

**Global Compact Policy Dialogues
Africa Workshop
18-19 November, 2002
Johannesburg, South Africa
MEETING REPORT**

Introduction

Building on the outcomes of the Global Compact policy dialogue on "The Role of the Private Sector in Zones of Conflict" undertaken in 2001 and early 2002, we are organizing - in cooperation with UNDP, International Alert and with financial support from the German Government - a series of regional workshops to test and translate the recommendations and guidelines developed to regional and national levels. With the support of the African Institute for Corporate Citizenship, a first such regional workshop was organized for sub-Saharan Africa on 18-19 November, 2002 in Johannesburg. Representatives from the following countries were active participants – Angola, DRC, Equatorial Guinea, Kenya, Lesotho, Madagascar, Malawi, Mozambique, Nigeria, South Africa, and Zimbabwe. Bringing together country managers of international and domestic companies with concerned NGOs, government and representatives from UNDP country offices - the meeting aimed at presenting and discussing the outcomes resulting from the policy dialogue and at receiving feedback with a view to further improving the Global Compact recommendations and tools on this topic.

1. Multistakeholder Initiatives

Multistakeholder approaches to conflict prevention and peace building were the underlying themes of the meeting. Dialogues have a central role in this process, yet there are many interpretations of what dialogue means – a shared understanding is still needed. The main objective is to bring people (who have different perspectives and interests) together and find common ground. The process of dialogue is an end in and of itself, for it builds confidence and diffuses mutual suspicions. Past experience shows that it is very useful to have a third party who is seen as neutral and can set an agenda and try to ensure follow up. The third party must be supportive and provide leadership, without dominating. Champions who will carry forward proposals and provide a bridge among actors are also an important part of the process.

Trade unions have an important role in this process. A good understanding of the underlying causes of conflict is key to finding lasting solutions and early warning systems can only be developed if these causes are identified and tracked. A common underlying cause of conflict and obstacle to peace building is lack of economic opportunity. Capacity building, skilled training, development of SMEs and programs for economic reintegration of displaced persons are all important initiatives where trade unions can have an active role to play. Trade unions have active programs in Eritrea/Ethiopia, the Great Lacks Region and South Africa and also a regional peace project funded by the Italians.

All participants underlined the importance of communities and their representatives. Yet lack of basic knowledge and organizational skills hampers their ability to participate. Capacity building and empowerment of local communities is a prerequisite for effective participation in any multistakeholder initiative or dialogue.

The widespread impact of HIV-AIDS and the initiatives developed to combat the disease were discussed. Regarding this health issue, as with conflict, approaches must be grass-root, bottom-up - for they require the development of trust and understanding. The sheer number of people affected in Africa has lead companies to realise that they must take urgent action, but they cannot make inroads alone -- they must work with labour, NGOs and government. It was noted that in several African countries companies have taken a leadership role and have reached out to other stakeholders.

2. Revenue Sharing Regimes

One of the products of the Global Compact dialogue is an analysis of conflict prevention and revenue sharing regimes. The function of a revenue sharing mechanism is to define a system for the allocation of social investments by companies and the disbursement of project-related taxes, royalties and other transfers paid by corporations to host governments. For a revenue sharing mechanism to contribute to the amelioration of conflict situations, four factors are decisive: engage the right stakeholders; create legitimate mechanisms for the management of revenues; enforce effective transparency provisions; and develop effective dispute settlement mechanisms. (See document at www.unglobalcompact.org under dialogue/conflict prevention.)

During the discussion, the following were some key issues raised by meeting participants:

- The importance of empowering and building capacity of local community organizations to represent their interests and to allow their full participation in design and implementation of revenue sharing mechanisms, and the role that some businesses can play in supporting this empowerment.
- Recognition that companies have significant influence on governments with regard to advocating stronger government commitment to revenue sharing, and that such influence should be better and more strategically used.
- The importance of neutral facilitators in devising and implementing revenue sharing mechanisms to ensure all parties receives benefits.

