories to access and share knowledge. Local Networks are instrumental in anchoring the initiative in countries, enhancing synergies with the UN system and vital for attracting new signatories.

Tools and resources – learning and knowledge sharing: UNGC is a learning platform for signatories to enhance the depth and impact of their work, and to communicate on their progress. To this end, it has developed a number of resources, tools and action platforms to

⁴ With the exception of the newly established Local Development Fund

help companies anywhere along their sustainability journey –from beginners to leaders. In the past two years, the UNGC has developed over 10 Action Platforms on critical sustainable development issues such as decent work in global supply chains, water security through stewardship or justice and strong institutions. A number of companies from developing countries are actively participating in various Action Platforms providing input and ensuring challenges and priorities in their particular contexts are also addressed through these platforms. Another key resource developed in the area of women’s empowerment is the Gap Analysis Tool that allows companies to assess gaps and opportunities for improvement on gender equality. The UN Global Compact Academy was also designed to provide a learning community for increasing the mainstreaming of sustainability practices in line with the Ten Principles, the Guiding Principles on Business and Human Rights, and the SDGs.

Building capacity within UN system: UNGC serves as an important partner to build capacity of the UN system to more effectively engage and partner with the private sector, including enhancing integrity (i.e. measures in place to protect the UN against from key risks associated with the potential for misrepresentation). In this regard, the UNGC supported the development of the UN Secretary-General’s Guidelines on Cooperation between the United Nations and the Business Sector, intended to facilitate the formulation and implementation of partnerships between the UN and the Business Sector in a manner that ensures the integrity and independence of the UN. Also, in order to safeguard the reputation, integrity and good efforts of the UN and the UNGC and its participants, the initiative has adopted a set of Integrity Measures that comprise: the Communication on Progress (CoP)/Reporting policy, logo policy and dialogue facilitation process. This is particularly relevant as membership in the UNGC and the CoPs filings can serve as an important accountability mechanism to facilitate operational partnerships between companies and the UN system.

For over 10 years it has chaired the UN Private Sector Focal Points Network (UN PSFP), a range of operational support to the UN system on due diligence and risk management, and a series of annual global events. The UN PSFP also helps coordinate the work of UN agencies, funds, and programmes to better mobilize the private sector in support of UN issues and goals.

3 Strategic considerations and justification

3.1 Justification

Relevance: The new commitment is fully in line with Denmark’s strategy for development cooperation (The World 2030). The support to UNGC particularly addresses two of Denmark’s four strategic aims, namely *Inclusive, sustainable growth and development* and *Freedom and development – democracy, human rights and gender equality*.

The support to UNGC can underpin Denmark’s efforts to *promote inclusive sustainable growth* in developing countries on various level. Inter alia, this includes supporting the transition of the business sector in developing countries to sustainable production and trade. The private sector – international and local - is a key partner in transforming the SDGs into new markets, services and products that can contribute to a sustainable development in society. A prerequisite for this to happen, and to ensure the best possible impact on sustainable development, is to ensure the private sector embraces responsible business conduct. UNGC can play an important role in this endeavour, which is also the case for Denmark’s commitment to promote sustainability in

global value chains that often start in developing countries. With regard to priority area “*Freedom and development*”, the UNGC’s advocacy efforts vis-à-vis policy makers as well as the support (i.e. tools and resources) provided to corporate signatories can contribute to promoting democratic processes, as outlined in *The World 2030*. Indeed, the business sector can be a positive change agent in the areas of democracy, human rights, and gender equality.

The commitment reflects Denmark’s whole-of-society approach where different stakeholders become partners in development. In this regard, the private sector is an important group. Here, it is worth noting Denmark’s emphasis on the importance of the corporate responsibility to respect human rights: a business sector with responsibly run businesses contributes more to attaining the SDGs. It should be noted that the UNGC Progress Report from 2018 showcased that 92 per cent of survey respondents reported having policies in place on human rights. However, only 27 percent reported performing risk assessments directly linked to human rights, with only 17 percent conducting impact assessments linked to human rights –both entry points for strengthening business engagement in this area.

Partnering for Green Growth and the Global Goals (P4G): Potential synergies between UNGC and the Danish-initiated initiative, P4G, are manifold⁵. The initiatives have global networks of corporates, organizations countries that seek to promote the same or complementing objectives. In particular, the synergies between LNs and P4G’s country platforms should be further explored to promote P4G’s objective at local level and to support outreach to businesses. In some cases it may also be relevant to inquire the LNs assistance to facilitate and accelerate P4G partnerships. Through the Strategic Partnership Agreement, MFA can work to increase synergies between P4G and UNGC, but will not as such be part of day-to-day operations.

Efficiency: UNGC is internationally recognised for its expertise and performance as it relates to mobilising the business community and building capacity within the UN system. UNGC’s position as the business arm of the UN, gives it direct access to key decision makers in governments, regulatory bodies and business. This places UNGC in a position to promote and to advocate for soft policy measures and regulation to increase responsible business conduct in the business sector. As well, when impactful solutions are identified, the UNGC can help bring them to scale through its network.

Effectiveness and sustainability: UNGC has generally been able to achieve its objectives as outlined in its strategic plans and annual work plans, and UNGC’s quality outputs, credibility, reputation and convening power have all been important factors. However, needs to be done to demonstrate and document the actual impact of the UNGC on the ground, esp. in developing countries.

In order to provide tangible evidence that the GC plays a critical role in transforming business practices and in contributing to achieve the SDGs by mobilizing responsible business, the UNGC is actively working on: (1) developing a Theory of Change (ToC) that clearly outlines the planned interventions to achieve this objective, (2) developing a logical framework, based on the ToC, with specific indicators to measure outcomes/impact, (3) strengthening its results-

⁵ Synergies with other Danish-supported initiatives will also be explored (e.g. the World Economic Forum). The link to P4G is most evident and thus included in the present document.

based Monitoring and Evaluation framework to monitor, assess and better communicate progress and inform strategic decision-making processes, and (4) streamline data collection processes and review data collection tools and resources. For the latter, the UNGC will work on updating its CoP web interface to improve user experience, data collection and data mining while also providing training for LNs to expand the quantity and quality of companies on COP and SDG reporting.

Communication: Ongoing dialogue with the UNGC, including the LN in Denmark, on opportunities for joint outreach and platforms. Denmark, at the UN level in New York, is a close partner to UNGC, which translates into joint events and other profiling. Going forward, it should also be explored how/if UNGC communication channels can underpin P4G.

3.2 Strategic consideration

Choice of UNGC as partner: The UNGC is a central partner for Denmark in promoting a responsible business sector in developing countries and globally, building on a principles-based approach to doing business. UNGC has nearly 10,000 corporate participants (13,500 in total) from 161 countries. Importantly, the UNGC has Local Network in more than 70 countries, half of which in developing and emerging economies. Furthermore, the UNGC has close collaboration with a number of partners inside the UN as well as with partners outside, including the Principles for Responsible Investment (PRI)⁶, the Principles for Responsible Management Education (PRME)⁷ and the Global Reporting Initiative (GRI), as well as organizations the World Business Council for Sustainable Development (WBCSD) and the International Chamber of Commerce (ICC). This close collaboration is a critical step to leverage resources, knowledge and to avoid duplication.

Results and lessons-learned: The Danish support has contributed to building an organisation that is one of the leading voices in driving the corporate sustainability agenda globally and locally, while at the same time underpinning the UN's efforts to partner with business. Over the years, it has become clear that securing and maintaining the business community's attention is hard work. Even with the adoption of the SDGs in 2015, dedicated efforts are needed to mobilise the business community at scale. As well, whereas LNs have been a long-standing priority for the UNGC, it has been challenging to secure a robust representation at the local level. The 2020 Strategy has taken serious steps to create "One Global Compact" – a prerequisite for growing the initiative in numbers and impact.

Poverty orientation: Engaging the private sector – globally and at country level – is a fundamental tool to combat poverty. The private sector creates jobs, helps lift people from the informal to the formal economy, generates tax income, etc. But much more need to be done to create an inclusive sustainable growth that benefits larger segments of people, not least the poorest, incl. women and youth. By contributing to building a responsible business sector locally through LNs, the UNGC can underpin these efforts. Likewise, supply chain sustainability with a focus on first tier can make important contributions to eliminating poverty. As an example, the

⁶ Initiated by the UNGC, but subsequently spun off as an independent UN-backed initiative.

