

Even special things can go bad / Even normal things can do good

The role of procurement in mitigating risks in developing countries



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Even Special Actions Can Go Bad/Even Normal Actions Can Do Good

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The role of procurement in mitigating risks in developing countries

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INDEX-REFERRAL

This report explores the origin of the **instability** and of risks that a **Multi National Enterprise (MNE)** encounters when operating in a **developing country** on a **local level**, in order to determine if it is possible to **reduce** these risks by taking a particular approach towards procurement. The criterion for the analyses of 2 case-studies was the level of stability of the **footprint-area** before and during MNE investment and operating and the role of **procurement** herein. The study concludes that there is a connection between the level of stability and the **use of local suppliers**. First reason identified is that it is expected by the footprint-area and that grievances enforce instability. The second reason is that using local suppliers also is a sure fire way to (re)construct the dimensions of economy and institute that build up stability together with nature. Although the research does not determine a causal relationship between stability and the procurement practices of a MNE, it has become evident that significant **risk reductions** can be realized by using local suppliers. The project has been commissioned by Overmars Organisatie Adviseurs.



AUTEURSREFERAAT

Dit rapport verkent de oorzaken van **instabiliteit** en de **risico's** die een **Multi Nationale Organisatie (MNO)** tegenkomt in **ontwikkelingslanden** op een **lokaal niveau**. Dit om vast te stellen of dat het mogelijk is om deze risico's te **reduceren** door middel van een bepaald **inkoopbeleid**. 2 Casussen zijn onderzocht op de mate van stabiliteit van de directe geografische omgeving en invloed van de MNO hierop, de invloed inkoop hierin in het bijzonder. Het onderzoek concludeert dat er een verband is tussen de mate van stabiliteit en het **gebruik van lokale leveranciers**. De eerst gevonden reden is dat omringende gemeenschappen verwachten dat zij contracten krijgen toebedeelt en on vervulde verwachtingen leiden in ontwikkelingslanden vaak tot geweld. Ook is vast gesteld dat het gebruik van lokale leveranciers een directe en duidelijke manier is om de lokale instituties en de economie op te bouwen. Dit zijn 2 elementen die essentieel zijn voor het verkrijgen/behouden van **stabiliteit**. Hoewel de studie geen causaal verband aantoont tussen de mate van stabiliteit en het inkoopbeleid van de MNO is het wel aangetoond dat een aanzienlijke **risicoreductie** behaald kan worden door middel van het gebruik van lokale leveranciers. Het onderzoek is uitgevoerd in opdracht van Overmars Organisatie Adviseurs.

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EXECUTIVE SUMMARY

Currently 60.000 multinationals operate in over 70 developing countries. Globalization is pushing this number ever further upwards.

Even so, more and more evidence is emerging that, in general, these organizations are poorly equipped to deal with the specific risks that are inherent to these areas. The proof can be found in the increasing expenses cited for discontinued business in the annual reports, but even more apparent are the headlines that flare up in the media concerning the conduct of MNEs. By centering two case-studies, an extensive literature review and the opinions of a number of experts around the research question; is there a connection (and if so, which?) between the executed procurement practices and the level of stability in the footprint area? And how does this affect the risks that confront the MNE from the footprint-area? The following results have emerged:

1. The risks that face an organization operating in a developing country on a daily bases are coming from the neighboring communities, and is due to instability of the environment. This leads to unpredictable behavior that is prone towards violence. This instability is most frequently caused by a lack of economical opportunities and the existence of weak institutions.
2. Current risk management practices do not have the ability to adequately and consistently identify these risks as currently no model exists specifically targeted at this area.
3. Current risk management practices do not take the risks that are created/reduced/exacerbated by the organizations presence and activities into account. Instead combating the negative effects is often placed under 'corporate governance'.



MANAGEMENT SAMENVATTING

Op dit moment opereren 60.000 multinationals in meer dan 70 ontwikkelingslanden. Globalisatie drijft dit aantal nog verder omhoog.

Toch komen er steeds meer bewijzen dat, in het algemeen, deze organisaties niet toegerust zijn om de risico's die ze in deze specifieke omgeving tegenkomen het hoofd te kunnen bieden. Het bewijs wordt gevonden in de stijgende kosten vermeld onder de kostenpost 'discontinued business' in de jaarverslagen en in het groeiende aantal krantenkoppen betreffende de 'schaamteloze' activiteiten van MNOs in ontwikkelingslanden. Door middel van het verrichten van twee casestudies, een uitgebreid literatuur onderzoek en het bestuderen van de meningen van een variëteit aan experts, is een antwoordt gevonden op de volgende vragen: is er een relatie (en zo ja, welke?) tussen de invulling van het inkoopbeleid en de mate van stabiliteit in de footprint-area? En op welke manier beïnvloedt dit de risico's die een multinational confronteren op een lokaal niveau? De volgende resultaten zijn gevonden:

1. De risico's die een organisatie operend in een ontwikkelingsland elke dag confronteren zijn afkomstig uit de omringende gemeenschappen, en zijn te wijten aan de instabiliteit van die omgeving. Het gevolg van deze instabiliteit is onberekenbaar gedrag dat geneigd is naar geweld. Vaak gevonden oorzaak van deze instabiliteit is de afwezigheid van economische kansen en de aanwezigheid van zwakke en inefficiënte instituties.
2. Huidige risico management praktijken zijn niet toegerust om de risico's afkomstig uit de locale omgeving adequaat en consistent in te schatten omdat er geen model bestaat dat zich richt op analyse van deze omgeving.

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However these programs are not essential to achieving the primary business objective of profit and as a result the longevity of these programs remains to be seen. The proposed solution lies therefore in the introduction of the equilibrium-model and using local suppliers. The equilibrium-model serves to gauge the risks from the local environment, and deduct the causes. The overall costs associated with using local suppliers on a structural base have been appraised at €332,916.00, by far outweighing the benefits that have been estimated on €26,841,550.15 (see chapter 8). The proven advantages of using local suppliers are a significant contribution towards the knowledge and skills in the region, the creation of jobs, a direct financial injection in the local economy and a strong relationship between parties. In addition it has been determined that local communities expect to be awarded contracts. Not using local suppliers has therefore resulted in disappointment and irritation, adding to the overall frustration felt by the population. In a stable environment institutions would be developed and working in a way that would provide communication channels. Yet, since this is absent in most developing countries grievances are often expressed through violence. It is therefore recommended to integrate the use of local suppliers into the normal procurement procedures. This entails 1)making using local suppliers part of the commodity strategy of the designated products 2)creating possibilities for local suppliers to get on the supplier list 3) developing a strong bond between the multinational and supplier 4) implement appropriate quality and supplier development management systems in collaboration with the suppliers 5) Define the resources available.

3.Huidig risico management negeert de risico's die ontstaan/verergeren/reduceren door de aanwezigheid van de multinational. In plaats daarvan wordt het bestrijden van negatieve effecten vaak geplaatst onder het kopje 'corporate governance'.

De zogenaamde 'duurzaamheid' en 'sociale verantwoordelijkheid' programma's komen niet in aanmerking om de stabiliteit van een regio te verbeteren. Deze vallen namelijk buiten de gewone bedrijfsvoering en dragen niet bij aan de winst. Daarom zijn deze moeilijk te verantwoorden tegenover de aandeelhouders waardoor de duurzaamheid van deze programma's tijdens een slechte economie nog bewezen moet worden. De gegeven oplossing ligt daarom in de introductie van het equilibrium-model en het gebruik van lokale leveranciers. Het doel van het equilibrium model is het identificeren van de lokale risico's en het opsporen van de oorzaken. De verwachte kosten van het gebruik van leveranciers worden geschat op €332,916.00, welke ruim overtroffen worden door de geschatte opbrengsten van €26,841,550.15 (zie chapter 8). De bewezen voordelen zijn een positieve relatie tussen beide ondernemingen, overdracht plaats van kennis, kunde en technologie, een directe financiële injectie in de lokale economie, en de creatie van banen. Ook wordt door de lokale gemeenschap verwacht dat zij contracten toebedeelt krijgen. Het is vastgesteld dat on vervulde verwachtingen en teleurstelling in ontwikkelingslanden vaak een oorzaak zijn van geweld. Om de voorgaande redenen wordt integratie van het gebruik van lokale leveranciers aanbevolen. Hier voor is nodig: 1) het gebruik van lokale leveranciers integreren in de artikel groep strategie, 2) het creëren van mogelijkheden voor lokale leveranciers om op de leverancierslijst te komen te staan, 3) het ontwikkelen van een sterke relatie tussen de multinational en de leverancier, 4) het ontwikkelen en implementeren van een geschikt kwaliteitsmanagement en leveranciers ontwikkeling systeem, 5) het definiëren en beschikbaar maken van middelen.

PROLOGUE

The report lying before you is submitted in partial fulfillment of the requirements for the degree of Bachelor of Science (Bsc.) in the Department of Facility Management of the University of The Hague.

For me this report signifies the end of a three year stay in The Hague, and completion of my studies at the University of The Hague. It feels like the past three years have flown by. Even though I came to The Hague on my own and as a total stranger to the city and the University, they both soon became my home. The reason that I choose to study FM in The Hague was the International Semester. Looking back I would have to say that this has been the most rewarding period of the education. I never considered it possible to learn as much as I did about myself, Facility Management and the world around me, in a span of one semester. Subsequently I would like to thank all my teachers and fellow students for making this possible.

This dissertation is one that could not have been conducted and written without the help of many people around me. I am very grateful to Mr. Drs. Geerdink for enabling me to carry out this research. If it wasn't for him and Overmars Organisatie Adviseurs this study would never have found a commissioner. In addition I would like to thank him for listening to my (at times vague) theories and reasoning's, by doing so forcing me to get my act together. Next, I would like to express my thanks to my teacher-supervisor Mr. Drs. Postmes for his critical support. A number of other people have also been important for the succession of the project amongst them are Mr. Kloos as co-supervisor, as well as dr. Ganer and professor Rubenstein for the encouraging words when I was about to give up. In addition I would like to thank Miss Vitale for so kindly letting me use her gorgeous photo's to illustrate this report. Thank you all... I couldn't have done it without you.

Suzanna Haarbosch,
The Hague, 21 May 2006

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All the photographs displayed at the courtesy of Ami Vitale. More of her work can be found on www.amivitale.com.

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LIST OF ACRONYMS

DfID	Department For International Development (UK government)
FDI	Foreign Direct Investment
MNE	Multi National Organization
MNO	Multi National Organisatie (vertaling van MNE)
OECD	Organisation for Economic Co-operation and Development
PCIA	Preventitiff conflict impact assessment
UK	United Kingdom
WBCSD	World Business Council for Sustainable Development

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INTRODUCTION

Currently about sixty thousand Multi National Enterprises (MNEs) are operating in over seventy developing countries, and another 40% of CEO's is actually considering it (Price Waterhouse Coopers, 2005). Yet, the engagement of MNEs in developing countries is a relatively new phenomenon. Usually MNE involvement in a developing country contains the set up of an operating plant, or taking part in a joint venture. Reasons for this can be the search for new markets, but also cost efficiency is seen as compelling motivation. In chapter 1 this will be further elaborated.

Developing countries are regions where social unrest is harshly repressed and are often areas that are emerged in violent fighting or just emerging from armed conflict. Yet, very few studies have been conducted concerning the risks that are involved with FDI. Research that has been conducted has mainly focused on competitive advantages for the organization, and the possible advantages for the host country. The present case centers the level of risks that are inherent to investing and operating in a developing country. This is done by examining two case studies: The Ahafo project of Newmont mining in Ghana, en the Yadama project of Total in Myanmar.

For this study the expression 'risk' will stand for a possible bad thing that may happen and if manifested threatens the continuity of the organization. An aspect of risk management that is often overlooked by MNEs is the so called 'reverse flow of risk'. This concept evolves around the assumption, proven in a number of case studies, that every activity of an MNE influences the context in which it operates, which in turn will increase or lessen the levels of risk that stem from the footprint-area. Consequently, this allows an MNE to create a positive influence with every policy and activity. Even so, specific attention is usually given to the employment policies, security arrangements, procurement procedures and community relations programs as these are seen to provide a direct impact.

Overmars Organisatie Adviseurs is a small yet very well known and established consultancy firm in The Netherlands. The firm is specialized in subjects often seen as being part of Facility Management and a large part of their clientele

exists out of MNEs. Dow Chemical, Sara Lee International, Royal Dutch Shell and SvitzerWijsmuller are to name but a few. These clients are confronted with the problem as set out above. That is the motivation for the commissioning of this project. The objective of this study is to *"provide a research for Overmars Organisatie Adviseurs that will assist in determining whether or not consultancy services concerning the use of local suppliers as a (part of) a risk mitigation strategy by MNEs operating in developing countries is, or may become, a commercially attractive product for Overmars Organisatie Adviseurs"*. Subsequently, this research will have to demonstrate if it is at all possible to use local suppliers. And, if that, in turn will mitigate the risks coming from the footprint area of the organization.

The preliminary thesis for this project is suited to these specifics: *Is there a connection (and if so, which?) between the executed procurement practices and the level of stability in the footprint area? And how does this affect the risks that confront the MNE from the footprint-area?*

The structure of this report is as follows:

Part one, is comprised to give the reader a clear understanding of the study. In chapter 1 the phenomena of FDI will be further elaborated on. For this purpose the reasons and consequences of foreign investment will be specified and illustrated by some examples. Chapter two provides an impression of current corporate governance practices and other initiatives that have sprung out of the need to demonstrate good governance. For that reason a selection of tools and organizations will be discussed. Risk management practices are addressed in chapter 3, whilst the relevance of the study will be demonstrated in chapter 4, as well as the research questions, structure and the methodological answering. The findings of the study are displayed in part two. Chapter four presents the risks that are currently confronting Facility Managers in Ghana and Myanmar. Following that, chapter 5 will set out how the current practices are impacting the footprint-area of the organizations. The current procurement methods are explained in chapter 6. A cost and benefit analyses can be found in chapter 7. All these chapters are based on two case studies; the activities of Total in Myanmar, and the Ahafo project that is currently under construction by Newmont Mining in Ghana (see annex's 2 and 3) and the opinion of experts on this matter. Part two provides the bases for the conclusion and recommendations that are

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presented in part 3, chapter 9 and 10. Chapter 9 will evaluate the results of the study by presenting the conclusion. The recommendations

for implementation will be presented in chapter 10. All the notes that are inserted in the text can be found on the end of each chapter.

Part 1. The starting point

Senegalese fishermen bring in the days harvest in a perigee in the Casamance region of Senegal. West Africa has suffered massive overfishing by foreign fishing fleets with local small fishing boats forced to fish further and further out to sea or to concentrate their activities in sensitive coastal areas. In the last 45 years foreign vessels caught an estimated 80 percent of the fish taken from West African waters. The coastal nations took home the remaining 20 percent And their share may get smaller

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CHAPTER 1. Developing countries: attractive or risky business?

This first chapter will explain the phenomena that have prompted the research.

§ 1.1 Foreign Direct Investment

Over that past several decades, FDI in developing countries¹ has increased enormously. Direct investors, including MNEs, have long been aware that many of these emerging markets are plagued with political, economic, environmental and social instability, contributing to latent or overt conflict². While it would seem reasonable to assume that this would put off FDI, this is clearly not the case. In fact, several developing countries, such as Sudan, Angola, Congo, Democratic Republic of Congo, Azerbaijan and Mozambique have been able to attract high levels of direct investment despite the occurrence of violent conflicts (see figure 1). This suggests that MNEs and other direct investors take a number of factors aside from risks into consideration. The most common incentive for companies to invest or remain in

developing countries has traditionally been the existence of natural resource-based assets for extractive purposes (Economist, 2000, p. 85). "Corporations in developing countries may also be motivated by the higher potential returns on investment that can be made in comparison to investment in more stable countries³" (Campbell, 2002).

Also governments are encouraged by the Washington consensus⁴ to actively seek FDI as spillovers from FDI are regarded as one of the most practical and efficient means by which industrial development and upgrading can be promoted (Dunning and Narula, 2004). Although this is the general accepted notion it is contradicted by many studies, which show no clear indication of enhanced or accelerated development taking place.

A guide to conflict impact assessment and risk management co-chaired by the University of Ottawa in June 2002 summarized the business case for investing in developing countries as follows.

