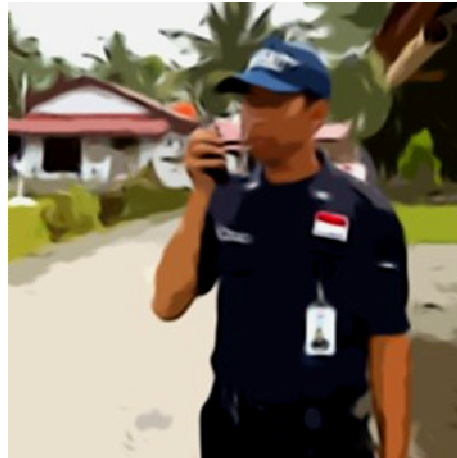


Human Rights & Business Roundtable Annual Report 2012





The Fund for Peace is an independent, nonpartisan, 501(c)(3) non-profit research and educational organization that works to prevent violent conflict and promote sustainable security. We promote sustainable security through research, training and education, engagement of civil society, building bridges across diverse sectors, and developing innovative technologies and tools for policy makers. A leader in the conflict assessment and early warning field, the Fund for Peace focuses on the problems of weak and failing states. Our objective is to create practical tools and approaches for conflict mitigation that are useful to decision-makers.

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The Fund for Peace Sustainable Development & Sustainable Security

Program Director

J. J. Messner

Rapporteurs

Tierney Anderson

Erin Crandell

Natalie White

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The Fund for Peace

1720 I Street NW

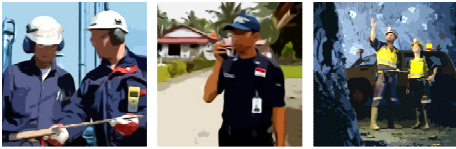
7th Floor

Washington, D.C. 20006

T: +1 202 223 7940

F: +1 202 223 7947

www.fundforpeace.org



Human Rights & Business Roundtable Overview

Introduction & Contents

The mission of The Human Rights & Business Roundtable is to promote the rule of law and open societies.

Launched in 1997, the Roundtable was the first forum designed for multinational businesses and mainstream human rights organizations to discuss issues of common concern in an atmosphere of mutual respect, trust, and confidentiality.

Today, the Roundtable focuses exclusively on the extractive industry, although the lessons learned and case studies of the Roundtable provide value to all sectors. The Roundtable is an invaluable resource for corporations and NGOs to work together to promote sustainable development.

The Roundtable is ...

- **Confidential** - The Roundtable facilitates off the record dialogue between human rights, business, and legal experts.
- **Collaborative** - The agenda is set by and for its members, constantly striving to reflect the current interests of our members.
- **Constructive** - The Roundtable focuses on joint advocacy, education, and action, building the internal capacity of each individual member while providing the opportunity to make a difference in the global community.

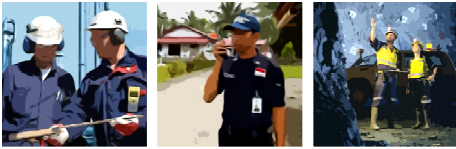
- **Cost-efficient** - The Roundtable gives corporate members a competitive edge by reducing liabilities, strengthening relationships to stakeholders, and enhancing brand image. In turn, this face-to face dialogue allows NGOs to voice their concerns to corporations directly, saving the time and energy associated with other campaigning methods.

Case by case, the Roundtable brings together key stakeholders from corporations, NGOs and multilateral institutions to extract lessons learned and to identify best practices.

For example, the Roundtable has convened meetings on Human Rights Training for Security Forces; Free, Prior and Informed Consent; Accountability of NGOs; The Business Case for Investment in Health Issues; and Good Governance – Major Challenges & Opportunities.

Through case studies, working groups, and high-level networking events, the Roundtable aims to provide the international business and NGO communities with practical tools to navigate today's human rights challenges.

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Human Rights & Business Roundtable Participants

The Fund for Peace is grateful for the continuing support of the Corporate Members of the Human Rights and Business Roundtable.