⁷ PRME was launched in 2007 as a platform to raise the profile of sustainability in schools around the world, to nurture responsible leaders of the future. PRME is hosted by the UNGC. It has more than 650 signatory schools.

UNGC has developed a Poverty Footprint tool in collaboration with Oxfam to assess business' impacts (positive and negative) on the multi-dimensional aspects of poverty.

Gender equality: Businesses can be a powerful actor to address gender inequality and promote empowerment of women. It is important to keep focus on the importance of empowering women to participate fully in economic life across all sectors and throughout all economic activities. These issues are especially pertinent in developing countries where women often lack opportunities to be equal economic actors. The UNGC has a good track record in promoting inclusion of women and is committed and able to promote this agenda. The UNGC works closely with UN Women on this portfolio (e.g. through the joint “Women Empowerment Principles⁸), but also organisations such as the International Finance Corporation.

Multilateral engagement: At the global level, a key component of the 2020 Strategy involves strengthening partnerships with the UN system and supporting UN-business partnerships by working to expand the pool of “partner-ready” companies: those whose values align with the UN, who are ready and able to participate in projects and partnerships with the UN to advance the 2030 Agenda, and whose proven commitment to sustainability and responsible business practices make them strong potential UN partners. Among other activities, these objectives are taken forward through UNGC's leadership of the UN Private Sector Focal Points Network. Currently, the Network consists of 35 UN agencies.⁹

Alignment of commitment to UNGC's 4-years strategy: Previous Danish commitments to UNGC have been annual and therefore not given optimal predictability and alignment to UNGC's strategies. Most other donors are also providing annual commitments, which complicates UNGC's budget planning. The Danish commitment to UNGC has have a four-year duration in order to address this issue, and this is highly appreciated by UNGC.

Exit considerations: There are indications that current donors will continue to support UNGC with potential new donors to join the group in 2019. It is clear, however, that the UNGC must improve its impact measurement in order to retain donor commitment; especially in times where ODA budgets are generally shrinking. Funding from private sector participants counts approx. 80 per cent of the total budget. Public funding is key to securing political legitimacy for the initiative as it also ensures increased engagement of governments in the work of the UNGC as well as an ongoing focus on developing and emerging countries (corporate signatories may be less likely to emphasise the same level of engagement in developing countries as donor governments).

4 Theory of change and key assumptions

Whereas the UNGC considers itself as “One UN Global Compact” (comprised of the UN Global Compact Office, the Global Compact Foundation and Local Networks), it is important

⁸ The Women's Empowerment Principles is a partnership initiative of UN Women UNGC provide guidance to help the private sector focus on key elements integral to promoting gender equality in the workplace, marketplace and community. <https://www.empowerwomen.org/en/weps/about>

⁹ For example: UNDESA, OCHA, OHCHR, UNOP, UNDP, UNODC, UNICEF, UN Women, UNFCCC, UNESCO, UNIDO, UNFPA, UNOPS, UNCTAD, WHO, UNDF, UN-Habitat, FAO, ILO.

to understand that the Danish commitment supports the activities of the Global Compact Office – to promote the uptake and impact of the UNGC in developing countries.

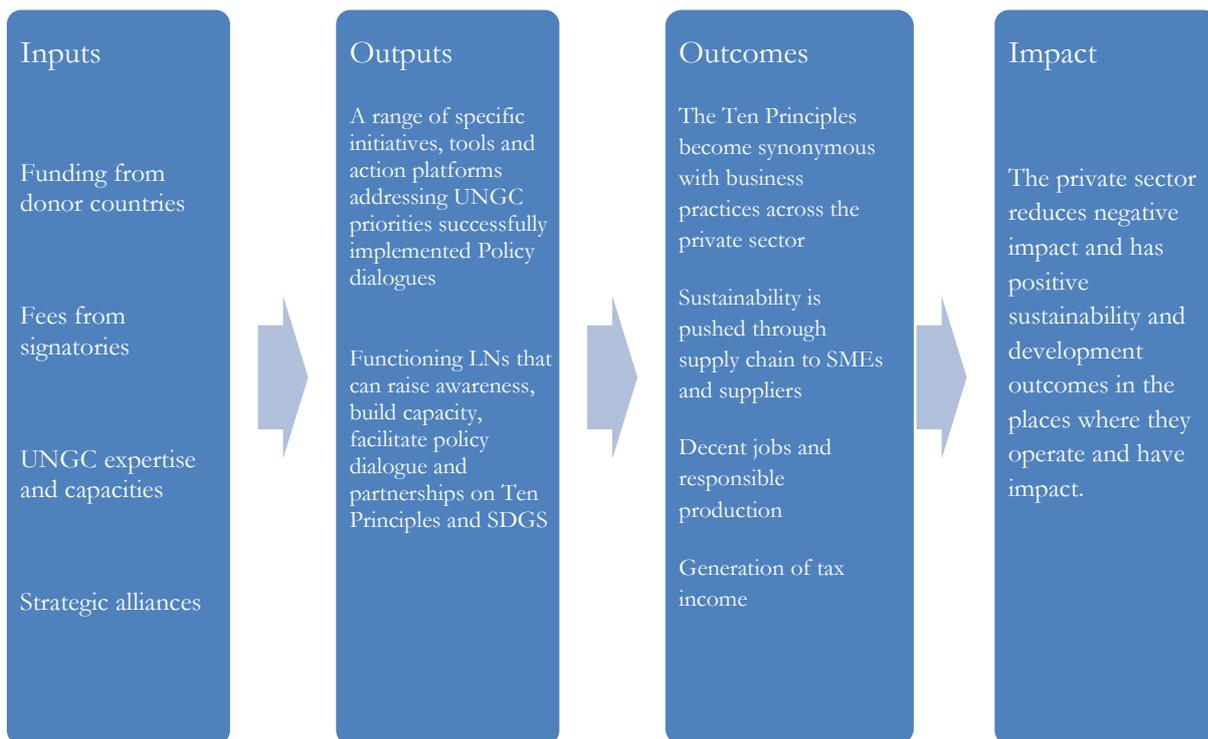
“One Global Compact”

In line with its 2020 Strategy, the main goal of the UNGC—as depicted in its Theory of Change (ToC) (annex 3) is to transform companies such that responsible, sustainable business becomes mainstream across all regions and sectors thus delivering positive outcomes for the economy, society and the environment. In this sense, the target of change for the UNGC is conceived as the practices of the private sector. In line with this vision and in support of the SDGs, the organization’s mission is to mobilize a global movement of sustainable companies and stakeholders to create the world we want.

To achieve this, the UNGC was conceived as a values-based platform that would foster innovation, serve to mainstream best and responsible practices and advocate for an enabling environment to incentivize responsible business. As a learning forum that fosters innovative and leadership practices, the UNGC seeks to establish and promote shared understandings of responsible business conduct through new cognitive framed and new ways of thinking. The expected behavioral change is that companies gradually move up the ladder, as many leading companies have, and help to push others. When successful, this will increase their positive impact on global sustainable development (people, planet and prosperity).

The UNGC has also served as an incubator of a number of initiatives in different issue areas, producing specific tools, guidance, resources and action platforms with the aim to mainstream responsible business practices to as many companies as possible. In this endeavor, Global Compact Local Networks play a key role in contributing to embed the Ten Principles and in nurturing collaboration across languages, borders and sectors.

Below, a summary of the ToC. Please refer to Annex 3 for the full “One Global Compact” ToC.



The UN Global Compact initiative is based on the assumption that companies –as key players in the global economy—can be a force for good and unleash much needed innovation and collaboration in support of societal priorities thus making significant contributions to development, specifically to the SDGs through implementation of the Ten Principles. In line with its 2020 Strategy, the main goal of the UNGC –as depicted in its ToC is to transform companies such that responsible, sustainable business becomes mainstream across all regions and sectors thus delivering positive outcomes for the economy, society and the environment. In this sense, the target of change for the UNGC is conceived as the practices of the private sector. In line with this vision and in support of the SDGs, the organization’s mission is to “mobilize a global movement of sustainable companies and stakeholders to create the world we want”, which implies improving the sustainability performance of all companies worldwide to contribute to the SDGs.

