

Getting it Right in Africa

Mark Moody Stuart

What does a real-life captain of industry have to say about corporate power and responsibility? Here, the Chairman of Anglo-American (and former Chairman of Royal Dutch/Shell) responds to openDemocracy's roundtable, focussing on the role of multinational corporations in Africa. He says that unless business, civil society and government team up to create sound systems of governance in developing societies then wealth will tear them apart.

openDemocracy's [roundtable on corporate power and responsibility](#) is welcome addition to debate on these topics. It highlights many of the most important and difficult issues we face. My remarks are largely, but not exclusively, in response to [section two](#) of the roundtable.

In her [introductory remarks](#), Sophia Tickell thinks the problems lie not with corporations *per se* but with [the global market and] the way capital markets encourage a downward pressure on costs and are also unable to address the gross inequalities in the world. I differ on two grounds. First, there are benefits to these markets that she does not mention. Downward pressure on costs gives access to goods and services to people of lower income. Second, the issue of inequality - or what I would rather call a feeling of fairness - is one which can only be addressed by governance mechanisms which allow all sectors of society (or countries in the global context) to feel that their voice has been heard and that the outcome is reasonably fair, even though it may be unequal.

Over my career I have seen markedly different results delivered from the wealth generated by resource development in different countries. The differences are in the main due to differences in governance, not to the standards applied by companies. My conclusion is that, difficult and even dangerous as it is, companies should take a greater interest and play a role in the development of sound governance.

The challenge of governance

I agree with Tom Burke about the troubled history of the extractive industries and other corporations operating in the developing world. There was a time, back in the 1950s, when many multinational corporations - for example [United Fruit](#) or ITT [?] - had excessive influence over government. But there was a reaction against this in the 1960s. Companies stayed well out of politics, but made sure they had good relations with government so that they would have a licence to operate.

The new idea was that if we operated responsibly, trained and developed our people, did not bribe anyone, and paid our taxes honestly, it was not our responsibility if the government misapplied or stole that revenue. That was an issue for the citizens of that country. As Martin Wolf says, we have no mandate to interfere in government.

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But if we operate profitably in a country for a number of years and as a result of poor governance there is no sign of local benefit, our activities are called into question and our business becomes untenable. We still have no mandate, but we do have a problem. As businesses, we cannot and should not try to address the issue on our own. But we can join in an effort with civil society organisations, with labour unions, with international finance institutions to try and build the governance structures which can address this issue.

Transparency of payments is a useful step, as Sophia Tickell says. But it is only a very first step. In many countries, the payments are well publicised, but the likes of John Kay's [General Onthetake of Couldbericha](#) simply smile enigmatically when the local press reports that the IMF have been unable to trace a large hunk of revenue.

I do not agree with all that my distant family member Sir Luke Very-Moody of Swell Oil said in the lecture notes leaked to John Kay, although he expressed more eloquently that I could some of the values and motivators of major corporations. Nevertheless, Sir Luke is absolutely right to say that many of the problems arise from the discovery of valuable resources in countries which lack sound governance. I believe that if corporations are to operate in such countries they have to work with others to help create sound governance, difficult as that may be. There is a fundamental difference between interfering in government and working with others to create sound governance structures.

From Chad-Cameroon to NEPAD

Developing better governance – particularly in many parts of Africa - is a huge challenge. The case of the Chad -Cameroon pipeline [see box] is interesting and instructive in this regard. Many non-governmental organisations (NGOs) **LINK** said at the outset that development should not go ahead because in such a poor country with a history of civil strife, people would simply fight over the wealth created.

My initial view of this was that it was breathtaking arrogance to assume that people are too poor or backward to deserve wealth. But on sober reflection in the shower (where much such sober reflection takes place to the detriment of the water supply), one realises that such strife is not an unlikely outcome. So how can we reduce the possibility of strife while still generating greater wealth for a desperately poor country?

Plainly, multinational corporations could not do it on their own. The World Bank had more legitimacy – although not in the eyes of all. The corporations concerned wanted Chad to have an equity share in the pipeline in order to bring the benefits of co-ownership. They wanted the World Bank to lend Chad the money to do this because it would give the World Bank leverage in the issue.