"It is in these areas of underdevelopment that we can find the highest potential for business growth due to untapped pools of human, social and natural capital, unmet basic needs, unmet expansion

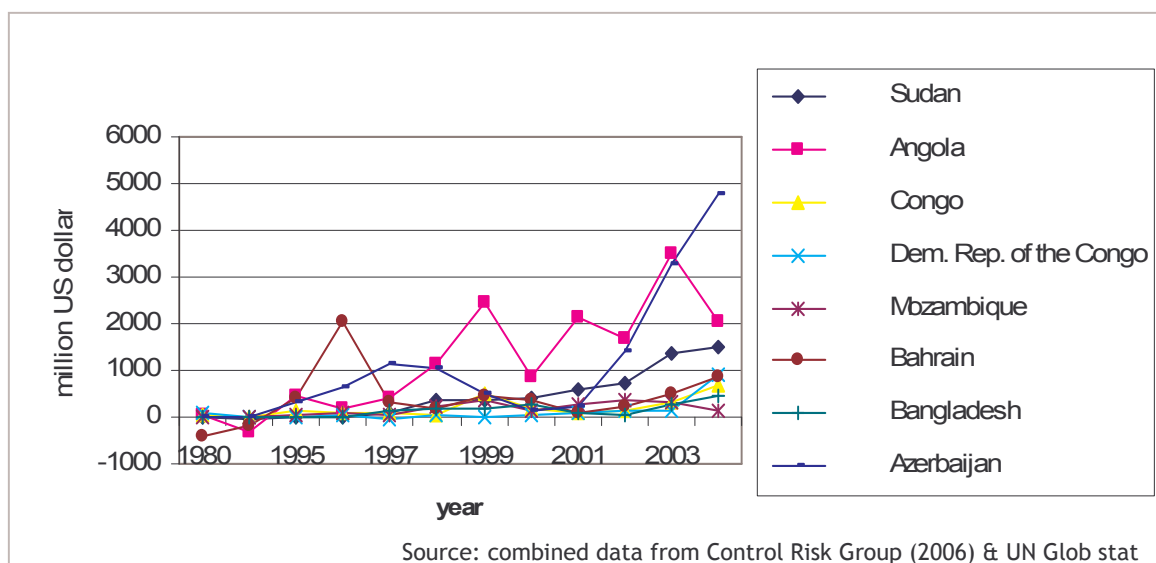


Figure 1. FDI flows into selected risky states

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opportunities and lower operating costs” (Gossen, R. et.al, 2002, p.2).

Summing up, the four main motives for MNEs to invest in developing countries are (Narula 2001):

1. To seek natural resources
2. To seek new markets
3. To restructure existing foreign production through rationalization
4. And seek strategically related created assets

§ 1.2 Operating in a developing country

Those companies that choose to invest in developing countries, are entering a situation that has been described as, amongst others, a “humanitarian crisis”, needing “a stable path for peace building” (Brown, M. 2004), a dangerous place and an uncertain environment to work in (Wykes, 2005). Consequently, the overall situation has been characterized as ‘unstable’ (Szirmai, 2005). This term is often used in relation to the setting in developing countries. Currently, however, there is no clear definition of what the terms unstable, stability or a stabilizing influence entail. At times it is used as an objective, as a starting point or as a cause. According to Szirmai (Interview 2006) it is not possible to declare ‘stability’ - or the lack thereof - as suited to just one of those applications. Stability is part of a process that is either a virtues- or a vicious circle⁵.

To come to a definition, a clear distinction needs to be made between stability on a macro- (national) and micro (local) level. On a macro level the stability of a country is often determined by nationwide indexes that identify the socio-political and macro-economical stability or risk that are associated with a country. Indicators that are frequently used are for example frequency of cabinet changes, frequency of power struggles, and ethnical conflicts (within the society), the political ideology, inflation, (see table 3 on page 11); the more

stable a country appears to be, the lower the risks involved are supposed to be.

It is evident that stability on a local level seems to be induced by human behavior and does not seem to originate from any specific culture or demographics: the reason a developing country is a dangerous place for an MNE to work in is because of unpredictable human behaviors that may compromise the continuity of the organization. Therefore it can be concluded that ‘stability’ entices the predictability of human behavior. Thus, the reason that developing countries are regarded as unstable is because the behavior of the residents is unpredictable.

Taking the view that human beings do not have an evil state of nature⁶, the question is raised; what is different in a developing country that motivates that unpredictability and propensity for violent conflict? One widely accepted explanation of why and when humans become unpredictable can be found in the theory of basic human needs. This theory posits the existence of certain universal needs that must be satisfied if people are to prevent or resolve conflicts. Probably the most well-known of theories concerning human needs is the one developed by Maslow in 1954; hierarchy of needs. Other theories have been developed from this (Sites, 1973 Burton, 1979). Burton lastly integrated this theory into the field of conflict and peace studies. Sites and Burton, perceive human needs in a different way than Maslow. Instead of hierarchical in nature, that is each need has a specific ranking or order of obtainment, it is regarded as an emergent collection of human development essentials (Burton, 1990) that do not have a hierarchical order. Rather, needs are sought simultaneously in an intense and relentless manner (Rothman, 1997).

“Human needs are a powerful source of explanation of human behavior and social interaction. All individuals have needs that they strive to satisfy, either by using the system

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'acting on the fringes,' or acting as a reformist or revolutionary." (Coate, Rosati, 1988)

Table 1 shows the needs that are most frequently identified by needs theorist to be essential to human development. When these needs are not satisfied or met a human suffers. The greater the deficit, i.e. the more needs are intensive (total deficit of one need) and extensive (several needs) deprived, the more severe the suffering (Galtung, 1996) and the more unpredictable a human becomes. This is however not to say that food and shelter are not basic needs, these are ontological needs and essential to sustaining the physical being, just like animals do. Essentially it is posed that when the needs as shown in table 1 are deprived a human seizes to live and is reduced to merely sustaining themselves. Human needs theorists argue that one of the primary causes of conflict is people's unyielding drive to meet the unmet needs on the individual, group, and societal level.

This results in the understanding that needs, unlike interests, cannot be traded, suppressed, or bargained for (Carroll, Rosati, Coate, 1988 - in Marker, 2003) and subsequently need a sustainable satisfaction.

By many it has been recognized that 'stability' and development needs to be achieved by using political and economical factors (Malloch Brown, 2004. Bennet, 2001). It is however important to note that behavior can not sustain itself. It needs to be constrained by the limitations provided by a structure as is illustrated by Frederik Erixon. In his report 'Aid and development - Will it work this time?' he states that "countries are not poor because they lack roads, schools or health clinics. They lack these things because they are poor - and they are poor because they lack the institutions of a free society, which create the underlying conditions for economic development. Aid has it upside down" (Erixon, 2005). Subsequent a dimension

Basic human need	Description
<i>Safety/Security</i>	The need for structure, predictability, stability and freedom from fear and anxiety.
<i>Belongingness/Love</i>	The need to be accepted by others and to have strong personal ties with one's family, friends, and identity groups.
<i>Self-esteem</i>	The need to be recognized by oneself and others as strong, competent, and capable. It also includes the need to know that one has some effect on her/his environment.
<i>Personal fulfillment</i>	The need to reach one's potential in all areas of life.
<i>Identity</i>	Goes beyond a psychological "sense of self." Burton and other human needs theorists define identity as a sense of self in relation to the outside world. Identity becomes a problem when one's identity is not recognized as legitimate, or when it is considered inferior or is threatened by others with different identifications.
<i>Cultural security</i>	Is related to identity, the need for recognition of one's language, traditions, religion, cultural values, ideas, and concepts.
<i>Distributive justice</i>	Is the need for the fair allocation of resources among all members of a community
<i>Freedom</i>	Is the condition of having no physical, political, or civil restraints; having the capacity to exercise choice in all aspects of one's life.
<i>Participation</i>	Is the need to be able to actively partake in and influence civil society

Table 1. Basic human needs

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needs to be added; institution.

This strong bond that exists between the ability of a person to fulfill their basic human needs and the environment that surrounds them is depicted in figure 2. It illustrates the balance that is a prerequisite for humans to be able to fulfill their basic human needs. This model gives an idea about the consequences from the absence and/or disproportional presence of one or more of the dimensions. Clearly, if for example the economy is very weak this will tip the balance and affect the ability of the human being to realize their needs. This in turn will make that person unpredictable and more prone towards violent behavior.

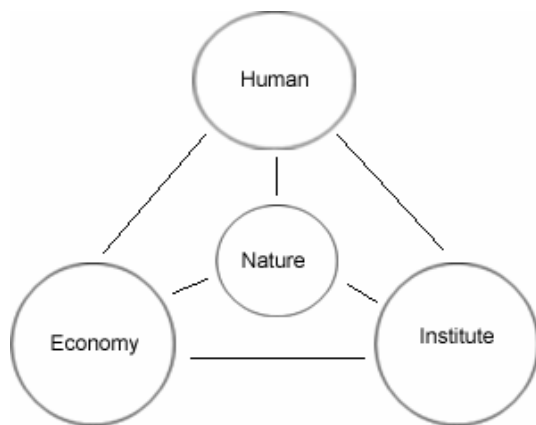


Figure 2. The interdependency between dimensions and the human needs

¹ Despite the fact that the name 'developing country' is highly debated the term will be used in this report since it is generally accepted. The United Nations classify every country with a Gross National Product less than \$ 10.065,00 per capita as being a developing country. Important common characteristics of developing countries, according to Szirmai (2005), are: widespread poverty and malnutrition; A relatively large share of agriculture in output and employment; Pronounced dualism in economic structure; Very rapid growth of population; Explosive urbanization; Large scale underutilization of labor; Political instability, pervasive corruption; Environmental degradation; low levels of technological capabilities. Subsequently, making it conflict-prone countries.

² In 2000 the U.S. government listed 74 countries where physical security was a problem, of which 34 confronted an actual civil war or rebel insurgency. See annex 1 for an update picture of the world.

³ "While this is not always the case, the cost of goods and services in conflict zones may be comparatively cheap, capital

assets may be undervalued to the risks involved in operating in a conflict zone, and there may be less market competition since fewer companies will have an interest in investing" (Economist, 2000, pp. 85-88)

⁴ The term was coined in 1989 by John Williamson, of the Institute for International Economics, "to refer to the lowest common denominator of policy advice being addressed by the Washington-based institutions to Latin American countries as of 1989" (Williamson, 2000) and described the conventional wisdom at the U.S. Treasury Department, the World Bank, and the International Monetary Fund on policy reforms that would aid development in Latin America. These policies were: Fiscal discipline; A redirection of public expenditure priorities toward fields offering both high economic returns and the potential to improve income distribution, such as primary health care, primary education, and infrastructure; Tax reform (to lower marginal rates and broaden the tax base); Interest rate liberalization; A competitive exchange rate; Trade liberalization; Liberalization of inflows of foreign direct investment; Privatization; Deregulation (to abolish barriers to entry and exit); Secure property rights.

⁵ "If you have instability you will have a bad economy which will lead to further instability. It is a bit the chicken or the egg story. On the other hand if you, like Angola or Mozambique, are able to climb out of a civil war and create stability than something will happen which will fortify that stability. This will increase the economy and the conflicts will loose the sharpness and you will get a upward circle that strengthens itself. You will never find someone that will say that is one or the other." (Quote from interview conducted in March, 2006 with prof. Szirmai).

⁶ The philosophical discussion regarding the "natural essence" of human nature, the condition of humans before social factors are imposed, is referred to as the 'state of nature'. Views that see humans as inherently good are, amongst others, John Locke (states that people are of equal value and treat each other as they would want to be treated) and Rousseau (asserts that people in the state of nature are good, and bad habits are the product of corrupting civilization). Perceptions of humans as neutral include Pelagius (humans in the state of nature are not tainted by original sin, but are instead fully capable of choosing good or evil) and social and biological determinism (human behavior is determined by biological and social factors, so inherent human instincts are never truly to blame for actions generally considered "bad" nor truly credited with actions generally considered "good. "). The outlooks that see humans as inherently bad are for example Hobbes (humans in the state of nature are inherently in a "war of all against all," and life in that state is ultimately "nasty, brutish, and short. "). Original sin (humans in the state of nature are tarnished by the sin of Adam, and can only be redeemed by the grace of God) and Bertrand Russell (moral evil or sin is derived from the instincts that have been transmitted to us from our ancestry of beasts of prey). The very theory of the existence of a human nature has been criticized by thinkers such as Hegel, Marx, Nietzsche, Structuralism and postmodern theory.

Chapter 2. Being responsible

In recent years, thanks to a diverse group of NGOs, advocacy groups and a lot of media exposure, the public awareness concerning the interdependency between human development and nature, economy and the presence of structure has resulted in a number of initiatives that try to retain or re-establish stability in unstable regions. In business terms this is usually labeled 'corporate governance', 'social responsibility', 'sustainability' or something similar. A selection of these ventures is discussed in this chapter. This is followed by the business processes that are most often subject of these guiding principles.

§ 2.1 Corporate governance

First of all there are the internal corporate governance programs. There are signs that market forces have begun to impose on private companies some of the new or enhanced corporate governance requirements and/or principles of Sarbanes-Oxley. This new corporate governance regime is based upon, among other things, the following themes: Board of Directors' independence from management; Audit Committee independence and increased authority; and senior management accountability. Other main points within the corporate governance guidelines are the environment, social responsibility and Health & Safety. Nonetheless specific standards that need to be adhered to by private companies are still absent. Subsequently all programs are comprised by the corporation itself and are hard to compare.

To validate the guidelines drawn up by the individual organization several other 'independent' programs have been developed. The Global Compact - an initiative of the UN, OECD Guidelines - initiated by the OECD and Human Rights Guidelines for companies from Amnesty

International are to name but a few. These are all examples of programs that aim to demonstrate the commitment, followed up with consistent monitoring and reporting mechanisms. While all these frameworks provide a basis for positive involvement to a further level than the corporate programs do, there are challenges in encouraging MNEs to adopt this type of approach. It needs to be seen whether voluntary initiatives with few compliance mechanisms are sufficient to change the way corporate decision-makers react to developmental issues (Campbell, 2002). In particular, it has to be considered whether MNEs would be willing to adhere to recommendations at the expense of other corporate objectives, because at the end of the day MNE's are businesses.

"And before we can make any contribution to the community, we have to manufacture a product, market a product, sell that product and turn a profit. If we fail in this basic task, we cease to exist."

(Patrick Siewert, President, Coca Cola Company at the Sustainable Business in East Asia Conference "Global Markets and Sustainability: The Role of the Multinational", Hong Kong - 16 October 2003)

Besides programs, several different multi-lateral organizations and academic research institutes are intended to bridge the gap between the private sector and other interested actors involved in conflict prevention. Well known examples are the Business and Peace Program (Prince of Wales Business Forum & International Alert) Business Humanitarian Forum, Conflict Prevention and Business Involvement (UK government, DfID and FCO) and the Corporate Engagement Project (Collaborative for Development Action inc.).

Besides the previously mentioned programs and organizations several different methodologies exist that are specifically designed to serve as a tool for early warning and conflict prevention. These are the so called conflict impact assessments. These are tools that have been initially developed

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by and for the development community to complement (but not replace) risk assessment methodologies. Examples of conflict impact assessments are the Peace and Conflict Impact Assessment (PCIA) from Kenneth Bush (1998) and the 'Business Guide to Conflict Impact Assessment and Risk Management' by the University of Ottawa and UN Global Compact.

Table 2 (p.10) examines some areas of impact that prevail in all conflict impact assessments mentioned above and illustrates the fact that it is with every day to day policy that an impact is made on the footprint-area. As well as that wrongful execution can unknowingly exacerbate, feed into, or create conflict in communities. It is easy to see the factors of economy, nature and institute, mentioned in chapter resurface within these conflict impact assessments.

§ 2 .2 Corporate governance activities

Usually significant attention is paid to employment, procurement, and community development projects.

Employment

Several issues are pertinent in employment. It is not only important to make sure that the company's own policies adhere to international standards (international because national may be absent or very weak) and are consistently implemented and executed. It is also important to assess the labor situation in the host economy. An issue that needs to be examined is for example the incidence of poverty, inequality and social exclusion in the country and the area where the company is operating. There are many different ways an MNE can impact the environment by their labor policies. For example:

Positively

- By creating jobs

- By hiring locally therefore directly creating jobs and including the communities into the operations.
- Using employment-intensive technology.
- By using team-building, reconciliation techniques and so on to avoid or defuse tensions at the workplace can stimulate reconciliation in society.

Negatively

- Exacerbate tensions if employment opportunities are given to only one ethnic group
- Negative mindset if only dangerous jobs are awarded to local staff
- Create negative perception of MNE if remuneration, transportation and housing is distinctively different between local staff versus expatriates, or between local groups
- Lack of a safety net for the employees and their families may amplify perception to rebel forces
- Lack of training may cause dangerous situations

Procurement

An essential element in any MNE operations is procurement. This can be done both for the primary as for the secondary processes. Primary would be all input necessary for the execution of the core-business, for example production machinery and labor. All products and services that are procured in order to support the primary process are considered facilitating, examples would be cleaning and catering.

It has been mentioned previously that MNEs locate their activities to take advantage of the most strategic fit to their global operations. This often means that no significant efforts are made to create linkages with the domestic economy and that either global suppliers or a global contract with local contacts/distribution is favored (Benito, Grogaard, Narula, 2003, Keizer, interview 2006). This puts small local suppliers on the sideline because it effectively eliminates any possibility that

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they may have to be awarded a contract. Possible reason for this is that local suppliers are seen to be a risk to the supply chain.

