International Alert

What role for oil majors in supporting sustainable peace and development in Angola?

A SURVEY OF STAKEHOLDER PERSPECTIVES

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JESSICA BANFIELD • PHIL CHAMPAIN

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Map No. 3727 Rev. 2 UNITED NATIONS
October 1997 (Colour)

Department of Public Information
Cartographic Section

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1. Introduction

During June-September 2002, as part of its Business and Conflict programme, the UK-based conflict transformation NGO International Alert conducted a short consultative research project examining the potential of oil majors to support peace in Angola.[1] The research arose following an invitation from the oil and gas major Shell Group to International Alert to assess the company's stakeholder engagement and social investment strategy through the lens of its expertise in the challenges facing business operating in areas of conflict. Angola was chosen by Shell as the area to test this inquiry out given Shell's plans to grow its business there. Through conversations with about 40 individuals from key organisations both in and outside of Angola, as well as from within Shell, International Alert researchers sought to shed some light on the priority issues for achieving peace and development in the country at that time, as well as the appropriate role for an oil company such as Shell in contributing to these goals.[2] The research also included a 'stakeholder workshop' organised by Shell that took place in London in July 2002. International Alert set out to contextualise the research findings in an analysis of Shell's approach to corporate social responsibility (CSR) activities at both headquarter level and in Angola. This paper presents the findings of the research as a case study of stakeholder perspectives on existing corporate practice and opportunities in supporting peace.

The intervening period (October 2002 - January 2004) has inevitably seen events move on for Angola both at home and abroad. The quartering camps for former UNITA soldiers and their families that dominated humanitarian agendas during the report's research period are all now closed. Large numbers of IDPs, and refugees scattered across Southern Africa, have been able to return to their homes. Despite this development, and the implementation of several large-scale welfare programmes, the onset of peace has failed to improve living conditions for a majority of Angolans, and concerns about key issues such as food security and the prevalence of landmines remain. On the political front, formal dissolution of the Joint Commission that oversaw the Lusaka Protocol in November 2002 has marked the end of the peace process – eight years on from its signing – leaving its completion to the government and UNITA, which now holds ministerial level and parliamentary posts. 2003 also saw cabinet reshuffles and the appointment of a prime minister, as well as ongoing criticism of the country's financial situation from the IMF. At the time of going to print no date has been set for elections, but various candidates have announced their decision to run. With regards to the Cabinda separatist struggle, the various factions of the FLEC have largely been defeated, intensifying debate about decentralisation in Angola. Internationally, Angola has withdrawn troops from the Congo, and found itself in the international spotlight as a non-permanent member of the UN Security Council during escalation of the Iraq crisis. An international policy initiative of major significance that responds to the 'Publish What You Pay' campaign highlighted by a vast majority of research participants during the 2002 research, the UK-led Extractive Industry Transparency Initiative, has also had ramifications for Angola internationally.

These are just some of the developments that have affected Angola since the International Alert/ Shell research took place. These and other events will have impacted people's perceptions about prospects for lasting peace in Angola, and the role of investing oil majors in supporting it. By presenting findings of stakeholder perceptions from summer 2002, the present report represents a useful snapshot of opinion about key issues and the role of companies at a critical juncture of Angola's history. It also offers insight into corporate priorities and decision-making concerning social investment in unstable countries. It includes a framework for understanding aspects of the relationship between companies and conflict and the different kinds of interventions companies can make in order to contribute to society in a meaningful way, which International Alert uses elsewhere in it's work and which remains highly pertinent. While this report focuses on Shell Group, the issues, challenges and recommendations raised are relevant across the industry.[3]

1.1 What is a peacebuilding approach to business?

To date, companies have paid insufficient attention to the ways in which they can impact on existing or potential conflict in a country, with the result that their activities have often inadvertently augmented rather than diminished tensions. Conflicts arising between or within large companies themselves, and how to resolve these, have received detailed analysis within the corporate sector, with theories often drawing on conflict transformation techniques.[4] Political conflict in host societies however – and the role that business plays in this – has not benefited from such in-depth thinking (Banfield 2003).

In conventional extractive sector analyses, violent conflict is reduced to a risk factor that can be computed into financial risk ratings in relation to investment decisions. The primary issue at stake in this approach is the impact that conflict (existing or potential) may have on the company, through imposing increased transaction, security, reputation and other costs (Bowden *et al* 2001; Nelson 2000). The reverse dynamic – the impact of the company on conflict – has been under-researched and largely ignored in management decision-making. Some progress has been made in understanding oil majors' impact on the local physical and social environment, with Environmental and Social Impact Assessments (ESIA) becoming increasingly sophisticated in approach and in some cases legally required. However, ESIA methodologies typically tend to be limited to an analysis of corporate impact at the local operational level, are inadequately formulated when it comes to involving stakeholder perspectives, and do not specifically seek to understand the spectrum of corporate impacts on conflict (Goldwyn and Switzer 2003).

