De Beers, Diamonds and Angola: Developing an Understanding of the Role of Sustainable Development and Corporate Citizenship in De Beers' Exploration Strategy

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DECLARATION

I, the undersigned, hereby declare that the work contained in this thesis is my own original work and that I have not previously, in its entirety or in part, submitted it at any university for a degree.

Signature: _____ Date: _____

ABSTRACT

The tensions in the definition and practical implementation of sustainable development are clear. A number of international codes outline the principles that are considered as good corporate citizenship, but are often based on the priorities of the developed 'North'. Africa calls for a more development-orientated approach to sustainable development. The subject of this study, Angola, is emerging from a history of slavery, colonialism and civil war. Although richly endowed with natural resources and exemplifying one of the world's fastest growing economies, Angola scores near the bottom of the Human Development and Corruption Perceptions Indices, thereby typifying the Natural Resource Curse. Understanding sustainable development in this context, multinational corporations involved in exploiting these natural resources, are able to contribute to the sustainable development of Angola through their corporate social responsibility (CSR) activities.

An extensive review of the literature, augmented by the author's experiences (including a recent visit to Angola) as a participant in De Beers' exploration process allows a number of observations to be made regarding the contribution De Beers can make to the sustainable development of Angola.

De Beers, a world leader in the exploration, mining and marketing of diamonds. Recently De Beers has resumed exploration activities in Angola and is in a position, and perhaps has an obligation, to play a part in Angola's reconstruction. This would obviously also have business benefits. As exploration is not an income generating activity the initial contribution will need to focus on conducting exploration activities in a responsible manner through identifying opportunities to collaborate with local communities and institutions on issues of common concern for mutual benefit. Focusing corporate social responsibility actions on core business activities within De Beers' sphere of influence; linking with existing initiatives and prioritizing a specific sector or geographical area will have a meaningful and lasting impact. Legal compliance and supporting government institutions in their effort to regulate have also been identified as important opportunities. The most significant contribution that De Beers can make through their exploration activities is to the social and human capital of the areas in which they operate. The exploration CSR activities should lay the foundations for a possible future mine, which has the potential to add significantly to the manufactured and financial capital of Angola.

OPSOMMING

Daar bestaan ‘n onenigheid in die literatuur oor die definisie en praktiese toepassing van volhoubare ontwikkeling. Daar is ‘n aantal internasionale kodes wat die beginsels van goeie korporatiewe burgerskap, dit wil sê ‘n besigheid se bydrae tot volhoubare ontwikkeling, beskryf. Hierdie kodes is hoofsaaklik gebaseer op die prioriteite van die ontwikkelde Noorde. Afrika, byvoorbeeld, vereis ‘n meer ontwikkelende-georiënteerde benadering tot volhoubare ontwikkeling. Angola ontwaak van ‘n geskiedenis van slawerny, kolonialisme en burgeroorlog. Alhoewel Angola ryklik geseën is met natuurlike hulpbronne en oor een van die wêreld se vinnigste groeiende ekonomieë beskik, tel dit baie laag op die Menslike Ontwikkeling Indeks (Human Development Index) en die Korrupsie Persepsie Indeks (Corruption Perception Index), wat in der waarde Angola definieer onder die Natuurlike Hulpbron Vloek (Natural Resource Curse). Deur volhoubare ontwikkeling in hierdie konteks te verstaan, kan multinasionale maatskappye wat hierdie natuurlike hulpbronne ontgin, bydrae tot die volhoubare ontwikkeling van Angola deur hulle korporatiewe sosiale verantwoordelikheid (corporate social responsiblity) aktiwiteite.

Hierdie studie is gebaseer op ‘n omvattende hersiening van die literatuur en die skrywer se ondervinding as ‘n werknemer van De Beers. Dit sluit in ‘n besoek aan die eksplorasie aktiwiteite in Angola, sowel as insigte as ‘n deelnemer in die eksplorasie proses.

De Beers is ‘n wêreldleier in die eksplorasie, mynbou en bemarking van diamante. De Beers het onlangs eksplorasie aktiwiteite in Angola hervat en is dus in ‘n posisie, en het dalk selfs ‘n verpligting, om ‘n rol te speel in Angola se heropbou. Eksplorasie bring nie inkomste in nie, so die eerste bydrae sal moet fokus op verantwoordelike eksplorasie aktiwiteite asook om geleenthede aan te gryp waar plaaslike gemeenskappe en instellings betrek kan word sodat sake van gemeenskaplike belang albei kan bevoordeel. Deur korporatiewe sosiale verantwoordelikheid (corporate social responsibility) aksies te fokus op kern besigheid aktiwiteite binne De Beers se invloed; deur betrek te raak met bestaande inisiatiewe asook om ‘n spesifieke sektor of geografiese streek te prioritiseer, sal ‘n betekenisvolle en blydende indruk tot stand bring. Wettige inskiklikheid en ondersteuning van die regerings-instellings se poging om te kontroleer, is ook geidentifiseer as belangrike geleenthede. Die mees belangrikste bydrae wat De Beers kan maak deur hulle eksplorasie aktiwiteite, is tot die sosiale en menslike kapitaal van die streke waar hulle gaan werksaam wees. Die eksplorasie korporatiewe sosiale verantwoordelikheid (corporate social responsiblity) aktiwiteite moet die grondslag lê vir ‘n

moontlike toekomstige myn, wat die potensiaal sal hê om aansienlik by te drae tot die finansiële kapitaal van Angola.

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1 INTRODUCTION

The concerns around human welfare, the environment and the future are shared and form the basis of the concept of sustainable development. There are however a wide variety of definitions and interpretations of sustainable development (Mebratu, 1998:493). According to Gallopin (2003:22) these multiple ways of interpreting sustainable development should be encouraged in order to give justice to the cultural, social, economic and ecological diversity of the world. He goes on to say that different regions should be allowed to characterise sustainable development according to their specific interests and situations.

This thesis aims to interpret sustainable development in the Angolan context, based on Angola's unique history, experiences and current situation, in order to identify opportunities for De Beers to make a meaningful and lasting contribution to the reconstruction of Angola. The identification of these opportunities is limited to the exploration phase, although will lay the foundations for future corporate social responsibility activities related to possible mining. The exploration or prospecting phase involves significant capital costs without the guarantee that these will be recouped; as such any contribution to sustainable development will need to be linked to the operations core business. Prospecting in any particular area is usually of short duration and there is a good chance that a viable deposit will not be found. As such it is important to ensure that any contribution is sustainable from an early stage. Building trust and establishing a lasting relationship with stakeholders is of prime importance; this however needs to be balanced against the risk of creating unrealistic expectations.

The issue of De Beers in Angola and more broadly multinationals operating in developing countries is topical and incredibly broad, covering issues such as conflict diamonds, artisanal miners, the history of De Beers, bribery, the diamond industry and resource-rich emerging economies. Although these issues are referred to in this thesis, the focus is limited to exploration activities in Angola, with the recognition that this will lay a foundation for mining, should a viable mining resource be found. As such the specific objectives of this thesis are as follows:

- To develop an understanding of sustainable development in Angola through the identification of the priority issues, and
- To identify opportunities for De Beers Exploration, largely through their core business activities, to contribute to sustainable development.

2 METHODOLOGY

The methodology employed in order to achieve the objectives set out in the introduction has been qualitative, with the information gathered being largely descriptive in nature. The following three aspects have been the primary sources of information:

- An extensive literature review focusing on the field of sustainable development, corporate citizenship and the 'resource curse'. Literature on De Beers, the diamond industry and Angola has also been reviewed.
- Interviews with De Beers employees. To a large extent these have provided background information used in obtaining a better understanding of the company, the diamond industry, De Beers operations and the country (Angola) in which they work. Personal communication with the De Beers Angola Prospecting manager has provided invaluable information on the history of diamonds and De Beers in Angola.
- Observations have been the major source of information. As an employee of De Beers, being responsible for the environmental management of exploration activities, a large component of the information for this thesis has been obtained from being a participant in the process. A recent visit to the De Beers Angola Prospecting operations in Luanda and Lucapa provided first hand insight into the country and De Beers operations.

Information gathered through the literature review, interviews and observations informed the structure of the thesis and addressed the two main research questions, namely the nature of sustainable development in Angola and the opportunities that exist for De Beers to contribute to sustainable development.

3 LITERATURE REVIEW

The discussion on De Beers' role in Angola is framed within the sustainable development and, closely linked, corporate social responsibility literature. Also introduced here is the often-quoted concept of the Natural Resource Curse, which makes the case of Angola different from other developing countries.

3.1 SUSTAINABLE DEVELOPMENT

The concept of sustainable development, in terms of living in harmony with nature and with one another, is not new and has its roots in religious beliefs and traditions (Mebratu, 1998:498). The current prominence of the concept is however largely due to the 1987 World Commission on Environment and Development Report, *Our Common Future*, or better known as the Brundtland Report, which proposed an alternative form of development. The Brundtland Report defines sustainable development as: *development that meets the needs of the present without compromising the ability of future generations to meet their own needs* (Mebratu, 1998:501). *Our Common Future* marked a watershed in global thinking about the environment, development and governance and established the three mutually reinforcing and critical aims of sustainable development, namely the improvement of human well-being; more equitable distribution of resource use benefits across and within societies; and development that ensures ecological integrity over intergenerational timescales (Sneddon, Howarth and Norgaard, 2006:256).

The concept of sustainable development is one of the most ambiguous and controversial in the literature (Gallopin, 2003:7). The definition is fairly broad and conceptual which, according to Mebratu (1998:501), is why it has been accepted so widely although with very diverse interpretations. These interpretations share a common acceptance that the world is faced with an environmental crisis, that a fundamental change is necessary in order to address this crisis (Mebratu, 1998:504) and that there is a need to integrate economic and environmental concerns (Gallopin, 2003:21). This common understanding provides a conceptual meeting place and some common ground for discussion among a range of developmental and environmental actors who are frequently at odds (Sneddon et al, 2006:259).

The wide variety of definitions resulting from the vagueness of the concept of sustainable development can be broadly categorised into three major groups depending on the basic beliefs of the specific group or organization expressing the view. Mebratu (1998:504) differentiates between the Institutional version, the Ideological version and the Academic version. Subscribers to the Institutional version share a similar definition of sustainable development based on the satisfaction of needs, which will involve tradeoffs between the ecological, social and economic systems. Eco-feminism, eco-theology and eco-socialism are grouped under the Ideological version due to their general agreement regarding the source of the environmental crisis, the origin of a solution and the role of leadership (Mebratu, 1998:509). The Academic version represents the response of the scientific community to the challenge of the environmental crisis. The economists, ecologists and sociologists which Mebratu (1998:509) groups together here, hold a reductionist view of sustainable development, which generally lacks interdisciplinary thinking.

Hattingh (2001:1) also illustrates the divergent interpretations of sustainable development, differentiating between four fault lines. Along each of these fault lines are two principally opposing and competing positions of sustainable development, with a continuum of possible positions between the two extremes. These fault lines include:

- The degree of environmental protection that is envisioned to attain sustainable development, this can be either weak or strong.
- The emphasis placed on equity as a prerequisite for sustainable development, with the two extreme's being either egalitarian or non-egalitarian.
- The measure and nature of participation required to attain sustainable development, resulting in bottom-up or top-down approaches to sustainable development.
- The scope of the subject area covered by the concept of sustainable development, which could be narrow or broad/wide.

Using these concepts, a radical model of sustainable development, which would typically be found amongst environmental activists, would combine the strong, egalitarian, bottom-up and broad interpretations of sustainable development. The contrasting, conservative model would be based on a weak, non-egalitarian, top-down and narrow interpretation of sustainable development and would be typical of national governments, industry and business. In both these models the core ideas may overlap, but they in fact entail support for very different ideologies and practices (Hattingh, 2001:5). Following this analysis Hattingh concludes that the notions of sustainable development can be manipulated for various ideological purposes. This is

in line with Mebratu's (1998:518) conclusion that the interpretation of the concept of sustainable development is, to a large extent, influenced by the fundamental beliefs of the specific group or organization.

The Five Capitals model presents yet another understanding of sustainable development based on environmental economics. Capital is necessary in the economic process and as we wish economic production to continue for the benefit of the future (the essence of sustainable development), there is a need to maintain the means of production, or capital, over time (Smith, Simard and Sharpe, 2001:1). The five types of sustainable capital from where we derive the goods and services that we need to improve the quality of our lives are: natural, human, social, manufactured and financial capital. Natural capital is the basis of production and life itself and is any stock or flow of energy and material that produces goods and services, this includes natural resources, sinks and processes. Human capital consists of people's health, knowledge, skills and motivation, which are necessary for productive work, whilst social capital concerns the institutions that help maintain and develop human capital, such as families, communities, schools. Manufactured capital refers to the material goods or fixed assets which contribute to the production process, rather than being the output itself. Financial capital is representative of natural, human, social or manufactured capital, it has no real value in itself but enables the other capital types to be owned and traded. Examples of financial capital would be shares, banknotes or bonds (Forum for the Future, 2006). Sustainable development is the best way to manage these capital assets in the long-term. Maintaining and trying to increase stocks of these capital assets allows one to live off the income, without reducing the capital itself (Forum for the Future, 2006).

A useful diagram depicting the relationship between the various pillars of sustainable development and the different capital types is given in Figure 1 and illustrates how one capital type can be transformed into another. Figure 1 also illustrates a different approach to sustainable development, rather than showing a balance between social equity, environmental protection and economic development; usually depicted as three overlapping circles, the figure below shows a dependence of the one on the other. Without the environment there would be no society, and without society no economy. The source and sink functions of the environment and environmental are also depicted.

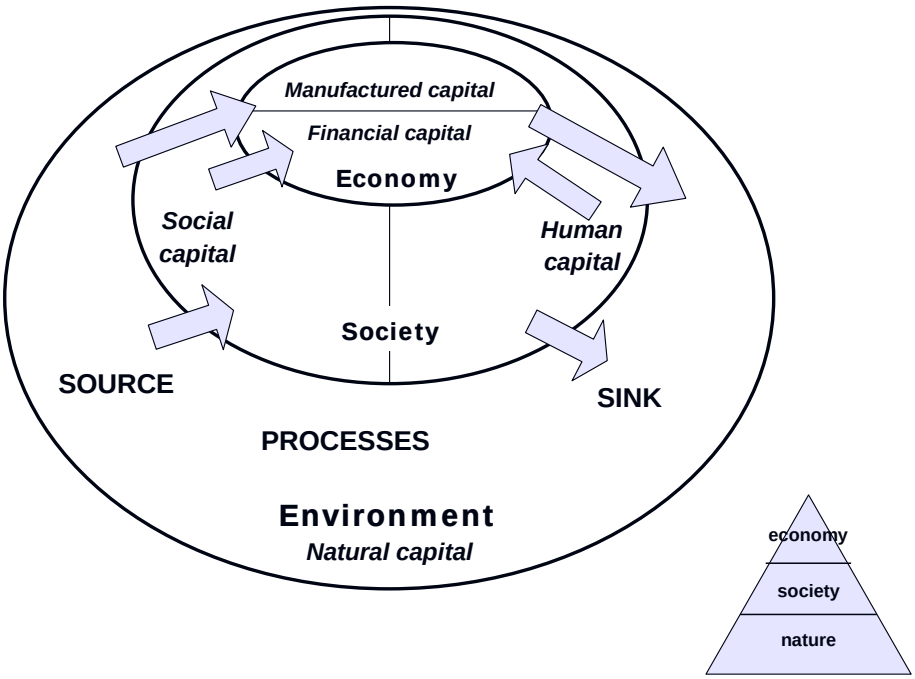

Figure 1: Understanding Sustainable Development and the Five Capitals Model (Hanks, 2006).

Figure 1 introduces the concept of intersubstitutability where one capital type can be substituted for another. In order to be sustainable the total capital stock should not decrease, but can be changed from one form to another. Gallopin (2003:11) differentiates between the sustainability of the system itself, which results in the preservation of the system, as opposed to the sustainability of the outputs of the system. With intersubstitutability the outputs of the system can be sustainable. This is the approach that mining, for example, would take when describing their operations as sustainable; natural capital is converted into economic and social capital which will continue even after the mine itself ceases to exist. In terms of the approaches described by Hattingh (2001) above, this would be categorised as 'weak' sustainability. Gallopin (2003:13) elaborates on this first fault line mentioned by Hattingh, the degree of environmental protection, and differentiates between very weak, weak, strong and very strong sustainability. The very weak sustainability position asserts that natural and manufactured capital can substitute perfectly for one another and that the sustainability of the ecological system is important only in as far as it supports the human component, this is an anthropocentric view of sustainability. The other extreme, the biocentric view or very strong sustainability approach, values ecological sustainability above economic and social sustainability. In this view natural resources cannot be substituted by human-made capital (Gallopin, 2003:14). The more moderate strong sustainability view requires that a minimum amount of the different capital types be preserved and recognises that some environmental components are unique. This view

implies that the total amount of natural capital has to be maintained; any development path that leads to an overall reduction of the stocks of natural capital is unsustainable, even if the other forms of capital increase (Gallopin, 2003:15). Weak sustainability focuses only on critical natural capital, which, unlike other natural capital, cannot be substituted for manufactured capital. This view emphasises the value of irrecoverable ecological processes.