With a critical mass of businesses working more responsibly, that is—with sustainable practices being the business as usual and with an enabling environment that incentivizes responsible business, the main assumption is that there will be significant positive impact from business on sustainable development in all regions –including developing countries. This impact can translate into benefits for workers/environment and society overall. For this to happen, the UNGC must be able to build capacity of Local Networks, esp. in developing and emerging markets as a prerequisite to the growth and impact of the initiative on the SDGs. It will require concerted efforts to make this happen. UNGC likely to seek additional donor funding for specific arrangements to support LNs in Africa.

5 Project objective and summary of results frame

The UNGC has a vision to mobilize a global movement of sustainable companies to create the world we world. To make this happen, the UNGC supports companies to:

1. Do business responsibly by aligning their strategies and operations with Ten Principles on human rights, labour, environment and anti-corruption; and
2. Take strategic actions to advance broader societal goals, such as the UN Sustainable Development Goals, with an emphasis on collaboration and innovation.

The Danish commitment is provided under the umbrella of the Strategic Partnership Agreement to promote the uptake and impact of the UNGC in developing countries by promoting the following:

Creating Sustainable Growth [in developing countries and emerging markets]: To grow the initiative in numbers and impact ongoing outreach, including events and targeted participant onboarding, is a prerequisite. In 2017, 1,427 new businesses joined the UNGC, which represented 77 percent of the UNGC’s annual goal of attracting 1854 new business participants by end of 2017. ¹⁰An integral feature of the UNGC is the obligatory annual reporting – the Communication of Progress (COP) – by signatories. Failure to submit a COP ultimately leads to delisting from the initiative. The Danish emphasizes the need to retaining signatories from developing countries and emerging markets. This will be achieved through a revamped COP, increased support to LNs in these countries with trainings on the renewed and aligned reporting requirements as well as targeted participant recruitment in those LNs prioritized for growth in developing countries.

Optimizing the Global Organization [Local Networks in developing countries and emerging markets]: Local Networks play a critical role in convening important regional events to build sustainability awareness, translating the SDGs for business in their regions, and helping to facilitate the development of national action plans in their respective countries to deliver on the SDG agenda. In addition, they contribute to raise awareness, build capacity and facilitate multi-stakeholder dialogue and partnerships around the Ten Principles and the SDGs. Whereas half of UNGC LNs are placed in developing countries, many of these remain weak and neither able nor adequately resourced to perform the needed functions to deliver real impact on the ground. LNs in developing countries are more likely to need the support of GC headquarter staff to deliver impactful capacity building of local signatory companies, outreach, etc. In 2019, the UNGC plans to post staff in South Africa and Latin America, among others.

Engaging LNs in UNGC’s programmatic offerings, tools and resources, is an important indicator of the capabilities of the LNs. Their understanding of issue areas such as human rights and labour rights is a critical enabler for LN’s to support UNGC participants in addressing these issues, and thus have an impact on sustainable development. As well, engaging global companies in platforms of particular relevance for sustainable development can be an important contribution.

Accelerating National SDG Implementation: LNs can play a critical role in providing a platform for principles-based business to engage in public policy and support the development and implementation of national action plans for SDGs. As such, they can be important partners for Governments in providing an attractive and effective space for multi-stakeholder

¹⁰ Of these new participants, small and medium enterprises (SMEs) make up 70 percent with the largest proportion of joiners coming from Europe (47%), followed by the Americas (27%), Asia/Oceania (14%), MENA (8%) and Africa (5%).

dialogues. Through a variety of formal and informal arrangements, LNs support national and local governments in bringing the perspectives of relevant private sector players in National SDG processes. LNs typically work within the auspices of the relevant UN Country Teams and in close collaboration with UN Resident Coordinators who are leading and coordinating the multi-dimensional support of the UN to Governments on SDG action plans.

UN-Business partnerships: the important role of the UNGC in building capacity of UN to partner with the private sector, as well as its role in bringing more private sector voices into the UN, gives the UNGC a unique platform for contributing to a better understanding of on the complexities of development challenges and how the business sector can contribute to address these. This includes at the global level but also at regional and national level, including through building capacity and collaboration with UN offices as well as outreach events. A “first wave” of 12 Local Networks has been identified as strong candidates for closer collaboration with UN Country Teams over the next two years, based on criteria that include the maturity of the network, support from Government, experience in partnering with the UN, and relationship with Resident Coordinators. “First wave” Local Networks consist of: Brazil, China, Colombia, Democratic Republic of the Congo, Ecuador, Indonesia, Kenya, Lebanon, Nigeria, Pakistan, Thailand and Turkey.

The results matrix covers the broad spectrum of UNGC, i.e. both the “public good” and the “development” dimension. Targets and milestone are divided into categories “overall”, “Asia”, “Africa”, and Latin/ Caribbean, which will allow Denmark to track progress related to sustainable development.

6 Inputs/budget

As a public-private partnership, the UNGC is funded through both public and private sources. Currently, there is a 20/80 per cent split between public and private funding. The UNGC budget is comprised of both public and private income and outcome in order to give an overview and transparency.

The draft consolidated budget (Trust Fund and Foundation) 2018-2020 below showcases the expected income and expenses related to the activities that will be carried out to deliver the objectives aforementioned:

	2018 Foundation Budget (USD)	2018 Trust Fund Budget (USD)	2019 Foundation Budget (USD)	2019 Trust Fund Budget (USD)	2019 Consolidated Budget (USD)	2020 Consolidated Budget (USD)
Income						
General Contributions	7,440,000	-	9,011,557	-	9,011,557	9,732,482
Donor Govt Core Contributions	-	2,800,000	-	3,000,000	3,000,000	3,100,000
Action Platforms	3,700,000	571,250	3,700,000	671,250	4,371,250	4,000,000
Grants	1,000,000	-	1,505,333	-	1,505,333	2,000,000
Events	400,000	-	400,000	-	400,000	500,000
PRME	432,788	-	450,000	-	450,000	500,000
Other	209,225	-	200,000	-	200,000	200,000
Total Income	13,182,013	3,371,250	15,266,890	3,671,250	18,938,140	20,032,482
Expenses						
Personnel	2,981,640	4,011,725	6,993,365	4,124,165	11,117,530	11,500,000
Consultants	1,709,733	324,779	2,034,512	584,988	2,619,500	3,000,000
Events	370,000	10,000	390,000	10,000	400,000	500,000
Travel	200,000	350,000	550,000	350,000	900,000	900,000
Occupancy & Office	1,670,000	45,000	1,715,000	115,000	1,830,000	1,900,000
IT & Telecommunications	775,000	40,000	815,000	35,000	850,000	950,000
Communications and Outreach	180,000	-	225,000	5,000	230,000	260,000
Admin & Other	(2,753)	334,005	331,252	368,901	700,153	800,000
Total Expenses	7,883,620	5,115,509	13,054,129	5,593,054	18,647,183	19,810,000
Net Operating Surplus / (Deficit)	5,298,393	(1,744,259)	2,212,761	(1,921,804)	290,957	222,482

The UN Global Compact receives no funds from the regular budget of the United Nations, and is therefore financed by extra-budgetary contributions, including from Governments through the “UN Secretary General Trust Fund: Global Compact” that is managed and audited according to the rules and regulations of the United Nations. Trust Fund deficits are covered by a transfer from the Foundation to the Trust Fund. Trust Fund programme support costs equals 7%

The Danish commitment of DKK 9 million is disbursed to the Trust Fund. It will be provided with a “soft earmarking”, notably as a contribution to the Trust Fund but with a caveat that funded activities must be eligible for ODA. The disbursement will take place in three instalments of DKK 3 million. Refer also to the Strategic Partnership Agreement.

Other donors include: China, Finland, France, Germany, Italy, Netherlands, Norway, Spain, Sweden, Switzerland and the United Kingdom.

7 Institutional and management arrangements

As a UN entity, the Global Compact Board is officially chaired by the UN Secretary-General. The Executive Director of the Global Compact reports to the Secretary-General through the Deputy Secretary-General. The Global Compact is coordinated by the UN Global Compact Office, which is administered by the Department of Management as part of the United Nations Secretariat.