Conflict at both local and national levels disrupts markets and incurs security and reputational risks to companies, above all in an era of increased shareholder and media expectation of performance on CSR. There is thus a strong 'business case' for companies engaging in conflict prevention and peacebuilding – even in contexts such as Angola's where oil production occurs offshore.[5] The business case for engaging in conflict prevention was first mapped out in the report co-published in 2000 by International Alert, the Council on Economic Priorities and the International Business Leaders' Forum, *The Business of Peace: The Private Sector as a Partner in Conflict Prevention and Resolution.* This report, and International Alert and others' work elsewhere, demonstrates that by adopting a more conflict-sensitive approach in three key areas, foreign businesses can minimise harmful impacts and actively contribute to peacebuilding, with bottom-line gains incurred for business in the process. These areas are: core business, social investment and policy dialogue.[6] Conflict prevention is most usefully defined broadly, to include issues relating to the structural drivers of conflict: inequitable economic development, poor governance, and neglect of human rights.

High-quality, frequent and meaningful engagement with all stakeholders in order to build relationships and to determine priority issues around these categories is an essential mechanism for enabling business to become conflict-sensitive and to fulfil its peacebuilding potential. The perceptions of all stakeholders will facilitate the construction of balanced and accurate conflict analyses – which should alert an investing company to the ways in which its operations might make situations worse, and how to avoid these. Building on work begun at the UN Global Compact, work is now underway to develop improved conflict risk and impact assessment methodologies that will contribute to companies' engaging in effective conflict analysis through improved stakeholder engagement in this way.[7] Analysis through impartial stakeholder engagement:

- Enables more informed decision-making with regard to the immediate operating environment;
- Facilitates the beginnings of relationship-building between the company and other actors, both locally and country-wide;
- Reveals pertinent issues and priorities for peace and development in a country, as well as perceptions of the role that a company can play in these;
- Enables companies to fulfil their proper role as a stakeholder in a country's political economy.

A conflict prevention approach to business is in this sense dependent on an effective process of engagement.

2. Shell Group and corporate social responsibility: an 'open-ended transformation'?[8]

Since 1995, Shell has taken an increasingly proactive stance on issues of corporate governance and social responsibility, primarily in response to the extreme negative publicity generated around the execution of Nigerian civil rights activist Ken Saro-Wiwa, as well as the attempted dumping of the Brent Spar platform. These factors were cited by several of the research participants from within Shell during the course of the research. In fact, Shell's experiences in these cases are often seen to have catalysed international thinking about CSR, raising the activity and consciousness of NGOs, shareholders and the media on the negative impacts that business can have, and provoking unprecedented self-reflection within the oil industry about its relationship to society.

Following a study geared towards providing Shell with a better understanding of what the public expects from oil majors, and Shell's own standing and reputation, Shell introduced a series of group policies and supporting statements committing Group companies to certain principles and modes of behaviour. These cover key issues such as human rights, corruption and sustainable development. Corporate governance issues are addressed in the company's 'Business Principles'. As has been the case with other oil and gas majors, Shell has invested substantially in its image and communication strategy – with its website inviting feedback; 'Tell Shell' cards available in its reports; and glossy advertising campaigns. A new vision of a company that 'strives to build a better world' through commitment to sustainable development was presented in its 1999 annual report. Shell is in regular and ongoing dialogue with several key NGOs such as Amnesty International and Transparency International, and has sought to establish itself as a business leader in the CSR field.

In 1996, Philip Watts (chief executive of Shell in Nigeria from 1991-94) described Shell's identity as follows: 'Shell companies are not just economic actors; nor can they be social activists however. Their role lies somewhere in between, as responsible, efficient and acceptable organisations acting on the changing world stage' (Mitchell, 1998). Developing this thought, the Fridtjof Nansen Institute paper (cited above) makes an interesting point. Referring to a distinction made in organisation literature between ideal-type 'action' and 'political' organisations, the authors point out that Shell, by opening itself to the kinds of issues (human rights, sustainable development) and approaches (dialogue and engagement) adopted by political organisations (which can crudely be characterised as focusing on problems and inconsistencies), has challenged its fundamental characteristic as a business/action organisation (which, again crudely, is typified by an emphasis on solutions). 'Shell's future dilemma,' the authors conclude, 'lies in the balancing between these two types of organisation.' (Tangen, Rudsar and Bergesen, 1999).

2.1 Shell's Social Performance Management Unit

As if to address this dilemma, and fill a recognised strategic gap between Shell's policy and practice on social responsibility, a Social Performance Management Unit (SPMU) was established at Shell's London headquarters in 2002, as part of the Shell International Sustainable Development Department. This department is seeking to understand the ways in which the goals of social responsibility can most effectively be integrated into strategic and operational thinking, through generating learning from case studies, and developing various tools on how to implement, manage and monitor social performance. Work at the SPMU is in its early phases, and in large part conceptual, but its very existence and sophistication is testimony to the increasing importance that CSR has aquired within Shell. A parallel development reported by Shell research participants is the increasing insistence from final investment decision-makers to see thorough ESIA reporting before giving projects the go-ahead.

An SPMU case study of Shell's Athabasca Oil Sands Project (Muskeg Mine River) from May 2002 identified the following key learning about 'good social performance' (Shell 2002):

- Good social performance is an important aspect of gaining and maintaining a license to operate and grow;
- It concerns how core business activities are managed to maximise benefits and minimise negative impacts and is about managing both direct impacts over which Shell operations can have direct control, as well as indirect impacts where an 'assist and influence' role in partnership with others may be more appropriate;
- Effective stakeholder engagement is key to delivering good social performance;
- The organisational delivery of social performance requires it to be treated like other core business activities;
- Providing local economic benefits is important and feasible but requires active management;
- Revenue management is likely to be a social performance issue wherever there are major Shell operations. Some strategies exist for exerting influence though without direct Shell control.