Fundamental to an understanding of sustainable development is that it is about change (Gallopin, 2003:11). The word development implies the idea of a directional and progressive change and it is this process of improvement that needs to be made sustainable (Gallopin, 2003:20). Sneddon et al (2006:263) state that the difficulty in defining sustainable development is largely to do with this concept of development, rather than sustainability. Development is not synonymous with economic growth, but rather about quality of life and the fulfillment of human desires and aspirations (Gallopin, 2003:25). Development is ultimately about freedom and the current focus of development needs to be altered, away from its obsession with economic growth and accumulation, towards a notion of freedom that builds on ideals of social justice and human dignity (Sneddon et al, 2006:262).

Mebratu (1998:518) calls for a neutral definition of sustainable development that has overcome the influence of institutional and group interests, in order to develop the understanding of the concept and achieve a sustainable world. Sneddon et al (2006:265) however, whilst looking for a similar outcome, call on us to embrace this pluralism and to simultaneously address the issues of wellbeing, equity and ecological integrity.

3.2 THE NATURAL RESOURCE CURSE

Research conducted by Sachs and Warner (1995) concludes that there is a statistically significant, inverse and robust relationship between natural resource intensity and growth; this even after controlling for a large number of additional variables such as initial GDP, trade policy, investment rates, inequality and the effectiveness of the bureaucracy. This association has become known as the 'Natural Resource Curse' and there are numerous examples where it appears to hold true, namely Nigeria, Zambia, Sierra Leone, Angola, the Democratic Republic of Congo and Venezuela.

Following Sachs and Warner's (1995) paper on the resource curse, numerous other authors have documented similar associations and show how a country's dependence on oil and

minerals is strongly linked to unusually bad conditions for the poor, higher poverty rates and greater income inequality (International Network for Economic, Social and Cultural Rights (ESCR-Net), 2005:17). These countries also score lower on the UN Human Development Index, exhibit greater corruption, have a greater probability of conflict in any five year period, devote a greater share of government spending to military spending and are more authoritarian than those with a more diverse source of wealth (Palley, 2003:1). In short, they conclude that natural wealth creates stagnation and conflict, rather than economic growth and development (Palley, 2003:1).

Various studies have attempted to determine the underlying cause for this relationship and they all seem to align. Palley (2003:8) indicates that it is the lack of good governance and democracy. Wiig and Ramalho (2005:5) conclude that not having the proper institutions to deal with the resource revenue is detrimental to the country, rather than the resources themselves. Mehlum, Moene and Torvik (2006:14) agree that it is the quality of the institutions that determine whether countries avoid the resource curse of not. They differentiate between grabber friendly institutions, where rent-seeking and production are competing activities; and producer friendly institutions, where rent-seeking and production are complementary activities and so attract entrepreneurs into production. According to Iimi (2006:9) governance determines the degree to which natural wealth can contribute to economic development. He identifies four aspects of governance which are particularly important for natural resource management, these are a strong public voice with accountability which indicate the ability to discipline those in authority for resource extraction; high government effectiveness, measured by the quality of the public services and the competence of civil servants; good regulation and powerful anticorruption policies.

Boschini, Petterson and Roine (2003:1) show that whether the resource curse is realised or not depends on both the institutions as well as the type of resources. In their research they look at the *appropriability* of a resource; that is how easy it is to realise large economic gains within a relatively short period of time. According to Boschini et al (2003:1) this depends on the physical and economical characteristics of the resource (technical appropriability) as well as the legal and political context in which the resource is produced (institutional appropriability). Resources which are very valuable, can be stored, are easy to transport (or smuggle), are easily sold and are more attractive for anyone interested in short-term illegitimate gains. Diamonds would be a good example. Mehlum et al (2006:16) also find that resources that are easily lootable appear to be particularly harmful for growth in countries with weak institutions. The advice given by

Boschini et al (2003:27) to 'get your institutions right, especially if you have plenty of diamonds and precious metals' is worth noting.

Institutions are decisive for how natural resources affect economic growth (Mehlum et al, 2006:3) and as natural resources provide a critical kick-off for growth and development in a country, it is important that institutional capacity is developed in order to realise, and maximise, this opportunity. In order for resource-based economies to translate their resource wealth into socio-economic development and a sustainable economy, they need to transform their natural capital into manufactured, financial, social and human capital. This will involve investing the windfall from resource extraction into the development of more highly processed products, infrastructure and education.

The principle of transparency is perhaps one of the most important for institutions in resource-based economies. Transparency reduces the scope for corruption by providing more information about how the government interacts with those involved in the extraction of natural resources, the contracts that are signed, the amounts the government receives and the uses to which the funds are put (Stiglitz, 2005:14). The 'publish what you pay' and Extractive Industry Transparency Initiative (EITI) are just two examples of initiatives to encourage transparency. The EITI aims to ensure that the revenues from extractive industries contribute to sustainable development and poverty reduction. At the core of the initiative is a set of twelve Principles and Criteria which require member countries to regularly publish all material payments by companies to government, and all material revenues received by governments from oil, gas and mining companies. Some twenty countries have either endorsed or are actively implementing EITI across the world (Extractive Industry Transparency Initiative, 2006). The developed countries in which multinational corporations are based should also play a role and put pressure on the companies to become more transparent, this could in turn encourage a change in the behaviour of the host country governments. Nigeria, for example, is starting to require all oil companies to publish what they pay and government officials to make public where the money goes (Stiglitz, 2005:16).

The example of Botswana is often quoted as an anomaly to the resource curse. As a country rich in natural resources (largely diamonds but also coal, nickel, copper and gold), making up over 80 percent of its total exports, it has experienced remarkable growth for several decades (Iimi, 2006:6). The average growth rate since the 1980s has been 7.8 percent, about 40 percent of which can be explained by mining, and diamonds in particular. The reasons given for

Botswana not succumbing to the resource curse is that it has sound institutions and good governance. It is however perhaps not that simple. A possible advantage that Botswana has over other diamond producing countries is that all their diamond deposits are primary deposits (as opposed to alluvial deposits). Primary deposits of diamonds would be less appropriable than alluvial deposits. Statistical analysis indicates that the existence of primary deposits actually contributes to stability. This is consistent with the political experiences of the major southern African diamond producers (Noland and Spector, 2006:23). Furthermore, although mining has contributed significantly to the GDP of Botswana, it has only absorbed 4 percent of total employment (Iimi, 2006:7). This is in keeping with the original hypothesis by Sachs and Warner (1995) that too specific and intensified capital investment in the primary sector has restrained Botswana from benefiting from forward and backward linkages and labour market externalities.

Multinational corporations operating in resource-rich economies need to be aware of the existence of the resource curse and act in a manner that contributes to eliminating it. They would have a role to play in developing better institutions in these countries and need to be aware that they may need to take up the tasks of these missing institutions, whilst developing the institutional capacity (Wiig and Ramalho, 2005:5).

3.3 CORPORATE SOCIAL RESPONSIBILITY

There has been a change in the public's perception of the roles and responsibilities of business, brought on by the growth in the number and size of corporations and their increased global reach. With this comes the expectation of corporations to act in a socially and environmentally responsible way. A survey of global public opinion on the changing role of the company indicated that two-thirds of the people surveyed expect companies to go beyond their historical role and contribute to broader societal goals (Environics International, 1999). They hold companies accountable for protecting the health and safety of their employees, treating their employees equally, never participating in bribery or corruption, protecting their environment and never using child labour – these requirements before making a profit and paying a fair share of taxes (Environics International, 1999). There are a number of terms used to describe this requirement of business – Corporate Social Responsibility (CSR), Corporate (or Business) Ethics, Corporate Citizenship, with a variety of definitions, although all covering the same broad environmental, social and ethical issues. The definition given by Business for Social Responsibility (White, 2006:5): *achieving commercial success in ways that honour ethical values and respect people, communities and the natural environment*, highlights the importance

of corporate responsibility as the way a company creates wealth, rather than simply how it spends it (Baker, 2005:1). This is not philanthropic donations to worthy causes, but involves a meaningful change in the way a corporation does business, where the principles of CSR are incorporate into core business strategy. A new element to CSR is the shift from being socially responsible (adhering to society's values and rules) to socially progressive (consciously shaping societal values) in other words being at the front end of CSR and having a value shaping role (Tilston, 2004:5). Very few organisations would have reached this level.

3.3.1 Codes and standards

Modern CSR was born during the 1992 Earth Summit where UN sponsored recommendations on global regulations were rejected in favour of a manifesto for voluntary self-regulation, which was proposed by a coalition of companies called the World Business Council for Sustainable Development (WBCSD) (Christian Aid, 2004). Since then the number of voluntary standards and codes pertaining to CSR has multiplied to include codes such as AA1000 dealing with best practice in social and ethical auditing, accounting and reporting; the Global Reporting Initiative which provides a framework for sustainability reporting; ISO14001 for creating environmental management systems; the Universal Declaration of Human Rights; SA8000, and more (Leipziger, 2003:23). Leipziger (2003:19) states that none of these many codes or standards is a panacea that will lead to corporate responsibility; they are rather guides for the ongoing journey to corporate citizenship.

One of the more recent CSR codes is the UN Global Compact which, since its official launch on 26 July 2000, has grown to nearly 3,000 participants, including over 2,500 businesses in 90 countries around the world (UN Global Compact, 2006). In an address to the World Economic Forum on 31 January 1999, United Nation Secretary-General Kofi Annan challenged business leaders to join an international initiative that would bring companies together with UN agencies, labour and civil society to support universal environmental and social principles, and so the UN Global Compact was born. The UN Global Compact is a purely voluntary initiative which seeks to promote responsible corporate citizenship so that business can be part of the solution to the challenges of globalisation in order to achieve a more sustainable and inclusive global economy (UN Global Compact, 2006).

The UN Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption. The ten principles covering these issues are listed below (UN Global Compact, 2006):

Principle 1	Business should support and respect the protection of internationally proclaimed human rights; and
Principle 2	make sure that they are not complicit in human rights abuses.
Principle 3	Business should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4	the elimination of all forms of forced and compulsory labour;
Principle 5	the effective abolition of child labour; and
Principle 6	the elimination of discrimination in respect of employment and occupation.
Principle 7	Business is asked to support a precautionary approach to environmental challenges;
Principle 8	undertake initiatives to promote greater environmental responsibility; and
Principle 9	encourage the development and diffusion of environmentally friendly technologies.
Principle 10	Business should work against corruption is all its forms, including extortion and bribery.

With the proliferation of corporate standards and codes of practice, there is growing consensus on the basic standards for corporate behaviour. Paine, Deshpandé, Margolis and Bettcher (2005:122) reviewed five widely recognised sets of conduct guidelines for multinational companies (the Caux Round Table Principles for Business; the OECD Guidelines for Multinational Enterprises; the UN Global Compact; the Global Reporting Initiative and the Interfaith Centre on Corporate Responsibility's Principles for Global Corporate Responsibility), the codes of 14 of the world's largest companies and four US legal and regulatory sources. From this eight underlying principles common across these world class standards were identified. These principles, listed below, set out the requirements for the officers and directors of a corporation, and so for the corporation as a whole:

- Fiduciary principle: Act as a fiduciary for the company and its investors. Carry out the company business in a diligent and loyal manner, with the degree of candor expected of a trustee.
- Property principle: Respect property and the rights of those who own it. Refrain from theft and misappropriation, avoid waste, and safeguard the property entrusted to you.
- Reliability principle: Honour commitments. Be faithful to your word and follow through on promises, agreements and other voluntary undertakings, whether or not embodied in legally enforceable contracts.

- Transparency principle: Conduct business in a truthful and open manner. Refrain from deceptive acts and practices, keep accurate records, and make timely disclosures of material information while respecting obligations of confidentiality and privacy.
- Dignity principle: Respect the dignity of all people. Protect health, safety, privacy and human rights of others; refrain from coercion; and adopt practices that enhance human development in the workplace, the marketplace, and the community.
- Fairness principle: Engage in free and fair competition, deal with all parties fairly and equitably, and practice nondiscrimination in employment and contracting.
- Citizenship principle: Act as responsible citizens of the community. Respect the law, protect public goods, cooperate with public authorities, avoid improper involvement in politics and government, and contribute to community betterment.
- Responsiveness principles: Engage with parties who may have legitimate claims and concerns relating to the company's activities, and be responsive to public needs while recognising the government's role and jurisdiction in protecting the public interest.

3.3.2 Legislated vs. voluntary CSR

Whilst the UN Global Compact, the eight principles identified by Paine et al (2005) and any company statement based on these, may look good and address the concerns that society has of big business, there is an argument that this voluntary self-regulation, can also be used as a 'fig leaf' to hide behind and deflect criticism (Leipziger, 2003:21). The voluntary approach to CSR does offer the flexibility needed to adapt to and learn from regional, sectoral and individual business circumstances (Johnston, 2004:179); however, Visser (2004:1) argues that business is allowed to get away with cosmetic makeovers rather than wholesale changes and there is often a considerable gap between what is said and the actual practice (Grayson and Hodges, 2004:9), and no basis for enforcement. Christian Aid (2004) agrees with this sentiment and concludes that the voluntary approach is wholly inadequate and should be replaced or complimented with national legislation and internationally agreed standards. Leaving regulation up to the companies allows them to define what responsible behaviour is, where they fall short and when they have gone far enough in changing their practice (Christian Aid, 2004:4). Further evidence that business is not changing or at least perceived not to be changing, is the view of the public. Despite the adoption of standards, codes of practice, transparency initiatives and moves towards CSR; global and large national companies are the third and second most distrusted institutions respectively (Visser, 2004:2). This distrust may be due to the lack of a culture change within organisations (Rose, 2004:1) and companies not putting their said values into practice. An illustration of this is that whereas companies embrace principles of equity and fairness in their sustainability reports, the gap in pay between the average worker and chief

executive continues to grow; in 2003 it passed the 300 to 1 ratio (Visser, 2004:2). In addition to effective government regulations, Vogel (2005:3) argues that the definition of CSR should be expanded to incorporate not only what corporations do voluntarily, but the position companies take with respect to public policy (whether they support the letter and intent of the law or try and find loopholes that, whilst still being legally compliant, would benefit their business). In the case where there are weak government institutions Vogel (2005:3) encourages corporations to work with international institutions, western governments and both international and local Non Governmental Organisations (NGOs) to find ways of improving the effectiveness of developing country government, unless these governments become more effective, private initiatives, however well intended, will continue to have limited impact.

Another perspective on regulating company behaviour is brought by Doane (2005:28) who questions whether CSR is not promoting a strategy which will lead to business as usual, rather than tackling the fundamental problem, the institution itself. She states that the institution of the corporation itself is at the heart of the problem and calls for a radical overhaul in order to deliver results. The profit motive and measuring success on a quarterly and financial basis will ensure that corporations always do what is in their own (and often short-term) best interests.

Mitchell (2005:1) has a different view on corporate responsibility by taking it to an individual level and talks about human responsibility and human accountability, and echo's Doane's (2005) call for a restructuring of corporations and markets in order to create incentives for responsible behaviour amongst individuals, or at least remove incentives for irresponsible behaviour. Perhaps a good word to capture this thought is 'public-mindedness', if individuals within organisations, and so organisations as a whole, had the public in mind when going about their business, corporations would automatically be good corporate citizens.

Further criticism of CSR is that it does not go far enough and by meeting what are seen as the requirements for being a good corporate citizen (for example the eight principles listed by Paine et al (2005)); corporations are merely reacting to changing business needs rather than making a fundamental shift for the good. For example, is providing anti-retroviral treatment to employees infected with HIV an act of social responsibility and a fundamental shift for the good, or ensuring that your employees continue to be productive and so merely reacting to a current threat to business; or can it be both? One argument is that if there is a business case, it cannot be seen as CSR but rather business as usual. Some businesses believe that just by being in business they are doing good, for example the Group CEO of Barclay's, John Varley (2006:3) states: 'We

make our biggest contribution to society by being good at what we do‘. This is echoed by the Tomorrow’s Leaders Group of the World Business Council for Sustainable Development (WBCSD) (2006:8) who state that most companies benefit society simply by doing business. The contribution that multinational corporations can make to economic development and combating poverty in the countries in which they invest, through their core business, is important. The financial contribution to the national treasury through taxation, the positive effect on direct and indirect employment and the transfer of science and technology are some examples of the positive influence companies can have (Cramer, 2006:113). Whilst a companies contribution comes primarily through its core activities (Cramer, 2006:126) the Organisation for Economic Cooperation and Development (OECD) Secretary-General Donald Johnston (2004:180) believes that corporate responsibility goes beyond this core function and involves responding to societal expectations that are not written down in law books.