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The Fund for Peace also thanks the following organizations for their continuing participation in the Human Rights and Business Roundtable:

- 3P Human Security
- AES Corporation
- Africare
- American Petroleum Institute
- American University
- Amnesty International
- Atlantean Corporation
- Center for Civilians in Conflict
- CHF International
- Coalition for International Justice
- Consensus Building Institute
- Creative Associates
- Digital Globe
- Due Process of Law Foundation
- Equitable Origin
- Foley Hoag
- Global Rights
- IDS International
- International Alert
- International Finance Corporation
- International Stability Operations Assoc.
- National Democratic Institute
- National Mining Association
- NXG Global
- Pact
- Partners for Democratic Change
- Partnership Africa Canada
- Public Health Institute
- Search for Common Ground
- Transparency International
- U.S. Agency for International Development
- U.S. Department of Defense
- U.S. Institute for Peace
- The Walt Disney Company
- World Bank Group



2011 HRBRT: 6 Sustainable Livelihoods

December 1, 2011

Synopsis

For many operations in the oil and mining sector, projects will tend to be situated in disadvantaged and under-developed areas. Operations are often medium- to long-term commitments, they will often become an integral part of the local community, with a significant impact on the local people and their livelihoods. This Human Rights & Business Roundtable attempted to focus on the impact of projects on the livelihoods of local communities, and how sustainable livelihoods may be promoted.

The Roundtable opened with a presentation of a case study on development and sustainable business in Colombia. The presenters discussed the context in which they worked, detailing the circumstances of the population in the conflicted region and the natural, financial, physical, and social capitals and vulnerabilities that existed. The presenters emphasized the importance of engaging all stakeholders 'early, timely, and in a constructive way', having a continual process of analysis to diagnose all issues facing a community, and conducting assessments at the local, regional, and national level.

The implementation of livelihoods grant projects (rubber/latex production, milk storage, cattle husbandry) was discussed. Implementation included identifying civil society networks, associations and local, political, and civic leaders to partner with; studying the production activities and markets in each municipality so not to duplicate or disrupt any successful, licit businesses; and providing grants and technical assistance to communities. By partnering with the Colombian government, their firm brought authorities back to the area and saw government investing resources

in local business. These grant projects helped to rebuild trust between communities and government and promote development in the region. Their projects' results represent the possible positive impacts of building inclusive partnerships.

The presenters' key operating principles for the Colombian case study followed the DFID model for working in development. They include:

- using the existing social infrastructure to build capacity;
- letting the community determine their own needs;
- allowing community action to empower individuals and their local institutions;
- using common mechanisms to mitigate conflict;
- having associates provide 'in kind' contributions;
- discouraging a legacy of paternalism, focusing on good business administration; and
- ensuring their operations have no negative effects on the community or the security situation.

In allowing the community to determine their own needs and empower their own local institutions, the firm stressed the necessity of local ownership and reminded participants, "You are in trouble if you want the project more than the community wants it".

Additional principles from their work include:

- hiring local staff to implement grant projects;
- working through existing local associations to strengthen business networks;
- providing oversight, mentorship, and assistance during projects; and
- being adaptable in extending the time frame of the project or stopping assistance if necessary.

The operating principles and the lessons learned represent best practices for the field and seek to show how a responsible private sector is key to sustainable development.

In response to questions the case study raised, participants discussed the relevance of literacy for conducting and implementing projects. In the case presented, literacy was not an issue; however, participants discussed how advertising of meetings, applications for

* Due to time and reporting constraints, the final Roundtable of the previous year is summarized along with the following year's Roundtables.

grants, and business agreements between private actors, civil society, and local communities might be conducted if literacy were an issue.

Participants also discussed the importance of gender and minority inclusivity in creation and implementation of projects. Participants agreed that in order to have sustainable development, gender and minority group inclusion is vital and that facilitating this inclusion is a primary responsibility of the private sector.

Participants suggested the expansion of the DFID framework to include or focus more heavily on the infrastructure and utilities capacity in a community. Recognition of the

dependent relationship of infrastructure growth to job and livelihood growth was briefly discussed.

In closing, the participants reviewed challenges for transferring practices from this project to others. One concern voiced by a participant focused on the firm's lesson of being adaptable in stopping funding or engagement with communities if business agreements are violated. Companies may not have the option to stop engaging in a community or move their operations elsewhere if a community violates an agreement or misappropriates development funds to illicit business. Another barrier to transferability of lessons that was raised is the possibility of an unwilling or unable

government to be a partner in development. For example, governments may not have an existing national development plan to work with as the Colombian government did, or governments may lack the capacity to deliver services or operate in remote parts of a country where a private company works.