By conceiving of social impact as a legitimate area of core business, the work of the SPMU attempts to harness and draw together the various threads and challenges that emerged for Shell from 1995. It aims systematically to discover over which issues the company has direct 'control', and to define those where an 'assist and influence' role is more appropriate (devising a framework tool for mapping these). To return to the Fridtjof Nansen Institute's assessment of Shell's 'dilemma', this typology demarcates the 'action' world from the 'political' world, while allowing space at the same time for strategic consultation and relationship building to play a role in achieving this demarcation.

SPMU promotion of engagement processes, deeper analysis of the impacts of corporate activity, and 'strategic social investment' over philanthropy represent significant progress for an oil major seeking to manage its role in and relationship to the social and political operating environment. The axis of 'control' and 'assist and influence' developed by the SPMU in some ways mirrors the 'core business'; 'social investment'; 'policy dialogue' approach to corporate engagement in peacebuilding that is outlined above. However, although it was outside the scope of this research project to conduct a comprehensive review, based on this brief analysis, several general points emerged through the research which distinguish the emergent SPMU approach toolkit from the conflict prevention approach to business promoted by International Alert:

1) Conflict-prone zones warrant special attention, and this is not factored into the SPMU rationale – in fact the SPMU does not have much to offer in assisting Shell businesses to understand the challenges of operating in conflict-prone zones – although this is an area where SPMU staff express interest in developing further understanding.

2) The SPMU analysis puts the company and its immediate operating environment first, rather than the country needs. A wider view beyond the project itself is imperative above all in conflict-prone zones, where companies will have an impact on instability regardless of how geographically far from a given project site the instability may be. Arguments for adopting this approach are as much in the company's own interest as based on ethical reasons – for while corporate decision-making will always have to put responsibility to shareholders above responsibility to the wider country of operation, unless the country context is prioritised during analysis, that decision-making will be made on the basis of imperfect understanding. (The impacts of corporate operations go beyond the local to the national, and back again –demonstrated by the way in which oil production contributed to Angola's MPLA-UNITA conflict, beyond localised unrest in Cabinda).
3) The issues raised from this wider perspective will tend to fall into the 'assist and influence' terrain (the SPMU report highlights revenue management and local economic benefits, and these are commonly of crucial importance in conflict-prone zones). According to a Shell research participant however, 'until you can be 100% confident with managing those activities [of social performance activity] over which you have direct control, it can be superfluous to start venturing into the area of assist and influence'. This view corresponds with those put forward at the July 2002 London workshop that Shell organised as part of its stakeholder engagement process and that fed into this research – that prioritised getting core business right above all other interventions. International Alert's work in this area underlines that all three areas are important – and that getting the core impacts right ought not to detract from meaningful and well-judged interventions on the social and policy levels. Conversely, social investment projects cannot replace or excuse any lack of conflict-sensitivity around core operations.
4) It is often the 'assist and influence' issues, so vital to conflict prevention, that require cooperation of the business community as a whole, which competitive concerns can obstruct. Unsurprisingly, industry-wide cooperation is also not factored into the SPMU framework.
5) The extent and scope of 'effective stakeholder engagement' as outlined by the SPMU could be developed further. Although it shows a more systematic approach to stakeholder engagement than traditionally evidenced by oil majors, and raises several salient process points – such as the importance of including vulnerable groups; the possible value of using intermediary organisations; the importance of mapping stakeholder groups as well as a strategic and professional approach to their engagement – the basic premise of engagement is at odds with a conflict prevention or peacebuilding approach. This again stems from affording the company and not the country priority, and a failure to factor in the special circumstances of conflict zones. Stakeholders to the project, not the country, are the SPMU area of concern. Although the SPMU encourages businesses to take a wider view on their sphere of influence and stakeholders than has typically been the case – recognising that increasingly national issues dictate the success of local licence to operate – it could still go further. Acknowledgement of the impact of business on the country more widely may otherwise be missed, along with opportunities to contribute in a more positive way. Meanwhile, the company is positioned as the agent engaging stakeholders, rather than a stakeholder itself and protagonist in a broader political (or even conflict) economy. Thus its own impacts on this are again not properly framed.

A process point related to this perspective arises. The best practice identified and advocated in the Athabasca Oil Sands Project review includes a clear responsibility and ownership role for the company regarding stakeholder engagement. While this is one part of the overall approach to engagement defined by the SPMU that this report has already shown to be useful, International Alert experienced during its engagement with Shell in Angola a slightly less progressive understanding of 'ownership', that denoted 'control'. There seemed to be strong perceptions within Shell that the higher the level of control over engagement processes by the company, the less the risk. This manifested itself during the research through requests to International Alert not to include several journalists, or any representatives from other oil and gas majors operating in Angola as part of the research, and through the company's expressed desire to control access to the Angolan government. While this clearly reflected understandable fears regarding reputation (journalists) and competition (other companies/ the Angolan government), these requests had the unfortunate effect of reinforcing perceptions among authors and stakeholders alike that Shell's interest in stakeholder engagement and the whole question of sustainable peace and development in Angola was about furthering its own traditional business ends.