Considering all these views a balanced approached may be to ensure that corporations act in the public interest, whilst still fulfilling their profit motive. By acting as a framework for sharing best ideas, voluntary CSR initiatives, alongside regulations and other government policies, and the public-mindedness of individuals within organisations, may produce measurable social and environmental improvements and be a catalyst for more urgent, effective and positive change (Hohnen, 2006:27).

3.3.3 The business case

Although the points introduced above may not be seen as CSR and are sometimes questioned, a strong business case may proactively drive this change. If there are financial returns for changing business practice, these will more than likely be adopted. Some of the stated benefits of good corporate citizenship practices include increased brand and shareholder value, improved employee recruitment, retention and loyalty, increased productivity and profitability and increased customer loyalty (Roberts, 2003:7). The business case for CSR is not clear cut and some argue that the evidence in support of a business case is weak (Vogel, 2005:1). Vogel (2005:1) supports this argument by stating that there are numerous responsible firms that perform poorly and irresponsible firms that prosper and for most firms most of the time, CSR is irrelevant to their financial performance. According to White (2006:5) it is the nature of the CSR action, the company, the market, the cost and many other factors that determine if a particular initiative yields net benefits in terms of standard measures of return on investment. As alluded to by White (2006), these differences in opinion may be due to different measures of what constitutes success. The World Business Council for Sustainable Development (2006:30) indicates that long term measures should be incorporated into a company’s definition of

success. Annual or quarterly financial results only tell part of the story. A significant fraction of CSR benefits are of an intangible nature in that they play a significant and growing role in the assessment of value enhancement, even if they are seldom quantifiable (White, 2006:5). A company's good environmental and social practices; the results of which are only evident over time and for which accurate indicators are limited, will attract employees and build trust among current and potential employees, customers and governments, whereas a company with a poor record will suffer increasing isolation (WBCSD, 2006:30).

3.3.4 Differing priorities for 'North' and 'South'

As listed earlier, eight basic principles for corporate behaviour have been identified, and various attempts have been made to rank these in order of priority. As an early attempt Carroll (cited in Tilston, 2004 and Visser, 2006) identified four classes of CSR based on motives or actions, these he depicted in a pyramid (Figure 2), which demonstrates the relative weighting of each of the four aspects of CSR, with economic performance being the basic building block that supports the others.

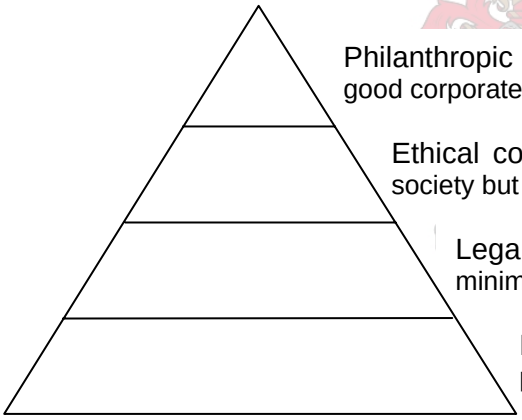

Figure 2: Carroll's CSR Pyramid (cited in Tilston, 2004 and Visser, 2006).

Testing of Carroll's Pyramid model in various American and European contexts suggests that culture may have an important influence on perceived CSR priorities (Visser, 2006). In relation to Carroll's Pyramid, Visser (2006) argues that in the African context, whilst economic responsibilities may still get the most emphasis, philanthropy is given second highest priority followed by legal and then ethical responsibilities. Visser (2006) proposes a revised version of Carroll's Pyramid, modified for Africa (Figure 3).

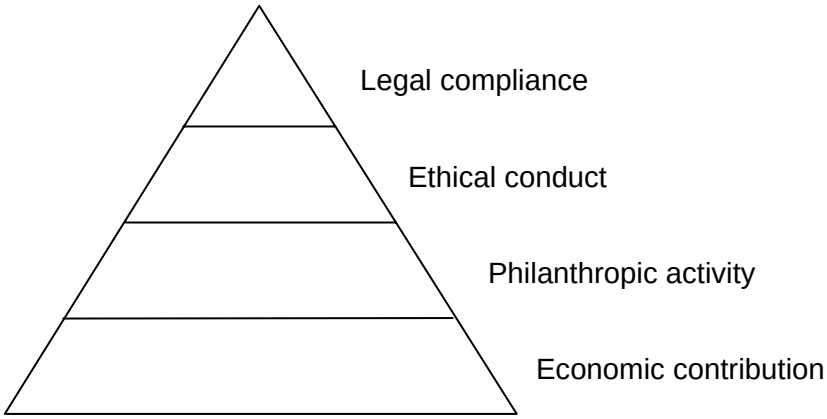

Figure 3: Carroll's CSR Pyramid modified for Africa (Visser, 2006).

Cramer (2006:68) points out that the political-social situation in a country contributes significantly to what is expected from foreign, Western companies with regard to CSR. She attributes this to differences in the social problems that are given priority in a certain country, the relationship between (multinational) companies and the local government and the relationship between (multinational) companies and their stakeholders, and the role of the citizens. Other authors have indicated how the CSR agenda is overwhelmingly shaped by actors in the developed countries ('North') and has attracted criticism for being insensitive to local priorities and potentially harming prospects for sustainability livelihoods in the developing nations ('South') (Fox, 2004:29). This sentiment is echoed by Schmidheiny (2006:22) with reference to Latin America, where CSR's foreign roots mean that it is not as appropriate for the region as it could and should be. Visser, McIntosh and Middleton (2006:12) also question the relevance of a 'Northern' concept of CSR in an African context. Fox (2004:33) highlights how the tools of CSR, particularly codes of conduct and supply chain standards, can exclude producers in developing countries from lucrative markets and so harm livelihoods. Frynas (2006:17) warns business of superimposing Western (or 'North') notions of CSR on the reality of emerging economies. He uses the example of philanthropy, which, whilst may not be seen as core CSR in Europe, is often a significant expectation in many emerging economies. This is in line with Visser's revised version of Carroll's pyramid (figure 3). Frynas (2006:18) suggests that new ways of assessing the social contribution to business in societies, other than from a Western perspective, be developed in order to capture corporate activities that do not conveniently fall under the accepted Western notion of CSR. If not, he warns there is a risk of weakening long-established and intrinsic social obligations which could perhaps provide a more lasting impact on corporate behaviour than externally imposed codes of practice.

These differing priorities pose a dilemma for multinational corporations who work across a range of geographical locations and so cultural and ethical frameworks. Being a good corporate citizen in one area, due to the nature of the business environment, may not be possible in another.

Bribery is a good example of this dilemma. In some countries it is difficult to organise something if you are not prepared to pay generous commissions to agents. From a Western perspective this is seen as a type of bribery (Cramer, 2006:43) The dilemma faced by multinational corporations is whether to strongly enforce their own values in branches located in a different culture, but be accused of cultural imperialism and remain an outcast from that society or, on the other hand, totally conform to the local situation, but then not act in accordance with the international rules of conduct (Cramer, 2006:43) From the experiences of a number of Netherlands based multinationals it appears that social issues, such as human rights and integrity, create more moral, culture-related dilemmas than environmental issues (Cramer, 2006:64)

Cramer (2006:43) suggests that in principle companies must strive to have the same policy throughout the world and use the international agreements on corporate social responsibility as a basic principle for that policy. She differentiates between such core set of principles, which would be applicable regardless of location, and a set of differing priorities depending on the location. In responding to this dilemma Malan (2005:57) proposes the application of Integrated Social Contracts Theory (ISCT) to provide guidance on ethical issues when working in areas which have different ethical frameworks. ISCT suggests the following:

- There is an absolute moral threshold (so-called hyper-norms) that would apply anywhere in the world.
- Large corporations should have respect for local customs and traditions without transgressing this moral threshold.
- Context matters when deciding between right and wrong.

Above-mentioned approach assumes that there is something called ‘moral free space’ where stakeholders can negotiate micro social contracts that would determine what should be regarded as ethical and unethical, these would however be framed within, and be compatible with hyper-norms, which are defined as key limits to moral free space (Malan, 2005:57). This is fairly similar to the different approaches to Sustainable Development as presented earlier. The hyper-norms are regarded as the macro contract which ensures a level of consistency. Applying

ISCT allows for a more flexible approach to CSR and one that would be applicable over the range of areas in which multinationals are operating. The experiences of the European based energy and petrochemical multinational Shell (quoted in Cramer, 2006:53) illustrate this. Although it is possible for them to place consistent minimum requirements on certain existing internal company policies and processes throughout the world, there are some aspects that need to be tackled locally. The local managers would be responsible for solving specific local dilemma, within a certain global framework or 'bandwidth' – or 'moral free space'.

Following from this, Malan (2005:59) provides guidelines for South African corporations working in Africa, these are:

- To develop consensus on what the most important hyper-norms are for the African continent.
- To increase knowledge about legitimate local customs and change management styles in order to respect such customs.
- The development of moral sensitivity among all staff, moving away from the rigid compliance-based ethics programmes to ones that would support the approach that context matters when making ethical decisions.

Cramer (2006:86) suggests that companies wishing to do business in or with foreign countries first obtain information on the attitudes and customs with regard to CSR in a certain country and has compiled the following set of questions as a guide:

- What is CSR mostly associated with in the country concerned?
- Which social problems have the highest priority in the country? Is the business sector expected to contribute to solving these problems?
- Which social themes deserve the most attention in relation to the country's exports to other (in particular Western) countries?
- Does the country's government place higher demands on foreign companies than on local companies? To what extent does the local government invest in responsible environmental and social policies and how well is observance of these policies monitored?
- Which are the most important groups of stakeholders that companies must consider when interpreting CSR?
- Which expectations do these different groups have of the role of the international business sector and that of the local business sector with regard to CSR?
- Is there a well-developed infrastructure of all kinds of social organisations attempting to exercise their influence and receiving the opportunity to do so politically? Which

organisations are the most influential? What are the usual ways for an international company to communicate with these organisations?

- Which socio-cultural aspects must be taken into consideration when interpreting CSR in the country concerned?

This information, together with the guidelines provided by Malan, will contribute to a better understanding of the priorities and expectations of the host country. It is necessary to create a home-grown, meaningful form of CSR that addresses local issues and improves society, whilst also strengthening government capacity (Schmidheiny, 2006:22).

3.3.5 CSR in Africa

The developing 'South' calls for a more development-oriented approach to CSR and this is what is necessary for Africa in particular. Companies operating in Africa can have a major impact on development by leveraging business opportunities and resources in a way that benefits the communities in which they operate (Campher, 2005:70). The Commission for Africa, in their report *Our Common Interest* (2005), make a number of recommendations that require investment as well as changes in behaviour, priorities and a call to stop doing things which damage Africa. The recommendations cover governance and capacity building, peace and security, investing in people, growth and poverty reduction, trade and resources and looks at opportunities for making this all happen (Commission for Africa, 2005:63). Wickstead (2005, 16) highlights four areas from this report where business can have an impact through their core business, these are:

- Employment, dealing with job creation as well as labour standards to promote economic and social development;
- Enterprise, through developing long-term business relationships with micro, small and medium enterprises;
- Goods, by providing a greater choice of lower cost (required) goods that can benefit the poor; and
- Social Services, where by paying taxes and refraining from demands for special tax treatment, business can contribute to government revenues needed for sustainable, long term provision of public services.

The Commission for Africa also calls on the international community to support regional initiatives. The goals of the New Partnership for Africa's Development (NEPAD) align very closely with those of Sustainable Development and CSR. NEPAD was adopted in October 2001 by the African Union and is a pledge by African leaders to 'eradicate poverty and to place their

countries on a path of sustainable growth and development and, at the same time, to participate actively in the world economy and body politic' (New Partnership for Africa's Development, 2001:1), it recognises the need to reverse the situation of underdevelopment in Africa and change the relationships between Africa and the developed nations. NEPAD sets out a programme of action for achieving sustainable development in the twenty first century. The goals include achieving and sustaining an average GDP growth rate of over seven percent per annum for the next 15 years, and ensuring that the continent achieves the International Development Goals, which address poverty, education, gender, health and environmental concerns. Three key themes with programmes of action are:

- Creating conditions for sustainable development, and include initiatives on peace, security, democracy and political governance; and economic and corporate governance.
- Policy reforms and increased investment in various priority sectors, such as infrastructure, human development, agriculture, the environment, culture and science and technology.
- Mobilising resources to allow for capital flows and market access.

The Millennium Development Goals (MDGs) present another opportunity for business to contribute to sustainable development, specifically in developing countries. In 2000, leaders from virtually all countries agreed to a set of eight goals to address poverty and the problems of illiteracy, hunger, discrimination against women, unsafe drinking water and a degraded environment. The eight broad goals are (United Nations, 2006):

Goal 1 Eradicate extreme poverty and hunger.
Goal 2 Achieve universal primary education.
Goal 3 Promote gender equality and empower women.
Goal 4 Reduce child mortality.
Goal 5 Improve maternal health.
Goal 6 Combat HIV/AIDS, malaria and other diseases.
Goal 7 Ensure environmental sustainability.
Goal 8 Develop a global partnership for development.

A development-oriented approach to CSR could blur the boundaries between what the corporation's role is in relation to that of government. In the CSR context, it is recognised that business should not be asked to take on other players' responsibilities, especially those of the government, but rather that partnerships, with the appropriate allocation of roles and responsibilities, are necessary. However, in developing countries there is continuing pressure by civil society for business to meet the needs that governments are not meeting (Schmidheiny,

2006:22), and as many multinationals are more powerful and wealthier than nation states they are seen in some areas as the de facto government with a role to play in social transformation (Hamann, 2003:241). Wiig and Ramalho (2005:20), in their paper on CSR in the Angolan oil industry, argue that contrary to the literature which seeks to delimit the responsibility of the private sector versus that of the state, the obligations of business increase when operating in countries which lack the proper institutions to deal with the provision of certain services. They qualify this by stating that taking responsibility should be temporary and pave the way for public institutions to take over these responsibilities. Most definitions of CSR assume the context of a well-functioning state which can assume a set of duties. In many developing countries this is simply not the case (Wiig and Ramalho, 2005:3).

These weak governance zones are defined by the OECD (2006), as investment environments in which governments cannot or will not assume their roles in protecting rights, providing basic public services and ensuring that public sector management is efficient and effective. Weak governance zones are characterised by institutional shortcomings that prevent the public and private sector from playing their respective roles effectively. These would include the absence of workable systems for promoting public and private sector ethics, excessive discretionary powers for public officials at all levels of government, the absence of rule-based frameworks for investment protection and the lack of adequate tendering procedures and of financial and managerial controls in all parts of the public sector, including state-owned enterprises (OECD, 2006). The concern around tendering procedures is that, in some cases, corporations enter into contracts with corrupt governments that have the effect of enriching elites without ensuring respect for the fundamental rights of people in affected areas (ESCR-Net, 2005:22). Some of the features of weak governance zones are extremely low human development indicators, widespread and serious corruption and lawlessness, serious violations of human rights and international humanitarian law, and endemic violent conflict (OECD, 2006). Whilst operating in areas of weak governance presents challenges for corporations, as listed above, it also permits some organisations to operate in an unethical and irresponsible manner due to the basic nature (or total absence) of legislation and the lack of enforcement. In response to this, there is an increasing trend by western governments to regulate the behaviour of multinationals operating in developing countries. Some examples include the OECD Guidelines for Multinational Enterprises, complimented by the OECD Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones and the recent series of roundtables to explore ways to improve the social and environmental performance of Canadian mining and extractive firms operating abroad (GlobeNet, 2006). The OECD Guidelines are a set of recommendations on responsible

business conduct that member governments would expect multinational enterprises operating in or from OECD countries to adhere to. The 33 OECD member countries are the source of most of the world's direct investment flows and home to most multinationals; it is therefore an appropriate place to position such a set of guidelines. Again, these are primarily voluntary initiatives although companies are driven by powerful financial, legal or regulatory pressures created by the broader society in which business operates to comply.

Corporate Social Responsibility is business's contribution to Sustainable Development (Baker, 2004:2) and from this review of the corporate social responsibility literature, and the earlier review of sustainable development, it is evident that the concepts are very broad, constantly evolving and largely context specific. There is no one-size-fits-all solution, the social needs and problems that exist within a certain country should be considered (Cramer, 2006:68). It is therefore understandable why legislating CSR is not a viable option. Furthermore, CSR is not an end in itself, but is increasingly a key driver of long term business success (Tilston, 2004:8).