The MSU-model divides the procurement process in a number of steps. These phases are depicted in the annex (6). Together they form a continuous circle leading to professional procurement. Using this model it is doable to examine the procurement process in more detail than otherwise would be possible. For the purpose of this paragraph this is not necessary, but the model will be used in chapter 7. In general possible impacts of procurement can be seen as:

- Increased revenues for belligerent groups
- Exacerbation of tensions
- Biological degradation

Positively

- Job creation with local companies
- Encouragement of investments in new technologies
- A positive relationship between the MNE and local supplier
- Inflow of money
- Raise skill and knowledge levels in the footprint-area

Negatively

- Indirectly support armed forces
- Provide validation for forced labor
- Provide validation for child labor
- Stimulate dangerous practices
- Exacerbate tensions by awarding contracts to a distinct group only

Community projects

This is the part that is concerned with making the positive contribution to the footprint-area. Projects are diverse and vary between the construction of schools and hospitals to the provision of these services as well as water and electricity and making donations. Subsequently impacts vary greatly. Nevertheless impacts can be:

Positively

- Construction of infrastructure
- Better health-care
- Access to basic services

Negatively

- Increased corruption

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Conflict impacts		Examples
Positive impacts	<i>Institutional capacity to manage/resolve violent conflict & to promote tolerance and build peace</i>	Impact on capacity to identify and respond to peace and conflict challenges and opportunities; organizational responsiveness; bureaucratic flexibility; efficiency + effectiveness; ability to modify institutional roles and expectations to suit changing environment and needs; financial management
	<i>Political structures and processes</i>	Impact on policy content and efficacy; transparency; accountability; democratic culture; dialogue; conflict mediation and reconciliation; strengthening civil society actors; political mobilization; rule of law; independence of legal system; human right conditions; labor standards
	<i>Economic structures and processes</i>	Impact on strengthening equitable socio-economic structures/processes; conversion of war economies; impact on economic infrastructure; supply of basic goods; availability of investment capital; banking system; employment impact; productivity; training; income generation; production of commercial product or service; food security
	<i>Social reconstruction and empowerment</i>	Impact on quality of life; constructive social communication (promoting tolerance, inclusiveness and participatory principles); adequacy of health care and social services; compatibility of interests; trust & inter-group dialogue; communications & transport; resettlement; housing; employment; education; nurturing a culture of peace
Negative impacts	<i>Access to individual or collective resources</i>	Direct and indirect impact on economic resources (especially non-renewable resources), the natural environment, access to water, land and food as well as non-material goods (such as social status, access to information, legitimacy, authority and use of force)
	<i>Creation or exacerbation of socio-economic tensions</i>	Impact of foreign investment creates winners and losers (some groups/individuals will profit whereas others will be negatively affected), thus there may be worsening economic inequalities that disrupts that status quo and contribute to violent conflict
	<i>Change in the material basis of food security or economic stability</i>	MNEs involved in certain sectors (especially extractive industries, forestry & agriculture) may introduce new technologies that disrupt the traditional economy and contribute to worsening food security
	<i>Challenging control over the existing political, economic or social systems</i>	Economic development and foreign investment may give rise to new structures/practice of political, economic, and social control that could exacerbate the risk of conflict, especially if a certain ethnic group, social class, or region benefits/suffers disproportional too others
	<i>Military and human security</i>	Direct and indirect impact on: the level, intensity, dynamics of violence; violent behavior and crime; human security (broadly defined); defense/security policy

Table 2. Potential areas of impact of MNE activities

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Type of risk	Definition	How it is commonly measured
Commercial risk	Risks that compromise the commercial viability of investment by interrupting revenue streams. Level of risk is highly dependant on life-span of project and demand for service/good produced	Policy changes that affect market demand (including deregulation, physical barriers to market - i.e. insufficient infrastructure, market liberalization, or changes in import/export quotas, tariffs, users fees)
Economic risk	risks related tot the macroeconomic stability of the host country	exchange rate devaluations, interest rate increases, inflation, foreign exchange shortages, restrictions on profit repatriation or currency convertibility
Environmental risk	technical risks related to the environment and natural resources - - risks vary considerably depending on the nature and location of the investment activity	indicators of environmental risks are highly context specific and cannot easily be generalized
Force majeure risk	unpredictable and exceptional events outside the control of main parties to an investment	natural disasters, sabotage, epidemic, war, riots, or revolution (in contrast to political/social risks such events must be catastrophic, unpredicted, and unrelated to activities undertaken by the investor
Management risk	risks stemming from poor project planning, development and management	indicators of management risks are highly context specific and cannot easily be generalized
Political risk	government actions and/or inactions that impact private sector activities (including nationalization and expropriation)	change in the government or regime, change in policies toward private sector and foreign investor, political instability and/or conflict
Regulatory or legal risk	risks related to specific laws, regulations, contracts and more broadly related to political and legal culture	indicators related to the judicial system, dispute resolution mechanisms, regulatory environment, legislative framework, property rights
Social risk	risks that exist when there is a social unrest (often considered a sub sector of political risk)	indicators include strikes, riots, civil disobedience, religious turmoil, ethnic conflict, war, and terrorism

Table 3. Main risk categories

Chapter 3. Risk management

This chapter sets out the current risk management practices. Paragraph 1 sets out the way that corporations perceive it. Number two then sets out the footprint-area risks and the following (three) discusses the reverse flow of risk.

§ 3.1 Corporate Risk Management

It has been demonstrated that the potential business opportunities offered by a developing country come accompanied by a number of moral and practical hazards. According to an article published in the Economist in 2000, titled Risky Returns: Business in difficult places:

“For brave business folk, there are rich pickings in grim places. But there are also immense obstacles and risks. Pipelines can be blown up by terrorists. Contracts can be torn up by crooked partners. Fragile economies can collapse. And in recent years, firms doing business in countries with unpleasant governments have been pilloried by non-governmental organizations (NGO’s) endangering that most priceless of assets, their good name. In order to succeed in difficult countries firms must learn how to overcome these obstacles and minimize the risks” (p. 85).

As a result, risk management is now becoming an integral element of international business (Campbell, 2002), especially in those sectors which produce an extensive social and environmental impact. Mostly risk assessment services for the corporate sector are provided by private consultants, but in recent decades many MNEs have started to develop internal capabilities for risk analysis and management (Nelson, 2000, p. 31). When this is the case it is often put in the hands of the Facility Manager (HHS, 2005).

It has been noted that current corporate approaches to risk assessment are inadequate to enable MNEs to make informed decisions about their investments and operational strategies with view to development (Champaign, 2000). This is mainly because corporate risk analysts generally assess the overall investment climate, rather than the local situation. These are two separate, though strongly interrelated, environments; there can be a major discrepancy between the overall appearance of a country and the situation in a certain community or area (Zandvliet, interview 2006). The main classifications of risk that are currently judged relevant to the private sector are outlined in Table 3. All these indicators and subsequently the classifications there of, focus mainly on macro-economical and socio-political risks that could have an impact on corporate activities. They don’t specifically assess the risks that stem from the area that is directly impacted by the organizations presence: the footprint area, and that may be created or intensified by the corporations’ activities.

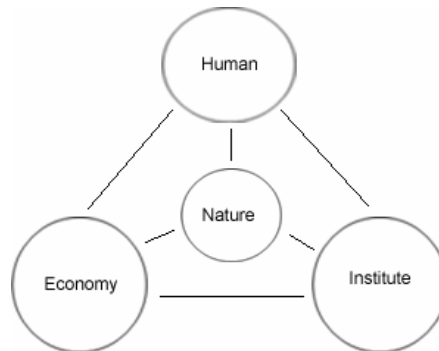
§ 3.2 Assessing footprint risks

A model that adequately assesses these risks and traces their causes is however still lacking. Therefore the equilibrium model will be refashioned to accommodate this. The model as it is presented in chapter 2, page 6 depicts the balance that needs to be present to accommodate the fulfillment of the basic human needs. It does not however, express the underlying dynamics of the dimensions. To define an exact number of indicators that can, for example, calculate the distortion of the balance is extremely hard. This becomes logical when looking at the basic human needs. Because, what does one need to feel loved? When does one feel safe? No one has ever succeeded in defining, let alone measuring love or security and it would be too simple and above all incorrect to suggest that a clear cut, causal link exists between the absence or presence of observable facts and the fulfillment of

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needs. Nevertheless, a statement can be, and will be, made about a number of things that are viewed as being of influence on that balance. Most of the indicators (mentioned in figure 3) are very strongly intertwined with more than one dimension,

yet the main origin of the indicators has been used to allocate them leading to the diversification that is presented. This is not meant to be an exhaustive list, but is intended to invite MNE's to raise the right question about aspects of there footprint-



dimension	Indicators
Institution	<ol style="list-style-type: none"> 1. Levels of accountability, responsiveness and transparency. 2. Status of Human rights. 3. Level of corruption. 4. The presence of a functioning regulatory/legal framework. 5. The presence of an independent and neutral judiciary or other forms of redress of grievances. 6. The provision of basic services. 7. History in regards to armed resistance against the government, insurgency, violent crime 8. Widespread use of private security firms or unaccountable security forces.
Nature	<ol style="list-style-type: none"> 9. The environmental degradation in the area affects the traditional livelihoods of the communities. 10. Past experience of communities with environmental damage caused by private sector activities.
Economy	<ol style="list-style-type: none"> 11. Level of unemployment and/or underemployment by age and sex. 12. Structure of education and skill level of the workforce. 13. The extent and nature of labor rights violations 14. Presence of gross inequalities in wealth distribution / social exclusion 15. Disputes among central regional and local governments over the use of revenue 16. Presence of illegitimate markets/networks that provide funding for arms/supplies to belligerent groups

Figure 3. The equilibrium-model

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area that makes future risks more likely; questions that go beyond the business principles and enter a more human approach. That is another key aspect of this model; many of the current attempts to quantify the quality of life (HDI-index and such) are criticized by many since they do not appear to actually assess that what they set out to measure. More over, they seem to some extent be based on the availability of indicators, rather than a selection of indicators that actually represent an aspect of life (RIVM, 2005). Subsequently a lot of the information that is needed for this model may not be readily available and require local interviews and observation. Hence, the accuracy of the model hinges on the quality of the information entered.

The cautionary words stated before, need to be repeated when considering the ability of this model to foretell the (future) risks. It is not possible to say that if, for example, there is no functioning regulatory/legal framework there is a 5% risk that a member of staff will be kidnapped during any given year. This is my no means achievable, after all the risks originated from *unpredictable* behavior, strongly reducing the odds that a calculation will reap usable results. Even though the exact shape and volume of the risk (1 kidnapping a year/ 3 violent attacks per months/etc.) can not be given with any degree of certainty, considering the basic human needs an indication can be given.

When the dimension of 'institution' is distorted huge problems may arise concerning the national authority and distribution of power, revenues and so forth. On a local level a common problem is the position of traditional authorities. Due to the impact of the MNE traditional authorities may be challenged by others, in addition posts can become highly contested for increasing intercommunity conflicts. Nevertheless, this distinction is not necessarily made by the local communities when planning their protests. It would not be a first that grievances are taken out on an MNE when the cause can be found in the national government. In contrary to the

dimension of economy, this dimension entails mostly untouchable things subsequently risks that stem from this are mostly expressions of something else. With 'economy' the MNE has something that can relieve the deprivation be it jobs or be it vehicles. This is not the case with 'institution'; you can't steal democracy or the honoring of human rights from an MNE. You can however pressure them into taking a stand for it, or use them to raise international awareness. Therefore the first thing that can be noticed when the scales are tipped is a boost in complaints; letters, people at the gates, staff members who are approach outside of the compounds. All by community members that want to express their concern and grievance. This is the first occasion at which an MNE can address this evident unease that exists within the local community. However because many MNEs choose to isolate themselves from their environment this opportunity is often missed. On the other hand, generally all companies respond immediately to threats, sabotage, and blockages. By doing so peaceful behavior is rewarded whilst violent behavior is not; when companies only respond to negative triggers, they can be sure these triggers will occur (World Bank, 2004). In addition in a very unfavorable situation s the government can actually encourage the local communities to expect the provision of basic services and government forces can actually be involved in sabotage activities against the MNE.

The biological nature that is present in countries differs from country to country and so does the way it is used. Therefore it is very hard to present indicators to 'measure' nature, and the situation will have to be assessed on case by case bases. Here to a separation can be made in the way that resentment/grievance is produced. First of all there is the very common situation that local communities are dependent on the land for their livelihoods. It is not exceptional that in a developing country >80% of the population is dependent on agriculture. Any change in the environment will therefore cause major

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changes in the ability to generate income. If this is not the case there is still a degree of concern relating to sustaining, and in the very least not doing any harm to the environment. This is often picked up by NGO's like for example Greenpeace and the WWF. The risks from this are mainly the same as from the dimension 'institution', because as with that dimension no direct (materialistic) relief can be found at the MNE.

The 'economy' is often a major concern. An MNE usually introduces significant resources into a resource scarce region. These resources are often viewed as potential spoils and supplies for, income (or war). In addition the MNE activities often compromise the ability of communities to generate a livelihood. All this is directly linked to the company, and they are seen to responsible for presenting alternatives. Different options are available for MNEs to address this, but if this is not done it is not unthinkable that communities find themselves unemployed and without access to land. This causes the community to pressure the MNE for short-term gains; ransom money, instead of establishing a long-term plan; (re-)building the economy. Subsequently stealing, threats of sabotage and kidnappings are not extraordinary, nor are work stoppages and violent attacks.

§ 3 .3 The reverse flow of risks

In order to be able to accurately gauge the risks and subsequently assess the possibilities for MNEs to mitigate them it is important to keep the different phases an investment project goes through in mind. As been stated before, governments seek FDI as it is perceived to be essential to the nations' development. Because of the fierceness of the competition for FDI the bargaining power of a MNE is of such strength that policy changes can be evoked. Even the signing of the Voluntary principle of Human Rights can be stipulated (as was demonstrated by a company in Colombia). This way companies can influence and, up to a degree, shape the macro environment that they will eventually operate in. And, as a result, mitigate the macro-economical and socio-political risks. This leverage erodes as time goes by, and the Final Investment Decision (FID) has been made (resembled by the orange line in figure 2).

On the other hand, when the investment has been made and the organization is physically investing and operating in a developing country risks it is confronted with risks such as the possible loss of installations, vehicles and products, 'taxes' and protection money for local combatants, facilities to ensure the safety of staff, decreased productivity caused by blockades, temporary withdrawal

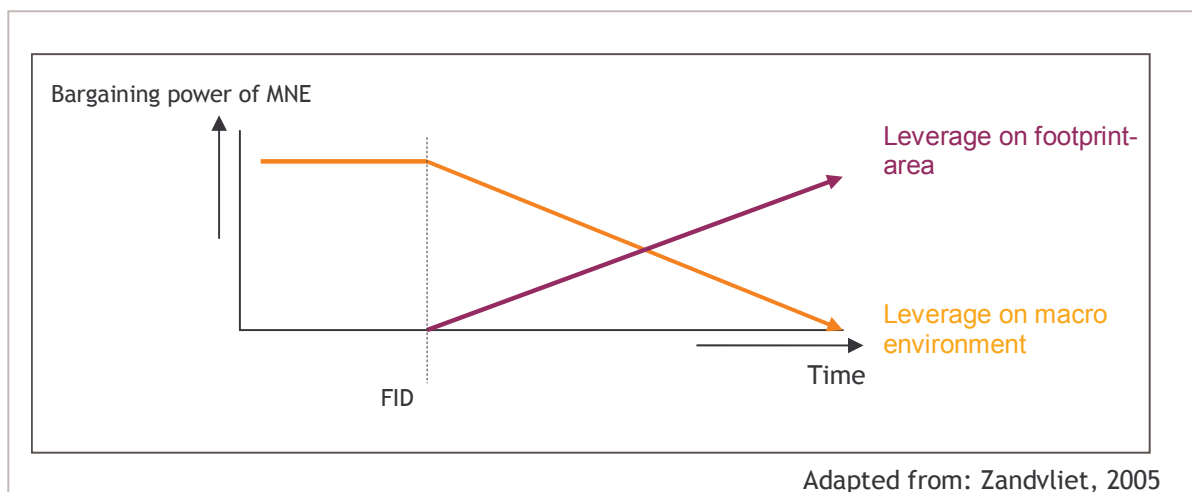


Figure 4. Bargaining power of MNE during an investment project

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of staff or even a complete closure of factories (Bais, K., Huijser, M. 2005). The causes of these risks are all linked to the instability of the footprint-area. This influence that an MNE (often unknowingly) has on their footprint area is amplified as time goes by (depicted by the purple line in figure 3) and is due to two factors. "First, a longer presence on the ground provides the company with a better sense of the local context. Secondly the means of the company to use its resources to affect (...) the dynamics in its footprint area can increase over time" (Zandvliet, 2005). Nevertheless, corporations often chose to approach its footprint-area solely as a risk mitigation strategy. As a result it minimizes its contact with the risk namely the community (World Bank, 2004). This approach causes the company to respond or react only when there is a "need," which is typically a crisis, thus increasing the risk that crises will occur. Subsequently the originally intended risk mitigation strategy may indeed cause an increase in risk. "Communities do not suddenly start to assault corporate staff or corporate assets. Serious threats to corporate operations come only after the cumulative impacts of many, daily—often small—aggravations. The real risk to corporate operations arises from how corporate policies are implemented on a day-to-day basis in response to local conditions" (World Bank, 2004). As Mr. Kofi Annan, Secretary General of the UN eloquently sated:

"their decisions – on investment and employment, on relations with local communities, on protection for the local environment, on their own security arrangements – can either help a country turn its back on conflict or exacerbate the tensions that fuelled conflict in the first place (...) Business itself has an enormous stake in the search for solutions. After all, companies require a stable environment in order to conduct their operations and minimize their risks. Their reputations, not just with the public but with their own employees

and shareholders, depend not only on what products or services are provided but on how they are provided. And their bottom lines can no longer be separated from some of the key goals of the United Nations: peace, development and equity. All these are compelling reasons why business should play an active role in tackling these issues, without waiting to be asked". (Opening address at the 4943rd meeting of the UN Security Council, 2004).