Clearly, the kind of engagement and dialogue that a conflict transformation NGO such as International Alert facilitates through its work has a different goal (resolution or prevention of conflict) to that of Shell in engaging stakeholders in its countries of operation (social performance management, or reputation building). Nevertheless there are two outputs that are common to both goals: 1) effective conflict analysis (where those countries are conflict-prone zones); and 2) enduring relationship building. Both of these require a more elicitive and less self-oriented approach if they are to be met. Otherwise, the company may be in danger of adopting a process characterised by 'control' to addressing issues and processes which are more appropriately about 'assist and influence'.

Without doubt the issues that emerge at the interface of investing companies' relationships to host country societies are hugely challenging, and consequently the above reflections that emerged through International Alert's research during 2002 are not intended to undermine the valuable analysis that SPMU has produced. But, to what extent was SPMU thinking and outputs apparent in Shell's engagement in Angola in July 2002? And, how far will the SPMU approach be integrated across Shell activity within the group? (At present it makes inputs only when invited to do so by the different business groups.) What obstacles – internal to Shell and related to external operating environments – does its ideal-type planning encounter?[9] In order to shed light on current corporate practice in this area, this paper will develop its case study by reviewing findings from the research as they relate to these questions.

3.0 Conflict in Angola – stakeholder analysis of risk factors

Conflict marred Angola's social and political landscape for over 30 years. During this time it shifted from national liberation struggle, to Cold War ideological proxy war, to a war fuelled by exploitation of natural resources by elites on either side. The 'final' phase of the Angolan conflict has been cited by analysts as confirmation of 'economies of conflict' theories, which understand conflict to be sustained by the resources used to purchase military hardware and leverage personal power and profit on the part of its protagonists – with competition for resources becoming an end in itself, and not just a means (Cilliers and Dietrich, 2000). This theory highlights the importance of oil to Angola's political economy, and hence to peacebuilding and development, thereby underlining the significance of oil majors taking serious measures to understand and fulfil their role in contributing to sustainable peace.

Research participants agreed that the MPLA/UNITA conflict was over in its known form by July 2002, but there was also recognition that care would have to be taken to rebuild Angolan society in ways that would sustain the peace. Research participants voiced various concerns over factors that they saw to be serious obstacles to long-term peace in Angola. Seeking to shed the greatest light on the conflict risk factors, International Alert grouped these as follows:

(a) *Humanitarian crisis* (including the success of the international humanitarian effort then underway to address the pressing needs that became apparent in Angola's post-conflict environment);

(b) *Ruling elite power struggle* (including institutional weakness in the political system; lack of clarity over leadership on both sides; questions over the political space for UNITA and its ability to redefine itself; forthcoming elections (then mooted for 2004) acting as a potential conflict 'trigger');

(c) *Social exclusion* (including diversification of the economy whose dependence on oil some put as high as 90% of state revenue; limited employment opportunities and poor access to education combining with access to small arms to make the chances of conflict re-emerging high (violent crime and banditry were already on the increase in mid-2002); the need to strengthen civil society; the need to assist ex-UNITA soldiers, young people and the landless);

(d) *National fragmentation* (including conflict in Cabinda and other resource-rich provinces; rural disaffection; agricultural development);

(e) *Governance* (including issues of transparency of oil revenues and accountability of government; promoting standards and a legal framework for business).

4.0 Stakeholder perspectives on the role of oil majors in peacebuilding in Angola

Due to the historical role of oil in both distorting Angola's political development and, according to many, perpetuating its conflict, some research participants were deeply cynical about the idea of oil companies contributing to development and peacebuilding in Angola. Participants also reported a visible disengagement of oil industry 'ex-pat' staff from Angolan life, a tendency which exacerbated negative perceptions. Looking to the future however, and in the mood for change occasioned by the death of Savimbi, there was a consensus that Angola needed all the help it could get. Recent efforts by oil industry representatives to take a more engaged approach to stakeholders in Angola, were cautiously taken as indication that the traditional 'business as usual' approach of oil companies to Angola's problems might be in a period of flux and transition – at least among the more progressive industry players. Stakeholders were keen to hear more from companies about their thinking along these lines, and to contribute their own ideas and priorities.

In understanding the optimum role for oil majors such as Shell in development and peacebuilding, controversy revolves around the emphasis and methods to be pursued within and between the three areas of engagement outlined above (core business, social investment, policy dialogue). This was reflected by the research, with some research participants (particularly those 'on the ground' in Angola) voicing a need for broad support and hard money, and others arguing a more strategic case for using political influence to achieve longer-term change on key governance issues such as transparency, as well as taking care to ensure core business areas were above criticism. This latter group were keen to warn against the dangers of companies pursuing social investment programmes that take them away from their core competencies or immediate project environments. It was felt that such programmes sometimes have the deleterious effect of absolving government of its responsibilities.

Given the complex governance situation in a recent post-conflict context such as that of Angola, and the centrality of governance to development concerns, gains made through policy dialogue and influence can have the greatest positive impact on peacebuilding and future development. Traditionally, however, it is this area of corporate influence that has been most neglected. Meaningful interventions in all areas can be made however, with positive implications for conflict prevention, provided these are done through dialogue, real conflict analysis, and partnership with local groups. Social investment and philanthropy-type programmes are not going to disappear despite the low reputation they have with some observers (including stakeholders to this research) – the challenge is for companies to design these in concert with core business and policy dialogue activities, and with conflict-sensitivity and peacebuilding as an overarching goal.

