

DIAMOND DIALOGUES

16 October Meeting Summary

Host

- Richard Howitt MEP, European Parliament *rapporteur* on Corporate Social Responsibility

Organisers: Fatal Transactions and De Beers

Presenters

- Koen Doens, Head of Cabinet of European Development Commissioner Louis Michel
- Anneke Galama, International Coordinator, Fatal Transactions
- Stephen Lussier, Executive Director, De Beers

Location: Members' Salon, European Parliament, Brussels

Launched at the World Economic Summit (Davos) in January 2007, Diamond Dialogues have taken place periodically over the last two years, but this is the first Dialogue to take place in Brussels. A first Dialogue in Washington D.C. will take place in December. All Dialogues are designed to promote better understanding among stakeholders and to contribute in some way to promoting African development. All Dialogues take place under the Chatham House Rule which states that "when a meeting, or part thereof, is held under the Chatham House Rule, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed".

The Fatal Transactions campaign co-hosted this Brussels Dialogue as part of its efforts to ensure that Africa's natural resources are used to promote development, not to finance conflict. The campaign is a network of European and African NGOs together with research institutes which for many years now has collaborated with De Beers in their common effort to implement the Kimberley Process. For this same reason Fatal Transactions is also currently following EU policies and practice on natural resource management.

Taking the 2007 joint Africa-EU Strategy as the starting point for discussions, the Brussels Dialogue brought together a small group of politicians, representatives of EU member states, European civil servants, African governments, pan-African organisations and NGOs. The joint strategy emphasises the importance of private enterprise in promoting development in Africa and stressed the need for civil society engagement in the implementation process. This Dialogue focused on how to improve the effectiveness of the joint strategy and how companies and civil society working together with EU policy-makers can help to create a business environment that drives and delivers sustainable development in a responsible way.

During the two-hour Dialogue, presenters and participants raised numerous issues that this report summarises into three principle themes which we develop further below. This report is by no means designed to represent the minutes of the discussion, but is rather intended as an overview:

- Tri-partite cooperation between governments, business and civil society represents the key to sustainable development

- The role of the EU in promoting development; its progress so far and what additional steps could the EU take to achieve its objectives
- Against the background of financial crisis and economic recession, what can be done to ensure that CSR and development commitments are not among the first victims.

For a full list of participants, see the Annex.

I. Three-pillar cooperation represents the key to sustainable development

It was widely acknowledged that tripartite cooperation between governments, business and civil society is the only way to achieve the shared objective of sustainable development in Africa notably through capacity building across the board in the public sector, private enterprise, schools and infrastructure. Each stakeholder has a specific role to play, but on his own, could not achieve the same results. Indeed to make development a reality, civil society including NGOs must have the courage to not only criticise, but also to work together with business and governments to find solutions.

Although viewed as a work in progress, it is recognised that the Kimberly Process (KP) does represent one of the best practice models for effective tripartite cooperation and capacity building. The Process has helped western and African partners understand that three-pillar cooperation means many things, but especially that the principles of accountability and sustainability should not be determined in isolation by individual stakeholders.

De Beers' work experience in Africa and in implementing the KP has also shown that capacity building by the private sector implies a responsibility to take human resource, training or business choices that contribute to long-term sustainable development. Participants explained that such an approach is also required by African citizens and employees who want to see employers contributing not only to their own skills and well-being, but to society as a whole. In the case of the diamond sector, this responsibility becomes even more important as diamonds provide neither a practical benefit nor a needed commodity – they are an emotional product.

The main challenge for companies like DeBeers and others lies in using business opportunities in Africa to generate profits, but also to deliver a lasting development impact. De Beers' own experience has shown that to achieve this balance, private sector projects must respect a series of conditions including:

- A partnership with the government
- The promotion of citizen managers
- The outsourcing of the supply chain to local companies
- Adding value by transferring knowledge
- Investing in the greater community through funding of both HIV/aids initiatives to ensure healthy workers & their families, and education as there simply is not enough educational funding by national governments
- Respecting a business model that involves profit generation in order to be in a position to share the proceeds

Such an approach to business is all the more compelling for the extractive industries where long-term political and economic stability are essential components to their business strategy. A diamond becomes profitable only after 30 years from exploration to diamond production, thus the need for long-term stability in the political and economic environment in which it functions.

II. The role of the EU; progress to date and the outlook for additional steps

Participants all agreed that the EU plays a key role in African development and that the joint strategy signals the correct change in direction as it aims to push the EU beyond seeing Africa as an aid recipient to both promoting real structural change and partnering with Africa as a business partner. Although opinions varied as to the progress made so far, there was agreement that the EU institutions led by the Commission could improve upon implementation and cooperation with other sectors, especially in view of the multiple other nations now active in Africa notably China, Brazil and countries of the Middle East. Discussions explored not only how civil society and business could contribute to these goals, but also identified additional steps that European stakeholders could contribute.

How successful has Europe been in promoting development?

The launch of the joint Africa-EU Strategy in December 2007 also involved publication of a two-year Action Plan (2007-2009) to oversee implementation. The first year of the joint strategy¹ has focused on building the necessary infrastructure for the cooperation, so the first progress report reveals that few concrete objectives have actually been implemented. Indeed participants acknowledged that over the last year both the European Union and African Union experienced considerable difficulty in agreeing on the composition of the various implementation teams assigned to oversee the roll out of the eight priority actions identified for these two years. However, now that the necessary structures and teams are in place and operational on both sides, there is considerable hope for and a commitment to accelerating implementation activities especially with a view to the next Africa-EU Summit in 2010 in Libya.