4 DIAMONDS

The allure of diamonds, encouraged by very good marketing campaigns, Hollywood movies and glitzy celebrities, is universal and has created a multi-billion dollar industry. The Diamond Trading Company (2005) introduce diamonds as 'Diamonds have fascinated mankind throughout the centuries. Not only were they rare and beautiful, they were magical. To the Greeks, they were tears of the Gods, to the Romans, they were shards from the stars, to the Indians, they were good-luck charms warding off illness, thieves, and forces of evil and to others they were stones that would heal and bestow knowledge. The myths and magical qualities of diamonds captivated many and they became eagerly sought after by the world's most wealthy and powerful people'.

Diamonds are composed entirely of carbon, form at extreme temperature and pressure within the earth's upper mantle, and have been brought to the surface through volcanic eruptions where they are today mined in primary deposits of kimberlite and lamproite pipes. The erosion of these kimberlite pipes has given rise to secondary diamond deposits, developed along river courses and coastlines, which are mined in alluvial diggings. Diamond extraction is a largely mechanical process involving the liberation of diamonds from the surrounding rock, be it kimberlite in a primary deposit, or river gravels in an alluvial deposit. In both mining methods large quantities of earth is moved and water used. The hydrodynamic properties of diamond, particularly its high specific density relative to other minerals, allow it to be concentrated without the use of chemical processes. The physical footprint resulting from diamond mining is conspicuous, and, for example, a primary kimberlite mine generally includes an open pit of variable size up to 200 hectares (constituting the mined out kimberlite pipe and surrounding waste rock) and surrounding fine and course residue (tailings and slimes) deposits resultant from the metallurgical processing of diamond-bearing ore. Alluvial mining may require the temporary diversion of a river to allow access to the river gravels, whilst beach mining may include the mining, and therefore removal and processing, of the dunes. Depending on the grade of the kimberlite anything from 0.1 to 100 tons of kimberlite rock may be moved to recover 1 carat (equivalent to 200 mg) of diamond. Not all kimberlites are diamondiferous, but those that are will contain varying concentrations of diamond (grade) of varying quality (revenue). This, in part, determines the economic viability of a primary or secondary diamond deposit.

The exploration for new diamond deposits involves the selection of certain broad (regional) target areas, based on an understanding of the geology of the area, often by means of airborne geophysical surveys. Large areas are then sampled, samples processed and results analysed to determine the presence of certain satellite minerals (garnets, chrome-diopsides, spinels and ilmenites) that may indicate the possible presence of a kimberlite. Sample results, together with geophysical techniques, could identify a specific target (local). High-interest anomalies are followed up with additional sampling and drilling in an attempt to determine the nature of the anomalies. In successful cases, these anomalies are confirmed as primary kimberlite deposits, but are often also related to other geological features or lithologies. Further sampling of the kimberlite through drilling or trenching, will determine the diamondiferous (contains diamonds) nature of the deposit. Further work, if motivated by positive results in preceding stages of evaluation will determine the economic viability of the deposit. An assessment of the global database for worldwide kimberlites has shown that on average only 1 in every 200 kimberlites discovered prove to be economically viable as mines, a success rate of only 0.5 percent.

In 2004 the world wide production of rough diamonds totalled US$ 10 billion, with Botswana being the largest producer (US$2.32 billion) followed by Russia, Canada and South Africa, mining mostly from primary deposits (kimberlite pipes). Alluvial production represents some 25 to 30 percent of the world's output and includes Angola, the Democratic Republic of Congo, Namibia, Sierra Leone and others (Even-Zohar, 2005). World production figures, by value, for 2005 are given in Table 1 below. Most diamonds are mined by the large-scale commercial, or formal, mining sector. Informal or artisanal mining normally involves digging and sieving gravel by hand, and although these activities only contribute a nominal amount to government coffers through direct taxation, a large number of people are involved in a subsistence type of employment (Even-Zohar, 2005).

Table 1: World rough diamond production, by value, for 2005 (Noland and Spector, 2006)

Country	***Rough production value ($US billion)***	***Percentage share of world rough production value***
Botswana	*3.3*	*24.9*
Namibia	*0.7*	*5.5*
South Africa	*1.5*	*11.4*
Southern Africa	***5.5***	***41.8***
Australia	*0.6*	*4.3*
Canada	*1.4*	*10.9*
CAR	*0.1*	*0.8*
DRC	*1.0*	*7.7*
Russia	*2.3*	*17.1*
Sierra Leone	*0.4*	*3.0*
Tanzania	*0.0*	*0.2*
Angola	*1.0*	*7.8*
Others	*0.8*	*6.4*
Total	***13.1***	***100***

Globally close to 200 companies are involved in diamond exploration (MBendi, 2006) with the largest producers being De Beers, BHP Billiton, Rio Tinto and Alrosa. In the 1980's De Beers had a monopoly on the world diamond trade, controlling 80 percent of the market, this has however been reduced to around 60 percent following diamond discoveries outside of De Beers' control (Wikipedia, 2006b). The Ekati diamond mine in Canada is one such example, which produces around three percent of the current world rough diamond supply. BHP Billiton, the world largest mining company, is a majority shareholder in Ekati (BHP Billiton, 2006). Another of the major players in the diamond industry is the multinational mining and resources group Rio Tinto who, from their Argyle mine in Australia alone, produce around 30 percent of the world's annual diamond production, they also own and operate mines in Canada and Zimbabwe (Wikipedia, 2006c). The Russian diamond company Alrosa accounts for approximately 20 percent of the world's diamond supply mined predominately from its operations in Angola and Namibia (Wikipedia, 2006d).

Exploration and mining are only the first steps in a chain that extends through sorting and valuation, cutting and polishing, jewellery design and manufacturing, and finally to retail. The principal use of diamonds is in jewellery, with the market increasing over 250 percent over the past 15 years (MBendi, 2006).

4.1 CONSUMER CONFIDENCE

Increased consumer awareness has presented the extractive industry with a number of challenges regarding their activities and products, and the obvious link to the resource curse. Corruption, bribery and money laundering, environmental damage and pollution, human rights abuses, poor working conditions and child labour are just some of the issues that have been raised. Public pressure has forced industry to act and implement measures to address these concerns, the Extractive Industries Transparency Initiative, the World Economic Forum Partnership Against Corruption Initiative (PACI) and numerous other codes and initiatives have been developed and implemented across the industry. PACI's stated vision is to 'Develop multi-industry principles and practices that will result in a level playing field, based on integrity, fairness and ethical conduct' (World Economic Forum, 2006). There are 81 companies that have committed to strengthening efforts to counter corruption and bribery; these companies have signed a statement supporting the PACI Principles for Countering Bribery. These Principles call for a commitment to two fundamental actions, namely a zero-tolerance policy towards bribery and the development of a practical and effective implementation programme (World Economic Forum, 2006).

Unlike other extractive industries, diamonds are a luxury good, not a commodity that is necessary for human wellbeing. The demand for diamonds is based on what they have come to represent, in other words on their reputation, and this is susceptible to public perception. Diamond companies are highly vulnerable to negative publicity, in the industry this is colloquially termed 'reputational risk'. Ironically, most diamonds are mined in developing, often impoverished, countries to feed the demand for luxury goods in the more affluent sectors of the developed world. An issue that has been particularly relevant and a risk to the reputation of diamonds and De Beers is that of conflict or blood diamonds. Conflict diamonds, as defined in the Kimberley Process Certification Scheme (Anon, 2002:3), are: *rough diamonds used by rebel movements or their allies to finance conflict aimed at undermining legitimate governments*. The appropriability of diamonds, that is how easy it is to realise large economic gains within a relatively short period of time (Boschini et al, 2003:1) has enabled rebel armies, warlords, unscrupulous diamond traders and terrorists to exploit the small size and high value of diamonds, the lack of trade regulations and the ease with which diamonds can be obtained from alluvial mining areas to fund armed conflict and to purchase arms (Global Witness, 2005:8). This trade in diamonds to fuel conflicts was recently captured in the Hollywood blockbuster 'Blood Diamond', which has contributed to widespread consumer awareness of this issue.

It is estimated that in 2000 approximately four percent of the world's diamond production were conflict diamonds. Although this may not appear to be a significant quantity it equates to roughly US$ 7.5 billion, a substantial amount to spend on arms (Smillie and Giberie, 2001). The increased awareness of conflict diamonds is largely due to two Non Governmental Organisations working on the issue in Africa. The Global Witness 1998 report titled *A rough trade, the role of companies and government in the Angolan conflict* and the 2000 Partnership Africa Canada report *The heart of the matter. Sierra Leone, diamonds and human security* highlighted the concern that diamonds were being traded in order to fund the ongoing conflicts in these two countries. Diamond buyers located in these and neighbouring countries bought diamonds on the open market which in many cases were mined in rebel held territory. The lack of transparency in the diamond industry at the time and scrutiny from the international community, together with the difficultly of tracing the source of individual diamonds in a mixed parcel, allowed these diamonds to reach major international markets (Global Witness, 1998:3). Income generated from diamond sales funded the civil wars which resulted in the death of many hundreds of thousands of people (Global Witness, 1998:3).

4.1.1 The Kimberley Process

In response to the trade in conflict diamonds in Angola the UN Security Council passed Resolution 1173 and 1176 which prohibited the direct or indirect export of unofficial Angolan diamonds, that is diamonds not accompanied by a Certificate of Origin issued by the Government of Unity and National Reconciliation in Luanda (Global Witness, 1998:3). Although a positive step in the fight against conflict diamonds and a precursor to the Kimberley Process, according to Global Witness (1998:9), the overall impact of this embargo was minimal and resulted in changes of export logistics rather than major alterations in volume. Traders altered the routes used to smuggle diamonds out of Angola and obtained deceptive paperwork from obliging countries. Partnership Africa Canada, in their report, called for further action to address the issue of conflict diamonds, in particular for the creation of an independent diamond standard to establish and monitor codes of conduct (Smillie and Giberie, 2001). The World Diamond Council reacted to this by establishing a body to work on the issue and address the possibility of creating a global certification system for the trade in rough diamonds (Smillie and Giberie, 2001). Global Witness (1998:3) called on De Beers, as the original shaping force behind the way in which the diamond industry operates, to lead the process of reform within the industry to address the issues of transparency and business ethics. This was one of a number of recommendations put forward by Global Witness in an attempt to bring to an end the trade in conflict diamonds.

The diamond industry, fearing a damaging consumer campaign, listened to the critics and set up the Kimberley Process Certification Scheme (KPCS) in 2002 to stop the trade in conflict diamonds. The certification scheme is a voluntary scheme which requires all participating countries to export and import rough diamonds only with other participating country. Participants must establish a system of internal controls designed to eliminate the presence of conflict diamonds; this includes the issuing of certificates detailing the origin of the diamonds which should accompany all shipments of rough diamonds (Anon, 2002:5). Countries must meet several minimum requirements in order to participate in the scheme; they must pass legislation to implement and enforce the scheme and keep out conflict diamond; they must ensure that exports and imports of rough diamonds are enclosed in tamper resistant containers; they must collect, maintain and exchange official statistical data on their trade and production of rough diamonds; and they must produce a Kimberley Process certificate that meets the requirements outlined in the agreement (Global Witness, 2005:8). By having fully traceable diamonds consumers are guaranteed that the diamonds they purchase have not contributed to violent conflict and human rights abuses.

Sixty-nine governments currently participate in the Kimberley Process and have passed and implemented national laws establishing import and export control regimes designed to prevent trade in conflict diamonds. The majority of diamonds are now traded under this UN-mandated scheme (World Diamond Council, 2006). A report by the NGO Global Witness shows that despite the progress made (conflict diamonds have been reduced from approximately 4 percent to considerably less than 1 percent (World Diamond Council, 2006)), the Kimberley Process needs to be strengthened to achieve its aim of eliminating the trade in conflict diamonds. Illicit trade in conflict diamonds continues, outside of the KPSC, whilst weak government controls and the lack of enforcement allow these diamonds to slip into Kimberley Process-certified trade. Pearce (2004:62) on writing on diamonds in Angola, calls for a rethink of the term conflict diamonds. He states that although there is peace in Angola (namely the formal cessation of armed conflict) it does not mean that the exploitation of diamonds is done is a manner that respects basic human rights and which contributes to the development and well-being of the diamond-producing region and the country as a whole.

4.1.2 Diamonds for development

Although the legacy of diamonds is not always perceived as positive, diamonds have made a significant positive contribution to the economic growth of countries such as South Africa, Botswana and Namibia. Diamonds can continue to make a positive contribution to economies and provide sustainable livelihoods to thousands, if not millions, all along the diamond chain in

other African countries that have been less fortunate in their socio-political stability, such as Angola and the Democratic Republic of Congo. The results of research conducted by Sachs and Warner on the resource curse does however need to be borne is mind when focussing on natural resource led development.

The World Diamond Council has recently launched a website (http://www.diamondfacts.org) which highlights some of the positive outcomes of the diamond industry. As discussed earlier Botswana is a good, although not perfect, example of where the discovery of diamonds has had a significant impact on the country and is often cited as a glowing example of how mineral resources can benefit the growth and development of a country. Diamonds account for 33 percent of the GDP (approximately US$ 3 billion) of Botswana, over 90 percent of earnings from exports and 50 percent of government revenues. Since the discovery of diamonds in Botswana the GDP annual growth rate has averaged 7 percent (World Diamond Council, 2006). As one of the poorest countries in the world at independence in 1966, it is now regarded as a 'middle income' nation. In practical terms this meant providing roads, from just three miles (1.87 km) in 1966, to nearly 4,000 miles (2,500 km) today and going from just three secondary schools to more than 300, with nine years free education for all (Anon, 2006a).

4.2 DE BEERS

As the world's largest and oldest diamond company one can hardly talk about diamonds without mentioning De Beers. Due to an amazingly effective advertising campaign started in 1938 and the 'A Diamond is Forever' brand, the name has become synonymous with diamonds. Up until fairly recently, De Beers held the monopoly on the world diamond trade, although its current market share has decreased to approximately 60 percent (Wikipedia, 2006b). De Beers Consolidated Mines was founded on the Kimberley diamond fields in 1888 and, largely through joint ventures with the governments of the respective countries, now operates mines in South Africa, Botswana, Namibia and Tanzania, with mines currently being developed in Canada. Exploration activities are concentrated in Angola, the Democratic Republic of Congo, Botswana, South Africa, Russia, India and Canada, with operations in Australia and Brazil having recently been terminated after some forty years of exploration, without discovering economically viable sources. Diamonds mined by De Beers, together with those from other suppliers, are sold through the Diamond Trading Company (DTC), based in London. The DTC sell to specific selected clients, called sightholders, who in turn either sells on to jewellery manufactures or directly to the retail market. De Beers and its sightholders have actively marketed diamonds as a symbol of love and 'forever' and so the ideal jewel for an engagement or wedding ring. De

Beers' biggest markets are in the United States, Europe and Japan, with an increasing market in China.

4.2.1 Gaining control of the industry

Diamonds have enjoyed steady and rising prices in the last 20 years (Spar, 2006:196), this is anomalous when compared to other commodities where fluctuations are common. This and having a single company dominate the market are largely due to the way in which that company, De Beers, was set up almost 100 years ago. With the discovery for the first time of primary diamond deposits, in Kimberley, global diamond production increased. Cecil John Rhodes, the founder of what eventually became De Beers, recognized that the increase in availability of diamonds and so accessibility to the masses, would damage the diamonds association with romance and luxury, and demand would fall. Rhodes concluded that the only way to address this was to create a unified, vertically-integrated organisation to manage the flow of diamonds from South Africa. Together with diamond buyers and local distributors Rhodes formed the Diamond Syndicate under which the distributors agreed to buy diamonds exclusively from Rhodes and sell them in agreed-upon numbers at agreed-upon prices (Spar, 2006:198), and so control the market.

Following Rhodes' death, Ernest Oppenheimer, who had risen through the ranks of the Diamond Syndicate and had control of De Beers, began to integrate the channels of production and distribution even more tightly. This control of both the mining and marketing of diamonds allowed De Beers to determine the precise size and quality of diamonds available, as well as the price (Spar, 2006:199). Through this position of power De Beers were able to control the diamond market and so maintain the (perceived) value of diamonds. Stability in the diamond market ensures that consumers continue to view diamonds as both valuable and scarce, and so demand in maintained. Such a system also benefits competitors who, by cooperating with De Beers, reap the rewards of a consistently profitable industry. The diamond cartel, led by De Beers, has over the last century flourished on a mixture of cooperation and ruthlessness, by working with other producers, restricting supply, squashing speculation and resisting excess profits (Spar, 2006:206).