In order to ensure that social investment does not take a company away from its competencies, or fall into an all too familiar pattern of 'photogenic but ineffectual' (noted by participants), various mechanisms for qualitative improvement were suggested through the research and are presented overleaf:

(1) Investments should be made through competent and carefully chosen local partners;
(2) Partnerships must be informed by a long-term commitment by the company (some suggested a full-time presence building these relationships and overseeing engagement is necessary – but warned against creating a 'company-NGO');
(3) Follow-through on projects, by staying on their boards, and making multi-year commitments, was highlighted. (Some participants suggested the idea of a permanent joint fund administered by a board made up of local partners and oil representatives to manage and determine projects);
(4) Oil companies must be willing to abandon 'branding' of projects;
(5) Several participants argued that companies should inform themselves of other national level development frameworks – either government or IGO – and find ways of inserting themselves into these where their competencies were most suited.

In addition to recommending steps that could enhance the quality of oil majors' social investment strategies, research participants were unanimous in highlighting oil industry cooperation on social responsibilty as a mechanism that could strengthen the impact of all three types of intervention. Through working together the impact of individual companies on promoting optimum business standards, on making meaningful contributions to social development through social investment initiatives, and on conducting dialogue for improved governance could all be enhanced. A clear role for leading companies to take the initiative on this, in order to bring 'laggards' up to scratch, was identified.

The specific interventions and proposals put forward by the various respondents whereby a company such as Shell could contribute to impacting positively in areas of concern complemented the framework for corporate engagement in conflict prevention and peacebuilding that this report has already discussed: (i) *core business;* (ii) *social investment*; and (iii) *policy dialogue*. These are presented in the matrix overleaf.

4.1 Matrix of findings: contributing to conflict prevention and peacebuilding priorities in Angola[10]

	CORE BUSINESS	SOCIAL INVESTMENT	POLICY DIALOGUE
(a) Humanitarian crisis			
Humanitarian effort	N/A	Contribute to OCHA's Emergency Fund	With govt. on meeting its commitments.
De-mining work	Ensure land around oil operations de-mined.	Support to NGOs and de-mining initiatives (Norwegian's Peoples Aid; Halo Trust).	With govt. to promote adherence to its ratification of the Ottawa Landmine Treaty.
Peacebuilding	Ensure equitable hiring processes, that are merit-based and that will include ex-UNITA.	Sponsor NGOs and others working on: peacebuilding among ex-combatants and communities; training in protection, decommissioning of weapons, and human rights; and tracing and reconciliation of families (Centre for Common Ground; ICRC; COIEPA; Development Workshop).	With govt. on implementing peace process. Raise profile internationally. Support those advocating for peace.
(b) Ruling elite power struggle			
	N/A	Support institution building, particularly parliament.	With govt. to encourage free and fair elections – eg. by support to election monitors. Forge links with progressive elements in both MPLA and UNITA.
(c) Social exclusion			
Diversification of the economy and job creation	Support to employees and their families (loans for small businesses etc). Support to supply-chain industry development. Support to vocational training (companies are under legal obligation to meet a 70% Angolanisation mark).	Offer training programmes in business skills and standards for small businesses and the informal sector, including work placements. Build local capacity to provide training	With govt. to promote economic planning – eg. through the Business Forum and scenario planning.

	CORE BUSINESS	SOCIAL INVESTMENT	POLICY DIALOGUE
Strengthening civil society[11]	Dissemination of information about own business and the oil industry in Angola.	Long-term support and commitment to particular NGOs, especially those working on transparency, strengthening institutions such as the justice system and the political system, peacebuilding (Jubileu 2000; COIEPA; Development Workshop etc). Support to the free press, including outside Luanda.	With govt. to promote a culture of human rights.
Ex-UNITA soldiers, young people and the landless	Ensure employment benefits these groups.	Support to NGOs working with these groups.	With govt. on national social development plan that puts these groups at the centre.
(d) National fragmentation			
Cabinda and other resource-rich provinces	Conflict Impact Assessment of operating environments and social management strategies for these. Close attention to operation security arrangements, in accordance with the Voluntary Principles on Security and Human Rights.	N/A	With govt. on security sector reform.
Rural disaffection	N/A	Support to agricultural development initiatives (including seed and tools, micro-credit, infrastructure). Ensure social investment initiatives also address provinces. Some participants suggested the creation of local democracy resource centres around the country to which companies could offer support, as well as capacity building for local government.	With govt. on decentralisation.

	CORE BUSINESS	SOCIAL INVESTMENT	POLICY DIALOGUE
(e) Governance			
Transparency and accountability	Strict adherence to corporate governance standards Publish information about own operations in Angola.	Support NGOs with initiatives on this issue. Support the free press including outside Luanda. Support institution building, particularly parliament.	With govt. to promote corporate governance standards, and to address any obstacles for adhering to these. With govt. to push for more transparency over oil investments, including with regard to social development funds. Create oil industry forum to discuss role of oil revenue; to capacity build with relevant ministry staff; and to disseminate information about the industry. At the international level support 'publish what you pay' campaign, and exploit international fora to influence govt. more broadly on governance.
Promoting standards and a legal framework for business	Strict adherence to corporate governance standards.	Support institution building, particularly the judiciary.	With govt. on economic planning/ oil industry management/ climate conducive for business. Promote reform of the legal framework for business – including transparency, taxation, visa laws and other areas.

5. Shell's stakeholder engagement and social investment strategy in Angola

To what extent were the issues and methods of Shell in the summer of 2002 in harmony with the priorities for promoting sustainable peace in Angola as identified by research participants?