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I think the plan for the fairer allocation of revenue, developed in conjunction with the Chad government and local and international civil society organisations was a good start. Any subsequent problems do not show that the idea must necessarily fail. Rather, the leverage (that is, the ability to intervene when things go wrong) which it was thought that the World Bank had might not be sufficient. But even if the project fails (and in spite of initial problems it has not failed yet) it contains the elements of a way forward, with lessons which can be learned.

[NEPAD](#) - the New Partnership for African Development - is a much more ambitious programme. African governments will agree on standards of popular participation, of security, of plans for infrastructure, introducing the concept of [country peer review](#). I think this is a brave experiment, a great “Made in Africa” solution.

NEPAD may run into difficulties, but it deserves our wholehearted support. NEPAD peer review could be a workable alternative to the role of the World Bank in the case of the Chad Cameroon pipeline. But the leverage of peer review also has its limits, and a combination of World Bank, donor pressure and peer review may prove the best way forward.

Islands of affluence in areas of poor governance

In the meantime companies continue to operate in many countries with inadequate infrastructure and inadequate governance. One cannot run a first class operation without good housing, education and healthcare for those involved. But, as Malini Mehra says in **openDemocracy**'s roundtable, corporations have less desire to develop “company towns” nowadays. Instead they try and support the provision of these services by others – through home ownership schemes, support for existing schools and medical facilities and so on. Depending on the remoteness and degree of development of existing infrastructure, however this may not be practical (or in very remote locations even desirable).

The worry is that raising levels of social infrastructure in one area – whether provided directly by a company or by encouraging others to provide it – will create “islands of affluence”; the promise of employment or better services drawing in people from the surrounding region, putting strain on local services and accelerating inequality in society.

Clearly efforts at community development in the surrounding area can help mitigate this effect, but this merely reduces the “gradient of the cliff at the edge of the island”, or shifts it outward. Here again, governance plays an essential role. It is up to society to decide how those benefits should be spread across a country or indeed in the neighbouring community.

Inequalities in negotiation and problems of representation

In the roundtable, Caspar Henderson of **openDemocracy** said that negotiations between large corporations and local communities are often unequal. This is not just a question of inequality of capacity, which, as Tom Burke suggests, can be relatively easily addressed by employing independent professional advisors, but of community representation. In many cases in the past, as Tom points out, companies have assumed that the visible authority structure - for example village or tribal chiefs - is representative of the people and therefore the right entity to negotiate with. But often these structures are not seen as legitimate by large sections of the population, nor have they any means of determining the popular will.

Sound local governance is crucial for negotiating meaningfully with companies. NGOs can play a vital role in this delicate task, acting as an independent enabler of the process. Although it can be a slow, painstaking procedure community development issues can be effectively addressed in this way. And it is far preferable to either a company giving a community what it perceives as a useful benefit or what an unrepresentative “leader” thinks appropriate.

HIV/AIDS

It is almost impossible for companies to do good business when societies are in a crisis as severe as the [HIV/AIDS](#) pandemic in Southern Africa. But what can companies most usefully do to help? Most people accept that if there is disaster such as an earthquake or a hurricane companies should do their bit. But companies cannot take on the role of the state, or indeed its health department. Rather, we have as a team to make the most efficient use of the resources available – from the state, from outside donors, from voluntary organisations and from all companies in a community, as well as from individuals and families. This is a problem for society as a whole. Companies are made up of people who are also part of society. We do not resign membership of society when we enter our place of work, nor when we buy shares in a company.

[Anglo American](#) has been [responding to the threat of HIV/AIDS](#) for many years, both in the workplace and in surrounding communities. Recently the company has taken a lead by making antiretroviral therapy available to employees progressing to AIDS. A number of other companies are now doing likewise. We are also committed to seeking to extend treatment to dependants and people in communities surrounding our operations.

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But we cannot possibly do this by ourselves. Co-operation is necessary for funding, for efficiency of delivery and proper administration of drugs. My observation is that if pharmaceutical companies are convinced that there is a reliable method of administration, with treatment regimes properly adhered to and no opportunity of the drugs finding their way improperly back into the market at high prices, they are prepared to supply the drugs at dramatically lower prices.