Subsequently it can be, and has been concluded that the operational decisions most certainly affect the levels of risks that confront the MNE. Therefore all policies and those that have been mentioned in paragraph 2.2 in particular deserve extra attention as they are very likely to be able to have a risk reducing influence on the footprint-area of the MNE.

Chapter 4. Project principles

The purpose of the study and the preliminary thesis has been specified in the introduction. The chosen project structure will be detailed in this chapter.

§ 4.1 Research objective, typology and methodology of the study

The objective of the study is *“to provide a sound research for Overmars Organisatie Adviseurs that will assist in determining whether or not consultancy services concerning the use of local suppliers as a (part of a) risk mitigation strategy by MNEs operating in developing countries is, or may become, a commercially attractive product for Overmars Organisatie Adviseurs.”*

Facility management as a profession is, according to Van Krimpen (2003, p. 146) not only aimed at managing the secondary processes within an organization. It also intends to result in an improvement of those processes and the development of specialist knowledge and skills, belonging exclusively to the domain of Facility Management. Furthermore the outcome of a thesis needs to be relevant to the commissioner, the university and if possible the profession in general (Bouter, 2005). The present case will generate useful results for Facility Managers in developing countries, explore a possible diversification for Overmars Organisatie Adviseurs, as well as investigate ways to possibly integrate separate secondary processes to create added value. Subsequently this project will contribute towards the generation of specific Facility Management knowledge, as well as produce interesting results for all parties involved.

The practical relevance of the study is coming from the phenomena depicted in Chapter one and two; the fact that operating in developing countries is a relative new development and that a practical framework for Facility Managers to

mitigate risks from the footprint-area is yet to be established. Therefore there is a need for exploration of possible solutions. This has been expressed in recent publications (Bais, K., Huijser, M. 2005). Additionally scholarly debate, but also the discussion within the business community on the subject of the appearing colliding interests of profit versus principles is heating up (forum WBCSD March 2006) adding to the practical relevance.

In addition to these practical uses there is also a scientific relevance. No interdisciplinary study has been conducted combining the subjects of risk management in a developing country context and procurement, and publications are sparse to non-existent. The project is recognized to be “very important work” (prof. Rubenstein, personal e-mail, 2006) and “crucial to the understanding of global economic relations” (Dr. Ganser, personal e-mail, 2006).

The selected method for conducting this study is case study-research. This means that all conclusions and recommendations will be based on case studies. The choice for this working-method is based on three considerations:

- The complexity of the phenomena. It is not possible to separate the phenomena discussed in the previous chapter from their specific context. There are too many unknown relations that may sway the influence of the use of local suppliers as well as the risks facing an organization. “A case study retains the holistic and meaningful characteristics of all events without creating the necessity for further research into these relations” (Yin, 2003).
- The hidden wisdom in the current risk management policies. During the examination of previous studies and literature it has been observed, that a wealth of knowledge can be found in the results of current practices. Current practices that have been established over years appear to be both positive

and negative in their impact on the level of risk originating from the footprint-area. This justifies the assumption that a case study approach will bring usable results.

- The thesis is “a “how”- question. The case study method is most suited to this kind of thesis (Yin, 2003 p. 9).

The object of the study as well as the case-study method used to execute the research entails that mainly qualitative methods will be used. Standards that have been set for qualitative research are well documented (Baarda, De Goede, Teunissen, 2005. Yin, 2003. Verschuren, Doorewaard, 2004 Saunders, Philip, Tornhill, 2000) and will be discussed further on in this chapter.

§ 4 .2 Research question

The preliminary thesis of the research - as presented in the introduction - is:

In what way is it possible for an organization, by means of using local suppliers, to have a stabilizing influence on the surrounding geographical environment (including political, social, and economical aspects) of the organization, whilst at the same time by doing so minimizing the environment related continuity risks?

This research question connects to the field of Facility Management and the requirements set for the dissertation that are set out in paragraph 3.1. Taking this frame of reference it has been asserted that Risk management must also encompass the reversed flow of risk, which opens up possible solutions toward a positive and sustainable risk mitigation strategy in the form of the impact resulting of the use of local suppliers. This however does not exclude the possibility that other initiatives may be taken, or have been on going, contributing to the overall impact of the presence of a particular MNE on the footprint-area. This study is however

concerned with the question to what extent a risk reducing influence can be generated by using local suppliers.

Research into the risk reducing capabilities of local supply chains implies research into the underlying background, causes and nature of the risks that stem from the footprint-area, as well as the various ways of using local suppliers and their different impacts that determine the final risk reduction.

The in paragraph 3.2 mentioned hidden wisdom of the current practices and the previous considerations bring us to the outcome to use current procurement practices, combined with risk assessments to gauge the potential impact of the use of local suppliers as perspective for this research. On these grounds the final research question requires some alteration and becomes:

Is there a connection (and if so, which?) between the executed procurement practices and the level of stability in the footprint area? And how does this affect the risks that confront the MNE from the footprint-area?

To be able to answer this research question, first an answer needs to be found to the following sub-questions per case studie:

- *What is the current level of stability, and how does this affect the risk form the footprint area?*
- *What are the current procurement practices?*
- *What is the consequence of the current practices for/on the footprint-area?*
- *Does this increase or lessen the risks?*
- *What are the pre-requisites for using local suppliers on a structural basis?*

Combined with the opinions of experts this will satisfy the research question, and provide a sound foundation for Overmars Organisatie Adviseurs.

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In view of the research questions and previous frame of reference a conceptual framework can be constructed for this study. This is a schematic representation of the most important variables and there links. For the present case the conceptual framework looks as follows.

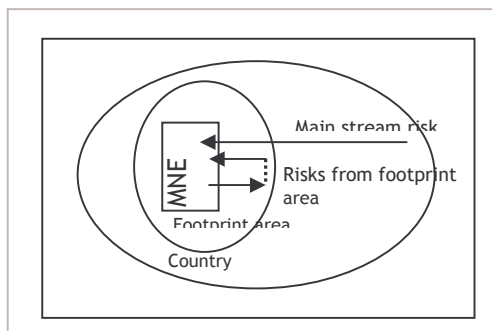


Figure 5. Conceptual framework of study

Of course there are multiple variables that can be devised in relation to the conceptual framework that all have some degree of interdependency. However this is exactly the reason a case study approach has been chosen; to retain all important characteristics without creating the need for explicit identification and understanding.

The dotted line in the framework refers to the research question. Deferred from this framework are five central questions, that will form the point of departure for the information gathering.

a. How is the stability in the footprint area? What are the risks coming from this? What are the causes of these risks? For this the risks that threaten the continuity of the organization and that are of concern to the facility manager are favored. Of importance is the context in which these risks are identified: factors that initiate the behavior and relevant circumstances.

b. Have local suppliers been used to supply the MNE?

c. What was the reason/purpose for this decision/choice? Both the general objective and reason of the chosen strategy, as what the facility manager wants to achieve by single interventions are taken into account.

d. What working-methods are followed by the organization? Besides a description of the followed procedures also the considerations (motivation of the choice) made by the manager and how these are evaluated.

e. How did the footprint-area respond? What were there noticed changes (if any) that affected the risk factors?

This question outline is adhered to collection of information and subsequently during the compilation of the individual case-studies.

§ 4.3 The research objects

It has been ascertained that there is a wealth of knowledge to be found in the results of current practices. The choice of the research object is based on this.

The object of research will be a situation namely; the situation consisting of an MNE operating in a developing country. In specific the reversed flow of risk and the presence or absence of the use of local suppliers will be examined. The motivation of this has been given in the previous paragraph. The project is restricted to MNEs operating within the legal framework, with legitimate objectives. Although the importance of small and medium sized organizations and the impact of illegal commercial activities in many developing countries are acknowledged, it does not form the core of the study. For the duration of the research small and medium sized legitimate organizations will be solely viewed as possible links in the supply chain of large legitimate organizations.

When choosing MNEs to be the subject and core of a case-study it is important to select MNEs and methods of dealing with procurement in a developing country context, where the chance for acquiring significant and meaningful information is prevalent. Some areas of attention are:

- The procedures within the MNE concerning procurement need to have an

outline and substance. Condition for this is that the MNE has been operating for some time in the footprint area, at least for one year.

- There needs to be an outside assessment carried out on the MNE impact on the footprint area.
- Because the data that is sought after will be found across the globe, it is necessary from a time and costs perspective that much communication will be done by email.

Considering previous statements two situations have been selected across the world. General records of the MNEs, including footprint-area and country wide statistics can be found in Annex 2 and 3.

§ 4 .4 Material gathering

The contents of the case studies has been compiled out of the assessed risk by the organization that have been reported by a global risk management organization, International Risk Control (IRC) and Control Risk (CR) and can safely be assumed to be comparable with the risks that have been identified by the MNE itself. The impact of the MNEs operations has been assessed by the CDA Inc, CEP project. These so called field visit reports also provide connections to assess the impact of the use of local suppliers. In addition some general background records have been gathered of the studied MNEs and countries (Annexes 2 and 3). Part of this information is relevant to determine the applicability of this study (see paragraph 4.5). A different part of the data is related to possible requisite circumstances and will be discussed in the case contents.

The risk assessments are updated on a quarterly base by the ICR and once a month by CR. The risk assessments used will be of the same date of the CEP field visit to adequately depict any special risks and/or circumstances that may have been of influence on the findings. It is intended that within the case studies specific events that influence the MNE and or the overall climate

within the country are mentioned. However it is important that events considered are of a recent date, and otherwise clearly stated to be a cause and not an effect or a manifested risk. The purpose is to gain an insight into the day-to-day risks facing the MNE and the day-to-day operational activities of the organization that fairly represent operating in a developing country context. Objective criteria to determine these are however hard to specify. The selection of specific events has been done in conjunction with publications that are deemed objective (UN), during which previous considerations have been kept in mind.

§ 4 .5 Applicability

This study centers a case-study research entailing two case studies that are selected according to the selection criteria as mentioned in the previous paragraph.

Both case-studies study extractive organizations, respectively gold mining and oil. Reason for this is that these are considered to cause to most negative impact for their footprint area, and are even named to be one of the sources of civil conflict in developing country (Collier, 2001). Therefore it is believed to be reasonable to assume that if it is possible for the extractive industries to reduce their risk by using local suppliers, it is reasonably acceptable that this is also applicable to other less invasive industries. Conversely when this is deemed not possible for the extractive industries it does not mean that this negative advice is applicable to other industries.

§ 4 .6 Converting the information; general remarks

In this research the phases of data collection and analysis have been round of in a cyclical fashion. This means that information gathering and - analyses consistently interchanged and influenced each other. In literature concerning qualitative research

the advantages of this approach are stated: research questions and the research process would be better matched, which would strengthen the validity of the research. The disadvantage however would be that the research may span more time. This would in turn lead to more events that need to be covered. Nonetheless, the constant evolving situation in developing countries and the evolving theoretical insights have led to the decision to utilize the cyclical process.

The main research question and the deducted sub-questions comprise the perspective out of which the information will be converted into the case studies and subsequently analyzed. In the main research question a *“connection” (and if so, which?) between the executed procurement practices and the level of risk that faces the MNE from the footprint-area?”* is discussed. *“Connection”* in this study needs to be conceived from the frame described in chapter one and two: an influence that can exacerbate or reduce the risks facing an MNE that stem from the footprint area. An indication of this can be found in the level of risks assessed before and after a change in procurement policy has been implemented. Of course this does not cover all. When there is a large and sudden change in the risks that are identified by the MNE, the conclusion can not be drawn that the operational activities of an MNE can be deemed good or bad. This question, of what good and bad practices are, is not, and is not intended to be answered in this research.

In the intended research the risks levels facing the MNE take centre stage. As mentioned previously this does not only entail the manifested risks but also the underlying causes and relevant circumstances creating them as well as the different ways of using local suppliers and their various impacts. Looking at the research question, answering this question requires an objective point of view. Techniques as outside observations and reviews by experts accommodate this. Another method that is frequently used for

this kind of research is interviewing. However, due to the previously mentioned consideration of time and money this can only be sparsely applied. Yin (2003) pointed out the holistic nature that needs to be honored when writing case studies. The therefore devised working-method has been described in paragraph (4.4). Finally this working-method needs to be considered from a validity and reliability standpoint.

§ 4.7 Validity

Yin mentions the fundamental and all-embracing requirements of validity and reliability. Reliability is the extent to which an experiment, test, or any measuring procedure yields the same result on repeated trials. Validity refers to the degree to which a study accurately reflects or assesses the specific concept that the researcher is attempting to measure. It can be divided into external and internal validity. External validity refers to the extent to which the results of a study are generally applicable or transferable. Internal validity refers to the rigor with which the study was conducted (e.g., the study's design, the care taken to conduct measurements, and decisions concerning what was and wasn't measured).

Several options are observed sufficient to deal with these requirements.

- Research design. By choosing the correct research design “the question of internal validity has been sufficiently dealt with (Baarda, De Goede, Teunissen, 2005)
- Descriptions with as few interpretations as possible
- Member checks. Re-checking the results with the participants (Baarda, De Goede, Teunissen, 2005)
- Mechanization of the registration of data. For example, the recording of interviews.
- Data-triangulation. “Use different methods or sources to collect the same data concerning a research object. When the data collected by different

sources and/or methods converge the data can be considered valid" (Baarda, De Goede, Teunissen, 2005).

Regarding the fact that previous procedures have been applied on several occasions during this study, the necessary precautions have been taken to ensure validity and reliability.

§ 4.8 Execution of research

From the start literature has been reviewed and the citation trail for the most interesting publications (Bais, K., Huijser, M. 2005 UN development reports, World Bank, 2004) leads to Szirmai (2005) who names instability as a characteristic of developing countries. Since this term appeared in many sources, from all kinds of perspectives (aid (-worker), development, investment, conflict) and was always blamed for everything bad, this term became a focal point for the research. In turn Szirmai quoted Narula (who also focuses on the backward linkages of MNE in their host economy, i.e. procurement) for an explanation of the lack of technology transfer which would contribute to the instability. Both are well cited (Szirmai 33x, incl. Journal of Economic Behavior & Organization, Narula 72x, incl. International Journal of the Economics of Business, World development reports and Harvard Business review) and draw upon the work of the World Bank. The World Bank also quotes them and names instability as the source of the risk for MNEs. From this structure the first interviews were chosen.

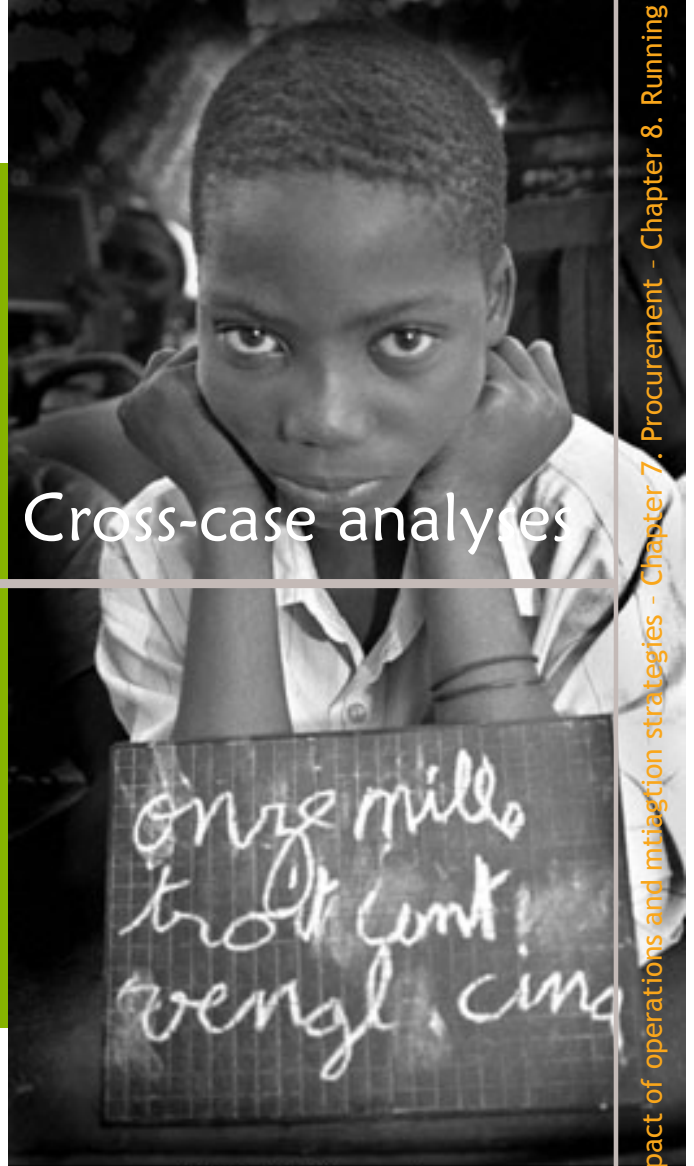
The very first interview conducted was with Mr. Veeke concerning procurement from a MNE perspective, following that was prof. Szirmai about developing countries, stability and development. He emphasized the importance of the work of prof. Narula so an interview has been conducted with him too. In the meanwhile a number of sources came up who focused on the influence of an MNE on their footprint-area. The most substantiated source was Mr. Zandvliet as a

result he was selected too. Other interviews have been with Mr. Keizer to gain a pure business and more practical perspective and Miss Pronk to provide a totally different other viewpoint. Others that have been helpful with the term stability have been Dr. Ganser and prof. Rubenstein who are both authorities on the area of conflict resolution/peace studies. Only one of the interviews has been conducted in person, others have been done by phone or by email. To ensure the reliability, two of the interviews have been recorded and literal transcription have been made, whilst the transcripts based on notes taken during the interviews have been reviewed by the interviewee to make sure that no wrongful interpretation was given to any of the conversation notes, nor any mistakes were made. The other interviews have been done by email as this proved to be more convenient to all parties, and therefore did not require a transcript and are entirely added in annex 7. Where also all other interviews are presented.