In July 2002, Shell was at an early stage of dialogue with various groups in Angola. These included the government, where informal contacts featured prominently in its own accounts of social investment there; other companies, with whom Shell was in negotiations to establish a Business Forum with the aim of strengthening relationships between private sector companies to advocate more effective approaches to economic development in Angola; with international NGOs, through events such as the London workshop and more informal contacts with key individuals from the international NGO community; and with local NGOs, with whom Shell was jointly involved in its three social investment projects, playing the role of funder, as well as a wider group with whom it had dialogue through events such as the London workshop and follow-up workshops that were planned to take place in Angola.

Up to July 2002, Shell's social investment in Angola existed in the form of one-off contributions – for instance to a game park, and to the UN World Food Programme project for Angolan refugees at the Namibian border. Shell research participants were ready to acknowledge this, linking it to the company's historically small presence in the Angolan oil market. From the new phase of engagement signalled by an August 2001 document called *Strategies for Social Investment in Angola*, Shell became involved in three more substantial projects. These were: a sanitation project managed by Angolan NGO Development Workshop and co-funded by the Dutch government and Angolan state oil company Sonangol; a small micro-credit programme in Benguela province, managed by Angolan NGO Adra, which was due to end in September 2002; and a schools project with Angolan NGO Ecological Youth of Angola (JEA). An exploration liaison geologist at Shell Angola spent a portion of their time acting as contact person at Shell for these projects, with London headquarters overseeing this. As can be seen through comparing these themes with the matrix in section 4, the issues that Shell was working on in a small way at that time were not priority themes from the conflict and peacebuilding perspective.

The August 2001 strategy document indicated that it was intended that more substantial projects would ultimately develop. Issues and priorities were in part to be shaped by the process of stakeholder dialogue that Shell was coordinating, of which the engagement with International Alert was clearly seen as one component. At the London workshop, Shell also revealed some other plans regarding its social investment in Angola. These included: a series of stakeholder workshops to be held in Angola around these issues, in order to develop Shell thinking further on how it could best contribute (with UNDP facilitating the first of these in October 2002); significant moves towards a Business Forum of companies operating in Angola, in which Shell had taken a lead, together with BP, Norsk Hydro and Statoil; and a plan to implement Shell's 'scenario planning' with the Angolan government prior to the forthcoming election, which was then being negotiated. At the London workshop, interest was also expressed on behalf of Shell in taking forward the idea of capacity-building with government and local government through seconding company staff. Subsequently, Shell has played a key role in supporting and promoting internationally the Extractive Industry Transparency Initiative (EITI) that grew out of the Publish What You Pay campaign cited and supported by a majority of research participants.

All of these more recent ideas complemented in part and from differing angles the recommendations and priorities identified by research participants, both in the workshop and as presented above in the matrix – Shell had clearly been listening to 'stakeholders'. Of particular note was the company's apparent commitment to facilitating oil industry collaboration on governance and development issues, and its later support to the EITI. Shell's relations with stakeholders were, at that time, harmonious and mutually respectful.

Despite these positive indicators, International Alert – its role as invited researcher notwithstanding – found it difficult to get a full sense of the linkages, genesis and origins of Shell's approach to its social role in Angola, nor a clear sense that it was in fact moving forward in a strategic direction that drew on the frameworks of the SPMU. The August 2001 strategy document appeared to be in the main a long list of generalised action points, backed-up by little in the way of other documentation or evidence of strategic thinking.

The SPMU was set up after Angolan planning began, so in one sense the apparent lack of linkages between SPMU activity and those planning social investment in Angola is not surprising. That being said, International Alert came to the conclusion that internal cooperation would complement Shell's efforts to make a meaningful social contribution in Angola. As of July 2002, these appeared to lack the rigorous strategic appraisal that is called for by the SPMU. The focus of energies seemed to be on promoting Shell's reputation in Angola, above understanding its potential impacts – despite the fact that core business and other impacts are a key component of 'social performance management' as defined by the SPMU.

Strategy for Shell's social investment and stakeholder engagement in Angola appeared to have evolved from the efforts of one or two key individuals, with both business manager for the region and local staff in an implementation role. With strategy operating in a vacuum removed from actual operations, efforts that had taken place to engage stakeholders were perceived as part of Shell's efforts to grow its reputation and business there at that particular time, rather than as a more neutral mechanism for understanding social performance. While there was some clear evidence that Shell had been listening to stakeholders in order to shape social investment priorities, the ultimately competitive rationale in turn set boundaries around the form and process of stakeholder engagement, including the way in which the International Alert research was conducted.[12] The far greater goal articulated by Shell of sustainable peace and development for Angola was thus undermined in the strategy by the lesser goal of furthering the company's own image.

6. Oil majors' stakeholder dialogue processes: lessons learnt

Shell's approach to relationship building with different stakeholders in Angola raised a number of pertinent issues for consideration when reviewing the role of oil majors in conflict prevention, peacebuilding and development more broadly.