Following political and economic changes in South Africa in the 1990's and the discovery by other companies of major diamond deposits, De Beers' control of the market started slipping and it had to change its strategy to maintain its control. This included a move into the world of cut diamonds through a joint venture with one of the world's leading luxury goods companies, LVMH Moet Hennessy Louis Vuitton, and the branding of the De Beers name and the 'A

Diamond is Forever' logo. De Beers also de-listed from the Johannesburg Stock Exchange in 2001 and sold its shares to three entities, 45 percent to Anglo American, 40 percent to Central Holdings limited, a private firm owned by the Oppenheimers, and 15 percent to Debswana, a joint venture between De Beers and the government of Botswana.

4.2.2 Addressing reputational risk

As a private company De Beers is now not directly vulnerable to share price fluctuations and to the demands of the investment community, except through the listed majority shareholder Anglo American. One of the arguments put forward in the business case for good corporate citizenship is that responsible companies will attract greater investment. As a private company this would not be directly applicable to De Beers. However, diamonds are a luxury good and De Beers therefore relies heavily on the image of diamonds to sell the product. Reputation and consumer confidence is therefore of vital importance and would be the main business case for De Beers.

Increasing publicity on the negative aspects of the diamond industry (for example conflict diamonds, environmental degradation, child and forced labour) together with a decreasing share in the world market for De Beers, has led to numerous initiatives focused on improving consumer confidence in the industry as a whole and demonstrating De Beers as a responsible company, and so De Beers diamonds as 'clean' and untainted. In this regard the Kimberley Process has, according to Spar (2006:204), ironically worked directly to enhance the competitive position of De Beers. As a result of this campaign new and small scale suppliers are crowded out of the market and consumer preferences are directed to those producers who (like De Beers) can guarantee the integrity and cleanliness of their brand (Spar, 2006:204).

De Beers has signed up to the UN Global Compact and the World Economic Forum Partnership Against Corruption Initiative, and have given support to the Extractive Industries Transparency Initiative. Through the DTC, De Beers is a founding partner of the Council for Responsible Jewellery Practices (CRJP) and the Diamond Development Initiative (DDI) and a corporate partner in Business Action for Africa. The objective of the CRJP is to promote responsible ethical, social and environmental practices throughout the diamond and gold jewellery supply chain, from mine to retail. As a fairly new initiative the CRJP are still developing their Responsible Practices Framework and monitoring system, which as a foundation has the recently published Principles and Code of Practice. This system will be implemented, with independent third party monitoring of members performance, by January 2008 (Council for Responsible Jewellery Practices, 2006). There are currently 54 members of the CRJP representing trade associations; service industries; mining; diamond trading, cutting and

polishing; gold refining, hedging or trading; jewellery manufacturing or wholesale, and the retail market (Council for Responsible Jewellery Practices, 2006).

The Diamond Development Initiative focuses on artisanal diamond mining and seeks to address the political, social and economic challenges facing the artisanal diamond mining sector in order to optimise the beneficial development impact of artisanal diamond mining to miners, their communities and their governments. It aims to achieve this through the dissemination and sharing of information on artisanal diamond mining, increased participation in the process from governments, donors, industry and NGOs and by promoting a better understanding of, and possible solutions for government and mining regulations; and distribution and marketing channels (Partnership Africa Canada, 2006). Business Action for Africa is an international network of business and business organisation from Africa and elsewhere that aim to deliver positive change for Africa; there are currently 76 participants. Participants are involved in showcasing and developing business actions, sharing knowledge, building partnerships and setting out advocacy positions around the following six themes (Business Action for Africa, 2006):

- Business action on governance and transparency.
- Business action on the climate for business.
- Business action on trade.
- Business action on enterprise and employment.
- Business action on human development.
- Business action on perceptions of Africa.

De Beers internalised these commitments in July 2000, when they published a set of Best Practice Principles, which are applicable to all De Beers and Joint Venture companies and sightholders (Diamond Trading Company, 2004). The Best Practice Principles and the associated assurance programme were developed to provide evidence to supply chain partners, consumers and other interested stakeholders that the exploration, extraction, sorting, cutting and polishing of diamonds, and the manufacture and sale of diamond jewellery are undertaken in a professional, ethical and environmentally friendly and accountable way (Diamond Trading Company, 2004). The Best Practice Principles Assurance Programme comprises a workbook of 72 questions covering business, social and environmental responsibilities. Each De Beers company, joint venture company and sightholder is required to complete the workbook on an annual basis; this is checked internally and verified by external auditors, with on-site assessments being conducted on ten percent of the workbooks submitted.

Entities are required to complete corrective action plans in order to address issues that they do not fully comply with (Diamond Trading Company, 2004). In addition to the Best Practice Principles there are numerous company policies covering issues such as environment, health and safety, community and business ethics. The adoption and implementation of the ISO14001 and OHSAS18001 standards for environment and health and safety, respectively, are part of this commitment.

Although De Beers subscribes to, participates in and actively implements the commitments made, this has largely been within the developed country or the more stable developing country context, such as South Africa, Botswana and Namibia. De Beers has recently opened offices in Angola and the Democratic Republic of Congo, two developing countries emerging for years of civil war where institutional capacity is limited, poverty extreme and the way of doing business is very different from countries in which De Beers currently operates. Working in these areas will challenge De Beers to find ways of adhering to the broad international principles it has set for itself, whilst being an effective and productive business. De Beers has had some experience of the issues that can be raised when operating in such countries. The UN Expert Panel on the Illegal Exploitation of Natural Resources and Other Forms of Wealth in the Democratic Republic of Congo (DRC) accused De Beers of being in breach of the OECD Guidelines for Multinational Enterprises (Even-Zohar, 2004). The Panel alleged that De Beers was in breach of its own Best Practice Principles and so the OECD Guidelines. This was based on the claim that three DTC sightholders exported diamonds from the DRC, contributing to funding of parties involved in the conflict in this country, and that De Beers had failed to monitor the compliance of these sightholders against the Best Practice Principles. Following an investigation into this issue by the OECD National Contact Point at the UK Department of Trade and Industry, the claims were found to be unsubstantiated (De Beers, 2004a). Although found to be unsubstantiated, this example demonstrates the issues De Beers may face when operating in weak governance zones. Furthermore it is not necessary only about what they do, De Beers could also be held accountable for the activities of their associates.

Working in Angola will present similar issues. The specific situation of Angola is discussed in the following section, in an attempt to gain an understanding of what the priorities for CSR are.

5 ANGOLA

Figure 4: Map of Angola (Institute for Security Studies, 2006a)

Angola is located in south-west central Africa and covers an area of just over 1.2 million km^2. Based on 2005 estimates, it has a population of 13.5 million (World Bank, 2005). Angola is currently one of the fastest growing economies in Africa (Wikipedia a, 2006), although it is ranked 160th (out of 177) on the UN Human Development Index (HDI) (HDI of 0.445 in 2003

which is categorised as low human development) (Wikipedia a, 2006). The Human Development Index is a standard means of assessing wellbeing by measuring the average achievements in a country based on three basic dimensions of human development, namely; a long and healthy life as measured by life expectancy at birth; knowledge, as measured by the adult literacy rate; and a decent standard of living, as measured by Gross Domestic Product. Angola is often quoted as a prime example of the Natural Resource Curse, and it is understandable why – as a resource rich country – considering it has an infant mortality rate of 154 per 1,000, life expectancy at birth of 47 years; a net enrolment in primary education of less than 50 percent; access to an improved water resource of 38 percent; and with more than two out of three persons living below the World Bank poverty line of US$ 1 per day (Wiig and Ramalho, 2005:8). Other characteristics that typify the resource curse, such as corruption, conflict and weak democracies, are also evident. Angola is in position 151 out of 158 on Transparency International's 2005 Corruption Perceptions Index (the score relates to perceptions of the degree of corruption as seen by business people and country analysts) (Transparency International, 2006) with Human Rights Watch reporting that from 1997 to 2002, due to government mismanagement and corruption, a staggering US$ 4.22 billion in oil revenues could not be accounted for (ESCR-Net, 2005:22). Prior to the 2002 ceasefire Angola was at war, nearly continuously, for four decades, admittedly this was not always a war over resources, but rather for internal political control between the MPLA (*Movimento Popular de Libertação de Angola*, or Popular Movement for the Liberations of Angola) and UNITA (*União Nacional para a Independencia Total de Angola*, or the National Union for Total Independence of Angola). The current president, Jose Eduardo dos Santos, has been in power since 1979, with democratic elections last held in 1992 (Wikipedia, 2006a).

Oil and diamond resources are vital to the Angolan economy. The mining and hydrocarbons sectors together accounted for 70 percent of Gross Domestic Product (GDP) in 1999, employing four percent of the workforce, with agriculture contributing a mere seven percent (Institute for Security Studies, 2006b). In 1975 Angola was self-sufficient in all food crops and the fourth largest coffee grower in the world, but due to the flight of Portuguese settlers, the collapse of the marketing and distribution networks and the civil war, commercial agriculture has collapsed (Institute for Security Studies, 2006b). Owing to the oil sector's insulation from the war it is currently the more developed sector producing 90 percent of exports from Angola, and is the seventh largest exporter of petroleum to the USA (Institute for Security Studies, 2006b). A number of the large oil companies, including Total Fina, Elf, Chevron, Exxon Mobil, BP, Texaco and Shell, are active in the Angolan oil fields which are mainly located offshore in the northern

enclave of Cabinda (Institute for Security Studies, 2006b). Angola is the world's fourth largest producer of rough diamonds (MBendi, 2006) most of which come from alluvial diggings (Institute for Security Studies, 2006b). The eastern Lundas and the Cuango valley being the main diamond producing areas. The discovery and development of primary diamond deposits represents the potential for significant further growth in this industry.

5.1 A BRIEF HISTORY

The history of Angola is one of colonisation and conflict. The Portuguese first established a colony, based on the slave trade, at Luanda in 1575. Their control over the coastal strip gradually increased throughout the 16th century until the beginning of the 20th century, when full Portuguese administrative control was established in the interior. At this time Angola was governed as an overseas province of Portugal. After Portugal refused the demand for independence, three independence movements emerged, namely the MPLA (*Movimento Popular de Libertação de Angola*, or Popular Movement for the Liberations of Angola), the FNLA (*Frente Nacional de Libertação de Angola*, or National Liberations Front of Angola) and UNITA (*União Nacional para a Independencia Total de Angola*, or the National Union for Total Independence of Angola). From ca 1961, these movements fought against Portugal for independence. Following the 1974 military coup d'état in Portugal, the new Portuguese government agreed to hand over power to a coalition of the MPLA, FNLA and UNITA and independence was declared in November 1975 (Wikipedia, 2006a). Almost immediately the coalition collapsed and civil war broke out between the three movements, exacerbated by foreign intervention (mostly from South Africa, the United States, Russia and Cuba) (Wikipedia, 2006a). In 1991 the factions agreed to the Bicesse Accord, which brought an end to armed conflict and spelled out an electoral process for a democratic Angola under supervision of the UN. Savimbi, the UNITA president, rejected the outcome of the 30 September 1992 elections and returned to war (Wikipedia, 2006a). This and subsequent phases of the war were largely funded through oil (MPLA) and diamond (UNITA) revenues. After losing ground to the government in 1993 UNITA entered into talks that resulted in the Lusaka Protocol. The Lusaka Peace Accord, which was initialled in 1994, provided for the integration of former UNITA insurgents into the government, and a national unity government was installed in 1997 (Wikipedia, 2006a). This was followed by an agreement in January 1998 to complete outstanding elements of the Lusaka Protocol, by March UNITA declared that it had demilitarised all its forces and the government reacted by legalising the organisation as a political party (pers. comm. Skinner, 2006). By June 1998 the situation had deteriorated rapidly and all sides abandoned the process. Serious fighting resumed in 1998 (Wikipedia, 2006a) after the official

declaration by the government to resume the war. Following the death of Jonas Savimbi, in February 2002, a ceasefire was signed between the rebel army and the Government in April 2002 (Cain, 2004:87) and this, hopefully, is the start of a lasting peace.

The near forty years of war have resulted in tremendous human suffering, large-scale displacements of populations, significant damage to property and infrastructure, serious economic losses and the accumulation of a massive war debt. It is estimated that, at its peak, four million or more than a quarter of the total population were internally displaced (Cain, 2004:87). It will take a massive intervention, and a long time, for Angola to recover.

5.2 DIAMONDS IN ANGOLA

Diamonds were first discovered in the Lunda province in Angola in 1912, and is today one of the world's most prospective countries for diamonds (Reed, 2006). On the 4th September 1912 Pema (*Companhia de Pesquisas Mineiras de Angola* or Angola Mineral Prospection Company) was formed in order to prospect for payable diamond deposits in Angola (Beetz, 1930:9). Partners in Pema included Portuguese, Belgium, French and American groups. Following the discovery of several payable diamond deposits a sister company, Diamang (*Companhia de Diamantes de Angola*), was formed in 1917 to exploit Angola's diamonds and started mining in 1920 (Beetz, 1930:10). Diamang reported directly to Lisbon and not the colonial government in Luanda. As a consequence of this and its location in one of the colony's remotest regions, Diamang was left to take on many of the functions of government in the Lunda Norte region and was largely responsible for the development of the towns in the area and for secondary industries (Pearce, 2004:52). Under the Portuguese, Angolan diamond production peaked in 1971 at 2.4 million carats, ranking the country as the world's fourth largest producer. The war severely disrupted production, falling to 750,000 carats in 1975 and 350,000 in 1977. From 1917 until 1975 some 47 million carats had been produced by the Portuguese parastatal (pers. comm. Skinner, 2006). In 1977 the MPLA government nationalised the Portuguese share of Diamang. Endiama (*Empresa Nacional de Diamantes de Angola*) the Angolan state diamond company, was established in 1981 (Dietrich, 2000a:144).

Although illicit diamond mining increased during the 1970s, it was in the two years of peace in 1991 and 1992 that a massive artisanal mining rush to the Lunda diamond fields occurred. This was facilitated by legislation in December 1991 (Law No 30/91) that legalised the possession and sale of rough diamonds. It is estimated that there were between 270,000 and 400,000 illicit miners in Angola from 1992 to 2004, at least 80 percent of them Congolese by nationality

(Global Witness and Partnership Africa Canada, 2004:5). The numbers increased following the end of the war in 2002, and in December 2003 the armed forces FAA (*Forças Armadas Angolanas*), working with the national Police and Migration Services, were ordered to expel illegal aliens. Despite the expulsion of many illegal miners it is estimated that there are still approximately 200,000 active in Angola. SODIAM (*Sociedade de Comercialização de Diamantes*), the Endiama subsidiary responsible for marketing Angola's diamonds, have estimated that during 2004, US$ 2 million worth of diamonds were being smuggled out of Angola every month (Global Witness and Partnership Africa Canada, 2004:6).

Following the Lusaka Peace Accord in 1994, a new diamond law (Law No 16/94) was passed which annulled the previous liberalisation of the diamond trade and gave Endiama 'the sole rights to prospecting, research, exploration, reconnaissance, treatment and marketing of diamonds within the entire national territory, or to any joint venture in which it participates'. The law also made provision for legal artisanal (or *garimpeiro*) diamond production in areas not deemed suitable for commercial mining (Dietrich, 2000a:146). In terms of this legislation Endiama will always be a controlling partner in any diamond mining or exploration venture by holding 34 percent in a three-way split or 51 percent is a two-way division (Anon b, 2006:75). At the end of 1999, Endiama transferred its marketing rights to a newly created 99 percent Endiama subsidiary SODIAM (Global Witness and Partnership Africa Canada, 2004:6). Diamond production is sent from the mines to SODIAM where sales negotiations take place prior to export to their final destination. SODIAM, as the sole body responsible for diamond sales, is the principal player in the export controls of the Kimberley Process.

Revenue from diamonds mined in the Cuango valley in the Lundas funded UNITA's war effort (Global Witness, 1998:2) from 1992 to 1998 and then to a lesser degree until 2002 from other ever decreasing resources (pers. comm. Skinner, 2006). The Angolan civil war, together with that in Sierra Leone, drew international attention to the potential for the gem trade to perpetuate conflict (Pearce, 2004:51). The term 'blood' or 'conflict' diamonds was coined in reference to these diamonds. In 1998, through Resolution 1173, the United Nations banned diamond trading with the rebel forces in Angola and soon thereafter Angola became the first country to implement a full certificate of origin for diamond exports, a precursor to the Kimberley Process (Global Witness and Partnership Africa Canada, 2004:5).

Following the declaration of peace and reforms in the diamond sector, production is increasing. Endiama are forecasting an increase in production to 10 million carats by December 2006; up

from 7 million in 2005 and more than 6 million in 2004 (Reed, 2006). The industry generated more than US$ 1 billion of sales and US$ 150 million of tax revenue for the state in 2005 (Games, 2006). Angola is currently the sixth-largest diamond producer in the world, but, due to the high quality of its stones, is the fourth-largest in terms of revenue from diamond mining. The increase in production coincides with a growing number of companies active in the diamond fields. In mid 2004 there were 264 local companies and 34 international companies operating in the country, compared to less than 10 in the late 1990's (Games, 2006).