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2012 HRBRT: 1

The Extractive Industry and Development

February 28

Synopsis

This Roundtable sought to facilitate a discussion of how extractive industry projects can contribute to greater economic development. The focus was on opportunities, challenges and examples demonstrating sustainable improvements to livelihoods of community members. There was also discussion on the nexus between security and economic development. This Roundtable placed special emphasis on drawing upon the expertise and shared experiences of all participants, to lay out questions and perceptions, as well as ideas on trends and what more can be done to further contribute to greater economic development.

The Roundtable opened with a presentation on The World Bank's approach to working with governments of extractive countries in Africa.

Through recent research, The World Bank has found that the resource curse that plagued many countries in the 1990's is not a trend that necessarily continues today: resource-rich countries are performing better than their non-resource rich counterparts in the same region. Though still in preliminary stages, their research has found that from 2000-2010 there has been double the growth in GDP and human development in extractive countries. Among the mining countries, those conducting government sector reform to better manage their natural resources have greatly improved their human development growth.

Working with governments of resource rich countries to improve their capacity to make better deals with extractive companies and better manage their revenues will increase development. This work focuses on sector governance and reform, lending money to and advising governments on legal frameworks, contracts, institutional strengthening and capacity building, geological knowledge, extractive industry knowledge, and transparency and

accountability (including EITI engagement).

There is a further focus on creating sustainable livelihoods, assisting with community development agreements, local economic development planning, local procurement, artisanal and small scale mining formalization, and reducing energy poverty. The World Bank also works to increase infrastructure and energy linkages between extractive industries and local communities ensuring that rails, roads, ports, water supplies, and energy built and used by extractive companies also benefit local communities. Their work prevents possible conflict in multiple stages by promoting transparency and accountability in government action in licensing, regulation and monitoring, revenue collecting, revenue management and allocation, and sustainable development projects.

With the amount of money governments can make through extractive royalties and revenues, development work in local communities is more efficient if NGOs work with the government to reinvest revenues in community development, rather than looking for outside donors to fund development projects. The creation of partnerships between NGOs, companies, governments, and local communities in order to have

sustainable development is of critical importance.

Two examples of how their work has contributed to increased transparency and communication in government-company-community relations were presented:

- In Uganda, the government is publishing in local newspapers which municipalities royalties are going to, so that communities know what money has been invested in their district and can hold their local government officials accountable. Previously, communities would have no knowledge that money was going to their district and there was a lack of community trust in the government and extractive companies.
- In Tanzania, technical assistance was provided to the government to help investigate a claim that a company was poisoning the community's water. There was also work done to help improve socio-economic impacts of large and small scale mining, strengthening the government's capacity to manage the mining sector, enhancing private and local foreign investment in mining, and increasing trust between the community, company, and government by increasing communication and filling information gaps.

Participants discussed how lessons taken from Africa could be applied to other countries, like Indonesia and how the movement of EITI to the sub-national and local levels would increase transparency and relations between communities, governments and companies. Participants agreed that lack of communication — or miscommunication — between communities and companies or governments occurs frequently and that for sustainable development it is necessary to have the community as a partner.

The presenter offered some examples of suggestions for increasing communication and trust, including inviting the media to government trainings, financing civil society and faith based organizations to spread messages to people, developing new cell phone apps for EITI to get information to the local community, and establishing community based monitoring so communities can hold their governments accountable for the royalties received.

Participants also discussed who should be responsible for development in communities where there is no functional government providing infrastructure or public services. They laid out the short term and long term challenges of lack of government

involvement in such cases and the difficulty of building government capacity to support companies in development work. Also mentioned was the idea of establishing trust funds with local communities or foundations for sustainable development.

The second presenter opened by linking the participants' discussion of a greater need for local community participation and government involvement to the Africa Mining Indaba Conference in South Africa in early February. The presenter shared how frequently the topic of local communities was discussed in conversations about extractive industry work, development, transparency, and multi-sector initiatives. The attendees recognized that 'if they don't get it right for communities, it won't work'. The amount of government ministers or officials in attendance at the conference was a major step in the acknowledgement of the need of government in extractive industry work and a new trend of increased government participation. Conversations at the conference reinforced the idea that good governance leads to economic development.

The role of extractive companies in conflict prevention and resolution was also discussed, and The Fund for Peace's 'Vicious to Virtuous Cycle' was examined. The

importance of security was underscored, and how security is necessary for investment. Without security, infrastructure creation and development cannot occur.