1) International Alert found an *emphasis on relationship building at the top governmental level*. While this is important, there is a need to balance this with more substantive relationship building with the local NGO community. Only through meaningful engagement with local NGOs will companies be able to build an accurate picture of developments in the country, and so make useful interventions. Meanwhile, failure to do so perpetuates perceptions that its real intentions are to the contrary.[13]
2) Related to this point was the *lack of emphasis on cross-sectoral relationship building processes*. It appeared that Angolan 'civil society' did not feature either in the scenario planning idea or in the Business Forum.[14] If either of these were to relate to the needs of different communities in Angola then civil society needed to be represented in the process. Conversely, Shell's workshops excluded other businesses from participation, featuring instead civil society, and a small government representation.
3) It is clear *Shell sought to take a leading role*. The reasons for this may have been twofold. First, the company believed that there was competitive advantage in being a leader in the field of social responsibility in Angola; second, International Alert found that there were strong perceptions within Shell that the higher the level of control by the company, the less the risk. Both of these reasons can be used to support the case that Shell sought to keep control as an act of responsibility to its shareholders. If the company is to act in a way that 'assists and influences' however, then it needs to engage in processes that allow others to lead and even 'control'. Many of the issues addressed through stakeholder dialogue fall into SPMU's 'assist and influence' bracket, and into the social investment and policy dialogue categories. In these instances, it is important to use appropriate 'assist and influence' processes; to trust these processes; and to make the case for such an approach to shareholders.
4) Finally, there was the issue of *level of engagement within Shell* in stakeholder dialogue. International Alert noticed a marked lack of engagement from senior Shell personnel in either the research or workshop, particularly from those on the business side of the Angolan operation.

Shell's perceived need to retain control of the engagement process is understandable given the huge economic stakes. Relationships with government, upon which contracts depend, must not be put under threat. Similarly, expectations among the local NGO community can soon get out of hand if there is the impression that the company is everyone's bankroller. Too much openness, particularly with other oil companies or with the local press, may negate competitive advantage. These points underline the difficulties that companies face in establishing the kind of stakeholder dialogue that offer the best chance of contributing to long-term stability. Nevertheless, International Alert found that Shell Angola's fundamental aim of building a good reputation distorted both its meaningful engagement with peace and development issues and the quality of its engagement with stakeholders.[15] Peacebuilding and substainable development processes cannot be micro-managed.

7. Conclusions

The case study of Shell's stakeholder engagement and social investment in Angola in the immediate post-war period highlights some generic challenges faced by oil majors operating in unstable countries, and some common weaknesses that can undermine their ability to fulfil their potential to work in partnership with others as agents of development and peacebuilding.[16] The above findings regarding both stakeholders' perspectives on the potential role for oil majors in contributing to sustainable peace in Angola at a critical time in the country's history, as well as current practice in the area of social investment and stakeholder engagement of one of the world's largest players in the oil industry, have been documented in order to shed light on a moment in corporate/ social history. Shell proved to be, at that moment and in that particular context, in a period of flux, caught between a real urge in some areas of the company to improve practice, and other more pragmatic constraints. We believe it is fair to assume, despite some important differences between individual different companies, that at least among industry leaders based in the North this contradiction is and will continue to be fairly typical in the near future.

The research also revealed flux and change among the perspectives of other stakeholders, both within and outside of Angola. Cynicism was mixed with cautious optimism, prompted by the changing circumstances in Angola's history, but also influenced by signs of change from the corporate side. All respondents offered strong ideas and recommendations as to precisely how and what areas companies should be prioritising. The research also revealed that stakeholders across a range of different actor groups felt that there was an important role for oil majors to play in terms of their contribution to peacebuilding and development, above all at that critical time in Angola's history.

Further progress and confidence on the part of companies in prioritising Angola, or any other country, above image would bring positive results, both for peacebuilding and, paradoxically, for oil majors' reputations. Stakeholder engagement and analysis based on perceptions is a rich resource to which companies need to improve their approach – in order to shape their impacts in conflict-prone countries in a more positive direction. Without improvement in this area, there remains a serious danger that the advances made over the last decade in thinking about CSR, social investment and stakeholder engagement, so apparent in the sophistication of Shell's SPMU and at other oil majors' headquarters, remain sophisticated at the headquarter level, but abstract theory on the ground.

8. Recommendations to oil majors seeking to contribute to substainable peace and development through effective stakeholder engagement and social investment

- Conflict, conflict prevention and conflict analysis should be factored into oil majors' approach to social performance management in conflict-prone zones. Specifically, conflict impact assessments should be carried out on all operations at the earliest possible stage.
- Companies should adopt a 'country first' approach for analysis of social performance and as far as possible in decision-making.
- Companies should deepen understanding of their own agency in stakeholder engagement processes, and the boundaries of appropriate control over these.
- Companies should work to improve the quality of local partnerships in order to achieve more effective social investment delivery:

  (1) Investments should be made based on participatory conflict analysis to identify priorities, and through competent and carefully chosen local partners;
  (2) Partnerships must be informed by a long-term commitment;
  (3) Follow-through on projects, by staying on their boards, and making multi-year commitments, should be ensured;
  (4) 'Branding' of projects should be abandoned;
  (5) National level development frameworks – either government or IGO – should be considered and complimented by project design.

- Companies should seek to document, analyse and lean from negative experience of operating in conflict-prone zones.
- Companies should promote transparency of social investment and core business activities in all operating environments.
- Companies should increase efforts to integrate headquarter CSR thinking across all areas of business.

Endnotes

[1] International Alert's Business and Conflict programme aims to promote and catalyse a conflict-sensitive and peacebuilding approach from business in partnership with others, with a focus on transnational corporations in the extractive sector, and national and grassroots level business actors in conflict-affected countries. International Alert does not accept any financial support from corporate actors.