In the mean while the decision had been made to use a case-study approach and case-studies needed to be selected. Efforts to approach an MNE confronted with the problem failed mainly because of a lack of contacts. For that reason possible cases were selected using the criteria set out before. This has resulted in the Yadana project (Total in Myanmar) and the Ahafo project (Newmont mining in Ghana) as case-studies. Both cases are well documented and evaluated and have received ample attention to ensure a balanced coverage.

Chapter 5.

Part 2. Cross-case analyses



A Senegalese girl who is a refugee from the war in Casamance studies French in makeshift school in Ziguinchor Senegal Rebels in Senegal southern Casamance. Cassamance province have been waging a bloody independence campaign against the central government in Dakar since 1982. The Movement of Democratic Forces in the Casamance MFDC has long used Senegals southern neighbor Guinea Bissau as a launching pad for attacks inside Cassamance. Guinea Bissaus' former president Joao Bernardo Viera was accused of supplying the rebels with weapons until he was overthrown in a coup in May 1999

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Risks

This chapter examines the information that has been gathered from experts and case-studies, in order to provide a critical and realistic understanding of the risks that are involved with working in a developing country. The chapter will adhere to the research framework and start with the national or macro level risks. Following that the risks that stem from the footprint-area will be analyzed using the equilibrium-model and finally the chapter will be concluded with a short conclusion.

§ 5.1 National / macro risks

To be able to validate the data gathered for both countries that have taken center stage in the case studies two different methods are used. Table 5 shows the risk rating assigned to both Myanmar and Ghana by CR (UK). The exact definition of the risk ratings can be found in annex's 4 and 5. Their method is very intuitive; "Essentially, the analysts use their knowledge of the countries that they cover to assess the risk level for each category against the definitions. Using definitions allows us to provide a ratings system that is consistent across the world for many different types of country and risks" (A. Leopold, managing editor CR, 3 May 2006). Table 6 demonstrates the ICRG risk level for the countries subject of the case studies as well

as for The Netherlands to be able to compare. ICRG uses a calculation technique by assessing a standard number of indicators and using those in a calculation (see annex 4 for the full ICRG risk assessment).

Both sources, the CR risk ratings in particular, do not appear to substantiate the claim that (these) developing countries are principally high risk regions, since only 3 out of a total of 16 ratings indicate a high to very high level of risk. In addition, the two seem to be very inconsistent. The former and the latter can both be explained.

First of all the latter; the discrepancy between the risk ratings; One explanation is the previously mentioned difference in methods. Because CR does not use a strict set of indicators it is becomes possible to include softer matters, such as the history of the country, the general living conditions and so forth, whilst calculation can only based on quantifiable data. A second clarification lies in the fact that when using the calculation method it becomes possible that one very bad score is compensated for by one another good score therefore possibly looking over high risk situations and visa versa. This is not the case with the CR method as indicators can be rationalized and weighed as the expert sees fit.

Next are the ratings. Looking at the indicators used by ICRG and the definitions used by CR, a reasonably low rating does not exclude instability. What both methods rate

Risk category	Ghana	Myanmar	The Netherlands		Risk category	Ghana	Myanmar
political	68.5 = MODERATE	46.5 = VERY HIGH	85.5 = LOW		Security	LOW	MEDIUM
economy	17.5 = VERY HIGH	31.5 = MODERATE	41 = VERY LOW		Travel	LOW	LOW
financial	37 = LOW	39.5 = LOW	40.5 = LOW		Terrorism	LOW	MEDIUM
overall	61.5 = MODERATE	58.75 = HIGH	83.5 = LOW		political	LOW	MEDIUM

Source: PRS group - countrydata.com

Source: CR - country risk

Table 4. Comparison CR & ICRG risk ratings

are the current risks, not the level of instability. Meaning that especially with the calculation method actual underlying conditions are identified but not inter-reliantly analyzed, i.e. in a way that they may actually cause, sustain or exacerbate conflict. Subsequently a country may have a low risk rating, but still can contain an 'explosive mix' that can lead to high risk.

Nonetheless, it is clear that the main problems but also underlying conditions for the countries are very different. Where Ghana has been able to resurrect a sound and stable government, Myanmar is still in despair. The opposite seems to be the case when looking at the economy. Ghana's' economy is in very bad shape whilst the economy of Myanmar seems to be in a slightly better one. These underlying conditions strongly impact the way an MNE can do business and what risks they face. This becomes more evident when concentrating the risk assessment on the footprint-area of an MNE.

§ 5 .2 Risks that stem from the footprint-area

When analyzing both case study situations using the equilibrium-model presented on page 13, the assessment shown in table 5 can be made, resulting in unbalanced dimension models. This is clearly a very different picture compared to the relative low risk rating of the country risk ratings. It demonstrates that the underlying problems detected in the macro assessment at times become magnified on a more local level, which is the case in both footprint-areas. As a result the differences that have been pointed out briefly in the previous paragraph need to examine in greater detail, as it are these characteristics that instigate the inability of people to meet their basic human needs and therefore cause the risks for the MNE.

By many it has been mentioned that economical conditions are the most frequent

source of conflict. It is evident from the table that the economic situation in Ghana is very bad. This has in fact been the primary source of conflict in the past decades; the control over scarce resources. The direct result of this is that any MNE investment, particularly the extractive industries, can very well be seen as being the sole beneficiary of the operations, sole controller of the resources and subsequently aggravate the local communities providing a trigger for violent conflict. In addition (violent) crime levels are high, as well as theft. Logically this can only be expected to increase and create risks for MNEs. In addition all the resources introduced into the area may well be seen as potential income.

The government in Ghana has greatly improved over recent years and is seen as a stable and business oriented. Subsequently the government is accepted and supported by the international community. Currently Ghana is at the forefront of development in Africa, but the regime faces some great challenges as they are trying to catch up with the western world. Educations, the provision of basic services and health care have been made a priority. In addition by creating an attractive business environment it is hoped that MNEs assist in taking the steps towards development.

The complete opposite is the case in Myanmar; instead of opening up to the outside world it is becoming more and more secluded. The harshly enforced junta regime has terminated almost all import and exports to its neighboring countries, making the population even more dependent on the local economies. In addition, especially since the slaughtering on 30th May 2003, the military is feared throughout the country, effectively discouraging any opposition. Main risks for MNEs operating in this country are therefore the criticism of supporting or at least condoning the current regime. In addition the history of forced labor makes it much more believable if

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	Myanmar	Ghana
<i>Institution</i>	<ol style="list-style-type: none"> 1. The government is highly unaccountable, unresponsive and murky 2. Human rights are frequently violated 3. Corruption is high (rank 155 out of 158 on the international corruption index) 4. Since the suspension of the constitution in 1990 no law or legal framework exists 5. No judiciary is in place, within communities chief address problems on a national level, opposing parties are imprisoned on a national level 6. no basic services are provided 7. The region does not have a specific history of armed resistance, insurgency, or violent crime 8. no private security firms are used, military is highly unaccountable 	<ol style="list-style-type: none"> 1. Since 1990 the government is accountable, responsive and accountable both internally as externally to the UN and such. 2. There is no current record of human rights abuse, though there is a history of slavery during the colonial era. 3. Corruption is average (rank 65 out of 158). 4. There is presence of a functioning regulatory/legal framework enforced on all levels 5. There is presence of an independent and neutral judiciary or other forms of redress of grievances. 6. Currently very few basic services are provided but this is improving 7. The region has no specific history regarding armed resistance against the government, insurgency, though crime is high. 8. The military is reliable and no private security firms are used
<i>Nature</i>	<ol style="list-style-type: none"> 9. About 100% of the population is dependent on the environment for their livelihoods. 10. The communities don't have a past experience with environmental degradation by the private sector 	<ol style="list-style-type: none"> 9. about 97% of the population depends on the environment for their livelihoods 10. Past experience has been very bad, in particular with mining corporations
<i>Economy</i>	<ol style="list-style-type: none"> 11. The unemployment is low (5,2%). A traditional division between man and women exists; women stay home. 12. Skill level of the workforce is very low 13. A history exists of forced labor, there is till a fear of this. But no records exist of forced labor since 1995 14. People with no land at time of the pipeline project have not been compensated, leading to a divide within the communities. Social exclusion is not prevalent but differences are present. 15. No disputes concerning the use of revenue between central and regional governments exist 16. Military do resort to illegitimate activities at times. There is a flourishing smuggling network with the neighboring countries though this does not seem to support belligerent groups. 	<ol style="list-style-type: none"> 11. Unemployment is high at about 20%. Youth unemployment is rising rapidly. 12. the skill level is very low, only about 1/3 has other skills beside agriculture and only 43% attended primary school 13. In the past no unions have been allowed at mining corporations, but in the past years labor rights have been strictly enforced by the government 14. Most people in the region own(ed) land, the compensation money has increased the social differences 15. Clear regulations are in place concerning the division of revenues, no disputes currently exist. But traditional authorities are volatile as due to increased revenue stools become highly contested for 16. Producer and transit hub for drugs. No direct link made between belligerent groups and drugs.

Table 5. Footprint-risk assessment Myanmar & Ghana

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Local communities say that forced labor has taken place. The economy in Myanmar is in a slightly better state than that of Ghana nevertheless unemployment is increasing and more people are illegally emigrating to the surrounding countries to escape the military regime. In order to be able to start up a new life in another country people need some money to get them there and start them off. Subsequently money is needed, leading to MNE assets being seen as a resource and substitute for an income.

§ 5.3 Conclusion

The causes of instability in the footprint-areas of Total and Newmont have been assessed to be those represented in table 7. As a summary the following short list can be made of the risks that face the studied MNEs on a daily bases due to that instability.

It is very hard to undoubtedly state an 'if ... then'-relation between the occurrence of risk and their causes, nevertheless based on the information gathered the following links can be identified and that confirm the theories presented in part 1..

1. In a situation where economical chances are very limited the presence of a MNE, and the investment that usually goes with that, may function as a trigger for the manifestation, or exacerbation of a conflict
2. An MNE may become the target of frustration that is not caused by their operations or presence
3. An MNE may very well be used to attract international attention through creating negative publicity

Total in Myanmar	Newmont in Ghana
<ul style="list-style-type: none">· <i>Accusations of forced labor</i>· <i>Accusations of environmental degradation</i>· <i>Violent attacks on staff/compound</i>· <i>Vandalism</i>· <i>Theft</i>	<ul style="list-style-type: none">· <i>Illegal mining</i>· <i>Vandalism</i>· <i>Theft</i>· <i>Violent attacks on staff/compound</i>· <i>Accusations of environmental degradations</i>· <i>Work stoppages</i>· <i>Blockades</i>· <i>Sabotage</i>

Chapter 6. Impact of operations and mitigation strategies

To be able to determine whether or not an MNE effects the stability of an area (be it positively or negatively, or perhaps even both), the overall impact needs to be determined. For that reason, the different influences of a MNEs presence and activities will be discussed at first. This will be guided by the dimensions and indicators of the balance model. Closely linked are the measures that already have been put in place to minimize negative effects, therefore they will be brought up throughout the discussion of the impacts. The second paragraph will conclude the information presented in this chapter. The results presented in this chapter are based on the case-studies presented in annex 2 and 3 and the analyses of the interviews.

§ 6.1 Intentions

Total and Newmont both acknowledge the necessity of creating a positive influence and establish a 'license to operate'. There are however some noteworthy differences in approach. Total's operations is stated to be based on the three principles of 1) Meet high ethical standards in working practices, 2) Develop a mutual understanding with local communities, 3) Contribute to the development of the welfare of the local population. These are translated into a local code of conduct. Amongst the specific guidelines set out in this code of conduct are respect for the natural environment, respect for the cultural values of Myanmar and local communities, high ethical standards in working practices, contribution to the socio-economic development of local communities and promotion of the respect for human rights. Most of these are very generic and all companies in some way mention them. Some, however, deserve some more attention. A principle that is highly contested is that Total "avoids interfering in

relations between local communities and more generally in political matters". By many this is interpreted as condoning the unacceptable regime, Total defends this by saying "Total's decision to stay in Myanmar, unlike a number of Western companies that have withdrawn, was a deliberate choice, but it does not signal approval of any regime. Rather, it expresses the Group's deep-seated belief that economic development and human rights progress go hand in hand. Exacerbating an impoverished country's problems through an embargo will not improve its people's lives." Another point is the compensation for land owners for the loss of land. This is also a concern in the Ahafo project and will be discussed in greater detail further on. The next point of importance is the statement that total will "treat everyone fairly and with respect". Judgment on this has been past because of the execution of the socio-economic program (see full case description in Annex 3). There is a strong sense that this program has created what is often referred to as the "haves" and "have nots". The program is restricted to the residents of the corridor and people outside that region don't receive the same level of benefits from it, subsequently creating some level of resentment. This has provided the foundations for the accusations that people inside the corridor are favored by Total.

Newmont clearly acknowledges the temporary nature of the business (they expect to exploit the mine for a period of 15 years) stating that they aim to "to develop, operate and close mines consistent with our commitment to sustainable development, protection of human life, health, the environment, and to adding value to the communities in which we operate" Thus, they have taken the obligation onto themselves to create a situation in which the local communities can sustain themselves after the mine is closed. This is obvious a hefty commitment to make by any organizations standards, but it has been a necessity since Newmont, and mining in general, does not have an immaculate track record. Nonetheless, unlike the current

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situation of Total, their integrity is not questioned with as much persistence.

§ 6.2 Impacts

By different sources it has been asserted that knowingly or unknowingly the presence of an MNE results in an impact on the footprint-area. However the exact impact is hard to define as there are many other variables that sway the balance in an area besides the MNE presence. Nonetheless with some certainty, based on both the case studies and the interviews the following assessment can be made.

6.2.1 Environment

Based on the nature of the business environmental impacts vary a great deal. In the case of Myanmar the overall environmental impact has been very limited. Before construction could commence significant investments in the infrastructure of the area needed to be made. Subsequently a deepwater wharf has been constructed, two facilities for operating the pipeline (a large compound and a small barrack) as well as a number of roads and such. The pipeline itself is constructed in a ditch that was filled up afterwards. At completion a replanting scheme has been executed, replanting as much of the original vegetation as possible. The only physical indication of the pipeline is the service road that runs the length of the pipeline. This is the indication given by both Total and the CEP fieldvisits, nonetheless only authorized accesses is possible to the pipeline it self and the assessments carried out on behalf on Total have not been disclosed. For that reason, by many opposing parties, the actual impact is assessed to be greater to the extend, depicted before. In addition, logically the infrastructure that has been put in place for the construction still exists.

Obviously mining activities have a very profound and obvious impact on the environment. "Where there used to be

mountains covered in banana and coconut trees is now a gaping hole" (Zandvliet, CEP field visit, 2005). Many measures and programs can be, and have been put in place to reduce the biological impact of the project as much as possible. Amongst those programs is the close vicinity of all the buildings, relocation of endangered animals, replanting schemes and a Biodiversity Partnership Work Plan. Just like for the Yadana project the infrastructure of the area was insufficient, therefore dams have been constructed; roads have been paved and so forth, as a result leaving a permanent imprint on the scenery. This has greatly affected the agricultural production that has been halved. The fishing villages as well are compromised do to the construction of the dams, that also are (perhaps where) the main source of drinking water for the footprint -area.

Much of the actual construction of infrastructure damages the biological environment. However the end result can not be solely deemed as negative because all the infrastructure that has been developed, in both countries, form a significant contribution to the infrastructure of the region (for a detailed impact assessment for the Ahafo project see http://www.newmont.com/en/operations/projectpipeline/ahafo/docs/envsocimpaccess/Chapter%204_Final_082505.pdf. A summary is added to the case study in annex 2). In addition it can not be said that the deterioration of the biological environment is all due to the MNE operating in that area. Even though it has been directly linked to the organization, another simple (partial) explanation for impacts like loss of biodiversity could be for example poaching, the global climate change and nature itself; droughts in Ghana, floods in Myanmar, disease and so forth. All this considered it has to be clearly stated that a clear environmental degradation has been caused by the Ahafo project.