A different kind of 'revenue' is the natural capital upon which the bulk of rural people in the developing world depend on for their livelihoods. It was recognized that private investments in resource extraction could interact with social stability by constraining access and diminishing quality and quantity of resources that are important to local livelihoods (e.g. water quality, arable land, forest cover, and food availability). The business case for companies to do their 'due diligence' – identifying the impacts of their

projects on social stability and understanding how they might intervene to reduce insecurity – is often the most cost-effective strategy. One of the tasks for the Global Compact participants is to arrive at a tool that helps companies ‘do no harm’ in their activities by being sensitive to their impacts on the environmental sources of conflict.

3. Transparency

Corruption is to economic development what AIDS is to the human body -- the severity of the issue cannot be overstated. Participants underlined the fact that corruption is a vicious circle. Several participants gave vivid descriptions of how endemic corruption exists in their countries. Circles of corruption reinforce each other and create a sense of impotence and resignation in societies who then must attempt to break the vicious cycles. The need to find champions who could play a leadership role in creating anti-corruption public movements and alliances was underlined throughout the discussion. The importance of an independent judiciary and media was also noted. (See Global Compact policy paper on Transparency at www.unglobalcompact.org, under dialogue/conflict prevention.)

The forthcoming African Convention on Preventing and Combating Corruption and Related Offences is aimed at providing a regional regulatory framework to fight corruption. It attempts to encompass four general areas: prevention, punishment, cooperation and education. This regional convention will work within the context of the UN Convention Against Corruption. The draft text is the consolidation of proposals received from 26 countries and covers the following issues: definitions; scope; preventive measures; criminalization; sanctions and remedies; confiscation and seizure; jurisdiction; liability of legal persons; protection of witnesses and victims; promoting and strengthening international cooperation; asset recovery; technical assistance; collection, exchange and analysis of information; and mechanisms for monitoring implementation. (See presentation on this issue made by Akere Muna, Transparency International Cameroon on our website at www.unglobalcompact.org under dialogue/conflict prevention.)

Finally, a national effort in Nigeria relying on a voluntary initiative where companies commit themselves to a code against bribery was described. This initiative was based on an analysis that there are four primary issues supporting corruption in Nigeria: the structure of the society, how wealth is held and distributed, the role of public office and complex relations and alliance pacts. The suggested strategy is to lower transaction costs, achieve macro-economic stability, improve service delivery and improve governance. (See presentation made on this issue by Soji Apampa, SAP Africa on our website at www.unglobalcompact.org under dialogue/conflict prevention.)

4. Conflict Impact Assessment and Risk Management

Traditionally, the greatest risk confronted by natural resource companies was related to geology. However, as communities have expanded and encroached in areas where

companies operate and as companies have expanded their areas of operation away from their home base - issues involving communities have become increasingly relevant. Considerations of risk have moved from being exclusively below-the-ground to also include above-the-ground risks. The complex issues related to community needs, their fears and expectations, their relations with company operations and national or government institutions were not familiar topics to the engineers and managers working on the ground. Companies have started developing policies on how to better deal with these issues. Key factors include the development of a good company policy, the allocation of resources and responsibilities for the implementation of the policy, and an incentive structure so that managers know they will be judged on their performance and benefit from positive results. (Find the presentation made by the chairman of the working group Randy Gossen, Nexen, and the “Business Guide to Conflict Impact Assessment and Risk Management” on our website at www.unglobalcompact.org, under dialogue/conflict prevention.)

Break Out Groups -OUTCOMES

A) Project/ Business Cycles

- Impact assessments should be undertaken at all stages of the business cycle. However there remain a number of open questions - when to begin the assessment process, for how long before a project is undertaken should an assessment process be undertaken? These processes can be quite long and costly and it is not clear what the end point should be.
- In theory, assessment should precede the decision to invest - however participants gave ample examples of projects that were undertaken without such previous assessment. Therefore, there is a pragmatic need for an assessment tool that can be used after an investment has been undertaken in order to evaluate negative impact and help develop corrective action.
- The working group pointed out the need for an assessment of the negative consequences of closing down plants or operations in a specific region.
- The importance of the role of governments who have historically supported the creation of consultative structures at the local level such as in Mozambique; of Intergovernmental organizations who finance projects but do not always require conflict impact assessments and of the difficulties of finding the right NGO or community partners were also underlined.