In commenting on these on-going efforts, participants referred to the twin pitfalls of development aid. On the EU side the ever present challenges in its African strategy include in the first place to match its existing development funding to the multiplicity of demands and needs, notably by establishing clear priorities. The EU's second challenge lies in tailoring projects to the specific needs of each country in recognition that there is no "one-size fits all" approach to development.

Among African countries, the related challenge is to avoid 'donor fatigue'. The 'revolving door' of donor offers has to be managed by each country assessing and prioritizing its support requirements in line with its current capacity to use the aid effectively.

What else can Europe do to promote sustainable development?

In addition to the joint strategy, participants discussed additional steps that Europe could take to promote development. For example, NGOs in general argue that they are not involved sufficiently in the implementation of the joint strategy despite their experience and presence on the ground in Africa. Moreover, some NGOs are promoting several specific initiatives, including:

- Calling on the EU to enact legislation that could make European companies liable for the violation of EU environmental, labour and human rights law in developing countries.
- Support for the suggestion of Professor John Ruggie, UN Special Representative on Human Rights that companies have a responsibility to ensure that their supply chain respects basic human rights, environment protection and labour laws.
- Urging the EU to make CSR and social reporting mandatory.

¹ Communication from the Commission: "One Year after Lisbon: the African-EU Partnership at Work"; http://ec.europa.eu/development/icenter/repository/COMM_EU_africa_partnership_en.pdf

The Commission itself acknowledges that it is in a position to contribute more to development notably by promoting closer cooperation with non-European countries active in Africa. For example in recognition that China currently represents one of the most active countries in Africa, on 17 October, the Commission published a Communication calling for a trilateral dialogue and cooperation among the EU, China and Africa.²

III. What impact will the current financial crisis have on development aid and on CSR commitments by corporations?

The Dialogue took place in the midst of a global financial crisis and an impending economic recession. Against this background, there is considerable concern that development commitments will suffer. Although the Official Development Assistance (ODA), referring to those funds already set aside in international, EU or national programmes, are likely to be honoured, participants were concerned that future development budgets might be affected by an economic downturn. To what extent the crisis and recession will delay the millennium goals is unknown, but clearly the fall in economic or business activity leading to reductions in tax revenue will have an impact, particularly on recipient nations.

It was also assumed that the changing economic environment would have an impact on the private sector's ability to maintain present levels of CSR. As a result, some projects, especially those where a company's involvement is small or marginal may be suspended. However, it was thought that those where a company has invested a great deal or in which it is a major player will take priority and continue. It was agreed that CSR commitments should become integrated into a company's business model and reflect its corporate ethics whatever the economic environment, but that this approach had the added advantage of reducing the risk of CSR falling victim to either financial or economic crises.

Conclusion

The three-pillar cooperation between government, industry and civil society is the recognised best practice model for achieving sustainable development. Such alliances also have the advantage of possessing the skills, knowledge and experience on the ground in Africa to tailor projects, investments and commitments to the individual realities of each country.

The organisers hope that this first Brussels Dialogue successfully facilitated an initial discussion among the participating stakeholders, and that subsequent conversations and Dialogues will cement the relations, deepen the scope and identify ways to translate shared principles and objectives into practice. The organisers would therefore welcome from participants both feedback about the Dialogue itself and comments on this report with a view to improving any future Dialogue.

End

² Commission Communication : "The EU, Africa and China : Towards trilateral dialogue and cooperation"; http://ec.europa.eu/development/icenter/repository/COMM_PDF_COM_2008_0654_F_COMMUNICATI ON_en.pdf

Annex: Participants

European Commission:

Mr Christian Berger, Head of Unit at DG External Relations, Crisis management and conflict prevention
Mr Stephane Chardon, DG External Relations, Unit A2: Crisis response and Peace building, Policy Officer
Mr Ignacio Iruarrizaga Diez, DG Trade, Deputy Head of Unit, Services and Investment
Mr Koen Doens, Head of Cabinet for European Development Commissioner Louis Michel
Mr Marciej Popowski, Director at DG Development, EU Development policy: Horizontal issues

European Parliament:

Mr Felix Dane, policy assistant to MEP Jurgen Schroder, (DE, EPP-ED)
Mr Brian Dawson, policy assistant to MEP Richard Howitt
Mr Richard Howitt, MEP, European Parliament rapporteur on Corporate Social Responsibility
Ms Rachel Owens, assistant to MEP Richard Howitt
Mr Gerrard Quille, Administrator, Directorate General External Policies, Policy Department - Security and Defence

NGOs:

Ms Chiara Biscaldi, EPLO (European Peace Liaison Office), Policy Officer
Mr Jan Cappelle, Fatal Transactions
Ms Ruth Casals, European Coalition for Corporate Justice, Coordinator
Ms Anneke Galama, International Coordinator for Fatal Transactions
Ms Louise Hilditch, Action Aid, Head of European Affairs
Ms Jana Mittermaier, Transparency International, Head of Brussels Office

Think Tanks

Ms Shada Islam, European Policy Centre (EPC), Senior Programme Executive
Ms Alyson Warhurst, Maplecroft, Director of the Corporate Citizenship Unit

Embassies

Mr Bonny Haufiku, Commercial Counsellor at the Embassy of Namibia

International Organizations

Mr Linda Gumede, African Union

Permanent Representations

Petra Postlerova, Attaché, Permanent Representation of the Czech Republic to the EU

Media

Mr Jim Brunsten, European Voice

Companies

Mr Andrew Bone, De Beers
Mr Simon Gilbert, De Beers
Mr Stephen Lussier, Vice President De Beers

Secretariat

Ms Elizabeth de Bony, Burson-Marsteller
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