Participants discussed the company role in creating an atmosphere of security, how companies should be proactive with public security, training, and use of force, and how dialogue with governments and local communities is essential. They talked about why security sector reform is important for development and good governance. Participants also discussed the evolution of the voluntary principles on security and human rights, the increasing role of governments in the voluntary principles, and the possible challenges for additional governments to participate. The participants concluded with a discussion of how to create strong company-NGO partnerships that include trust, common language, and shared values.

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Security Sector Reform & the Voluntary Principles

April 10

Synopsis

A key component of ensuring the protection of human rights in the area of extractive industry projects is the training of public security forces. This includes training in the principles of human rights, their importance, and specific ways they should protect these rights through, for example, the appropriate use of force. The Voluntary Principles provide a platform by which security sector reform initiatives can be supported by extractive companies who can encourage that training take place and provide access to the military and/or police units responsible to their sites when the host government supports such training.

The Roundtable opened with an overview of the Voluntary Principles and an explanation of how they are a tool of dialogue and implementation at the international, national, and project levels. A description of how the VPs contribute to sustainable business and can provide a platform for security sector reform was also offered.

The first presenter of the Roundtable discussed security sector reform, stressing the need to look at the security sector on a holistic level and a whole-of-government approach. Security sector reform was defined as a process that includes assessment, review, implementation, and monitoring and evaluation of all sectors of state, judiciary, intelligence, and supervisory ministries. Reform was explained as a practice of reinforcing institutional development and changing the balance of power to civilian responsibility and leadership of the military and parliamentary oversight of the budget.

The presenter identified the primary principles of security sector reform:

- Supporting host nation ownership and local leadership;
- Incorporating principles of good governance and respect for human rights;

- Balancing operational support with institutional reform;
- Linking security and justice;
- Fostering transparency; and
- Doing no harm.

Ultimately, security sector reform was described as best suited for emerging democracies.

The second presenter offered the company perspective on how the VPs can contribute to security sector reform. Before the Voluntary Principles existed, companies would struggle to have a consistent way to interact with public security. The VPs provide a platform to:

- Clarify expectations between public security and companies;
- Confirm the responsibility of the state for law & order;
- Ensure that the company's support of host government public security is transparent;
- Provide a framework for dialogue between the company and public security (especially for field personnel); and
- Provide a framework for saying "no".

The platform for saying "no" is one of the least discussed — but most important —

aspects of the VPs, especially for company decisions made in the field under very difficult circumstances. The VPs could, for example, be used as a platform for saying "no" to a paramilitary group asking for the company's armored vehicles to preempt an ambush from another paramilitary group.

The VPs are useful for companies because they are credible, positive, valid, help corporations in terms of insurance, liability, and ability to operate, and provide a common framework. The VPs can also be used in human rights trainings by third parties, law firms, NGOs, and integrated into the police academy.

An original intent of the VPs in 2000 was as an effort to minimize harm, because companies were operating in difficult locations with militaries and paramilitaries and needed guidelines for how to operate. Now in 2012, the VPs should move towards a focus on not just minimizing harm, but making things better for companies and communities. This includes improving the security situation for the state, company, and the community. A company's role is to create its own safety and security, and to also support the state in policing and in supporting the justice system. Companies should also support community developed

safety initiatives, including community policing or community watch programs. Companies can support crossover from the VPs to security sector reform to increase security, by supporting the building of police stations, police trainings, and replacements of paramilitary for police forces. Supporting state and community security is in the best interest of the company because it will promote a stable environment in which to operate.

During the discussion participants discussed the need for expanding community security. Participants noted that a forum for community and local organizations to be involved in security sector reform is often missing and capacity building is needed in this area. Participants also discussed examples of how the VPs can support security sector reform and how security sector reform can incorporate the VPs. An example of Colombia was provided, where the VPs are written into the military and police laws of engagement with the private

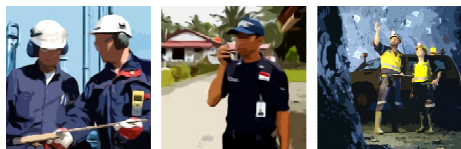
sector. Participants recommended the VPs be looked at holistically, like security sector reform.

Participants discussed countries rich in natural resources, but lacking in security and governance. The importance of a country being ready for security sector reform was underscored, such as emerging democracies. An example was provided of a country where a Health and Business Roundtable was first introduced and then a Human Rights and Security Roundtable was formed. Participants discussed how some countries may not be ready or able to support security sector reform or agree to implement the VPs.