An impact that is often overlooked is the extra stress put on the environment not directly related to the MNE. When an MNE

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starts operating in an area people come looking for employment opportunities. This puts an extra stress on the local environment because these people need housing, food and water just for starters. In a resource scarce environment changes are that the fastest way available is chosen and that building materials are taken from the forests and a patch of land is cultivated to meet these wants. Subsequently without actually knowing it an MNE may cause a disruption of the environment far beyond the compound gates. Saying this it also needs to be held in mind that industrialization is historically accompanied with some sort of damage to the environment. Nonetheless more sustainable methods have been developed over the last decade or so and every effort should be made to implement these measures.

6.2.2 *Economy*

One of the most profound economical impacts of any MNE in a developing country can be made by the hiring of local workers. Both Total and Newmont are well aware of this. Newmont has created very extensive employment and training opportunities for the local communities (see annex 2). As the Ahafo project is currently still in the construction phase they are employing local workers for the unskilled jobs (3600). This number will however significantly decrease as gold production commences to 1000. 24 Employees that have excelled at their jobs will be given an apprenticeship and trained to work on the plant permanently. Total has employed 88% of the construction people locally which where 2200 people. During the construction 100 employees where selected to be trained for the operating the facilities, much like the set up by Newmont. At this moment about 95% of the Total staffs working on the Yadana project are of Myanmar nationality.

In addition to hiring local workers themselves, MNE may oblige contractors to use local workers. Newmont has stipulated that all unskilled positions need to be filled by using the labor pool; Total has stated the

exact quota per contract that is currently 50% for catering contract and two thirds for road works. This is not an uncommon practice; this is stipulated by many governments like Russia, India and so forth.

In Ghana the positive impacts is currently the “booming economy”. Because of the influx of outsiders many villagers have taken the opportunity to provide new services like photocopying and new kinds of foods. However the downside to this is that this has also increased the pressure on existing social services (health and education). Furthermore the cost of living has gone up significantly (rent is increased with 800% and the price of some crops has quadrupled) this is causing a situation in which people are running out of their compensation money very quickly and are currently even borrowing money for food.

Another significant impact specifically in Ghana is the relocation of people and the removal of agricultural fields. For Yadana alone this concerned 35000 people with farms, for the Ahafo projects this has been significantly less; an estimated 6,907 farm fields comprising 2,348 ha. For the affected villagers two different programs where implemented, a resettlement scheme in which persons are provided with new houses on a plot of land. The other option was relocation, this entailed compensation in the form of money. For the recipients of this compensation a basic household finance management course was thought to teach how to plan and budget spending. However an additional compensation was awarded for the future loss of income (based on the prices at that time). An element worsening this situation is the fact that people where used to farming. Therefore they did not need to buy any of the food products and where basically self sufficient and could sell any surplus production. Nowadays every food item needs to be purchased. The changed way of life for the people in the Ahafo region has forced them (in Ghana 97% of the population was dependant on agriculture for their income) to make the transition from a rural farmer to an urban

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dweller, this is not easy and impacts the institutional dimension as well.

The long term economic prospects are becoming an urgent concern. How do the residents of the resettlement areas generate income, after they have exhausted their compensation money? It has been noted that some people have started their own businesses, and have already started renting out one or more rooms in their new homes for example.

Newmont has implemented the Livelihood Enhancement and Community Empowerment Program (LEEP). This project is comprised out of 2 phases. LEEP Phase I deals primarily with the short term effects of the loss of crops, structures, and the relocation of families. The second objective of phase 1 is improving the livelihoods. This is an 18-month program. Phase 2 will be implemented once mine operations begin in July 2006. In total the LEEP is a draft for a 5 year plan that is planned to be adapted to the evolving needs of the communities. Main aim is to expand the current production capacities.

The socio-economical development of the pipeline area is one of the cores of the involvement of Total in Myanmar together with health care and education. Through the socio-economic program the organization supports the set up of local business which has resulted in a year on year increase of production.

Even though a clear negative economical impact is yet to be detected in Myanmar, there is, just like with the Ahafo project, growing concerns relating the long-term income generation of the compensated families. People are running out of their compensation money and youth (that have no compensation money for land, as they at the time did not own any) have no means of income. The contracted employment rate is still very low, and expansion opportunities for local business are very limited due the lack of means of transportation towards and/or from the larger markets in the area.

For both observed cases the statement can be made that no substantial negative economical impact have materialized. This is not to say that there are none. With a visibly 'booming economy' as it has been described, expectations rise too. When an MNE invests in the location chances are that they are going to do that according to western standards. This means that provisions are well, that the compounds are nice and clean, that expatriates have houses often with a pool etc, and also the sight of an airport or helipad is not uncommon. Besides this the resurrection of energy plant, water installations and phone poles are often unavoidable. This is all not a major concern to the western companies because this is the normal standard, this is not the case for the population of the footprint-area. Those communities have often struggled for years to get water well, or electricity. Subsequently it is not a very leap from they have it and we don't, to they have it and we want it too. Besides this it is obvious for the people confronted with a project that labor is needed for that and that contractors are also essential. This can, as observed in both cases, result in communities that expect to be given employment and that expect that contracts will be awarded to them. This easily results in disappointment for the population, making them far more susceptible to a negative influence turning them against the company.

6.2.3 *Institute*

The social structure in the villages in the footprint-area of the Yadana project has not changed significantly. Instead of initiating change of the existing social structures, they have been used to communicate and liaise with the villagers. Each village has elected representatives that take place in a community team that is also utilized for the socio-economic program. Even though Total does try to encourage empowerment it does so in a way that is directed by the villagers itself. For example by enabling the introduction of more productive farming methods in the form of providing education,

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seeds, chicks and piglets. Nevertheless the biological environment of the region has not changed dramatically therefore this has not set of a major a change in the way of life or social structures.

The reverse is the case in Ghana. There the biological impact is of such proportions that it will change the region from being an agricultural area into an industrial area. All the social structures that have prevailed over the last centuries are based on a society that is dependant on agriculture. Subsequently this (forced) change alters and/or breaks down social bonds and support mechanisms. This may result in uncertainty regarding the future; unfulfilled expectations for individual and family lifestyle improvements; and can very well

impact the well-being of people that are affected by the project. These effects are addressed by Newmont through a communication plan between the organization and the affected individuals and groups. Major discussion topics are mentioned to be: Potential levels of employment as a measure to control the influx of in-migrates in search of employment; Need for additional facilities and services to accommodate increased population; Incidence of social problems that may require additional security and/or police presence; Training and educational programs on infectious diseases, including HIV/AIDS. On a higher level the traditional authorities are under increased pressure due to the significant increase in revenue that is directed towards the chiefs. In addition

<u>Yadana</u>	<u>Ahafo</u>
Focuses on improving lives	Focuses on not negatively impacting lives
Has started from the view point of enabling	Works from a 'leading' perspective
The project has no life span assigned to it	Mining is expected to last for only 15 years
Is in a further stage of the project therefore deeper relations have been established and longer term prospects are clearer	Is only been operating for two years, therefore things are still being explored and set up, subsequently the long term view is very limited
<u>Biological environment</u>	<u>Biological environment</u>
Very limited impact, infrastructural projects are recognized to be valuable to the communities	Logically because it is a mine the biological environment is highly impacted, and damage cannot be restored
<u>Institution</u>	<u>Institution</u>
Traditional structures are not changed. National regime change is favored by many but not instigated or pressed by Total	Bases of society is changed from rural to industry, stressing traditional authorities, national regime copes very well
<u>Economic</u>	<u>Economic</u>
Is increased tremendously by the socio-economic program	Advantages are noticed by communities due to the size of the project 'a booming economy'. New initiatives are taken like the subletting of rooms and the offering of new foods. No direct business development program is fully executed at the moment limiting business opportunities

Table 6. Comparison of impacts

sacred burial grounds, historical artifacts may be damaged or destroyed.

§ 6 .3 Conclusion

Both programs have a similar intention; to create a long lasting positive legacy. This can be said about most corporate governance programs of all organizations. But a number of differences can be detected and are presented in table 6.

Overall it can be determined that any physical investment of an MNE is always accompanied by an impact on the biological environment. The extend to which this impact is a degradation and irreversible is depended on the nature of the business. The largest negative impact can be expected for the extractive industries. It is very hard to design effective biological impact reducing measure since the most effective one, not investing in the area, is obviously not feasible. Nevertheless different measures can be taken, as is shown in the Ahafo project where the size of the plant is limited as much as possible, where in corporation with NGO's bio-diversity projects are implemented and in Myanmar where the most unobtrusive construction methods have been used and the original vegetation has been replanted bring the area back to its original state after construction. Nevertheless a case can be made that industrialization/development is always accompanied by some sort of environmental impact leading to the conclusion that even though and impact may be unavoidable every effort should be taken to retain the sustainability of the area.

The biological impact may result in a significant change in economy, because especially in developing countries the population is dependent on the biological environment for their livelihoods, i.e. they farm. By seriously degrading the environment, the possibility of farming is eliminated forcing people to either move and/or change their occupation. A solution that mitigates this impact, at least for the

duration of the project and especially during the construction phase, is providing employment opportunities. In addition the active development of local business (-opportunities) may help the communities in creating a rosy future and an upward spiral. Another aspect of the economy that is closely related to the relation between the MNE and the footprint-area are the expectations on the provision of employment and contracting opportunities. As societies are historically based on the nature of the economy, any change in economical activities of the communities therefore requires a change in the structure of the society, as well as in the legal and regulatory framework and enforcements. As demonstrated by the Ahafo project, especially the turn around of a traditional rural society into that of an industrial area requires and forces structural changes of a society. This brings with it all kinds of problems that vary from employment, internal relations within families and law enforcement. In the case of Ghana, the issues on a national level are sufficiently addressed while some guidance is needed and provide for the local level authorities. This opposes Myanmar, since any human development is actively discouraged and actually made impossible by the junta. One effective way of enabling human development and broadening horizons is for example the provision of training in negotiation skills and making sure local staff interacts with their foreign counterparts.

Chapter 7. Procurement

This chapter sets out the current ways that procurement is executed within the case study organizations combined with the opinions of experts, to identify possible opportunities. The practical process of procuring supplies from a local supplier in a developing country is portrait in the first paragraph by following the six steps of the procurement process. After that these operational practices are discussed from a strategical perspective using the MSU model (see annex 6 for an elaborate explanation) clarifying the prerequisites for the steps explained in the first paragraph. The conclusion is given in the third paragraph.

§ 7.1 The procurement process

1. Specify requirements

When an organization identifies the need to procure a product and/or service the first step is to unambiguously define the requirements of that product/service. In the case studies neither organization changed the requirements in order to accommodate local suppliers (this could for example entail more flexible delivery and product specifications). This explains previous observations and demonstrates that the same level of quality can and perhaps even should be expected. A sound argument would be that otherwise using local suppliers would mean sacrificing quality which in turn may create risks for the organization itself. Contradicting this is the practice of shell. They cut up large contracts in to smaller pieces, lets say one contract for the development and installation of a pipeline is broken in to 4 smaller ones, like for example; the production of the physical pipes, the groundwork, the construction of the pipeline and the (re)planting scheme that needs to be carried out. These contracts are obviously friendlier towards local businesses as they often do not have

the capacity to carry out a substantial contract. Yet, this may be seen as not so much changing the contract requirements but more the contract contents therefore abiding the 'no compromise' rule executed by most companies, whilst increasing local business opportunity.

It is nonetheless paramount to make sure that the requirements are documented in a detailed and clear manner, to make sure that the requirements are unambiguous and can be understood by local suppliers, keeping in mind that they are not used to supplying (western) MNEs. Because of this it is recommendable to specify not only technical specifications but also accounting methods, environmental standards, Health & Safety protocols and so forth. Basically everything that is expected of a supplier, the product, production and service needs to be made abundantly clear to avoid confusion (on both sides) in the future.

In addition, taking the following steps into consideration it is necessary to make clear that already in this stage, commitment of an MNE to the use of local suppliers, and all that may come with that is essential. It is no use to anyone to spend the extra time and effort at this step only to discover that using local suppliers may come at a higher cost then the organization is willing to pay. The extra expenditure for procuring local suppliers will be touched upon throughout this paragraph, and explicitly depicted in the next one.

2. Select possible suppliers/contractors

The process is not that different to that of selecting suppliers in a western country context, although the methods and procedures are. It can be assumed that when investing in a foreign country no direct contact exists with the local business community. For that reason the first step is to make sure that the local business are aware of the contracting opportunities and clear on the requirements and commitments that are expected of the future supplier. Besides that, if it is the case that the

contract is also tendered on a national or perhaps even global scale this needs to be made apparent to avoid crossed eyes when the contract is not awarded to a local business.

A creative approach to communication with local communities is often welcomed if not necessary. For instance, to make sure that everybody was aware of the labor pool of the Ahafo project street theatre and traditional town criers were used. This is a good example of using local traditions for modern purposes and has reaped good results. In a similar fashion Mr. Zandvliet (interview) has recommended the use of workshops to assess the level of skills, knowledge but also eagerness and commitment of the entrepreneurs, in a way substituting the introductory meeting and quality audit. Reason that it is also important to assess the eagerness and commitment of the local businesses is because the provision of the supplies for the MNE demands a great deal of time, effort and also financial investment of the supplier. When it is evident that a local supplier has the knowledge and skills but is not willing to work with the MNE it is futile to spend resources on business development. As was illustrated by Mr. Keizer who stated that in both China and Czech Republic and China supplier development programs were executed. But due to the communist mentality of the population it wasn't effective. Czech on the other hand proved to be very successful, which was due to their eagerness and willingness to learn. Based on this overall assessment the desired supplier(s) can be selected.

This information, supplemented by a visit to the business and additional meetings also provides the bases for the business development support. From the starting point that has been determined in mutual agreement the objectives for the future need to be set. This way an assessment can be made of the necessary and desired training and support provided to the supplier. In the case of the Ahafo project

this has been the installation of a water pump for a crop farm, and new technologies and materials were introduced by the subcontractors for the construction of the resettlement villages. The extent and approach to this is very dependent on the MNE, supplier and especially on the skills and knowledge that is present making it impossible to predetermine a suitable 'package-deal' that would work in any and all situations. Nevertheless efforts are made by Amnesty international and the WFSBC, results are still pending.

3. Contract

When contracting suppliers extra attention needs to be paid to the relationship and a situation in which the supplier is powerless needs to be avoided. This situation has surfaced in Argentina and led to even more resentment of the MNE as the MNE made the environment dependent on this led to a situation in which during operations a lot of crime levels rose, and in addition when the organization ceased business (it went bankrupt) the local communities were left with absolutely nothing. For that reason it is important that the supplier understands the entire contract, also all clauses concerning fines, cancellation and grievance procedures. Besides the expectations of provision of employment, awarding local contracts the first and foremost element that is valued by communities is being treated with respect (Zandvliet, interview, 2006). Subsequently, just like with any western supplier, both sides need to be able to express grievances and address issues that may arise, communication needs to be open in order to be able to avoid disputes in the future. Especially cultural differences can stress a relationship and misunderstandings are very easily created.

From this time onwards the supporting and business development activities are carried out to make sure that the supplier can deliver products that satisfy all requirements as soon as possible. As mentioned before the nature of these

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activities is hard to generalize as they vary in every situation. Nonetheless some kindling idea can be given based on the observations. In the cases local entrepreneurs do not adhere to (inter)national environmental standards, health and safety practices and also accounting techniques that are required to provide transparency are absent.

4. Order (only in case of a repeated buy, not for a one off contract)

Details like for example the delivery methods, times and place, how to dispatch invoices and payment methods are all discussed in the previous steps. Nonetheless this all needs to be checked when the order is made. In addition this is also the time that more questions may arise with the supplier. (Narula, interview 2006). So, again, extra efforts will be involved with making sure the order is understood. Besides that, the efficiency of the business development activities; the upgrading of skills and the implementation of new procedures and policies need to be assessed to make sure that everything/everyone is on schedule and that everyone is happy with the situation.

5. Safeguard the process.

After the order has been placed actual production commences. Subsequently as the training of the staff/entrepreneur has been taken place earlier on, this is the time that the acquired skills are brought into practice. Therefore regular contact is essential to make sure that all is proceeding according to plan and that the compliance with environmental policies, labor rights and accounting standards can be validated.

6. Aftercare

Aftercare takes place when a contract has expired or has been cancelled, yet it may also be done after every order. In the case of using local suppliers in a developing country context this is usually favored. Besides changes in the factual process and requirements a major transformation can

often also be seen in the practices of the supplier. The training and support provided during the process not only leads to a good product for the MNE but also creates knowledge and skills within the local business. This is a valuable capital in a resource scarce environment because it essentially means that they have marketable skills and knowledge, significantly increasing their employment opportunities in the future. In addition it can also greatly boost the production capacity of a local business and raise the standards of practice throughout the area. Miss Pronk, of Habitat for Humanity mentioned that by carrying out the projects and constructing homes a great improvement can be realized in the living conditions of the communities, but by using local suppliers and helping them develop themselves and introduce them to new techniques capacity can be build and this is a positive legacy that outlives the houses. It often seems to be the story; “give a man fish and he will eat for a day, teach a man to fish and he will eat for a lifetime” (Pronk, interview, 2006).

§ 7.2 Long term implications of structurally using local suppliers.