The UN Global Compact Board is the main governance body of the UN Global Compact. Appointed by the UN Secretary-General, it is designed as a multi-stakeholder body, providing ongoing strategic and policy advice for the initiative as a whole and making recommendations to the Global Compact Office, participants and other stakeholders. It comprises four key constituency groups: business, civil society, labour and the United Nations. The Chair of the Government Group also has a seat on the Board. It is the custodian of the UN Global Compact mandate and is accountable to the United Nations and its Member States via the UN Secretary-General, who is the *ex officio* Chair of the Board. In addition to the UN Global Compact Board, other layers of governance are dedicated to specific stakeholders, such as the Government Group, which convenes Governments that provide important political, programmatic and/or financial support to the UN Global Compact. The Government Group meets with the Executive Director twice a year to discuss the performance and direction of the initiative. With a view to further integrate Networks into our governance structure, we have also established the Global Network Council and five Regional Network Councils.

In 2015, the initiative carried out a review of its mission and activities to develop its 2020 Strategy and distil how the UNGC would deliver responsible business action at unprecedented scale and impact. The mission of the organization was defined as “mobilizing a global movement of sustainable companies to create the world we want”. This means amplifying existing work around the Ten Principles and the SDGs by mainstreaming leading practices, driving business action in support of the SDGs and reaching all signatories. Underpinning the

initiative's work is its LNs, which provide the platform for business to engage with stakeholders from Government, the UN, civil society and communities to advance the SDGs and the implementation on the Ten Principles. This involves spreading the word on the ground about the SDGs, engaging in policy dialogues with Government, establishing partnerships and mobilizing action on issues highly relevant in the local context –whether it be women's empowerment, clean water and sanitation, or labour issues.

8 Financial management, planning and reporting

The UN Global Compact Trust Fund receives and administers voluntary contributions from UN Member States to support the UN side of the initiative. The Trust Fund is managed by the Department of Management under the rules and regulations of the United Nations for extra-budgetary trust funds. The UN Office of Programme, Planning, Budget and Accounts processes and tracks voluntary contributions from Member States on behalf of the UN Global Compact and issues an annual certified statement of earnings and expenditures, which is shared with Member States. The certified statement is reviewed and audited prior to certification. The Danish commitment is disbursed through the Trust Fund, cf. chapter 6.

The initiative also receives private sector funding, primarily from UNGC participant companies.¹¹ Private sector funding is received through the Foundation for the Global Compact. Established in 2006, the Foundation is incorporated under the laws of New York State as a not-for-profit corporation. The Foundation provides vital financial, operational and programmatic support to the United Nations Global Compact Office and other UN Global Compact activities around the world. Its relationship with the United Nations is set out in a Memorandum of Understanding (MOU).

The Foundation's main functions are:

- Fundraising to support the Global Compact initiative
- Providing financial and programme support for the Global Compact initiative and its activities
- Promotion and advocacy of the Global Compact initiative and its principles.

The MOU gives the Global Compact Office the right, in consultation with the Foundation and under reasonable circumstances, to monitor and evaluate the progress and implementation of the activities and programmes of the Foundation in support of the Global Compact initiative. The Foundation undergoes a third-party independent audit of its finances on an annual basis according to Generally Accepted Accounting Principles (GAAP). The Foundation has its own Board of Directors.

The budget presented reflects consolidated income and expense of the UN Global Compact Office and the Foundation for the Global Compact.

¹¹ The Foundation set-up is explained in detail as the financial management - public-private – is unique to the UN Global Compact. A better understanding of the Foundation is considered crucial for fully understanding how the UNCG operates.

In addition to financial reporting, the UNGC will provide MFA with an annual report or similar describing the achievements of the previous year, including the results delivered on the targets set in the Plan of Action. In accordance with the Strategic Partnership Agreement between the UNGC and Denmark, the UNGC will specify the costs related to staff and activities allocated to promoting more resilient societies and achieve lasting and sustainable growth in ODA countries. In 2018, 2019 and 2020 the requirements for such supplementary reporting will be achieved by annexing the results matrix to the Annual Report.

9 Risk management

There are several risks related to the effective implementation of the 2020 UNGC Strategy. These are mainly operational, contextual and programmatic as well as financial. In particular this year the UNGC has been working to implement its new business model in collaboration with LNs. It is expected that companies will continue their participation in the UNGC with a slight drop in number of participants. Other risks pertain to ensuring the growth of the initiative, a coherent value proposition and branding, as well as maintaining sufficient political support and thus financial support from Member States to the initiative. Annex 5 provides an overview of the risks.

Annex 1 Context Analysis

1. Overall development challenges, opportunities and risks

Briefly summarise the key conclusions from the analyses consulted and their implications for the programme regarding each of the following points:

- Responsible businesses make critical contribute to development. Without their participation, it is unlikely that the implementation of the SDGs will be successful. This includes developing countries and emerging markets where the challenges are particularly pertinent.
- Since the launch of the initiative, the UNGC has grown to approx. 13000 participants. While this is a positive development, much more needs to be done to reach a tipping point and fully reap the benefit of public-private collaboration.
- Local Networks are main entry points for the local anchoring of the initiative and thus for ensuring the greatest development impact. With more than half of its 71 Local Networks in developing countries, there's potential to build on – in many cases also a need to strengthen their capacity through GC staff support and capacity building.
- The role of the UNGC in building capacity of the UN to partner with business is becoming increasingly important, including at the country level.
- The actual impact of the UNGC and its participants is not well documented. Going forward, more and better data needed to document impact. The UNGC plans to strengthen this with the development of a Theory of Change and corresponding results-based logical framework. In parallel, the initiative is planning to work on streamlining its data collection sources –including revamping its Communication on Progress to better and more effectively assess the impact of its own activities. Based on this, it will also update and strengthen its Monitoring & Evaluation Action Plan/framework to better measure, monitor, assess and communicate progress achieved. The ToC and results-based logical framework will be approved and adopted by UNGC at the end of 2019.

List the key documentation and sources used for the analysis:

The issues are addressed in a number of documents from various sources including:

- The World 2030, Denmark's strategy for development cooperation and humanitarian action (2017), Ministry of Foreign Affairs of Denmark
- Global Compact: www.globalcompact.org
- Towards Global Partnerships: a principle-based approach to enhanced cooperation between the United Nations and all relevant partners (2015)
http://www.un.org/en/ga/search/view_doc.asp?symbol=A/RES/70/224

Are additional studies / analytic work needed? How and when will it be done?

There is no need to conduct additional contextual studies or analyses.

2. Fragility, conflict, migration and resilience

Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:

- N/A

List the key documentation and sources used for the analysis:

- N/A

Are additional studies / analytic work needed? How and when will it be done?

Not needed

3. Assessment of human rights situation (HRBA) and gender¹²

Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:

Human Right Standards (international, regional and national legislation)

- The Ten Principles of the UNGC are derived from: The Universal Declaration of Human Rights, the International Organization's Declaration on Fundamental Principles and Right at Work, the Rio Declaration on Environment and Development, and the United Nations Conventions Against Corruption.

-

Universal Periodic Review

- N/A

Identify key rights holders in the programme

¹² The purpose of the analysis is to facilitate and strengthen the application of the Human Rights Based Approach, and integrate gender in Danish development cooperation. The analysis should identify the main human rights issues in respect of social and economic rights, cultural rights, and civil and political rights. Gender is an integral part of all three categories.

<p>Identify key duty bearers in the programme</p>
<p>Human Rights Principles</p> <ul style="list-style-type: none"> - UNGC promotes a principled-based approach to doing business. Two of the initiative’s ten principles relate to human rights. The human rights principles ask companies to respect human rights (in accordance with the Guiding Principles on Human Rights) and further ask companies to take action to support human rights. -
<p>Gender</p> <ul style="list-style-type: none"> - Women constitute a very significant part of the people that are excluded from the labour market and/or work under poor conditions. The UNGC has consistently had strong focus on how to empower women in the workplace, marketplace and community, namely through the Women’s Empoverment Principles, but also through its alignment with human rights principles, and by building capacity of LNs on this specific issue. - The private sector, as an engine of growth, has tremendous opportunities to make positive impacts on gender equality. The incentive is now also becoming increasingly clear for businesses to engage on this agenda.
<p>Youth</p> <p>N/A</p>
<p><i>List the key documentation and sources used for the analysis:</i></p> <ul style="list-style-type: none"> - Better Leadership, Better Business, Business & Sustainable Development Commission (March, 2018) - UNGC Progress Report 2018 (https://www.unglobalcompact.org/docs/publications/UN-Global-Compact-Progress-Report-2018.pdf) - WEPs Gender Gap Analysis Tool (https://weps-gapanalysis.org/case-for-gender-equality/)
<p><i>Are additional studies / analytic work needed? How and when will it be done?</i></p> <p>The UNGC has taken action to increase percentage of GC signatories perform risk assessment directly linked to human rights. This includes CEO Roundtables, webinars and LN due diligence trainings. In addition, the UNGC will be working to streamline projects, collaborations and other tools that will support the UN Working Group on Business and Human Rights –including through increased engagement through LNs and a project to put a gender lens to the UN Guiding Principles.</p>

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4. Inclusive sustainable growth, climate change and environment

Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:

- As the world’s largest corporate sustainability initiative, the UNGC plays an important role in relation to the sustainability agenda. Climate and environment constitute three of UNGC’s ten principles and several of the initiative’s action platforms are linked hereto.