Participants discussed the link between poverty reduction and economy in relation to security. They discussed ways in which economic and political factors of a conflict lead to security issues and ways in which improving security can lead to improving development.

Participants also noted that there should be workshops to engage NGOs that are not participants of the VPs, but that want to be involved in supporting their implementation. NGO representatives present suggested using their local networks and relationships on the ground to assist companies in creating partnerships. This would be beneficial to companies, because as one company representative stated, big companies often have limited knowledge on NGOs and do not know which NGO to work with on the ground. Using local networks of NGOs who are supporters of the VPs would assist companies in forming partnerships.

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2012 HRBRT: 3 Gender and the Extractive Industry

June 21

Synopsis

This Roundtable featured a discussion of the issues facing women related to the extractive industry, including both female employees and women in impacted communities. There was particular focus on how extractive companies can better benefit local communities through increased participation of women in community planning and development programs.

Although the main focus of this Roundtable was to be gender, the discussion shifted more towards partnerships between NGOs and members of the extractive industry. Participants in particular focused on the role of marketing, and how a company and an NGO should market their partnership to the American media and the host country.

The first presenter opened with the case for hiring women in the extractive industry, and the case for viewing the extractive industry through a gender lens. There was a focus on collaboration with international companies to create a gender framework in communities through local organization and mobilization. An example was provided from Africa, where improving the relationship between women and the extractive company has been helped by legitimizing their work in the community through business viability and legitimizing their social license to operate. By engaging women, the company would open a new sphere of influence among women, who in turn influence their households and overall communities more effectively than men. By mobilizing women in confidence building exercises and encouraging extractive companies to hire more women in positions of power they are legitimizing their social license to operate in that community.

The second presenter outlined the effects of the extractive industry on women in the communities it is working in. While companies can bring both benefits and risks to a community, women bear the brunt of the risks while receiving few benefits. This is especially relevant in agriculture, access to clean water and health risks affecting women. The differences between the effects of small scale (or artisanal) mining (ASM), and large scale mining (LSM) were delineated. While LSM is mainly executed by men, ASM is more open to women because much of it can be done in the home. Because much of the ASM is done in households, it has different adverse effects on women, including increased health risks because of a lack of safety precautions in working with toxic substances. Examples were given of ASM gold mining in Tanzania that leads to high levels of lead toxicity in the workplace, which in this case is the home.

The second presenter also recounted efforts to engage and mobilize women in the extractive industry in Papua New Guinea. There was initially resistance from the women in the communities because of a cultural stigma against women participating in conferences or speaking out in meetings. According to the women, the meeting was a men's meeting and it was not appropriate for

them to be speaking and participating. However, when the organization created a specific "Women in Mining Conference" in 2003, over 180 women came from all over Papua New Guinea to participate and voice their concerns. After the first meeting, during which women primarily aired their grievances with the extractive industry and its engagement of women, the organization encouraged women to invest in their communities and start their own small scale businesses in industries such as sewing uniforms and catering. This first meeting led to a Mission Statement, which became a Five Year Action Plan submitted to the government regarding health, education, security and safety for women in the extractive industry. Women set up their own micro-financing cooperatives and developed professional presentations on how to engage other women in the extractive industry in Papua New Guinea.

The final presenter mainly focused on making a business and economic case for hiring women at all levels in the extractive industry. While the extractive industry can bring jobs to a community, those jobs are predominantly filled by men, while women can lose their jobs in agriculture. By hiring women as leaders, entrepreneurs, and employees, and by treating women as clients,

consumers and stakeholders in the actions of the company, a company can increase productivity and performance. For example, by hiring women employees and leaders, it will increase the productivity of the company because women are generally more organized and committed, which leads to less maintenance on the part of the company overall. In addition, by encouraging a greater number of women entrepreneurs, the company can provide sustainability for the company and the community through the development of catering, laundry, clothing/uniform supply, agriculture and clerical work, in addition to engaging women directly through the company.

The influence of women on the sustainability of a community was also emphasized. Not only would women use more of their income to directly help develop the community, but they would also encourage more service-based development, as opposed to infrastructure-based development. For example, while men might propose a new road, women would want more bus services on the existing road. By eliminating the

disparity between women and men in the workforce, the company will be encouraging a more comprehensive and complete view of development.