B) Conflict Indicators

Taking the existing conflict indicators section of the Global Compact Business Guide as a basis for the discussion, the group was tasked with analysing and assessing: (a) the appropriateness of the indicators; and, (b) the methodology required to use the indicators in practice. Time constraints and the interest generated by the discussions limited the

group's focus to (a). However, the group managed to cover the indicators in some detail and suggested valuable amendments.

- One key point emphasised by all was the phrasing of the questions so as not to encourage a yes/no answer. The questions should be seen as a way of eliciting as much comment and discussion as possible.
- The group also recommended the creation of new categories which were felt to be inadequately covered in the current Business Guide:
 - Firstly, a supra-national category exploring the international dimension of the conflict (or potential conflict). This would include adherence to international and regional laws as well as relations with other States.
 - Other suggested categories included one devoted to socio-cultural issues, one focused on exclusion and marginalisation and finally a merging of the human rights and humanitarian law categories and inclusion of a special category for humanitarian disasters.
- Within each category, the group also suggested important changes in a number of specific areas. It was agreed that the next development of the draft should reflect these recommendations.

C) Stakeholder Analysis

- How best can managers identify and engage key stakeholders in constructive dialogue in potential zones of conflict? The World Commission on Dams (2001) suggests that those who bear the risks should have a share in the decision-making process on issues that affect their lives. The participants in this working group held that those who need to be at the table include both those affected and also those whom by action or inaction can affect the project. Stakeholders should share not only in benefits but also in responsibilities.
- Governments can sometimes be unreliable partners in negotiations due to election cycles, corruption and political dynamics, and thus may be an inappropriate convenor. The convenor of the process should be seen by all to be impartial, if possible.
- Once identified, participants felt that stakeholders need to have reasonable expectations in regards to what the process can bring them. Is this engagement in the decision itself, or merely consultation? Highly vulnerable groups (often including women) can be subject to threats (e.g. violence, loss of work, etc) and may lack the expertise and resources to defend their interests in negotiations. Stakeholders need to know how to assess the benefits and costs of participating, and where to find leverage in negotiating.
- Managers should carefully analyse the power dynamics, cultural and governance challenges in the region of a proposed activity, drawing on local knowledge.

Independent scientific analysis is also helpful, and can be drawn from universities and local research institutes.

Participants felt that in order to make the Stakeholder Analysis tool more useful, it would be helpful to include or refine:

- the guiding principles for stakeholder identification and engagement (including identifying appropriate ‘convenors’)
- the tools for analysing the relative power and incentives driving stakeholder groups (including governments)
- the guidance on how to provide critical information in appropriate form to key stakeholders, and for managing media relations.

Conclusion

The diversity of views expressed were based on the richness of day-to-day experiences and the quality and enthusiasm of the discussion throughout the two days demonstrated that these issues are very applicable to the realities of sub-Saharan Africa.

Three notable points:

- Engaging local communities in dialogue is important but is only possible if they are empowered with necessary knowledge and information
- Identifying legitimate and effective community/civil society counterparts is difficult. (Several NGOs are tackling this problem and expressed their willingness to work with companies and governmental organizations in helping them find effective partners.)
- Circles of corruption usually reinforce each other and can create a sense of impotence and frustration in societies who attempt to break them. International, regional and national efforts to combat corruption must converge and reinforce each other in order to be effective.

The two main outputs achieved:

- 1.** Input for changes/modification to the Business Guide on Conflict Impact Assessment and Risk Management. The “Business Guide” working group is working on this and a new version will be developed incorporating the suggestions made.
- 2.** The creation of a network in sub-Saharan African among the participants at this meeting. We hope that the disparate organizations present will develop mutual links for supporting each other’s work.

Our network continues to grow! Your continued participation will shape the future course of this network and the Global Compact will continue to facilitate this process. The next regional workshop on these issues will take place in the Caspian region in the spring of 2003 – date to be finalized.