List the key documentation and sources used for the analysis:

- UNGC Progress Report 2018
(<https://www.unglobalcompact.org/docs/publications/UN-Global-Compact-Progress-Report-2018.pdf>)

If this initial assessment shows that further work will be needed during the formulation phase, please list how and when will it be done?

N/A

5. Capacity of public sector, public financial management and corruption

Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:

- The UNGC works with regulators and policy makers as important stakeholder groups to take forward the sustainability agenda and deepen collaboration with responsible businesses. This includes the national level (e.g. SDG national action plans), regionally and globally.

List the key documentation and sources used for the analysis:

- N/A

Are additional studies / analytic work needed? How and when will it be done?

- No

6. Matching with Danish strengths and interests, engaging Danish actors, seeking synergy

Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:

- MFA continues to promote responsible business conduct/corporate sustainability in its engagements with the private sector and/or policy development related to the private sector. MFA will continue to emphasise the importance hereof, especially in relating to developing countries and emerging markets.
- The UNGC is highly relevant for Danish companies and other stakeholders, and many are already signatories to the initiative.
- The prospects of directly involving Danish actors is great but is primarily expected to materialise through the Danish Local Network (which doesn't receive public funding). MFA has a good collaboration with the Danish Local Network and will continue to support its mission.
- The Danish National Platform for P4G is an important stakeholder. The Platform and the LN share offices and are very aware of the synergies between the two initiatives.

List the key documentation and sources used for the analysis:

- N/A

Are additional studies / analytic work needed? How and when will it be done?

- No

7. Stakeholder analysis

Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:

The key stakeholders in relation to UNGC are:

- Signatories to the UNGC, UN, civil society organisations, think tanks, donors, local authorities and government, business schools, investors and finance providers, etc.

List the key documentation and sources used for the analysis:

- www.globalcompact.org
- Building the Post-2015 Business Engagement Architecture (2015), https://www.unglobalcompact.org/docs/about_the_gc/Architecture.pdf

-
<i>Are additional studies / analytic work needed? How and when will it be done?</i>
- No

Annex 2 Information on UNGC

1. Summary of stakeholder analysis

No additional stakeholder analyses have been conducted due to the fact that UNGC is a well-established organisation and no major changes in the current business activities are foreseen.

2. Criteria for selecting programme partners

N/A, ref. above.

3. Brief presentation of partners

The current key stakeholders are:

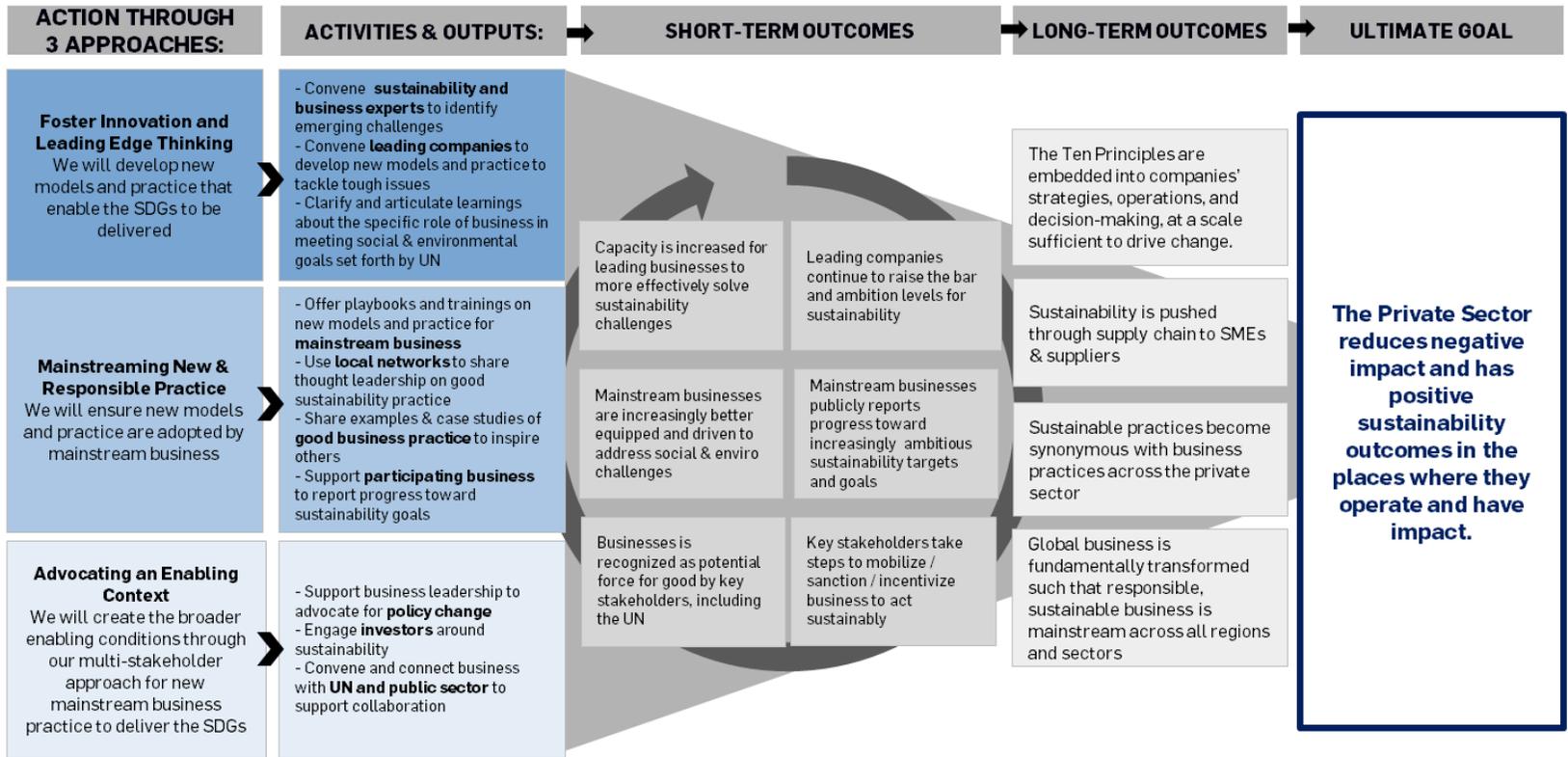
- UNGC signatories comprising 9944 corporate participants, 3380 civil society organizations, labour and business associations, foundations and academia). These stakeholder groups are present in both developing and developed countries;
- Global Compact Local Networks. Current 71, half of which in developing and emerging economies. Local Networks are independent, self-governed and self-managed entities that work closely with the UNGC in New York and act as point of contact for UNGC signatories in a country;

- Policy makers and regulators responsible for regulating or incentivizing responsible business conduct;
- Investors and finance providers: the finance industry has a pivotal role to play in the implementation of the SDGs.
- Business schools: partner with business schools (notably through PRME) to provide future leaders with a sustainability mindset.
- United Nations. As a UN initiative, reporting to the UN Secretary-General, the UN is a key stakeholder.