Although the presentations were very focused on the idea of gender in the extractive industry, the discussion that followed was more focused on partnerships between NGOs and the Extractive Industry, and how that cooperation manifests itself. Both the participants representing NGOs and the participants representing the extractive industry were very clear that such partnerships require trust, and are essential to creating the capacity on the ground for civil society to act as its own representative of the community. While some members of the extractive industry were very clear that they relied on NGOs to engage the communities and take gender into consideration, others were intrigued about incorporating a gender framework into their internal procedures.

The participants also discussed the role of the media and marketing in creating

partnerships, and voiced their concern that the media was not taking any of the positive effects of the extractive industry on participating communities into consideration.

While some participants advocated a very hands-off approach to the media, preferring instead to focus on stakeholders, others were very clear that their attempts to engage the media and show positive examples of the influence of the extractive industry has been unproductive. The influence of the media in the public, particularly American public, opinion on the extractive industry has been overwhelmingly negative, focusing overwhelmingly on the negatives and dramatic stories rather than slow progress.

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Public Security and the Extractive Industry

September 13

Synopsis

Many of the most serious security and human rights issues related to the extractive industry involve the public security apparatus. Although documents such as the Voluntary Principles encourage extractive companies to engage with and raise the standards of public security around their sites, this can often be a delicate and sensitive endeavour. Discussion at this Roundtable focused on methods used to engage with security forces and governments on security and human rights.

Understanding that relations between the extractive industry and public security forces can be complex and fraught with challenges, how best can the relationship be fostered? Two presentations of applicable case studies and lessons learned, from the perspective of civil society groups were provided.

The first presentation focused on the importance of civil society to stability and peacekeeping and emphasized the need to find spaces where civil society can meet with governments, public security and other stakeholders to jointly discuss conflict assessment.

Public security and civil society are similar to the degree that they are public service oriented, are guided by core values, make sacrifices for their cause and involve highly intelligent people. But they also both have the potential to be corrupt, challenged by attitudes, and challenged by capacity. The biggest difference between the two is that while one considers their focus national security, the other centers around human security. It is recognizing and understanding this difference in analytical frameworks that is most important to fostering public security and civil society collaboration. At the same time, establishing democratic forums like the Human Rights and Business Roundtable for

multi-stake holder communication should be a greater focus.

Examining case studies, different ways that civil society has worked to improve relations with public security forces include:

- Running training courses for military on conflict management and peace building (Philippines);
- Facilitating the establishment of military committees that track human rights violations by soldiers;
- Incorporating a population centric approach to disarmament, demobilization and reintegration programs (Afghanistan);
- Working through a network of NGOs to offer literacy training to police and build better relationships between communities and local police (Afghanistan);
- Establishing spaces where civil society can interact safely with security forces without being viewed as collaborators;
- Hosting workshops where police and military persons experiencing trauma can receive counseling (Fiji); and
- Facilitating population-centric security discussions between the US and NATO.

The second presentation focused on the challenge of getting various stake-holders to

recognize there is a problem with incidental civilian harm or death. Some lessons from Afghanistan include:

- Appealing to the self-interest of the group in question (For instance, highlighting that for governments civilian protection matters to their perceived legitimacy. Or, for public security forces, civilian protection also results in fewer losses of security personnel);
- Offering practical guidance and having something to offer;
- Coordinating efforts with like minded organizations to produce more consistent and visible messaging;
- Identifying and taking time to establish relationships with influential individuals who can have the greatest impact; and
- Learning to be strategic in how you use the press to garner support.

Following the presentations, the Roundtable discussion commenced with the following question: Of these lessons what is most applicable to companies in the extractive industry?

In seeking improved cooperation with public security, it was stressed that companies find a facilitator to hold a joint conflict assessment or multi-stakeholder meeting,

much like the Roundtable. Such forums, held at various levels inside and outside the country in question, are also helpful in alleviating tension between civil society and private industry. Appealing specifically to the self interest of public security forces or other stake-holders is also a relevant strategy for companies.

The discussion also touched on the subjects of engaging with the religious community about conflict assessment, training strategies of both public and private security forces and how best to fund security force training and capacity building. The religious community and moderate clerics are important members of civil society and very important to peace building. However, religious leaders with unknown influence should be approached with care.

In terms of security forces, companies often prefer in-house training of community members rather than employing established public security forces, with unknown training. One reason is that public security may not meet the company's training standards.

Furthermore, in-house training allows companies to hire local community members, and generally affords more control over the security process.

One participant shared their company's success with human rights training at a particular facility. Periodic and frequent trainings of all people, military and police involved with security has ensured that capacity is maintained despite personnel turnover. Publishing all fees paid by the company to security forces on the company website has upheld transparency.