But the problem of “islands of affluence” arises here too. Clearly, treatment of employees will be more effective if family members are also included. But if family members are included, what about the other members of the community in which they live? How does one draw the line?

What is more, delivery to families remote from work places will be difficult unless this can be done through community health centres - impossible without the assistance of government or donor agencies. But does this then merely shift the boundary of provision to that of the community? There are still many other communities who will not benefit.

In the end the programme will only be effective if treatment is universal, but this has clear financial implications for overburdened national health care systems and budgets. This highlights the need for partnership and co-operation between corporations, civil society organisations, donor agencies and above all government to hammer out the best strategies for addressing the issue.

Conclusion

Many corporations do act responsibly and are ready to take an active role in delivering change for good in partnership with government and civil society. Anglo-American is fully committed to playing its part. But the challenges ahead are enormous. **openDemocracy's** ongoing debate on corporate power and responsibility offers a valuable opportunity for a truly global dialogue on these vital and complex issues. I look forward to seeing how it develops.

Biog

Mark Moody-Stuart, KCMG has been Chairman of [Anglo American plc](#) since December 2002. He was co-Chair of the G8 Task Force on Renewable Energy in 2000 and 2001 and was Chairman of Business Action for Sustainable Development, a joint initiative of the International Chamber of Commerce and the World Business Council for Sustainable Development in preparation for business involvement in the UN World Summit on Sustainable Development in Johannesburg in 2002. He was Chairman of the Royal Dutch/Shell Group of companies from 1998-2001.

Box

Chad-Cameroon: right or wrong?

The Chad-Cameroon Project is said to offer a new model for wise management of revenues from a major oil project. But it remains highly controversial.

The project develops the oil fields at Doba in southern Chad (at a cost of US\$1.5 billion) and build a 1,070 km (650 mile) pipeline to offshore oil-loading facilities on Cameroon's Atlantic coast (at a cost US\$2.2 billion). The sponsors are ExxonMobil (the operator, with 40% of the private equity), Petronas (35%), and ChevronTexaco (25%). It is estimated that, the project will produce 225,000 barrels of oil per day for 25 years, coming online in 2003 and generating revenues of around US\$1.8 billion (in royalties, dividends, and taxes) for Chad and over US\$500 million (in transit fees, dividends, and taxes) for Cameroon.

Chad is one of the poorest countries in the world, and has a poor human rights record. Cameroon is consistently rated as the world's most corrupt. There has been widespread concern, therefore, that oil revenues will not be wisely used. Under pressure from civil society, the governments, the oil companies and the World Bank Group set up a regime to monitor revenue flows, and manage how money is are spent. This includes a [revenue management program](#) designed to target petroleum revenues to the key poverty-alleviation sectors: health, education, rural development, infrastructure, water resources, and environment, in a transparent manner (for more details on the World Bank's approach see [here](#)).

Several Non-Governmental Organisations have continued to [oppose the project](#) on the grounds that the environment will be damaged and revenues wasted. The pipeline would run through ecologically fragile and biodiversity rich forests, alongside the Sanaga, one of Africa's most important river systems, and cross several major rivers on its way to Cameroon's Kribi coast, a delicate, biologically diverse marine environment. It will greatly exacerbate existing problems with corruption and human rights abuses, say [campaigners](#).

Many are concerned that some parties to the agreement would find ways of getting around their commitments. But the World Bank's senior management is [standing by the project](#) to build an oil pipeline between Chad and Cameroon despite an [internal report](#) suggesting the project was harming the environment and failing to meet other objectives.

ExxonMobil says it is ['older and wiser'](#) as a result of the project, and claims to be working more closely with non-governmental organisations on upstream projects to help avoid the social unrest it has suffered in the past.

Scrutiny of the project continues. In February this year [Transparency International](#) said the scope for corruption in the Chad-Cameroon pipeline will be [evaluated jointly](#) by l'Action Tchadienne pour l'Intégrité (ATI) and Transparency International Cameroon.

[Caspar Henderson](#)