In sourcing / Outsourcing

The decision to use local suppliers as in a developing country part of the outsourcing strategy has some significant implications for the procurement process. Not in a way that the specifications need to be altered, but the efforts involved in procuring from a local business is far greater than that of procuring from a western organization. In addition the price of the product/service may even be (slightly) higher than that of a national/global supplier. Nevertheless it has been asserted that for, for example facility services (cleaning, catering etc.) no global players are available, subsequently forcing an MNE to do business with a national/local company (Veeke, interview, 2006). Overall the choice between in or outsourcing competencies is of such importance that the first and foremost concern should be

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business continuity and not the footprint-area.

The development of 'commodity'/article group strategies

When for an article (for example catering) is decided to outsource. Then this is the stage in which the first commitment to local economical stimulation can be shown. Naturally this objective should not compromise company strategy, but by taking certain decisions during this phase the foundations can be laid for a successful use of local suppliers in a developing country context. In this step a plan for each article group needs to be determined. Elements of an article group strategy are amongst others the product/process characteristics (demand side), the procurement policies, the form of the supplier's database, and the investments in supplier development, the congruent contracts and logistical and transactional elements. An example of an article group strategy decided upon by an MNE in a developing country thoroughly considering the possibilities present in their environment can be found in Tanzania. There a large brewery has decided that they wanted to procure the hop that was needed for production locally. The following steps were then taken; exactly determining the needed quality; stating that as much as possible should be procured locally in the policies; dividing contracts into smaller pieces to make it more accessible for the local businesses; provide support where necessary; actively engaging with the suppliers to make sure that all requirements were met; adapting their normal logistical and transactional elements to make it more straightforward. These choices have made it possible that currently about 100% of the hop is procured locally and local business have actually started supplying other businesses in the area, making it a highly sustainable venture. This has later been expanded to the caps for the beer bottles, and the same results were gained for that article group; a 100% local supply and local businesses that are now capable and able to supply other business in the area. In none of

the examples centered in the case studies this has been observed.

Construction of a 'World Class' supplier list

In both cases this has not been done incorporating the local businesses. It is not suggested that all supplier lists should have local suppliers on them, it can very well be the case that no suitable supplier can be found. Nonetheless, if supplier lists are comprised on a global scale, chances are that no local supplier will be aware of the possible opportunities. It has been made abundantly clear that one of the expectations that have been observed in the case studies is that of awarding contracts to local businesses. In order to be able to do that and if not, avoid a feeling of injustice communication needs to take place in an early stage. Topics would be the introduction of the MNE, the contracts that are being tendered, requirements etc. And above all how local business can bid on these contracts. It is impossible to standardize this as creativity is a valued commodity as is shown in the first paragraph. Lack of this can be found in the Ahafo project which has resulted in a lot of resentment against Newmont as some chiefs still believe that they could have build the mine. Be it that this is obviously not the case, this is caused by insufficient communication with the footprint-area. People don't know what the standards are of Newmont and subsequently they do not understand why they are not awarded the contract. In Myanmar it is remarkable to see that the agricultural production has gone up, whilst a Yangon company is still in charge of the catering and procures all products nationally. Considering the production and the good relationships that exist between Total and the communities it would seem reasonable to have local suppliers on the supplier list. This however does not mean that a structural policy for including local businesses in the tendering process can not be developed, be it that these policies will have to be directional opposed to telling. In addition policies can be evoked that set out guidelines for the support of local

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businesses. An example is set by Greystar Mining; they have a clear policy that if the local supplier is 10-25% more expensive than a national or a global supplier the local supplier will be favored. Also, a number of services are on hand to support the supplier where necessary, often this is in the form of Greystar staff taking a day or half-a-day out of their schedule to train the supplier or help them with any questions that may have arisen.

Development and management of supplier relationships

When using local suppliers in developing countries the relationship between the MNE and the supplier is very important as has been observed in the Ahafo project and has been mentioned frequently by experts. Every leading organization in the world knows that successful supplier relations bring a high level of coordination, trust, information distribution, communication and creativity. This is magnified in developing countries as the relationship is often pressured by all kinds of (cultural) differences. In addition it has been asserted that it can be expected that extra support will have to be provided. A tried and tested method of ensuring that no obstructions are placed between the MNE and supplier is by using local content officers, again this is a practice executed by Shell. These officers are charged with maintaining the contact with local suppliers, coordinate the business development support, and they are also the one that cut up contracts into smaller pieces to make large contracts friendlier for small business. This results in a situation where both sides are very familiar with each other reducing frustrations on both sides.

Integration of suppliers in the Product / Process / Services development process.

Specific to local suppliers from developing countries the integration of their knowledge into the MNEs development process will be very limited. If any, it will be the other way around. In order to build up quality and the

meet all demands it is very likely that the MNE will incorporate their knowledge into the local business.

Integration of suppliers into the Order realization process

This entails that the process is adapted to integrate the supplier. This may mean that some provisions need to be made within the MNE to accommodate the use of local suppliers. For example, the possibility to deliver invoices by the gate instead of electronically and extra time spend on the tendering stage of a procurement cycle to make sure everything is clear.

Supplier development and quality management

This is very important when working with local suppliers in developing countries. As mentioned before when outsourcing it is paramount to ensure the quality of the product/service in order to secure the continuity of the organization. From the other side; by enabling the development of skills and knowledge a marketable resource is created that belongs to the person who knows it and/or can do it. This way even when a contract is finished or when the mine is closed in the case of the Ahafo footprint-area there will be a legacy of knowledge that can be freely used to create a livelihood, and that can be transferred on to others.

Strategic cost management

Most MNEs are still motivated by cost efficiency. Only the organizations that are aware of the influence they have on their footprint-area use a different sum than the amount that is on the invoice. As cited before; Greystar mining pays a premium of 10% to 25% to local suppliers. Newmont has expressed willingness for 3-4% whilst Total has no breakpoint determined. Obviously when using local suppliers, besides a possible premium, other expenses need to be assessed. And a decision needs to be made about the size of the budget. Expenses

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would included the provision of additional training to the local supplier but also the internal staff, extra staff that needs to be hired, a slower procurement process (especially in the beginning) and so on. Benefits are obviously a risk reduction, positive publicity (if not the avoidance of negative publicity) and also a cutback in security expenses and the expenditure on community development projects. A cost and benefit analysis will be presented in the following chapter; running the numbers.

§ 7.3 Conclusion

The use of local suppliers is possible, but for a successful outcome it is important that the decision is part of the strategy of the company/article group. It is not sure that there will be cost efficiency advantages, but some MNEs have indicated to be willing to pay a premium for local supplies, because they recognize the positive effects. Besides

the premium other expenses need to be taken into account like extra FTE's, and costs involved with extra liaisons with the communities and to support the business development in particular. One of the major impacts of using local suppliers is that a lot more time needs to be spend with local communities (information meetings, workshops, etc.) resulting in a deeper understanding of both parties and a stronger relationship. In addition by providing business opportunities direct money is injected into the local economy by utilizing one of the essential processes of any business grounding this positive economical influence into the working practices instead of separating them from the normal business activities. The other positive influence is that by business development a permanent base of skills and knowledge becomes established within the communities that can be marketed and utilized even after the MNE has ceased operations.

Chapter 8. Running the numbers

This chapters sets out to provide some insight into the expenses and benefits involved with using local suppliers in a developing country context.

The following investments given in table 7 are estimated to be necessary to use local suppliers on a structural bases.

Table 8 presents a basic cost and benefits analyses. The benifits provide the financing for the investment as it is evident that within one year the investments will be earned back.

2	vehicles	á €21.0000,-	€	42,000.00
	sattelite			
4	phones	á €469,-	€	1,876.00
10	notice boards	á €50,-	€	500.00
4	desks	á €100,-	€	400.00
4	computers	á €350,-	€	1,400.00
			€	46,176.00

Table 7. Investments

It has been asserted previously that no conclusive method exists to calculate the financial threat of a risk. For that reason it is very hard to transfer the risks identified in risk assessments into a financial value. Subsequently a very straight forward example is use for illustrative purposed only; In 2006 Newmont has been forced to agree to a \$30m settlement for a lawsuit over the alleged pollution of a bay with arsenic and mercury in Indonesia (operating for 7 years). Newmont does not admit guilt. The suit came about after villagers near the company's Buyat Bay mine complained of a variety of ailments that they believe are linked to the mine. Ever since the opening of the mine complaints have been filed concerning a wide array of topics (Mallenbaker, 2006). Enforced by Newmonts denial it is believed that this lawsuit, en therefore the settlement could have been avoided if communication would have taken place from the beginning, subsequently that would have saved the company \$30m which is converted into euros and spread out over a 7 year period. A similar case is the \$1,5bil. fine issued to Shell concerning the environmental damage in the Niger Delta. Shell still denies guilt and has stated that much of the damage has been caused by

		Costs				Benefits		
expenses	10 x	provision of basic accountancy training	à 545	€	5,450.00	risk reduction expense reduction on corporate governance program	€	3,532,570.30
	10x	provision of basic H&S training	à 319	€	3,190.00		€	1,058,558.06
	5x2hr	training of internal staff	à 30	€	300.00			
	1 FTE	translator	à 54.000	€	54,000.00			
	2 FTE	fulltime staff	à 63.000	€	144,000.00			
debitting	1 FTE	fulltime management	à 81.000	€	81,000.00	less expenses on security		
	4x	office supplies	4x150	€	600.00		€	45,000.00
	10x	notice boards	10x50/2	€	250.00	enforcing image and values	€	10,000.00
	2x	vehicles	21000x2/15	€	2,800.00			
	4x	desk	4x4/3	€	5.33		€	4,646,128.36
	4x	satellite phone	4x469/5	€	375.20			
	4x	computers	350x4/2	€	700.00			
				€	292.670.53			

Table 8. Cost and Benefits analyses

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saboteurs. Even though the matter is depicted in the western media as a purely environmental cause, it has been said that the underlying cause can be found in the conflict between ethnic groups in Nigeria, that do not agree on how the oil revenues need to be divided (Litvin, 2004). Shell's community project expenditure is estimated on \$70m annually in Nigeria alone, this is a 1:21.4 ratio. Applying this ration to Newmonts' \$30m fine an amount of 6.42 million would be spend in Indonesia. Since it is not suggested that using local suppliers can totally substitute community projects a careful indication is given by only indicating a 20% reduction, converted into euros.

Part 3. closing moments



Muslim girls from the village of Bounessa in the Affole region of Mauritania are asked to perform disciplinary exercises by their teacher before school. Bounessa is a village of only 61 families who were once nomadic but since they built a dam in 1960 they are settled now. Until ten years ago it was their life to move with the animals.

Chapter 9. Conclusion

The research question that has taken centre stage in this research was:

Is there a connection (and if so, which?) between the executed procurement practices and the level of stability in the footprint area? And how does this affect the risks that confront the MNE from the footprint-area?

The results of the research carried out over the past 3 months, based on sources across the world have been revealed throughout this report.

For this study stability has been defined as the ability of humans to satisfy their basic human needs. Even though this definition explains many (conflict) situations some other reasons are possible explanations like for example revenge and the desire for power. Still the most compelling argument can be found in the universal context of conflict making it plausible that the prerequisite for stability is actually the balanced presence of nature, economy and institute. Nevertheless, further research into this phenomenon is suggested since the possible gains of a thorough understanding of basic human needs and their effects on human behavior may contain answers to many problems in nowadays societies.

As matters stand the most common background of instability in developing countries can be retraced to the dimensions of economy and/or institute. Several explanations for this can be found. Most often the significant delay in industrialization is named. It is often said that this is the legacy of the colonial era and caused by duality in the economy and a weak regime. Another identified reason, is the dependency on a single industry. This was overtly demonstrated by the studied countries and footprint-areas, where an average of 95% of the population depended solely on agriculture for generating income. Both rationalizations seem plausible considering the standstill in the Myanmar

economy and institutional arrangements, compared to the recent upsurge of Ghana's economy which is clearly fuelled by the business oriented government. The risks that stem from this can not be determined unequivocally. Every situation has its unique history and set of circumstances that leads to manipulate the exact intensity and form of the manifestation of the risk. Even so, mainly it can be said that economic deficiencies lead to the perception of resources (especially those introduced into the footprint-area by the MNE) as sources of income. For that reason threats usually vary between vandalism and sabotage to kidnapping and violent assaults. Institutional problems usually set in motion movements that do not necessarily encompass the MNE as a cause, but more as means to an end; gaining publicity to raise international awareness about the situation. Also the (perceived) absence of suitable, effective and efficient communication channels may pose a threat as local actors may resort to violence as a mean to express themselves.

To this date many MNEs have a risk management strategy that is based on risk avoidance. One of the implications of this is that expatriates are used to operate a foreign site and supplies are all flown in instead of procured and hired locally. At the Ahafo project as well as the Yadana project no local suppliers are contracted. In both cases this was due to the assessed inability to meet company standards. It has been established that this has lead some grievances in the footprint-area. Conversely employment arrangements for the Ahafo project have been exemplary as is the case in Myanmar. Nonetheless MNEs believe that the risks coming from the footprint-area can be circumvented by avoiding all contact with 'the outside world'. However the evidence shows the contrary. Based on the impact assessments and discussions with experts it has become clear that the impact that is unavoidable and not negotiable is the impact on the biological environment; nature. Any measures to mitigate negative effects on the dimensions of institute and economy can be actually very effective and

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reap good results if executed properly. At first glance the environment this doesn't appear to have a great influence on the level of stability, but the opposite is the case. When 95% of the population is solely dependant on agriculture the impact of an MNE on the environment has an inevitable ripple effect and impinges on both the economy and institutions. When the MNE does not have a realistic view of how the investment and operations will affect the stability of an area chances are that only negative effects will knowingly or unknowingly materialize.

Currently the public, i.e. the customers demand a high standard of conduct. Due to this pressure most, to all MNEs have implemented extensive corporate governance programs. These programs concentrate on creating a positive influence for the host country. Most often the processes by which this is being achieved are separated from the business itself because this obligation is still mostly seen as a necessary evil. The opposite is the case with procurement. This is an essential process for every organization; small or large and plays a pivotal role in achieving the corporate goals. Evidence has shown that using local suppliers in a developing country context does not, and should not require any alteration of the procurement process. Even though methods and procedures need to be extremely well matched to the local conditions to be successful, the same end results should be achieved after every step; 1) an unambiguous and elaborate specification, 2) a list of possible suppliers, 3) a contract that is favorable to both parties, 4) an order needs to be placed and understood, 5) the realization process needs to be safe guarded, 6) the whole process needs to be evaluated to identify areas of improvement for the future. All this is possible, be it that extra time and effort will necessary in the form of preparation of contracts, holding meetings and providing training and support and so on. This would add up to an extra expenditure of 332.916€ not including the price difference between global/national/local suppliers.

In both cases not using local suppliers has lead to a more negative perception of the MNE, and grievances that exacerbate the likely hood of the manifestation of the perils mentioned before. On the other hand, positive influences have been gauged to be amongst others, a direct financial injection into the local economy, the creation of jobs, a significant increase of the level of skills and knowledge and the introduction of new technologies. As a result using local suppliers significantly augments the economical dimension of a footprint-area. This acts as an important boost to the take off of industrialization. In addition by demanding the conformation to western environmental, labor and health and safety standards and bringing the local entrepreneurs in contact with foreign colleague's negative side-effects of development like environmental degradation and human exploitation can be avoided and the seclusion of developing countries can be broken. On the other hand, these outcomes can also be created by community development projects as is demonstrated by the socio-economic program executed by Total in the Yadana footprint-area. Be that as it may, the sustainability and longevity of those programs is still unsure since it does not add directly to the bottom line of an organization.

All things considered it can be concluded that it is to early state a clear cut, causal relationship between the level of risk and the conduct of an MNE (including procurement). Nonetheless the discussion set out above, based on the evidence uncovered during this study substantiates the conclusion that there is a connection between the level of stability and the procurement practices as it can provide a sustainable constructive influence on the footprint-area combating instability, if executed correctly. The effect that has on the level of risk facing an MNE varies between avoiding the negative - unmet expectations of the footprint-area - and actually reducing the overall risks that stem from the footprint-area by inducing stability

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- the creation of a strong and positive relationships, and enabling (re)construction of institutes and the economy -. At this point in time it is too early to state a clear-cut, causal relationship between these events, but the claim that procurement can have a risk reducing effect is patently substantiated by the evidence uncovered during this study and displayed in part two.

A point of discussion often encountered is the value of the risk reduction achieved. No method exists to date to express the physical risks as an amount of money. Subsequently agreeing on a budget for any risk reducing activity (community projects or the extra money needed for using local suppliers) is regularly a tug of war between the financial department and the department initiating or charged with the activity. For that reason more research is suggested into the area of risk assessment to be able to determine the exact risks facing the MNE and the actual financial threat that this poses to the organization. A more detailed risk assessment would also enable a clearer definition of successful risk mitigation. This is a primary condition if Overmars Organisatie Adviseurs is to provide this knowledge, since it will be indispensable to provide a watertight and unambiguous advice to a client, including the financial outlay.