However, some countries do not permit the in-house training of security forces. In such instances it is suggested that companies approach trainers and attempt to influence training curricula to improve capacity. The importance of building a network of trusted individuals involved in training and deployment of security forces was stressed. Communication about corporate social responsibility and expectations with ground security can be eased by these networks. Finally, assessing the relationships and level

of trust between communities and public security is an important first step.

A final point of discussion concerned how best to fund security training and capacity building. While locally owned donor pools were generally agreed to promote better development they are often not feasible in areas of little stake-holder interest. Donor pools also raise questions of accountability for civil society groups. Whether donor pools are employed or not, a multi-sectored approach is important to capacity building and transparency in funding initiatives would foster stability among all stake-holders. It was stressed that, 'it is how you engage and communicate with multi-stakeholders that matters most.'

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Water Management and the Extractive Industry

October 25

Synopsis

More than 70 per cent of the world's population is without clean water, and an estimated 25,000 people die each day as a result of bad water management. Discussion focused on how to engage with local communities in water management programs and how new approaches can be utilized to improve these communities' access to clean water - even in the most remote areas - in a sustainable manner.

In an effort to identify best practices in water management, the Roundtable opened with a presentation of a framework for integrating technical and social approaches towards co-management of water resources.

The framework in progress is a joint effort between both public and private organizations. It got its start with the help of a multi-stakeholder focus group hosted by the IFC two years ago. The event's purpose was to find consensus on main areas for improving current water management practices. Five objectives were determined:

1. Promote integration of social and technical water approaches;
2. Help companies improve internal alignment across functions for water management;
3. Support proactive communications within companies and with local stakeholders;
4. Facilitate collective action and innovation across companies or across organization for water stewardship;
5. Develop new public knowledge to support the mining industry in maintaining social license related to water management

The framework is also being developed on a

foundation of ten major understandings of industry and water management. Participating stakeholders are in agreement that:

1. Water is a shared resource and access is a human right.
2. Asset valuation may not include water management costs through post-closure.
3. Water use data is not tracked for many projects.
4. Technical management is advancing, but social issues still not well-integrated.
5. Internal alignment across operation/lifecycle is within company control.
6. 'Leaders' invest in long-term collaborative solutions with other users.
7. Some joint management is required to create shared value with society.
8. Bare regulatory compliance does not necessarily provide social license.
9. Everyone benefits from better information, but without trust facts do not win.
10. It is more expensive to recover from conflict than to prevent it.

The IFC invests in companies that meet a wide range of environmental and social performance standards. The social and environmental aspects of water management are of particular concern. Of all civil society complaints the institution has received

regarding their investments since 2000, 40% are related to water, 31% of which concern the extractive sector.

Water management is important to mining companies because water is implicated in all phases of production. Water scarcity is a growing problem. By 2025 conflicts over water and water scarcity are expected to be a major and growing impediment to mining operations. Value drivers for companies such as innovation, reputation, government approval and investor requirements among others will increasingly depend on good water management.

Conflicts over water in the mining industry stem from a wide range of sources; from water scarcity to ineffective regulation and oversight to a lack of trust between industry and local stakeholders. What is clear is that conflict is lessened where the reality of the company (understandings, expectations) meet the reality of the local community.

In regard to integrating social and technical approaches to water management industry leaders will pursue a strategy of co-management with the community and government. For effective co-management trust building is a key. Case studies where water and trust are at issue were presented,

and several approaches and tools were suggested. Internal alignment across operational functions towards shared goals is within the companies' immediate control. This could mean incorporating tools such as mentoring and training, incentive structures or communications/translation support to ensure alignment. Companies can also implement strategic communication with communities through translation of technical work into accessible language and concepts, invite locals to help design training/monitoring programs and reconcile project timeframes through direct conversations. Additional trust building approaches could include participatory water monitoring, joint fact finding and grievance mechanisms, among others.

The presentation finished with the focal point that the preferred business case is one that concentrates on co-management for shared value drivers between all stake-holders.

A second presentation followed, but focused on water management and lessons learned from the perspective of a mining company.

To start, it was emphasized that water management is a major aspect of business in terms of cost and time. Nearly all environmental and social risks involve water. Maintaining sites that are closed due to water conflict or to perform water treatment is highly expensive. Thus, appealing to producers on the level of cost effectiveness rather than the importance of social tactics may be better motivator for proper water management.

