

## Conflict Prevention and Resolution Forum

### *“Corporate Social Responsibility in Crisis Zones”*

December 12, 2006

This month's Conflict Prevention and Resolution Forum focused on corporate social responsibility (CSR) in crisis zones. Corporations like Exxon, Chevron and De Beers operate in crisis zones across the globe. At the same time, in these same locations NGO's and civil society groups are working to prevent and mitigate conflict. This month's forum focused on identifying the issues that arise when corporations work in crisis zones, analyzing what a corporation's responsibility could be, and how they implement corporate social responsibility policies on the ground in such an environment. The panelist explored how corporations, NGO's and civil society organizations can form successful collaborative partnerships to ensure socially responsible, prosperous endeavors. Panelist included Barbara Addy, Senior Advisor, Global Development Alliance, USAID, Bennett Freeman, Senior Vice President for Social Research and Policy, Calvert Group, Heather P. Kulp, Consultant, Deirdre LaPin, International Consultant, and Tam Nguyen, Advisor on Corporate Responsibility and Global Issues, Chevron. Steve Utterwulge, Vice President of International Development, Search for Common Ground facilitated the forum.

The forum began with a clear and effective reminder previously put forth by Kofi Annan at the world economic forum in 1997: “Peace and stability are most likely in populations enjoying general prosperity and access to opportunities; most conflicts are rooted in socio-economic inequality, and; business is the dominant engine of growth.” Touching on ways to encourage and support prosperity and access to opportunities, panelist spoke to different aspects of CSR and the contributions corporations, and those partnering with them, can make when social responsibility is not only claimed but also shared. The panelists focused on the responsibility of large businesses to pay attention to important CSR principles right from the start; stating that these first principles can help businesses make smart choices at the inception of the planning cycle and thus avoid contributing to conflicts that lead to crisis. It was acknowledged that large, intrusive corporation often operate with a double edge sword – they are in the position to instigate and foster great development, but are also in danger of causing vast destabilization of social, economic and political life. Thus, the planning stage is one of the most important because it is not only the time to predict revenue and other business oriented outcomes, but also the social outcomes of corporations' actions.

On this point, there are several reoccurring lessons. One example is Silicon Valley, California where the rapid growth of the industry changed life for local populations including land acquisitions, traffic congestion, deforestations, as well as area locals left feeling psychologically diminished. Most companies assert that their chief responsibility to society and economic development lies in doing business well. Thus, there are ways in which an ethically managed business can help economies and societies through the intrinsic business process. These include creating company jobs and opportunities in the supply chain, paying royalties and tax on profits and incomes, and creating products and services, which are in demand because they are life enhancing. These are the *indirect* social investments intrinsic to routine business operations. But, when national and local conditions prevent the indirect social investments from being realized, corporations must adopt a *strategic social investment approach* in which a company makes a conscious decision to close the gap in social goods and services usually provided by the government and donors. This is done by leveraging the intrinsic business processes and by catalyzing knowledge and resources from other development and conflict prevention partners – this process is

known as *leveraged buy-in*. Examples of leveraging include hiring locally, leveraging taxes and royalties, and making high demand development products affordable. It was noted that corporate vigilance is not enough in crisis zones because often, within the corporation, there are instances of tunnel vision which focuses only on the short-term business, denial of the impact of negative externalities (such as global warming, unsafe products, construction and safety hazards), refusal to listen to other perspectives, and in the end, a failure to follow through on promises made to partners, including the local communities.

Although there are operations in place, including legal obligations and international standards to promote CSR practices there still implementation remains a gray area. There are instruments designed to help with the planning and navigation stages for companies, but these have to be internalized within the company in order for the implementation of these practices to go forward. Initiatives such as the Kimberly Process, a process to deter illicit exports of diamonds and facilitate the conduct of the trade in an open and transparent manor; the Extractive Industries Transparency Initiative, which aims to ensure that the revenues from extractive industries contribute to sustainable development and poverty reduction, and; the Voluntarily Principles, developed in 2000 to give the extraction companies guidance in dealing with security forces, are all excellent examples of the extraordinary steps being taken to promote and sustain CSR. But, the initiatives themselves are not enough; the implementation of these initiatives remains the critical issue.

The question remains: how do companies “walk the walk” of implementation and avoid the trap of only using CSR rhetoric for publicity? It is important to ask: do these companies have the political will and the capacity to follow through on their commitments? The Implementation of CSR practices includes dedication to internal training within the company, as well as fostering positive relations between companies and local and outside security forces; “pulling down the fence is as important as putting it up”. This takes stakeholder engagement and must often include social advisors to complete the CSR project teams. The panel agreed that even though the field of CSR is growing, these gains are sure to stymie, and the aforementioned initiatives will lose their efficacy, if companies from certain regions are left out on the margins i.e., countries in Asia. Presently, there are two sets of standards, one for the west and another for various regions throughout the world. Unless these standards and expectations are unified there will be less and less overall compliance with the practice of CSR and, in addition, it will become harder to monitor.

It was pointed out by a panelist that the cross cutting interests of the forum audience reflected the expansion of the CSR debate. Many feel that corporations should make a commitment both to sustainable development and social justice. One panelist claimed that the extractive industries have been at the forefront of CSR, foraging new ways of fulfilling these commitments. This can be difficult when corporations operate in countries where there are ongoing civil wars, low intensity conflict, historical remnants of conflict, regions in which conflicts may be brewing, and countries referred to No-Go-Zones. These No-Go-Zones, like Myanmar, are countries where politically forced repression is ever present and where corporations must face tough choices of doing business or not. In order to assess corporations’ level of commitment, the CSR community needs to create powerful validation criteria. It is important to recognize that CSR is about public policy and must involve governments.