5.3 LUNDA NORTE

The provinces of Lunda Norte and Lunda Sul, referred to collectively as the Lundas, is where the majority of diamond mining exists today, it is also the area in which De Beers holds a concession for the exploration of kimberlites. Diamond mining in the Lundas during 2003, accounted for 80 percent of the provincial GDP and 50 percent of the country's total GDP. A large portion of production occurs in the formal sector, which creates in the region of 6,120 jobs (Golder Associates, 2006:39).

Lunda Norte lies in the far north east of the country and is bisected by northwards draining rivers which have deeply incised the plateau. Many villages and most of the mining activities are concentrated along these river valleys. The Lunda territory is far less populated than other regions in the country and although data is unreliable the population figures for 2005 are given as 879,000 for Lunda Norte and ca 400,000 in Lunda Sul, with approximately 57 percent of the population of Lunda Norte being under 18 years in age (Golder Associates, 2006:42). Outside the urban centres, the settlements are highly dispersed, isolated and small. A study done in 2004 in some villages in Lunda Sul found that roughly 20 to 25 percent of the families were headed by women, due to the absence of the men who joined armies during the war or sought other livelihoods in the cities (Golder Associates, 2006:44).

The area is typified by a general lack of basic services with minimal public infrastructure. Levels of education are low with many children remaining outside the education system. Health facilities are poor; a consequence of the destruction of infrastructure during the war, degradation due to the lack of maintenance and the continued absence of resources. The most common diseases are malaria (which is one of the principal causes of death amongst children under 14 years old), acute respiratory illnesses, diarrheic diseases and tuberculosis. HIV and AIDS is also a concern (Golder Associates, 2006:53). In Lunda Norte there is one doctor for 23,950 inhabitants (the national average is 1:5,000) and one nurse per 2,000 inhabitants. This

is against the World Health Organisation recommended ratio for Angola of one doctor for each 3,000 people (Golder Associates, 2006:53). A number of national and provincial programmes are in place to improve the situation; these include the Programme for Improvement and Increased Supply of Basic Social Services for the Population which by 2005 had executed projects worth US$ 7.3 million in Lunda Norte and US$ 12.1 million in Lunda Sul (Golder Associates, 2006:52). Other initiatives include the Master Plan for Development of the Province; the Strategy to Combat Poverty; the Strategic Plan for Deconcentration and Decentralisation; Educational Reform; the Programme for Extension and Rural Development; and the General Programme of Demobilization and Reintegration of ex-Soldiers (Golder Associates, 2006:52).

Participation in the mining industry is seen by most as the best chance to a cash income; however, opportunities as workers in the formal sector and as traders are limited (Pearce, 2004:57). The livelihood of people in the Lundas is thus overwhelmingly dependent on subsistence agriculture. Land ownership is vested in the state and communities have a right to cultivate one or more parcels of land belonging to their community; this is regulated by the traditional authorities (Golder Associates, 2006:68). A national survey on reintegration expectations of ex-combatants, undertaken in 2002, indicated that 85 percent wish to return to their areas of origin and that 43 percent wanted to be self-employed in agriculture (Cain, 2004:88); thus presenting an opportunity for further agricultural development. In the Lundas, agricultural development is constrained by farmers' expectations (namely that it is far more lucrative to mine diamonds than to farm), and long term access to land. Although communities have a right to land, the mining industry takes preference and communities are required to vacate their land should a company require it for mining activities (Golder Associates, 2006:58). The law obliges concessionaires to prepare a relocation project; to be approved by the governor and to encompass the construction of churches, social services, water supply systems and others. It is alleged; however, that no such thing is ever done, with the population expelled forcibly by the concessionaires and left to their own devices (Marques and Falcão de Campos, 2005:11).

With the exception of the areas that have been extensively mined, specifically along the river valleys, and shifting cultivation around the main villages; the major portion of Lunda Norte is relatively free of significant land transformation or habitat destruction. Impacts that have occurred, largely due to alluvial and opencast mining, are profound and have a widespread impact on downstream ecosystems (Golder Associates, 2006:92). Mining impacts include the diversion of rivers, removal of vegetation cover and subsequent siltation of the rivers. Where

river systems have not been impacted upon, they are unusually rich in biodiversity with a number of endemic species. The terrestrial biodiversity of the area has only moderate biodiversity richness with the mammal fauna being greatly reduced in number and species (Golder Associates, 2006:87). A condition of the concession granted to Diamang (1917 to 1975), was the requirement to collect, describe and preserve information on the fauna and flora of the concession area. Some significant work was done and published on the findings of this research and has contributed to an understanding of the natural history of the Lundas (Golder Associates, 2006:88). Due to the difficulties created through the post-independence period of civil war little, if any, biological surveying has taken place since. The return to normality makes it possible for a new programme of biodiversity survey and research. The Angolan government has recently approved its National Biodiversity Strategy and Action Plan, which describes the constitutional, legal, institutional and administrative arrangements relating to the conservation and sustainable use of biodiversity in Angola (Golder Associates, 2006:89).

5.4 LEGAL FRAMEWORK

In some aspects, particularly environmental, Angola has fairly well developed legislation; however, implementation appears to be inadequate. The Constitution of Angola recognises natural resources as the property of the state and is therefore responsible for defining the conditions under which these resources are used, exploited and protected. With regards to mineral resources, the Law on Geological and Mining Activities sees these as contributing significantly to Angola's social and economic development (Golder Associates, 2006:106). Although there is no specific legislation relating to CSR, various pieces of legislation would include components of what is regarded as being socially responsible (Wiig and Ramalho, 2005:14) and addresses issues such as workers security, social support for employees, professional training and the protection of cultural heritage. Environmental legislation in particular, is well advanced with the General Environmental Law and the Decree on Environmental Impact Assessments, enacted in 1998 and 2004 respectively. The aforementioned laws cover issues of environmental protection, the responsibility to remediate any environmental damages and the requirement for Environmental Impact Assessments prior to projects commencing (Republic of Angola, 1998).

As a more developed sector of the Angolan economy, legislation covering activities in the oil industry has been developed, which is also applicable to the mining industry and any investment by foreign companies (pers. comm. Skinner, 2006). This includes a number of requirements that would contribute to sustainable development of the industry and of the

country as a whole. The 2004 Law of Oil Activities requires, for example, that companies comply not only to national legislation, but also with the standard practices generally accepted internationally in the oil business, as regards to the safety and hygiene of employees (Wiig and Ramalho, 2005:14). The obligation to protect the environment, encourage and develop Angolan entrepreneurship and use national goods and services is also included. Focusing on the development of local people, Decree 20/82 requires: (i) that preference be given to the employment of Angolan workers at all levels; (ii) equality of rights for Angolan and expatriate employees in the areas of social and professional benefits; (iii) preparation of recruitment and training of national workers plans, at the beginning of each contract and annually; and (iv) the gradual replacement of expatriates by national employees. The decree further obliges oil companies to contribute annually an amount in foreign currency for the training of the national workforce (Wiig and Ramalho, 2005:14).

5.5 DE BEERS IN ANGOLA

De Beers has had a long, although not always easy, association with Angola. De Beers entered into Angola from 1970 to 1975 as a prospecting company Condiama, a joint venture between Diamang and De Beers. In 1979 De Beers was invited by the Angolan government to take over the Diamang alluvial mining operations, which it did as MATS (Mining and Technical Services) until 1985, withdrawing as a result of the deteriorating security situation (pers. comm. Skinner, 2006). De Beers, together with a number of other companies, bought diamonds from Angola on the open market. The origin of these diamonds was not always known and given that UNITA controlled between 60 and 70 percent of Angola's diamond production from the early 1990's (Global Witness, 1998:3) it can be assumed that these transactions supported UNITA's war efforts. Following an internal review of its activities (pers. comm. Skinner, 2006) and the UN Security Councils' adoption of Resolution 1176 in June 1998 De Beers stopped buying all Angolan diamonds except those it was contractually obliged to purchase (Dietrich, 2000b:251).

According to Skinner (2006, pers. comm.), since the signing of a 'Governing Agreement' in December 1990 between De Beers and Endiama, which was approved by the Angolan government, De Beers have embraced a solid commitment to establish a successful partnership with the government of Angola. The vision was to contribute positively to the future growth, development and stability of the Angolan diamond sector and the Angolan economy. During this time, in accordance with the terms of the individual contracts signed with Endiama, De Beers has entered into several contractual relationships with Endiama, as follows (pers. comm. Skinner, 2006):

- In April 1991 De Beers signed a sales agreement with the Angolan government which included a US$ 50 million loan to help Endiama develop the structured alluvial mining projects in the Cuango river valley. This was part of De Beers' commitment to develop a legitimate and transparent diamond industry in Angola, in partnership with the government.
- In 1994 De Beers established a joint venture with Endiama (who held 50 percent), called CODIAM, to purchase Angolan diamonds. It was licensed by the Angolan government, through Endiama, to purchase diamonds from the informal sector within Angola. All three partners were involved in the buying and valuation process.
- In June 1996 De Beers formally signed prospecting contracts for the Lunda northeast, Quela and Mavinga concessions with Endiama. These were for a period of five years ending in 2001. Due to the unstable security situation across the country work was only possible in a portion of the Lunda northeast concession. In this time De Beers spent over US$ 31 million on the prospecting programme.
- From October 1998 to November 2000, De Beers constructed the Luanda diamond sorting building at a cost of US$ 30 million. This is a state of the art building incorporating all that De Beers has learnt in respect of rough diamond sorting, best practice principles and techniques over the last 110 years.

By late 1999 the Angolan government had indicated its intention to change the legislation governing the diamond sector and with the publication in February 2000 of Decrees 7-A/00 and 7-B/00, these changes were ratified (pers. comm. Skinner, 2006). As a consequence of the changes to legislation and despite numerous meeting with the government, the legal uncertainty of the contracts and agreements previously approved by the government pushed De Beers to suspended its operations on 24 May 2001 and in June initiated arbitration proceedings (pers. comm. Skinner, 2006).

The legal proceedings and parallel negotiations lasted some 5 years, culminating with the signing of a new agreement covering the exploration, mining and marketing of diamonds, signed on 17 June 2005. This contract covers five years of prospecting for new kimberlites in a 3,000 km^2 area of Lunda Norte. If prospecting produces the expected results a joint mining venture with Endiama will have to be negotiated and approved by the state. The joint venture will also have the rights to market the diamonds found through SODIAM, the state marketing company (Partnership Africa Canada, 2005). Prospecting activities, which were initiated in October 2005, are being conducted under the joint venture between De Beers and Endiama, with a 49 percent and 51 percent shareholding respectively. The prospecting work programme

includes airborne and ground geophysical surveys, small and large diameter drilling and sample treatment of kimberlites, along with some stream sampling. Exploration is be conducted at De Beers' expense, although they will recoup these costs once (and if) a mine is developed and in production, where after the profits of the mining venture will be split as per the shareholding. The Angolan government would also benefit from a five percent royalty paid on the diamonds, a 2.5 percent marketing fee that is payable to SODIAM, a one percent environmental levy and the 35 percent corporate tax rate (pers. comm. Skinner, 2006).

Following the signing of the agreement, the De Beers Angola-Endiama joint venture (ENDEB) employed a number of local and expatriate (largely Brazilian) professionals for its head office in Luanda and field activities based out of a field camp in the central part of the concession area, centered in the town of Lucapa, Lunda Norte province. The Manager for De Beers Angola, Charles Skinner, together with a number of support functions, such as Human Resources; Communications; Logistics; Safety, Health and Environment (SHE) and Information Technology (approximately 30 employees) are based in the Luanda office. Geologists, geophysicists, drilling personnel and camp management employees are located at the camp in Lucapa. There are approximately 50 employees living in this camp with another 120 local employees from Lucapa coming in to work everyday. All employees would report through various managers to the De Beers Angola Manager, who is accountable for all technical, social and environmental matters. He in turn reports to the De Beers Group Exploration manager, based in South Africa. There are also reporting lines to Endiama. De Beers' Angolan activities are supported by De Beers Group Exploration based in Johannesburg, South Africa. This support is largely in the form of discipline specific technical input and assurance.

The contract between the two parties covers environmental and social requirements as well as requirements for the use and training of local employees. This contract is not dissimilar to those that De Beers has with the Botswana and Namibian governments. In both cases a joint venture company, namely Debswana and Namdeb, has been formed and is responsible for the exploration and mining of diamonds. The Endiama contract however includes the marketing of diamonds, which will ensure that these profits too are retained within the country. Although possibly not ideal for De Beers, these joint venture agreements with the governments of countries in which they operate ensures that the profits generated, in addition to the revenue from taxes and salaries paid to employees, stay in the country. The resources are after all a national asset. The equitable sharing of these benefits may however be questioned and is one of the concerns related to the natural resource curse.

On starting exploration, De Beers commissioned an environmental and social baseline scan of the concession and surrounding areas. In addition to documenting the current socio-economic, biophysical and cultural context, a sensitivity analysis was conducted to identify areas which may be particularly sensitive to development and to identify areas of potential opportunity. A recommendation of this study was that, in order to guarantee sustainability and effective results, De Beers should support processes and programmes rather than specific projects, and suggested the following approaches (Golder Associates, 2006:124):

- Multisectoral interventions based on educational and participatory processes within a specific geographical area, for example education, health, water or even the development of family farming on a modern and sustainable basis within the Lucapa municipal area.
- Concentration on one sector or activity, such as education, in order not only to build and equip schools but also to improve the quality of teachers in order to provide teaching that is more professional and relevant for the community whilst also responding better to the needs of the province.

In both approaches it will be necessary to work with local or provincial institutions in order to develop capacity.

De Beers' re-entry into Angola presents opportunities for both De Beers and Angola. Angola represents huge potential in terms of the discovery of numerous significant primary diamond deposits. These will assist De Beers in meeting a growing consumer demand for diamonds and in maintaining its role in the world diamond industry. On the other hand, if the value of these natural resources can be realised and equitably distributed, it presents an opportunity for Angola to address the devastation resulting from 40 years of war. By signing the agreement with De Beers, the Angolan government have indicated their commitment to this potentially mutually beneficial partnership. De Beers now needs to deliver by finding the resources, but doing so in a manner that contributes to the reconstruction of Angola. The following chapter identifies opportunities for De Beers to contribute to sustainable development in Angola, even at this early stage of exploration.

6 IDENTIFYING OPPORTUNITIES TO CONTRIBUTE TO SUSTAINABLE DEVELOPMENT

Contributing to sustainable development by being a good corporate citizen is not altruistic; it also needs to benefit the corporations concerned. This is particularly applicable to De Beers who rely on the reputation of diamonds to drive market value. If diamonds are linked to environmental degradation, conflict, blood and unfair labour practices they will go the same way that the fur trade went in the 1980s. Diamonds for good, diamonds for development and diamonds for Angola may certainly have a positive impact on De Beers' bottom line.

As discussed by Mebratu (1998:493) any definition or interpretation of sustainable development is skewed towards the institution or group using it. De Beers, as a mining company, would identify most with the Institutional version of sustainable development (Mebratu.1998:504). This view is based on the satisfaction of needs and involves the process of tradeoffs between the biological system, the economic system and the social system. The Institutional version also recognises environmental constraints and so the need to meet basic human needs without destroying the environment upon which all life depends (Mebratu, 1998:505).

By signing the UN Global Compact, De Beers has already made a commitment to act as a good corporate citizen. The other commitments that De Beers has made, through the World Economic Forum Partnership Against Corruption Initiative, the Council for Responsible Jewellery Practices and the Best Practice Principles, in addition to internal policies and procedures, further charge De Beers with conducting its business in a certain manner, regardless of the environment in which it is operating and the legal requirements that would be applicable there. The majority of these commitments are to meet the expectations of a largely Western, affluent market: those who purchase diamonds. The reality of Angola however dictates a different focus for CSR. So whilst the core principles and commitments made would still be applicable, the priorities would differ. A genuine contribution to the country would require a different understanding of sustainable development to that which may be commonly held in the more developed countries and as is represented by the codes discussed in previous sections. Sustainable development, and so CSR, in Angola would need to have a developmental focus. It is important to understand what sustainable development and corporate citizenship mean in the Angolan context and to develop strategies around this. Using the Integrated Social Contracts Theory proposed by Malan (2005), will enable De Beers, whilst staying within the CSR

framework that they have committed to, the hyper-norms or macro contract that Malan refers to, to develop micro social contracts that would be more applicable and beneficial to the local context.