Trust building was also prefaced as a key issue. Water related issues, by nature, are very technical and communicating their

complexity via poor translation and across cultures can lead to a lack of trust. How language is used matters.

The discussion then turned to focus on a mine project in Latin America. Here it is the abundance of water due to a lengthy monsoon season that produces water conflict risk. The community lacks basic infrastructure and people commonly drink contaminated water from the monsoon flooded river. Lacking the capacity to address these issues, it falls to the company.

To carry out the project in a way that builds trust with the community the company partners with a local NGO. The NGO is tasked with facilitating communication between the company and community as well as monitoring company compliance to performance standards. The overall objective is to strengthen the capacity of the community while strengthening trust through underlying values of disclosure and communication. One strategy was to hold a workshop to introduce the project and methodologies to the communities and establish a joint steering committee. While mining companies use to be closed off to strategies such as multi-stakeholder involvement or co-management this has changed significantly over the last ten years. That said, there is still room for improvement.

Participant discussion was initiated with questions about trust building: How do you communicate with a community about technology and technical complications? How do you improve communication? A few main themes were discussed regarding trust: issues of legacy, company follow-through, and the technical/social balance. Discussion also centered on the issue of a company

becoming the capacity provider, and the importance of investor leverage.

Legacy Issues: It was suggested that trust building and communication begin before the initiation of a project's exploration phase. A main challenge to trust building is time. Time frames for projects are in collision with the time it takes to build real trust. Exploration phases cause worry and anxiety in communities which, if left unaddressed, can result in conflict or leave a legacy that could result in conflict for future producers. Thus, it may be important to engage communities before and during the exploration phase.

A possible solution to the legacy problem was offered by one participant through an example of a pipeline project. To build trust where a previous producer had incurred disfavor, a company engaged the community through active listening, attempting to define the community's main concerns and returning at a later date to communicate actions taken to address those concerns. Specifically, the company geo-located sensitive locations in need of special water management and hired additional consultants to handle the needed technical operations.

Fallow through: Participants agreed that the best strategy for water management and trust building is company following through. In other words it is important that companies complete or address the tasks discussed with communities. Frequent communication with communities about previously communicated goals or agendas instills trust and understanding where water management is complicated and outcomes are not visible.

Technical/Social Balance: Regarding technical strategies versus social strategies to balance conflict risk and water management it was generally agreed that a technical base in terms of managing water correctly is essential. It goes unsaid that without a solid technical base, proper water management will ultimately be found lacking and no amount of communication with communities will build trust. How you communicate technological inputs and strategies to communities is where good social strategy is needed. While some projects focus on maintaining a barrier between communities and technical staff and relying on communication and language specialists, others find it important to train technicians in social tactics.

Effective communication of technology with communities can result in a growing

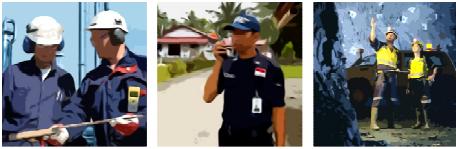
knowledge base within communities regarding technical aspects of water management. Thus as a program progresses findings, technology updates and new technical strategies must be brought back to communities where questions and concerns about water management may have become more sophisticated.

Company as capacity provider: Participants discussed the well-known problem of capacity building becoming the responsibility of companies where government is lacking. It was suggested that companies endeavor to work with local governments, NGOs and academics to monitor and track how funds are managed by central governments and help ensure a greater portion of funds go to local governments. This would build local capacity and shift some of the burden away from companies.

Investor side: Participants agreed that investor leverage is important to water management and minimizing conflict. Investors should more actively request that companies comply with performance standards and proper water management practices. Here transparency and better company disclosure is needed. Investors should look for companies who appear interested in rather than burdened by performance standards.

This meeting summary is intended to provide an overview of the discussion and is not intended to be a formal record of proceedings. None of the views expressed represent the formal or official views or position of any specific organization. Statements or opinions by any presenter or participant in this meeting are non-attributable.

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Conflict Early Warning
and Assessment



Transnational
Threats



Sustainable Development,
Sustainable Security

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We promote sustainable security through research, training and education, engagement of civil society, building bridges across diverse sectors, and developing innovative technologies and tools for policy makers.

A leader in the conflict assessment and early warning field, the Fund for Peace focuses on the problems of weak and failing states. Our objective is to create practical tools and



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