Annex 3 UNGC's Theory of Change

UN GLOBAL COMPACT – THEORY OF CHANGE

OUR MISSION	Mobilize a global movement of sustainable companies and organizations to create the world we want
OUR IMPACT	At a scale sufficient to be mainstream: the Ten Principles are embedded into company strategies and operations, and tracked with a view to contributing to the achievement of the 17 SDGs



ASSUMPTIONS:	
<ul style="list-style-type: none"> - The desire of / pressure on leading business will be strong enough for them to want to enhance their sustainability efforts - Sustainability beginners / SMEs will have the capacity and willingness to attend trainings and change practices - The potential change-making power of business is clear / compelling enough to attract / interest investors, policymakers, and the public sector - Leading business is engaged & willing to raise ambitions if enabled to do so 	<ul style="list-style-type: none"> - Raising the bar 'trickles down' to mainstream business - Public / societal expectations / incentives are strong enough to drive change - Public reporting drives progress - Suppliers have capacity & willingness to adopt sustainable practices, when pushed to do so - The Ten Principles are based on a comprehensive approach to responsible, ethical, sustainable business, such that they provide a comprehensive and effective framework for business to drive positive outcomes.

Annex 4 UNGC's Result Framework

CREATING SUSTAINABLE GROWTH	OUTCOMES	INDICATOR		Baseline	Milestone 1 (Dec2017)	Milestone 2 (Dec2018)	Milestone 3 (Dec2019)	Target (Dec2020)	
	1. More companies, especially in emerging markets and developing economies, commit to corporate sustainability through UNGC	1.1.Number of UNGC business participants on an annual basis & and number in emerging markets and developing economies(ODA-eligible)	Planned (Overall UNGC)		9.253	9.700	9.119	10.058	11.027
			Asia		745	1.234	1.214	1.562	1.842
			Africa/MENA		266	700	805	969	1.117
			Latam/Caribbean		979	1.000	1.831	1.933	2.067
			Achieved			UNGC: 9722 ASIA:1340 AFRICA: 398 LATAM: 2140	UNGC: ASIA: AFRICA: LATAM:	UNGC: ASIA: AFRICA: LATAM:	UNGC: ASIA: AFRICA: LATAM:
	Source: Client engagement								
	1.2. Reduced percentage of company delisting for failure to communicate		Planned (Overall UNGC)		14%	14%	12%	10%	9%
			Asia		27%	26%	25%	10%	9%
			Africa/MENA		18% / 47%	17% // 46%	15% / 43%	8% /11%	7% / 10%
Latam/Caribbean				19%	18%	16%	11%	10%	
Achieved					UNGC: 15% ASIA:11% AFRICA: 12% LATAM: 14%	UNGC: ASIA: AFRICA: LATAM:	UNGC: ASIA: AFRICA: LATAM:	UNGC: ASIA: AFRICA: LATAM:	
Source: Client engagement									
2. Innovative practices are identified, developed, and shared to support companies to effectively address and have positive	2.1. Increased number of practices and/or policies put into place to address sustainability challenges, as reported by UN Global Compact participants	Planned (Overall UNGC)		48%	49%	49%	50%	51%	

THE GLOBAL ORGANIZATI	impact on complex sustainability challenges	(focus on developing countries/emerging markets)						
			Asia	46%	47%	47%	48%	49%
			Africa	47%	48%	48%	49%	50%
			Latam/Caribbean	50%	51%	51%	52%	53%
			Achieved		UNGC: 47% ASIA:44% AFRICA:40% LATAM: 49%	UNGC: 23% ASIA:30% AFRICA:32% LATAM: 20%		
	Source: Annual implementation survey							
	3. Companies are engaging in partnership-building activities with Local Networks building activities with Local Networks with local networks.	3.1. # of companies engaging in events on partnerships from LNs in developing countries/markets and overall	Planned (Overall UNGC)		3.500	3.600	4.680	6.084
			Asia		1.905	2.000	2.600	3.380
			Africa		378	380	494	642
			Latam/Caribbean		604	630	819	1.065
Achieved				UNGC: ASIA: AFRICA: LATAM:	UNGC: 3818 ASIA: 2065 AFRICA: 395 LATAM: 646	UNGC: ASIA: AFRICA: LATAM:	UNGC: ASIA: AFRICA: LATAM:	
Source: LN survey								
	OUTCOMES	INDICATOR		Baseline (Dec 2016)	Milestone 1 (Dec2017)	Milestone 2 (Dec2018)	Milestone 3 (Dec2019)	Target (Dec2020)
THE GLOBAL ORGANIZATI	4. UNGC companies are better equipped with knowledge, skills, and capacity to implement sustainability	4.1. Extent to which UNGC participants feel equipped with skills and knowledge to implement sustainability solutions and align with	Planned (Overall UNGC)	73%	73%	74%	68%	69%
			Asia	72%	72%	73%	70%	71%
			Africa	70%	70%	71%	68%	69%
			Latam/Caribbean	74%	74%	75%	65%	66%

	solutions and align with business objectives	business objectives, as self-reported by participants (in developing countries)	Achieved		UNGC: 66% ASIA:62% AFRICA:65% LATAM: 64%	UNGC: 63% ASIA:65% AFRICA:63% LATAM: 60%	UNGC: ASIA: AFRICA: LATAM:	UNGC: ASIA: AFRICA: LATAM:
		Source: Annual implementation survey						
	4.3. Number of LNs in developing countries participating in Action Platforms	Planned (Overall UNGC)				15	11	5
		Asia				3	4	2
		Africa				3	4	2
		Latam/Caribbean				3	3	1
		Achieved				UNGC: 10 ASIA: 3 AFRICA: 5 LATAM: 3	UNGC: ASIA: AFRICA: LATAM:	UNGC: ASIA: AFRICA: LATAM:
	Source: Programmes team tracking							
	4.4.. Number of companies reached through LNs events/activities to raise awareness and build capacity within the business community on the SDGs and the Ten Principles	Total number	16.000	17600	19360	21296	23425,6	
		Asia	3500	3850	4235	4658,5	5124,35	
		Africa	2500	2750	3025	3327,5	3660,25	
		Latam/Caribbean	4000	4400	4840	5324	5856,4	
		Achieved		Total #: 21,357 ASIA:4,580 AFRICA:3041 LATAM: 5885	UNGC: ASIA: AFRICA: LATAM:	UNGC: ASIA: AFRICA: LATAM:	UNGC: ASIA: AFRICA: LATAM:	
	Source: LN survey							
	5. Tools, guidance and other key learning deliverables on sustainability challenges	5.1. Number of deliverables developed and released to address sustainability challenges in various areas	Planned (Overall UNGC)	92	45	45	45	45
Achieved				51	38			

		Source: Communications team, Tech team (number of view, number of downloads/ web analytics)							
UN - BUSINESS PARTNERSHIPS	OUTCOMES	INDICATOR		Baseline (Dec 2016)	Milestone 1 (Dec2017)	Milestone 2 (Dec2018)	Milestone 3 (Dec2019)	Target (Dec2020)	
	6. Connect UN agencies in collaboration with private sector/LNs, in line with UNDS and to support national SDG priorities/strengthen LNs	6.1. Number of UN agencies engaging in collaboration with the private sector	Planned (Overall UNGC)		25	27	29	32	35
			Achieved			27			
	Source: UN Relations Team								
	6.2. Percentage of LNs working in tandem with RCs and UN Country offices (focus on developing countries, 12 initial LNs starting 2019)		Planned (Overall UNGC)					100%	100%
			Asia					5 LNS = 100%	5 LNS = 100%
			Africa					3 LNS =100%	3 LNS =100%
			Latam/Caribbean					3 LNS =100%	3 LNS =100%
			Achieved						
	Source: LN survey / UN Relations team								
ACCELERATING NATIONAL SDG PLANS OF ACTION	OUTCOMES	INDICATOR		Baseline	Milestone 1 (Dec2017)	Milestone 2 (Dec2018)	Milestone 3 (Dec2019)	Target (Dec2020)	
	7. Local Networks are contributing to National SDG Plans of Action	7.1. Number of LNs contributing to Voluntary National Reviews and attending HLPF	Planned (Overall UNGC)		13	12	18	15	12
			Asia		5	4	5	3	4
			Africa		5	3	4	5	2
			Latam/Caribbean		7	5	6	4	5
			Achieved			Total #:12 ASIA: 1 AFRICA: 4 LATAM: 3	UNGC: ASIA: AFRICA: LATAM:	UNGC: ASIA: AFRICA: LATAM:	UNGC: ASIA: AFRICA: LATAM:
	Source: LN survey								
	7.2. Number of companies reached through LN multi-stakeholder policy dialogue	Total number		4.000	4.400	4.840	5.324	5.856	

	events/activities on the SDGs						
		Asia	2.000	2.200	2.530	2.910	3.346
		Africa	250	275	316	364	418
		Latam/Caribbean	650	715	822	946	1.087
		Achieved		Total #:6038 ASIA: 2593 AFRICA: 358 LATAM: 785	UNGC: ASIA: AFRICA: LATAM:	UNGC: ASIA: AFRICA: LATAM:	UNGC: ASIA: AFRICA: LATAM:
Source: LNs survey+A2:I71							