The literature on the resource curse covers the association between natural resources and various social and economic indicators, and the likely causes for the inverse relationship between the two. Advice on addressing the resource curse is limited, possibly as there is no single and easy-to-implement answer. This should not been seen as a lost cause though, as improved institutional capacity can turn resource abundance into an asset rather than a curse (Boschini et al, 2003:26). Whilst this will require a collective effort by all involved in Angola, there is a specific role that multinational corporations, working in the resource extraction industry, can play. Multinationals bring the capital, technical expertise and the industrial means for large and ongoing extractive operations, otherwise beyond the country's reach (Dietrich, 2000b:238), and so facilitate the contribution that diamonds make to Angola's development. Experience in Botswana has shown us that this contribution can be significant. In addition to the operational development, multinationals provide employment and other business opportunities in local communities. Multinationals acting as good corporate citizens can contribute even more.

There seems to be an appetite for Africa with a number of initiatives focusing on sustainable development - the Millennium Development Goals, although a global initiative it addresses issues relevant to Africa's development; the New Partnership for Africa's Development, the Commission for Africa and Business Action for Africa being some examples. These are indicative of the global support for Africa, linking into and harnessing the goodwill associated with these initiatives will contribute further to development. It is however imperative that this goodwill is genuine and that the call by the Commission for Africa (2005) to stop doing things that damage Africa, is heeded. Any 'strings' attached to development aid should contribute to long term equitable development that is sustainable, rather than undermine Africa's ability to support itself.

6.1 SUSTAINABLE DEVELOPMENT AND CORPORATE CITIZENSHIP IN ANGOLA

The broad concept of sustainable development; that of balancing environmental protection, social responsibility and economic development, would be applicable anywhere. With regards to the four fault lines differentiated by Hattingh (2001), an interpretation of sustainable development, unique to the Angolan, developmental context, is proposed. This would be weak in terms of the degree of environmental protection; egalitarian in that it should address the

needs of all people; depending on the context top-down approaches, bottom-up approaches and a hybrid of the two are necessary; and broad as regards the subject area covered by the concept of sustainable development.

With the developmental focus of sustainable development and the mineral wealth of Angola, the natural assets provide the initial capital for development. The weak interpretation of sustainable development, proposed for the Angolan context, does not consider the limits to natural capital but rather looks at how these can be utilised and substituted for other forms of capital. The exploitation of Angola's mineral wealth to be substituted by other capital types illustrates the weak interpretation of sustainable development. Ongoing reliance on natural capital may nevertheless undermine sustainable development, especially if the total capital stock is not maintained or poorly managed. Over time, once the natural capital has provided an injection into the economy, this interpretation should shift to a stronger form of environmental protection.

Development is the emphasis of an egalitarian approach, where the focus is on raising the living conditions of the poor and a fair distribution of resources. The history of Angola, particularly towards the end of the civil war, is dominated by conflict over resources and the allocation of these to a particular group of people, as per the criticism regarding the distribution of oil revenues. Recognition in the constitution and in legislation that natural resources are an asset of the nation, and the number of government initiatives focused on development and poverty eradication, are indicative of a shift towards a more egalitarian interpretation of sustainability.

These initiatives indicate a top-down approach to sustainable development, where participation is limited. Such an approach is necessary at times, although it is also important to understand local issues and concerns, and this can only be achieved through participation or a bottom-up approach. A balance between these two needs to be struck, depending on the circumstances.

Environment is seen as central in a narrow interpretation of sustainable development, with social and economic issues on the periphery. The General Environmental Law of Angola, Law No 5/98, defines environment very broadly and includes economic, social and cultural factors, the impacts on living beings and the qualify of life for human beings (Republic of Angola, 1998) This wide or broad interpretation understood in the Angolan context allows for the inclusion of issues around social sustainability, such as resource use, work, health, education, leisure. These are all central and essential to an understanding of sustainable development, as in the Angolan context. Progress towards sustainable development in Angola will only be achieved if

there is due recognition of the turbulent history of Angola and the impact that this has had on the people and the land.

The Five Capitals model provides a basis for understanding sustainable development in the Angolan context. As already mentioned, Angola's rich endowment of natural capital in the form of diamonds and oil can provide the necessary input for development. This capital can be transformed into social, human, manufactured and economic capital. When transforming capital, it is important to ensure that the total capital stock remains intact and that there is no net outflow of capital from Angola. The loss of diamonds to neighbouring countries through illicit diamond dealing is a deduction from the total capital stock of Angola. Natural capital is at the base of the pyramid and underpins the other capital types. The next level is social and human capital, which would require significant investment following the extensive war in Angola. Educational institutions and medical facilities would make a vital contribution to building up human capital in the form of education, skills, knowledge, motivation and health and would contribute to the achievement of two of the Millennium Development Goals. These institutions would also contribute to social capital. A focus on re-establishing communities and families is necessary after the war which left many individuals separated from their families and many people displaced within the country. The General Programme of Demobilization and Reintegration of ex-Soldiers is an attempt to address this issue (Golder Associates, 2006:52). If development is to be sustainable and the resource curse addressed, Angola will need to move beyond the current dependence on primary resource exploitation to the development of secondary industries and manufacturing. Investing in manufactured and financial capital will facilitate this. Whereas the concept of intersubstitutability appears simple and obvious, the reality of limits should be constantly considered. The natural resource base is finite and provides source and sink functions vital to human survival, overshooting the limits of the natural environment will lead to a collapse of the whole system, with the base gone, human, social, manufactured and financial capital are useless. In terms of Gallopin's (2003:16) differentiation of approaches to sustainability, this would be seen as weak sustainability. In reality the intersubstitutability between capital types is not as tidy and simplistic as portrayed above. Capital does not transform seamlessly from one type to another and it is not easy, if at all possible, to calculate and compare the value of the each respective form of capital. The Five Capitals model is purely a conceptual model that allows for a more detailed understanding of sustainable development and illustrates the linkages and the intersubstitutability between the various capital types. It is also a useful concept in understanding the need for balance between the types of capital, and should be used as such.

Business can play one of a variety of roles in their contribution to development within a country. Malan (2005:54), in his article on South African corporations operating in Africa, identifies four possible roles that a corporation can play, based on their political involvement and social responsibility (Figure 5). How they balance their primary economic roles with their social involvement and their political involvement will impact on how they will be viewed by the different stakeholders in the host country.

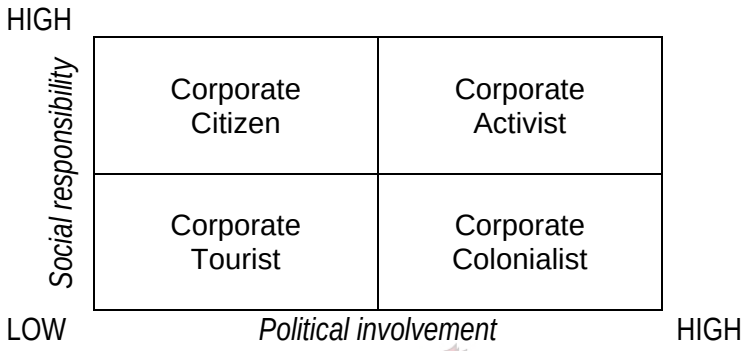

Figure 5: Plotting social responsibility against political involvement (Malan, 2005:54).

The matrix resulting from plotting social responsibility against political involvement gives the four roles which Malan (2005:54) describes as follows:

- Corporate Citizens are seen as sustainable corporations with a commitment to social responsibility and environmental integrity; they are viewed as wanting to make a real and lasting contribution to the county in which they operate.
- Corporate Colonialists would view the host country as a source of profit without any real regard for the well-being of the region.
- Corporate tourists are companies that establish a quiet presence in host countries without much social or political involvement, resembling a tourist who is there to look around and stay for a while, but can easily pack his or her bags at the slightest hint of trouble.
- Corporate activists, according to Malan (2005:55) have the most problematic position on the grid. Actively participating in both the social and political components of a host country seems problematic and instinctively wrong; the rule of thumb seems to be that corporations should become involved at the social level, but should refrain from playing a political role. There is however occasionally an expectation that corporations should get involved at a political level in order to address injustices.

Malan's (2005) model would be applicable to any multinational operating in Africa and whilst the role of a good corporate citizen is the one that would probably sit best with most responsible company's, in Africa business does occasionally need to take on a greater political role, fulfill the traditional role of government and occasionally make alliances with political figures in order to protect their investments. In all of these cases there is a very fine line between what would be considered appropriate and what not. The application of Integrated Social Contracts Theory may again be appropriate (Malan, 2005). The OECD Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones includes a section on political activities, rather than providing specific guidelines, the tool lists a series of questions intended to raise awareness on the role a company plays and to help companies play these more effectively. The fact that this tool sets out to raise awareness rather than prescribe rules, is significant and in line with the growing recognition that what is regarded as good CSR in the 'North' is not always applicable or of priority in developing nations.

The core themes and principles emerging from the various CSR standards and codes of practice, whilst widely applicable, may not always be a priority for developing nations. The contemporary CSR agenda is failing to contribute adequately to development (Fox, 2004:34) and may often have unintended consequences. In an attempt to meet CSR expectations of the 'North', companies may choose, for example, to source from fewer, larger suppliers in order to reduce their exposure to social and environmental problems being uncovered in their supply chain (Fox, 2004:33) this would undermine the development of local small and medium enterprises, a priority for African counties.

Africa has its own priorities, as demonstrated in Carroll's revised pyramid for Africa (Figure 3) with philanthropy being more of a priority than legal compliance and ethical conduct (Visser, 2006). Social and developmental issues also take priority over environmental protection, as indicated in the weak interpretation of sustainable development. The Millennium Development Goals and the objectives of the New Partnership for Africa's Development provide guidance on other, more specific priorities for Africa. Corporate social responsibility is business' contribution to sustainable development, the interpretation of sustainable development, set out earlier, should therefore guide business understanding and approach to CSR in Angola.

Advocating a flexible approach to CSR may cause tensions for a company. Many corporations, especially those that are aware of their responsibilities, have developed their own statement of business practice. Where these are detailed and rigid, they cannot be easily adapted to meet

country specific CSR priorities and are often not achievable in the developing country context; they then run the risk of not complying with publicly stated commitments. More general statements of practice can act as a set of hyper-norms or a framework within which actions can be tailored to the specific context.

Based on the discussion above, I would tentatively propose that Visser's amended version of Carroll's pyramid (Figure 3) prioritizing CSR actions, would largely hold true for Angola. Whilst all four actions are applicable some are more important. The requirement to generate funds for the government, as a Joint Venture partner to most multinational companies operating in Angola and as the recipient of tax revenues, is of prime importance. Hence the economic contribution made by CSR is a priority. Meeting society's needs and expectations through philanthropic activities would be the second priority. The government is not able to fulfill all their obligations as regards adequate service provision and multinational companies are often expected to step in, even though this would not be part of their core business. Through a number of international initiatives and pressure groups, there is an increasing expectation for business to be conducted in a more ethical manner. Whilst this may not necessarily be a priority for Angola ethical conduct is a requirement from international stakeholders, and so is third in the list of priorities. Legal compliance, as demonstrated by a general lack of enforcement of much of the legislation, is not a significant priority for CSR in Angola, and is at the top of Visser's amended.pyramid.

The priority actions for CSR suggested above, together with the understanding of what the sustainable development issues are for Angola, provide the backdrop against which De Beers can start identifying opportunities for it to contribute.

6.2 OPPORTUNITIES FOR DE BEERS

Based on the interpretation of sustainable development in the Angolan context and an understanding of the De Beers exploration activities a number of opportunities for De Beers to contribute to Angola have been identified. These opportunities are presented as a set of proposals below.

De Beers is confident that viable diamondiferous kimberlites will be found in Angola and developed into profit making mines; however, current De Beers activities are not generating an income, but are rather an expense (an investment) to the greater De Beers group. Large donations and expensive projects not directly related to explorations' core business are therefore not an option when looking at opportunities for CSR. Explorations contribution to

sustainable development in Angola should rather focus on going about their exploration activities in a responsible manner and finding opportunities to work with local communities and institutions on issues of common concern for mutual benefit. Explorations CSR activities should also lay a foundation on which mining can build, but at the same time be sustainable on their own. Exploration at any one location is of short duration and there is no guarantee that a mine will be found or developed, hence the need to ensure that the expectations of local communities are managed and that dependencies are not created. De Beers' current agreement with Endiama is limited to five years (Partnership Africa Canada, 2005).

In addition to focusing on core business activities a company should focus on their sphere of influence to have the most effect. Campher (2005:71) identifies the workplace, the market place and supply chain as the areas that are likely to present the most immediate opportunities to contribute to local economic development, followed by a wider participation in the development of the broader economy. For De Beers, this would mean first targeting the employees though an improved workplace, conditions of employment and skills training. As the physical face of De Beers in Angola, it is through employees and their actions that De Beers' contribution to sustainable development is made and judged. Following Mitchell's (2005) view on corporate responsibility, it is up to individuals, facilitated by their company, to behave in a responsible and accountable manner and in this way contribute to the company's effort to be a good corporate citizen. Targeting employees will therefore also yield the greatest return. Focussing on the market and supply chain would include assisting with the development of local suppliers, creating business opportunities for small and medium businesses and promoting safety, health and environmental awareness amongst suppliers by encouraging certain standards. At a broader level, with government, participation in initiatives to improve the environment for effective business and development is encouraged. The opportunity to engage with government, the public sector and multilateral organisations will be enhanced by demonstrating a genuine commitment to economic development (Campher, 2005:71).

A focussed approach to CSR will bring more benefit than numerous disparate interventions. Considering that De Beers' activities are limited to a particular concession area in the Lundas, this area will be impacted most by De Beers' exploration activities; conducting business in a responsible manner should therefore have the most benefit for this area. Linking with or complimenting existing initiatives and interventions in a particular geographic area will enhance the effectiveness of these actions. Focussing efforts on a single sector or activity will result in marked and more sustainable change for that sector. The issues identified in the Millennium

Development Goals, listed earlier, could be a guide when looking at what sectors should be a priority.

The various commitments that De Beers have made through the UN Global Compact, the Partnership Against Corruption Initiative, the Council for Responsible Jewellery Practices, the Diamond Development Initiative, Business Action for Africa, the Best Practice Principles and the various internal policies and procedures, set the boundaries within which De Beers should conduct their activities in Angola and provide guidance on what the significant international issues are. As already discussed in the previous section, these should then be prioritised and interpreted for the Angolan situation and linked to development objectives for the region.

Regardless of context and priority, legal compliance should serve as the minimum and overarching code of conduct. Although the institutional capacity supporting legal compliance is limited and legislation is not always enforced, this should not be an excuse to flout the requirements. Supporting government in its effort to regulate is an important contribution to governance. In order to meet this requirement De Beers would need to identify all applicable legislation and, where available, compile this into a legal register listing specific requirements for De Beers. Business, labour, environmental and mining legislation is some of the legislation that would be applicable. In addition to above, De Beers should, where possible and applicable, implement their own standards of best practice which are the norm for their operations in other countries, and through this set industry standards and start pushing the boundaries set by legislation. Apart from the joint venture with De Beers, Endiama has joint ventures with all other diamond exploration and mining companies operating in Angola. De Beers' practices may set a precedent that Endiama will expect its other partners to follow.

Considering the priorities for Angola, and starting at the base of the sustainable development pyramid, the following are a number of practical actions and areas of focus that De Beers could consider incorporating into their exploration strategy in order to contribute to sustainable development in Angola. Although the definition of CSR used here largely excludes philanthropy, there is a place for it in the CSR agenda and as one of the CSR priorities for Africa and probably Angola, it should be considered.

6.2.1 Environment (Natural Capital)

Natural capital is the base underpinning the other capital types and future development; and although the interpretation of environmental protection in the Angolan context is weak, natural capital should be protected or at least utilised in a sustainable manner.

Exploration activities will impact on the natural environment and with the intention of finding a mine, future impacts are potentially more significant. The nature of kimberlite mining, together with the geology of the area (the kimberlites are covered by approximately 100 metres of unconsolidated material) may result in a significant mining footprint and render the mining area useless for other land uses during the life of the mine. The mining activities will also require extensive water resources. The nature and extent of environmental impacts associated with the mining activities will be identified through the Environmental Impact Assessment required for mining. This assessment should also propose measures to minimise and mitigate the environmental impacts and proposed suitable and sustainable post mining land uses. The mining plan will also need to look at issues of compensation for the loss of livelihood of those affected. The currently reality of the Lunda's is that vast tracks of land are vacant and, unless a mine was located in or near a village, there would be little disruption of people's current livelihoods. Sustainable development is however about change (Gallopin, 2003:11) and implies the idea of a directional and progressive change that should improve the quality of people life. A mine in the Lunda's, whilst having a negative impact on the environment, could contribute significantly to the other capital types and so to different, but sustainable livelihoods for the local people. These issues will need to be considered and addressed during the development of a mine.