[2] Out of respect for the confidentiality with which participants spoke with the authors during the research, a list of names is not included in this publication.

[3] International Alert has been continuing its research into different companies' practice regarding operating in conflict-affected countries. See www.international-alert.org/policy/business.htm

[4] See for instance books published for the Pfeiffer imprint of John Wiley and Sons.

[5] Although companies may physically be insulated during the conflict, increasing NGO scrutiny has increased the reputational risks associated with operating in conflict-prone zones.

[6] Core business relates to the impacts that business can have through its core business operations (in the workplace, the marketplace and along supply chains); social investment relates to social investment and philanthropy programmes; and policy dialogue is a term used to describe business engagement in dialogue with governments and other stakeholders, advocacy and institution building. This can relate to the difficult structural issues that often underpin conflict such as corruption and cronyism, human rights abuses, inequitable distribution of revenues and patronage, lack of democratic process, inequitable or inadequate access to economic opportunities, education, health services, lack of indigenous business development and job creation, and the need for security sector and judicial reform.

[7] International Alert is currently working on developing Conflict Risk and Impact Assessment (CRIA) tools for the extractive industry, designed to dovetail with existing Environment and Social Impact Assessment and risk analysis practice but allowing companies to assess the impact of their own operations on conflict or potential conflict either in the immediate operating environment or in the country at large. A steering group of experts, including Shell and other companies, as well as development practitioners, has been convened to inform this process, and the emerging tools will be tested and discussed further in selected conflict-prone countries with civil society groups and company field staff alike in the coming months.

[8] According to a paper on Shell's human rights strategy produced by the Fridtjof Nansen Institute, the execution of Ken Saro-Wiwa and the controversy around the Brent Spar platform catalysed an 'open-ended transformation process' within Shell (Tangen, Rudsar and Bergesen, 1999).

[9] One further issue needs attention here. As mentioned at the beginning of this section, Shell's experiences in Nigeria played a key role in precipitating a shift in attitudes toward social responsibility both within the company and in the wider world. Shell's approach to social investment and stakeholder engagement in Nigeria continues to be problematic and even to generate conflict however. While the SPMU seeks to generate learning from best practice, learning from mistakes is equally important, if not more so – however none of its studies produced to date examine social performance in the more difficult developing country contexts. Several participants reported to International Alert during the London workshop that they would have liked to see input from Shell on Nigeria with this in mind. Despite increasing efforts to engage with local NGOs in recent years, perceptions of Shell's conduct in Nigeria remain confused on the ground. In addition to engaging in high-profile community projects such as a micro-credit scheme documented as part of the Business Partners for Development initiative, it would be wise if Shell's experience of stakeholder engagement and social investment in Nigeria was documented, analysed, disseminated, and brought to bear on its strategic planning for contributing to peace and sustainable development in Nigeria, Angola and elsewhere. The kinds of challenges faced in locations where companies have had a long-standing presence are equally, if not more pertinent as those in newer contexts.

[10] Findings from July-September 2002 research.

[11] This was an area emphasised by nearly all respondents. There were some notable exceptions, from the 'core business' camp, that felt that oil money for civil society could be a threat to Angolan NGOs' integrity, and was not appropriate. Angolan NGOs in particular however felt strongly that the country's governance problems (including transparency etc) are only ultimately going to be solved by Angolans themselves – parliamentarians, NGOs and future generations – and that those working to strengthen Angolan capacity to achieve this should be supported.

[12] Several participants were quick to interpret Shell's interest in 'charting a way forward' for Angola's development as a 'back-door' effort to grow its otherwise small presence there, commenting also that other companies would be only too quick to interpret the work in this way.

[13] Interestingly, the Extractive Industry Transparency Initiative that has emerged since our conducting this research primarily operates by connecting government, companies and international NGOs, with far less links to local civil society – perpetuating this bias.

[14] Civil society is often used as a ill-defined shorthand, but it would be important in an initiative such as the Business Forum to include a wide-range of representatives from locally-based organisations (NGOs, academics, media, local business, religious groups).

[15] Explicit in the arrangement agreed between International Alert and Shell for instance, was recognition that International Alert's status as an independent third party would bring useful perspectives to the research. However, the way in which the project was set up did not, perhaps, allow this potential to be met in full. A confidentiality agreement was reached between Shell and International Alert with regard to documentation provided to International Alert by Shell and a Terms of Reference (TOR) was drawn up to guide the joint project, including reference to who was to be informed and consulted about the research. Both parties had concerns about reputation, publicity around the work, and, in Shell's case, competitive concerns relating to its business in Angola. One effect of these agreements was that Shell ended up vetoing a number of potential research participants that International Alert wanted to speak to, as a result of which we are conscious that an insufficient representation of individuals from the Angolan government and the oil sector beyond Shell, were included in the research. In hindsight, this offers some useful learning for companies such as Shell managing stakeholder engagement processes using independent third parties.

[16] International Alert has not pursued its research into Shell in Angola, so cannot comment on whether Shell's approach has been modified subsequently to meet these challenges.

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Design: emil_sian@btopenworld.com
Printed: Pensord Press

Business and Conflict Programme
International Alert
346 Clapham Road, London SW9 9AP
United Kingdom
Tel. +44 (0) 20 7627 6800
Fax. +44 (0) 20 7627 6900

Email: jbanfield@international-alert.org
Website: www.international-alert.org

ISBN: 1-898702-39-0