Annex 5 Risk Management Matrix

UN GLOBAL COMPACT - RISK MANAGEMENT MATRIX - 2019-2020

CONTEXTUAL / POLITICAL RISKS							RISK LIKELIHOOD KEY	IMPACT LEVEL KEY
NO	RISK	RISK LIKELIHOOD	IMPACT LEVEL	RISK RESPONSE IF APPLICABLE	RISK OWNER	BACKGROUND TO ASSESSMENT		
1	Changing political environments - i.e. Change of government in Member States, political priorities, sustainability and labour policies, etc.	POSSIBLE	MEDIUM	Relationship-building and consistent engagement with Member States, to showcase how the UNGC supports government priorities.	Government Relations, Intergovernmental Relations & Africa	Governments and key stakeholders may change pending election terms that UNGC has no control of. Change in government and/or policies can lead to decreased political support.	IMPROBABLE	LOW
2	Existing socio-political tensions - threats towards UN entities, rise of nationalism, tension between various governments	POSSIBLE	LOW	Ensure UNGC's value proposition for various countries and regions is conveyed and promoted. Ensure consistent and effective engagement on a local level.	Government Relations, Intergovernmental Relations & Africa, Global Operations	Current political trends towards nationalism present a threat to the effectiveness of multi-lateral organizations. This sentiment can threaten the environment needed for Local Networks to succeed and/or corporate sustainability initiatives overall.	POSSIBLE	MEDIUM
3	Market/Economic changes that decrease private sector incentives towards corporate sustainability	POSSIBLE	LOW	Promotion of the value of responsible business and corporate sustainability with key stakeholders. Increase multi-stakeholder policy dialogue at the local level to promote an enabling environment.	Programmes team, Global Operations Team, Client engagement team	Faltering economic environments can lead to two main threats: (1) companies are not incentivized towards sustainability and (2) companies do not have the capacity to pursue sustainability. This is a risk towards increasing/maintain participants, but also to the momentum towards UNGC's mission overall	PROBABLE	HIGH
4	Increasing "competition" - growing number of similarly aligned organizations, initiatives and events with similar value proposition	POSSIBLE	MEDIUM	Convey UNGC's unique value proposition as the UN. Engage with relevant partners in the space to create strategic alliances that support our Mission.	Client Engagement & Outreach, Comms, UN Relations, Programmes	Corporate sustainability is a large, growing space with many stakeholders and issue areas. This is a threat towards UNGC's visibility in the space as well as the effectiveness of various initiatives and events.		EXTREME
3	UNDS Reform - implementation of UNDS reform will begin in 2019	IMPROBABLE	LOW	Effective implementation of the IRT. Build processes to establish link between UN CTs, RCs, and Local Networks.	UN Relations, Global Operations	As a part of DM, the UNGC has a significant role to play in the upcoming UNDS reform. There are very low threats of changes to UNGC's mandate and/or operations		
4	Rapid technological advancement - threat of obsolescence of current systems, cost of procuring best technology available, inability to seize opportunities for advancement	POSSIBLE	MEDIUM	Stay updated on technological advancements. Acquire and establish updated CoP systems. Maximize use of technology for program initiatives and communications.	Technology, Communications, Programs	Technology plays an integral role in daily operations and engagement with participant/signatory companies. Risk of UNGC being unable to seize opportunities that arise from technological development or falling behind other organizations		

PROGRAMMATIC RISKS

NO	RISK	RISK LIKELIHOOD	IMPACT LEVEL	RISK RESPONSE IF APPLICABLE	RISK OWNER	BACKGROUND TO ASSESSMENT
1	Changing priorities/scope of programmatic activities due to changing socio-cultural issues	POSSIBLE	MEDIUM	Stay "ahead of the curve" through research and discussions on industry trends. Ensure programmatic objectives are not easily affected by external factors.	Programs	Ongoing programmatic activities are unable to meet objectives due to changes in project priorities and/or scope. I.e. Equality initiatives need to change to capitalize on opportunities from #metoo movement
2	Threat of losing/not attracting relevant partners of programmatic initiatives - i.e. Action Platforms,	IMPROBABLE	LOW	Make sure to acquire partners that are committed to the length of their engagement. Diversify partners across all initiatives to lower risk.	Programs	Many of the programmatic initiatives such as the Action Platforms, Navigator, etc. are highly dependent on financial and strategic support from external partners. This presents a risk to UNGC to be unable to reach its objectives if a partner withdraws
3	Companies are not incentivized by UNGC's value proposition.	POSSIBLE	MEDIUM	Ensure engagement with 'leading' companies that are a major players and influential in their respective industries. Ensure UNGC's activities are relevant to private sector priorities.	Programmes, Client Engagement	Various companies have distinctly different priorities and capabilities. UNGC runs the risk of being unable to reach its objective of creating a 'movement' if its value proposition and narrative does not align with company priorities
4	Sharing of tools and resources for good business practices does reach intended audience or does not translate to proper implementation	POSSIBLE	HIGH	Ensure accessibility of tools/resources through technology and language translations. Ensure visibility of tools/resources through marketing and communications. Provide implementation guidance and support to companies.	Programs, Global Operations, Client Engagement & Outreach, Communications	UNGC develops and disseminates a lot of tools and resources for companies. There is risk that these tools and resources are (1) not accessible, (2) not visible to intended audiences and (3) not understood.
5	Competency gaps in critical issue areas	POSSIBLE	LOW	Review strategic plan vs human resources available	Programs	With the Ten Principles spanning various areas of work, it will be important to have a rationale on why critical issue areas are assigned specific resources and ensure that these are covered as per the strategy or annual goals and targets
6	Initiatives "crowd" the space and cause confusion due to conflicting information and/or take away from focused efforts	POSSIBLE	MEDIUM	Emphasize UNGC's unique tie into the United Nations and Member States. Collaborate with key stakeholders to establish partnerships/cooperation	Programs, Events, Communications, UN Relations	With the growing number of corporate sustainability initiatives, it is impossible to not have overlaps with other organizations. Programmatic activities run the risk of causing confusion in the space - i.e. Governments and companies are confused as to which climate initiative they should join. This threat is difficult to minimize without threatening overall operational scope.