The environmental legislation, Decree 51/04, stipulates that Environmental Impact Assessments (EIAs) should be conducted for all projects that 'by virtue of their nature, size or location may have implications for the environmental and social equilibrium and balance' (Republic of Angola, 2004). Early exploration activities are limited to small soil or stream samples and small diameter drilling programmes, resulting in minimal environmental impact. Once a kimberlite has been discovered and needs to be evaluated, the exploration programme intensifies and the impact on the environment increases, although it is still small when compared to the impact resulting from mining. In terms of this legislation exploration activities would not require an EIA; however, there should be an understanding of the impacts that exploration may have on the environment and measures should be put in place to prevent, or at least mitigate, these impacts.

As indicated, an environmental and social scan has already been conducted and provides an overview of the biophysical environment. Areas sensitive to development have also been identified. An outcome of the study is an Environmental Management Plan (EMP) which presents generic guidelines for exploration activities, for example on how to clear access roads

and drill sties in order to minimise the disturbance, remediate areas of impact and minimise resource use (Golder Associates, 2006:130). The EMP should to be made more specific to cover De Beers' activities, the area and extended to include the base camp and advanced stage exploration activities. In addition to minimising the impact on the natural vegetation and biodiversity, the EMP should also raise awareness around the impact that prospecting may have on local land uses. Altering the location or timing of prospecting may, for example, minimise the impact that it will have on agricultural activities. Once endorsed by senior management the activities stipulated in the EMP will need to be implemented and should involve a training and awareness component amongst all employees. Monitoring of the effectiveness of these actions is an ongoing process, not just to document that the action has taken place, but also to review and update the EMP to ensure effectiveness. The EMP, as well as the environmental and social scan and other environmental information gathered during exploration, will provide a baseline necessary for the legally required Environmental Impact Assessment for mining.

One of the contributions to the environmental and social scan was an assessment of the biodiversity of the Lundas, and it is evident from this that since independence in 1975 very little biodiversity research has taken place. The initial understanding of the biodiversity of the area was limited and it can be assumed that it has changed significantly since independence, due to the impacts associated with the war, mining activities and current land use practices. In order to understand the present status and future needs of biodiversity in the Lundas more research is necessary. De Beers can make a contribution to biodiversity understanding and conservation by including studies on the local biodiversity into other environmental scans and EIAs, and by providing logistical support to scientists working in the areas. De Beers employees spend a fair amount of time in the field and travelling between the base camp and field operations; the simple task of recording and reporting any wildlife sightings and building up a database of these will provide useful information to individuals or institutions studying biodiversity. It may also raise an awareness and appreciation of the environment.

Ensuring environmental sustainability is one of the eight Millennium Development Goals and also a priority sector for NEPAD's programme for action (NEPAD, 2001). De Beers' contribution of minimising environmental impacts and supporting biodiversity conservation will assist in attaining these goals.

6.2.2 Society (Social and Human Capital)

As Sneddon et al (2006:262) indicated development is ultimately about freedom. Contributing to social and human capital can be a contribution to this freedom.

The mineral wealth of Angola belongs to the people of Angola and it is necessary that they benefit directly from the exploitation of this resource. Transforming natural capital to social and human capital is the responsibility of both the government – who receive revenues from these resources, and of the companies exploiting the natural capital. In terms of this De Beers would be responsible for contributing to the social and human capital of Angola, and in addition, in the short term, may need to take on some of these responsibilities on behalf of government. As argued by Wiig and Ramalho (2005:20) the obligations of business increase when operating in countries which lack the proper institutions to deal with the provision of certain services; however, this should be temporary and pave the way for public institutions to take over these responsibilities.

For De Beers, building human capacity should start within their immediate sphere of influence; their employees. Providing employment and creating a work environment that values the input of individuals, treats them with respect, facilitates learning and rewards their efforts, is a good start. In order to treat people with respect, there needs to be an understanding of local customs and traditions and so a realisation that the context matters. The management style may need to change in order to respect such customs. Similarly, with a workforce comprising local and expatriate employees, there is a need to create an awareness of and sensitivity towards local behaviours and practices. Investing in human resources through raising awareness and training will also benefit the company by having highly motivated, skilled employees. Transferring knowledge on environmental, safety, health and hygiene standards may contribute to improvements in an employee's home environment and the community as a whole. Some of the programmes that are implemented to raise awareness amongst employees could be extended to the larger community at minimal cost and effort. HIV/AIDS and malaria awareness are some examples of topics that would be applicable to the broader community and would contribute to the MDG's of combating HIV/AIDS, malaria and other diseases.

The provision of medical services is severely lacking in the Lundas and whilst it would be impracticable to expect De Beers to provide all these services, small contributions can make a difference. All De Beers employees undergo a basic medical examination at the start of their employment to ensure that they are able to undertake the work that they will be expected to

perform and to establish a baseline medical condition. Depending on what their job involves, medical assessments are conducted on a regular basis thereafter. The ongoing monitoring of health will facilitate early detection of potential disabilities and illness. Locating, equipping and training a local medical practitioner to provide these and other medical services to De Beers will also have benefits for the local community, who could also make use of these services.

The likely development of a mine in the Lundas will require specialist skills, and with the legal requirement for a predominantly local workforce, it would be worthwhile for De Beers to start investing in the required skills locally. Offering bursaries or experiential training opportunities would be a shorter term intervention, investing in social capital such as schools and tertiary educational facilities to enable them to develop these skills on De Beers' behalf would be a longer term and larger investment that may require other partners from the mining industry. Strengthening and building institutional capacity at different levels will enable the various sectors to become more active and drive change, and so contribute to reversing the effects of the resource curse on Angola. The different levels would include (Fox, 2004:32):

- Government agencies and public governance frameworks in order for them to strengthen the implementation of existing regulation and to understand and engage with the wider CSR agenda. This should include national, regional and local government institutions.
- Business and business associations such as chambers of commerce, progressive business leadership groups or trade associations. This will facilitate the sharing of information and development of industry standards. As a sector grouping, business associations will have a greater impact than individual companies acting alone.
- Civil society and workers organsiations ('industry watchdogs') that can create local drivers of corporate responsibility. These include labour unions, universities, media organisations and other civil society groups that can gather and disseminate information on business activity and represent the interests of companies' stakeholders.

The increasing involvement of multinational companies in the diamond industry in Angola, all with a common shareholder in Endiama, presents an opportunity for collaborating on the numerous issues facing the mining sector and as a group can make a more significant contribution to sustainable development. De Beers should investigate the opportunities for such an association in Angola.

6.2.3 Economy (Manufactured and Financial Capital)

Building mines and associated infrastructure is developing manufactured capital. With regards to De Beers' exploration activities, there is minimal contribution that can be made to manufactured and financial capital. This contribution will be realised during the mining phase, in

the form of infrastructure (for example roads, energy and water provision) and beneficiation of the final product. Employment opportunities and small business development are two areas where exploration can play a role in the local economy. Paying salaries into the community, through the multiplier effect, will contribute to local economic activities, as will support local businesses. As much as possible, De Beers should look for opportunities to source goods and services locally and so support the development of small and medium enterprises.

Perhaps the most significant issue regarding financial capital is that of transparency. This is of particular concern in Angola, which scored so low on the corruption perceptions index (Transparency International, 2006). There are various opinions on whether or not a company that has partnered with a seemingly corrupt government can be a good corporate citizen. It is argued, referring to the oil industry in Angola, that without a corporate presence the slow pace of social development in Angola could come to a standstill and so engaging with government is the only option. It is then important that companies push for change in transparency and corruption and force this onto their suppliers and contractors, and where possible, press government for change (Dietrich, 2000b:245). Participating in the Extractive Industries Transparency Initiative and 'Publish What You Pay' may further contribute to transparency. According to Wiig and Ramalho (2005:12) oil companies in Angola are reluctant when it comes to the issue of transparency, as they see it as a threat to their license to operate, this after BP faced severe problems with the government when they made their signature bonus public. These companies are trapped in a dilemma, where transparency would probably benefit the industry as such, but would hurt any individual firm that made their transactions public, reaffirming the need for industry associations that would have more sway with government than individual companies acting alone. Whilst not currently a significant issue for De Beers, once (if) it initiates mining operations it is something that will need to be considered, especially given De Beers' role in and commitment to the Partnership Against Corruption Initiative.

As an international company, part of the profits generated from De Beers' future operations will be paid to shareholders outside of Angola. This is contrary to the objective of trying to maintain the total capital stock of Angola within Angola. This is in part mitigated by the joint venture arrangement with Endiama, who will receive profits commensurate with their shareholding, which is at 51 percent. In addition to this, as discussed earlier, the government will receive tax and royalty revenue from a mining operation and infrastructural investments in the country with employees receiving salaries. Through the marketing arrangement with SODIAM, the

government will receive additional revenues and tax on diamond sales. The profits received by De Beers' shareholders outside of Angola will be a return on their initial, exploration investment.

6.3 NEXT STEPS: PERCEIVING DE BEERS' RESPONSE

The opportunities identified above are suggestions of how De Beers can contribute to the sustainable development of Angola, based on an understanding of the literature, the Angolan context and De Beers' exploration activities. The identified opportunities are practical, do not involve a significant shift from current practices, align with broad De Beers commitments and may require only limited additional capital. Based on this it is felt that De Beers Angola will respond positively to these suggestions. The business case is also an overriding factor. The current and increasing consumer awareness of the potential negative legacy of diamonds will also encourage De Beers to act in a more responsible manner. The acceptance of the suggestions will depend on the broader framework within which De Beers Exploration operates, the mindset and commitment of the De Beers Angola Manager who will guide the development and implementation of the exploration strategy and ultimately on the action of individual employees.

The proposed CSR actions align with commitments made by De Beers in various internal policies and through signing up to a number of international codes of practice, as listed earlier. De Beers' public commitment to sustainable development, although not the term at the time, stems from a 1957 statement by Sir Ernest Oppenheimer, a major shareholder and De Beers Chairman, who is recorded as saying that 'The aim of De Beers is, and will remain, to make profits, but to do it in such a way as to make a real and lasting contribution to the communities in which we operate' (De Beers, 2004b). This remains the thrust of De Beers' approach to sustainable development. Two of the five De Beers values are also particularly pertinent to De Beers' activities in Angola, these are the values of 'Build trust' which is elaborated on as follows *We will listen first, then act with openness, honesty and integrity so that our relationships flourish* and 'Show we care' which is defined as *The people whose lives we touch, their communities and nations and the environment we share, all matter deeply to use. We will always think through the consequences of what we do so that our contribution to the world is real, lasting and makes us proud* (De Beers, 2006a). With reference to the environment, the De Beers Environment Policy (De Beers, 2006b) recognizes the need to 'strike a balance between its economic, social and environmental responsibility' and makes various commitments 'in the pursuance of the highest standard of environmental care and protection'. Similarly the approach taken in De Beers Community Policy (De Beers, 2006c) is one that 'integrates communication

and consultation, respecting community interests and providing support, where appropriate, for initiatives aimed at improving the environmental, economic and social sustainability of communities affected by our operations'. These overarching statements provide the context within which De Beers Angola is expected to operate and are conducive to meeting the suggestions made.

Interpreting the De Beers Group commitments for the Angolan context is the role of the De Beers Angola Manager. It is his responsibility to develop and guide the implementation of the exploration strategy and so make corporate social responsibility part of the core business of the organization. He will be fundamental to the acceptance and implementation of the suggestions made in the previous section. The stated objective of De Beers in Angola which is 'to discover and develop kimberlite mines in partnership with Endiama and the Government of Angola in such a way as to make a real and permanent contribution to the wellbeing of the people and to the development of Angola' (pers. comm. Skinner, 2006), supports the suggested goals for CSR. The appointment of a De Beers Angola Safety, Health and Environment manager and communications manager, whose responsibilities include Corporate Social Investment, are indications that the high level commitments are receiving the necessary resourcing. Undertaking the social and environmental baseline scan for the concession area was not a legal or contractual requirement and indicates a commitment to these issues. The employment of a number of local employees, together with the on-the-job training that is being provided, further supports that perception that there will be a positive response to the suggestions made in the previous section. Obviously the acceptance of any suggestions will be weighed up against the business imperative of exploration delivery; these two however need not be mutually exclusive.

The commitments made by De Beers and the De Beers Angola management team are exactly that, just commitments. The implementation will depend on the employees who make up the organisation. The current workforce in Angola comes from a range of backgrounds, cultures and educational levels and presents a challenge. Good and inspiring leadership together with a performance management system will contribute to the realisation of company commitments. However a change of culture throughout the organisation is what would make the most significant impact. This takes time and changes based on evidence that senior management are 'living' these commitments. There is however some evidence of the positive commitment that the employee have to neighbouring communities. This is illustrated by the *Mbungue Ya Lenga* Club (meaning Happy Heart in the local Tchokwe language). *Mbungue Ya Lenga* has been set up by employees to raise funds for community projects around the Lucapa camp. Early in 2006

the club organised a children's party commemorating National Children's day, which was attended by approximately 500 children from Lucapa. Their current project is to renovate a primary school in the vicinity of the camp and provide desks and chairs. Children currently have to take their own chairs to school, there are no desks.

Based on the analysis above it is believed that the suggestions in the previous section on how De Beers should conduct their business in Angola will largely be accepted. The outcomes will depend particularly on the De Beers Angola Manager and his senior management team. Individuals in the company will follow their lead. As a business there will obviously also need to be alignment with the business objectives.

7 CONCLUDING REMARKS

In Angola, good corporate citizenship is not a luxury or an option, but an obligation (Dietrich, 2000b:252). Acting as a good corporate citizen also meets other business objectives. According to Varley (2006:3) there is no mutual exclusivity between doing business in an ethical and responsible way, and making money. This is particularly applicable to De Beers who rely on the reputation of diamonds to drive market value. Diamonds for good, diamonds for development and diamonds for Angola will most certainly have a positive impact on De Beers' bottom line.

The objectives for this thesis were to gain a better understanding of and identify the priority issues for sustainable development in Angola. Based on this opportunities for De Beers Exploration to contribute to sustainable development, through their core business activities, were to be identified.

The sustainable development priorities for Angola are largely a function of the history of the country. The years of colonialism and war have had a profound impact on the country and any development should focus on addressing these impacts first. From a multinational companies perspective the CSR priorities also differ from those which are widely accepted in the 'North'. De Beers will need to try and balance the requirements and expectations of its customers and shareholders with those of the Angolan government and society. Another consideration is that De Beers, whilst currently only conducting exploration activities, hopes to develop mines in Angola in the near future. Any relationships, good or bad, or impacts that the exploration teams make will set the tone for future interactions.

Due to the nature of exploration activities, largely of short duration and at a number of different locations, any contribution that is made should be short term or once-off in nature and mostly on a local scale. Once viable diamond deposits are found and mines are developed, longer term partnerships and projects that may have a regional and national impact, can be put in place. This approach ensures that false and unrealistic expectations aren't raised and that those projects that are implemented are sustainable. The general principles that should guide De Beers' contribution are to:

- Focus on core business and actions within their sphere of influence;
- Prioritise single focussed rather than numerous disparate interventions; and

- Optimise synergies and where possible partner with existing organisation/initiatives.

On a more practical and local scale, opportunities exist for De Beers to contribute to all five capital types through their day to day activities.

From an environmental perspective the focus will be on minimising the physical impacts of their exploration activities and ensuring that these do not affect sensitive environments. Increasing biodiversity knowledge through documenting sightings and sharing information from external studies (for example the environmental baselines that has been conducted) with the relevant authorities will also be a focus area.

Providing employment opportunities and through this skills development contributes to building human capital. Probably less tangible, but as important for Angola following years of colonialism and war, is treating all people, employees and community members, with respect and dignity. A number of synergies exist between services that De Beers requires and those that the local communities would need. This includes basic medical care. Training and equipping a medical worker who can offer services to both the De Beers operation and the local community is such an example and a sustainable contribution to social capital.

Transparency and good governance are two priority areas for Angola. De Beers is currently not in a position to make a significant contribution to these goals, however the way business is conducted and what is deemed to be acceptable during the exploration phase will inform how things are done once a mine is operational. It is therefore important that De Beers' numerous commitments to ethical business practices are implemented. De Beers' current outlay for exploration is an investment in future financial and manufactured capital returns for Angola.

The opportunities identified are aligned to the greater De Beers commitments to sustainable development and to the stated objective of De Beers Angola. Based on this, and the commitments of the manager and employees, it is believed that these opportunities will largely be realised. This will form the base on which mining CSR activities can be built.

A similar case could be made for Democratic Republic of Congo, another African country desperately in need of development and also cursed by their resource wealth. De Beers' similar exploration operations in the Democratic Republic of Congo, using the proposals given here,

but adapted to address their local issues, can to contribute to sustainable development and reconstruction in this country.

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