Another topic covered discussed was the role and responsibilities of hedge funds and equity companies. The panelist agreed that these funds and companies should be considered. This consideration is vital because of the resources and impetus hedge funds and equity companies have to finance other types of companies, companies that may be involved in conflict producing or contributing activities. It is important and appropriate for NGOs to ask questions with respect to deals being made between hedge funds, equity companies and big corporations.

The next aspect discussed was the role of NGOs and corporations in working together to promote and foster CSR practices and policies. Panelist discussed reasons why NGOs should partner with companies/corporations, how NGO's can engage in productive and useful models lessons learned, and some of the risks and pit falls in the forming of these partnerships. It is important for NGOs to recognize that both mid and big sized corporations can be at the root of conflicts or even unknowingly contributing to the conflict. In addition, corporations hold a lot of power in crisis zones; power over consumers and governments that rely on the income produced by the products, and/or over local people relying on the jobs to help their communities survive. Because of this significant amount of power, NGOs seeking a holistic conflict prevention, management, or mitigation project would be greatly helped by leveraging corporations' power – both political and communal power – as well as the financial resources that are often available quickly and in large amounts.

For NGOs, several methods of “engagement” are available and, at times, each method has claimed success. There is the more traditional model of staying on the “outside” while boycotting a corporation or executing grand scale exposes of the injustices and wrongdoings of a company. A Canadian corporation came under fire for working in Sudan and was thus seen as contributing to the Sudanese conflict and human rights abuses. Canadian NGOs boycotted and were “successful” in that the Canadian firm sold its stake to a Chinese firm – a firm that unfortunately had less interest in human rights. Secondly, effective outcomes have been achieved when NGOs have worked with corporations but have not accepted funds. Two major drawbacks with this model are that the cost may become prohibitive for the NGOs, and it was pointed out that corporations often show their commitment and interest through their budget; if there is no money involved a company's commitment may wane at any time.

A third model emerges when NGOs decide to engage directly with a corporation; this model can involve excepting funds from a corporation. However, unlike the second model, which explicitly does not accept funds in order to protect the integrity and reputation of the NGO, this model could potentially place the reputation of the NGO in jeopardy if careful attention is not paid every step of the way. Search for Common Ground's (SFCG) work with Chevron in Angola is an example of the third model. The corporation wanted to make sure that the problems in Nigeria were not replicated in Angola. Although Chevron had done development in the area, they did so in the traditional manor, focusing on infrastructure, e.g., building schools. Despite Chevron's involvement the perceptions of the corporation in Angola were worsening. This was mostly due to the process in which these projects were being planned and executed. SFCG partnered with Chevron in order to develop more highly conflict sensitive processes. The result was a six-phase community engagement project, which included training, problem identification, priority setting, development and implementation of infrastructure project, and assessment.

Several best practices have come out of the lessons learned in the field. First, it is of the utmost importance to do the homework, e.g., what implications could engaging with a corporation have – internationally and locally? What role does the corporation play in the conflict currently? What role does the NGO anticipate the corporation can realistically play? What are the corporations desires? Second, learn to speak the language of businesses and be ready and able to include an independent evaluation of the NGO's work. Third, state the business case – check out the corporations brand, their publications, their CSR plans and strategies – how does what the NGO is offering fit in with what the corporation wants? Fourth, maintain integrity as an NGO; in other words, be sure that the organization can walk away if need be. Finally, be open and honest about the organization's work with the corporation.

The risks for NGOs engaging with the business world might include reputation, differing cultures, and loosing the purpose while become apologist for the corporation. The panel was asked

the question: What do corporations need from interested and involved NGOs and how can NGOs help? The panel agreed that the development community has useful information and corporations could benefit from this knowledge, especially when it is presented in ways that can be understood and utilized by the business communities. Skill transfer and cross-sector fertilization, as well help in sustaining good practices over the long-term could be very beneficial for the corporations interested in CSR.

One prime example of the work being done through the creation of these public/ private partnerships is by the Global Development Alliance (GDA) within United States Agency for International Development (USAID). Due to the change in the development landscape, the GDA created a business model for engaging the private sector to leverage both the financial and technological capacities of this sector. A successful endeavor is the Sierra Leon Peace Diamond Alliance. The Alliance is made up of the international diamond distributor, De Beers, the Rapaport Group, USAID, and DFID and utilizes the Kimberly process. The Alliance specifically brought governments and the diamond corporations together to deal with the illegal sales of gem sales and the civil war. In 1999 1.5 million diamonds were sold illegally; by 2004, seventy million of these sales were mainstreamed.

Another example was the Restorative Justice Alliance in Columbia, which was formed to address the dysfunctional justice system. The Alliance applied the models used in Northern Ireland and South Africa seeking to heal the wounds of juvenile offenders and facilitating their re-entry into society. The outcome included five restorative justice centers serving hundreds of marginalized urban households. The Alliance also established over 3,500 conflict mitigation services to prevent domestic and community violence and to improve livelihoods, and introduced humanitarian law and restorative justice curriculums into the Columbian universities. In the coming years the GDA plans to double their efforts in public private partnerships and will be looking to other counties for effective models.

Currently corporations are coming up with innovative ways to practice CSR, as CSR is now a function of doing business. CSR is now being incorporated into most corporations' business plans, and is a top priority for many governments. Many of the big NGOs are willing to partner with corporations, but it was articulated that they must be diligent not to lend their name or credibility to initiatives and standards that turn out to be only empty promises. Yet, NGO must continue in their commitment to hold up the mirror for corporations. The panel was asked if CSR may turn out to be a fad, the answer was a unified and resounding **No**. CSR is here stay.