INSTITUTIONAL RISKS

NO	RISK	RISK LIKELIHOOD	IMPACT LEVEL	RISK RESPONSE IF APPLICABLE	RISK OWNER	BACKGROUND TO ASSESSMENT
1	Strategic cohesion - varying priorities and lack of communication can diminish a cohesive strategic approach towards UNGC's mission, fragmented operations	POSSIBLE	MEDIUM	Development of Theory of Change, logframe, and M&E plan of action. Creation of M&E Task Force. Annual all-staff and EMT retreats.	EMT, Strategic Planning	UNGC as a global organization has varying activities in varying issue areas and countries. Given the wide breadth of UNGC's operations, there is always a threat of lack of a cohesive strategic approach.
2	Financial sustainability and business model - risk that UNGC's current financial structure does not cover projected costs	POSSIBLE	HIGH	Governments: Maintain and increase Government Group members, Explore possibility to receive ODA funding, Companies: Increase support from leading companies, ensure retention of existing companies	Client Engagement & Outreach, Government Relations	UNGC receives financial support from two main groups (1) Government Group Member States and (2) participating companies. With the growing UNGC operations and objectives, there is a risk towards withdrawal/defaulting of donors, failure to implement new business model, currency risks, long-term liabilities
3	Core purpose and brand clarity - one clear UNGC narrative	POSSIBLE	MEDIUM	Development and implementation of overall UNGC communication strategy and processes.	Communications	From Edelman report: "UNGC brand is unclear and at risk. Inconsistency among internal and external audiences resulting in dilution of brand. Multitude of initiatives and platforms are overwhelming."
5	Human capital / people risks - Staff capacity/skills/recruitment, ability to attract and retain qualified staff, loss of institutional memory if short-term staff/consultants not retained, reputational risk due to questionable policies	POSSIBLE	MEDIUM	Have clear and transparent staffing policies across all offices. Executive team provides the leadership needed to build staff capacity, knowledge and motivation. Establish clear guidelines and incentives for Local Network contacts.	EMT, Human Resources, Global Operations	UNGC has a unique human capital structure with UN staff, Foundation staff, Board Members and legally independent Local Network contacts. Substantial actions must be taken to insure against threats to loss and retention of talent as well as adherence to UN HR regulations and policies.
7	Information Technology - risks linked to information (such as inadequate information for decision making), lack of privacy/data protection, unreliable infrastructure	IMPROBABLE	LOW	Investment in technology infrastructure. Consistent monitoring and implementation of the necessary security measures.	Technology, Integrity	UNGC is an organization with heavy reliance on technology infrastructure for information, daily operations, etc. Although low, there is the risk of the organizations being able to operate or make sound decisions without access to the appropriate technology
8	Low update of Quality Stds by LNs & business model unclear	IMPROBABLE	LOW	Increased support from Global Coordination team to LNs and increase in the number of materials that support LNs in making the case for joining the LN and UNGC	Global Coordination, Client Engagement	In order to achieve the mission, the initiative needs to reach a critical mass of companies. LNs are key in supporting this goal but require a clear value proposition to attract a good number of companies and need also to be efficient and reputable organizations. The Quality Stds help in this regard.

FINANCIAL RISKS

NO	RISK	RISK LIKELIHOOD	IMPACT LEVEL	RISK RESPONSE IF APPLICABLE	RISK OWNER	BACKGROUND TO ASSESSMENT
1	Withdrawing of major government donors	POSSIBLE	MEDIUM	Governments: Maintain and increase Government Group members, Explore possibility to receive ODA funding. Ensure impact is Development of Theory of Change, logframe, and M&E plan of action. Creation of M&E Task Force. Annual all-staff and EMT retreats.	Government Relations, Finance team	Some governments provide funds on an annual basis. A multi-year commitment would be a better way to avoid risk in losing government commitment
2	Failure to implement new financial model	POSSIBLE	LOW	Reassessment of strategy	Finance team	
3	Greater costs for investments	POSSIBLE	MEDIUM	Reassessment of strategy to cover for possible costs.	Finance team	There may be unforeseen costs or expenses for particular programmes, events or interventions, which may have not been accounted for in the estimation of the budget.

REPUTATIONAL RISKS

NO	RISK	RISK LIKELIHOOD	IMPACT LEVEL	RISK RESPONSE IF APPLICABLE	RISK OWNER	BACKGROUND TO ASSESSMENT
1	LEAD Companies and participants in general engaging in bad behavior, threaten the integrity of the initiative	POSSIBLE	HIGH	Due diligence mechanism and integrity policy enforced to assess case by case	integrity team	LEAD companies and participants in general may engage in behavior that is not in line with the integrity measures of the initiative and pose a reputational risk
2	LN's facing integrity issues	POSSIBLE	MEDIUM	Due diligence mechanism and integrity policy enforced to assess case by case	integrity team, Global operations	LN's failing to implement quality standards, including integrity measures of the initiative which pose a reputational risk

Formulation and quality assurance

The suggested commitment to UNGC has been exempted from the normal appraisal procedures. The main reasons are that MFA has supported UN Global Compact for a number of years and therefore knows the organisation well, and that the responsible department (Growth and Employment - VBE) has good partnership and corporate sustainability capacity. However, VBE has been in dialogue with specialists from the Technical and Quality Support (KFU) department to discuss specific issues in connected with the formulation of the support.

Annex 9 - Quality Assurance checklist for appraisal of programmes and projects¹

File number/F2 reference: 2018-32532

Programme/Project name: Project Document: Support to UN Global Compact 2018-2020

Programme/Project period: 2018-2020

Budget: 9 mio. DKK

Presentation of quality assurance process:

The Project document has been exempted from the normal appraisal procedures. The main reasons are that MFA has supported UN Global Compact for a number of years and therefore knows the organisation well, and that the responsible department (Growth and Employment - VBE) has good solid partnership and corporate sustainability capacity. VBE has carried out a desk appraisal and recommendations has been presented both on a general level and with text specific comments. VBE has also been in dialogue with specialists from the Technical and Quality Support (KFU) department to discuss specific issues in connected with the formulation of the support.

The design of the programme/project has been appraised by someone independent who has not been involved in the development of the programme/project.

The recommendations of the appraisal has been reflected upon in the final design of the programme/project.

Comments: It has been made clear throughout the document that the Danish support is provided under the umbrella of the Strategic Partnership Agreement to promote the uptake and impact of the UNGC in developing countries by promoting the following creating sustainable growth [in developing and emerging markets], optimizing the global organization [Local Networks in developing and emerging markets], accelerating National SDG Implementation and UN-Business partnerships. These areas correspond with the overall focus areas of the UNGC.

Remaining recommendations have been reflected with the exception that no reference list of documents is provided. References have been included throughout the analysis (annex 1) in the dedicated boxes

The programme/project complies with Danida policies and Aid Management Guidelines.
Comments:

The programme/project addresses relevant challenges and provides adequate responses.

¹ This Quality Assurance Checklist should be used by the responsible MFA unit to document the quality assurance process of appropriations where TQS is not involved. The checklist does not replace an appraisal, but aims to help the responsible MFA unit ensure that key questions regarding the quality of the programme/project are asked and that the answers to these questions are properly documented and communicated to the approving authority.

Comments: Particular attention is paid to addressing human rights in context of responsible business conduct, strengthening the capacity of Local networks in developing countries and strengthening documentation of results.

Issues related to HRBA/Gender, Green Growth and Environment have been addressed sufficiently.

Comments:

Comments from the Danida Programme Committee have been addressed (if applicable).

Comments: N/A

The programme/project outcome(s) are found to be sustainable and is in line with the partner's development policies and strategies. Implementation modalities are well described and justified.

Comments:

The results framework, indicators and monitoring framework of the programme/project provide an adequate basis for monitoring results and outcome.

Comments: The UNGC is in the process of finalisation a log-frame/ results matrix and a Theory of Change. These are not typically tools for the UNGC to apply. The UNGC has contracted a consultant to help undertake the analysis and engage the Executive Management Team, staff and Local Networks in the process. It witnesses that the UNGC looks upon these things with seriousness. The results matrix will be adopted before end of 2019, however, some minor adjustments may be necessary in the beginning of 2020 (e.g. getting all the baselines confirmed).

The programme/project is found sound budget-wise.

Comments:

The programme/project is found realistic in its time-schedule.

Comments:

Other donors involved in the same programme/project have been consulted, and possible harmonised common procedures for funding and monitoring have been explored.

Comments: Denmark is part of the UNGC government group that serves as a framework for regular dialogue with the UNGC leadership and amongst the donor countries. A key topic remains better documentation of the initiative's impact.

Key programme/project stakeholders have been identified, the choice of partner has been justified and criteria for selection have been documented.

Comments:

The executing partner(s) is/are found to have the capacity to properly manage, implement and report on the funds for the programme/project and lines of management responsibility are clear.

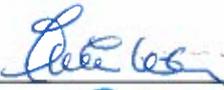
Comments: UNGC has been a partner for Denmark through several years. Whereas the UNCG is a trusted partner, there has been occasions where the Government Group has not been informed about important decisions. Ongoing dialogue with the UNGC on the importance of consulting and keeping the Government Group informed. Terms of reference for the group currently under revision. A new governance framework was introduced in 2017. The new framework allocates one seat for the Chair of the Government Group in the Board.

UNGC has always submitted annual report, however, demonstrating the impact of the initiative has been a challenge. The UNGC has taken important steps to develop a log-frame/ results-matrix, cf. above, as well as other ways to better analyze the data it receives from the UNGC signatories in their annual communication of progress.

Risks involved have been considered and risk management integrated in the programme/project document.

Comments:

In conclusion, the programme/project can be recommended for approval: yes / no

Date and signature of desk officer: 10/12-18 

Date and signature of management: 10/12-17 
OLE THONKE