It is too premature for Overmars Organisatie Adviseurs to venture into this highly complex and intricate area that combines Facility Management, Strategic Management, Conflict Management and the social sciences. As touched upon before, there are a number of areas that call for more detailed research in order to be able to provide a solid advice. Moreover, considering the knowledge currently available within the business and academic communities a lot of work needs to be done to build bridges over current gaps between theory and practice. This is not to say that this is not an attractive diversification, but considering the current competencies present within Overmars Organisatie Adviseurs considerable investments will be

necessary to acquire the knowledge and ability to provide consultancy services regarding this topic.

This study has explored just one of many promising opportunities and proven that it is possible to integrate profit and principles. And even though it is not recommended to provide consultancy services in this area just yet, naturally it is highly recommended to all MNEs active in developing countries to use local suppliers. The steps necessary to actually achieve this are specified in the next chapter.

Chapter 10. Recommendations

Below the full integration of using local suppliers is laid out step by step. Since the MSU model is aforementioned in this report and is the model most regularly used by MNEs to develop their procurement practice, this model is also used to guide the structure of the recommendations.

Step 1. In- or outsourcing

The benefits of local outsourcing should not weigh in this decision.

Step 2. The development of commodity strategies

In this strategy provisions need to be made to be able to use local suppliers in a developing country context. Indications of stipulations that will have to be given shape are:

- the product/process specifications; care needs to be taken to make sure that these are unambiguous, complete and most of all understandable for small suppliers not used to supplying and dealing with the requirements of an MNE. This should also include procedure to structurally cut up large contracts.
- The procurement procedures; these should be able to be abided by local suppliers without for example access to the internet or phone.
- The form of the supplier's database; since this is a database/document solely used by the MNE no special requirements are deemed necessary.
- The investments in supplier development; it is evident that in most cases some form of supplier development will have to take place to secure the quality of both the product/service and the process. It is advisable to determine the maximum amount of guidance (time and/or money) the MNE is prepared to

provide as this will avoid ad hoc decision making in the next steps.

· The congruent contracts and logistical and transactional elements; these are often part of the procedures, but deserve special attention since these are the actual elements of money or product transfer. Nonetheless the same points of attention apply.

Step 3. Construction of a 'World Class' supplier list

Creative communication with the local communities is key in this phase. In order to be able to accurately gauge the supply potential of the local businesses extensive communication is recommended to become mutually acquainted and raise the awareness of the contracts that are being tendered and the opportunities that come with that. The next step is to determine a suitable method to assess the capabilities of the local businesses. In addition it is also crucial to gauge the level of enthusiasm and commitment of the local suppliers as this will be tried and tested plentiful over the course of the process.

Step 4. Development and management of supplier relationships.

It is suggested to assign a special team to the management of local contents. The primary tasks of this team would be the development and management of the local suppliers from a demand perspective, which would in effect create a one-stop-shop for both organizations. This avoids frustrations, which is crucial since a high level of synchronization will have to be attained to maximize positive results for all parties involved

Step 5. Integration of suppliers in the Product / Process / Services development process.

It is not expected that benefits can be gained by incorporating the knowledge of the suppliers into the product/service

development process of the MNE. In order to build up quality and to meet all demands it is very likely that the MNE will incorporate their knowledge into the local business.

Step 6. Integration of suppliers into the Order realization process

This should be addressed in step 2, and subsequent in step 3.

Step 7 Supplier development and quality management

It is recommended that this takes center stage from the beginning. This would be based on the assessment made during for example the workshops and entails an extensive development program and addresses all areas that are of concern to the MNE (it is assumed that only supplier committed to development are selected). Efforts should be made to build up the suppliers' practices in such a way that they can supply independently from the MNE as soon as possible. Quality management should take the shape of quality audits and regular site visits to ensure that all requirements are being met and the expected development is realized.

Step 8 Strategical cost management

It is recommended that MNEs calculate cost in a more advanced way than exclusively based on the cost of the product/service. For that reason it is strongly encouraged to quantify and value the risks that are identified from a local risk assessment, as this makes it possible to assess the progress made by carrying out another risk assessment. In view of the fact that no official method is developed to date that is able to achieve this, a dose of creativity is recommended to be used to address this obvious problem. The cost and benefit analysis presented in chapter 8 is an example. It is not so much based on the materialization of a risk reduction but on risks that are not manifested.

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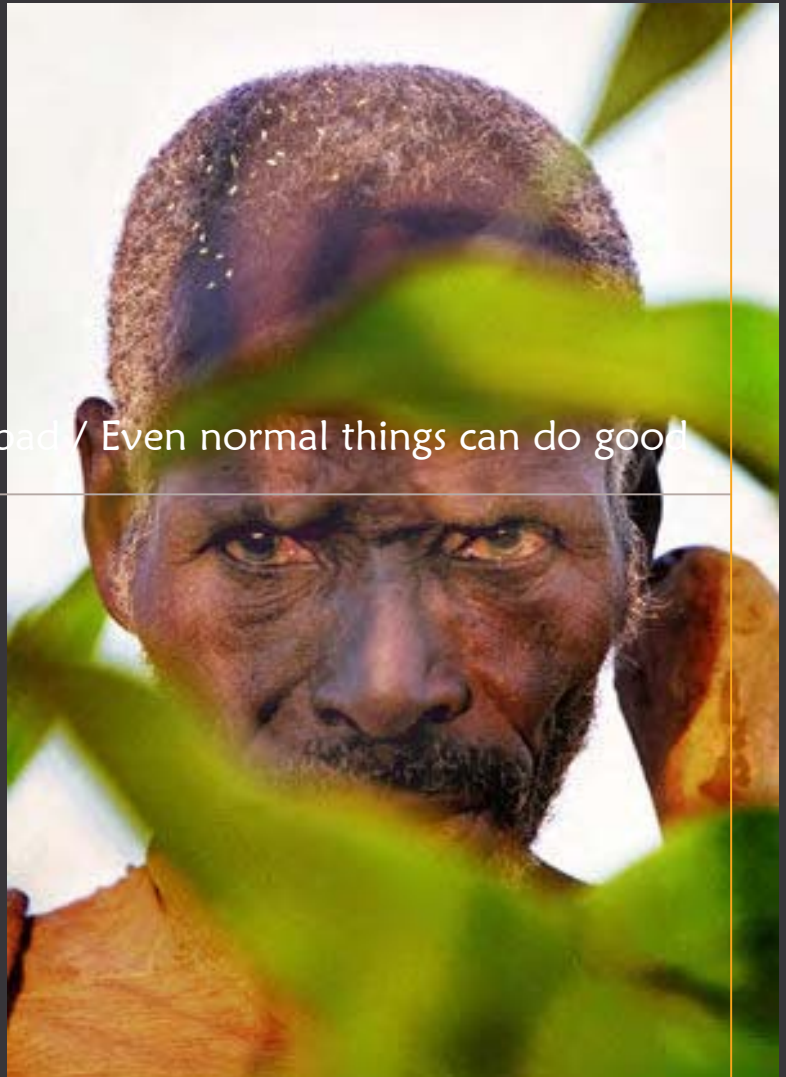
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Annex



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Annex 1. Region snapshots risk assessment

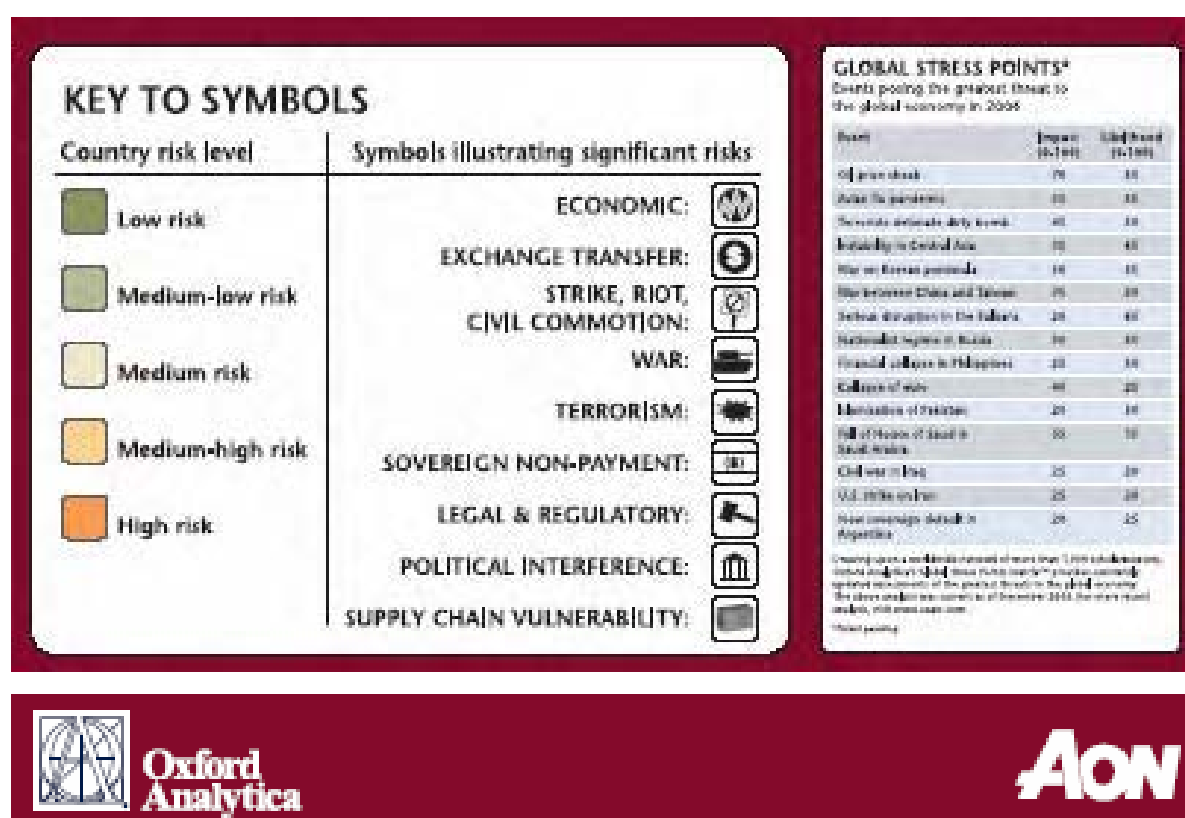




Figure 1. Risk North America

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Figure 2. Risk South America

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Figure 3. Risk Europe

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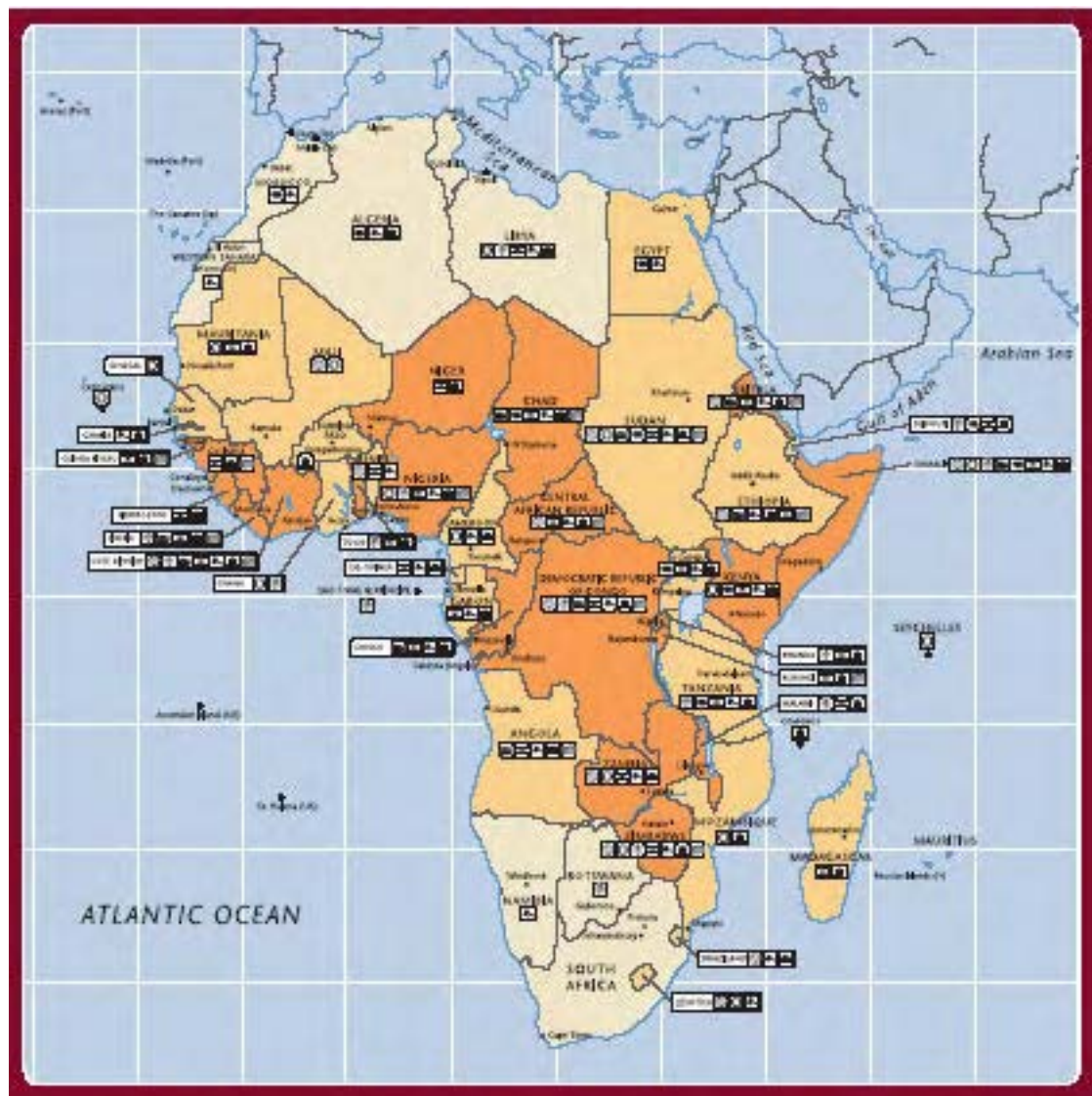


Figure 4. Risk Africa



Figure 5. Risk Asia

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Figure 6. Risk Oceania

Annex 2. Case study; Newmont mining: The Ahafo project in Ghana

§ 2.1 Ghana

Ghana is a country in Africa that is located on the northern edge of the Gulf of Guinea. Ghana became the first sub-Saharan country in colonial Africa that gained its independence after the merger of the British colony of the Gold Coast and the Togoland trust territory in 1957. At that moment the country was renamed Ghana after previously being known as Gold Coast, because of indications that the inhabitants were descended from migrants who moved south from the ancient Ghana Empire in the 13th century.

Ghana's population is concentrated along the coast and in the principal cities of Accra and Kumasi. Ethnically, Ghana is divided into small groups speaking more than 50 languages and dialects. Among the more important linguistic groups are the Akans, which include the Fanti along the coast and the Ashanti in the forest region north of the coast; the Guans, on the plains of the Volta

River; the Ga and Ewe speaking peoples of the south and south-east; and the Moshi-Dagomba speaking tribes of the Northern and Upper Regions. English, the official and commercial language, is taught in all the schools. All major religions are represented within the country as well as a number of traditional faiths

After gaining independence a long series of coups resulted in the suspension of the constitution in 1981 and a ban on political parties. A new constitution, restoring multiparty politics, was approved in 1992. Lt. Jerry Rawlings, head of state since 1981, won presidential elections in 1992 and 1996, but was constitutionally prevented from running for a third term in 2000. John Kufour, who defeated former Vice President Atta Mills in a free and fair election, succeeded him and is still residing. This regime is supported by the UN and is included in a G-8 debt relief program decided upon at the Gleneagles Summit in July 2005. Priorities under its current \$38 million Poverty Reduction and Growth Facility (PRGF) include tighter monetary and fiscal policies, accelerated privatization, and improvement of social services.

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§ 2 .2 Key country indicators; Ghana



2.2.1 Geography

Location:	Western Africa, bordering the Gulf of Guinea, between Cote d'Ivoire and Togo
Geographic coordinates:	8 00 N, 2 00 W
Map references:	<u>Africa</u>
Area:	<i>total:</i> 239,460 sq km <i>land:</i> 230,940 sq km <i>water:</i> 8,520 sq km
Area - comparative:	slightly smaller than Oregon
Land boundaries:	<i>total:</i> 2,094 km <i>border countries:</i> Burkina Faso 549 km, Cote d'Ivoire 668 km, Togo 877 km
Coastline:	539 km
Maritime claims:	<i>territorial sea:</i> 12 nm <i>contiguous zone:</i> 24 nm <i>exclusive economic zone:</i> 200 nm <i>continental shelf:</i> 200 nm
Climate:	tropical; warm and comparatively dry along southeast coast; hot and humid in southwest; hot and dry in north
Terrain:	mostly low plains with dissected plateau in south-central area
Natural resources:	gold, timber, industrial diamonds, bauxite, manganese, fish, rubber, hydropower, petroleum, silver, salt, limestone
Land use:	<i>arable land:</i> 17.54% <i>permanent crops:</i> 9.22% <i>other:</i> 73.24% (2005)
Irrigated land:	310 sq km (2003)
Natural hazards:	dry, dusty, northeastern harmattan winds occur from January to March; droughts
Environment - current issues:	recurrent drought in north severely affects agricultural activities; deforestation; overgrazing; soil erosion; poaching and habitat destruction threatens wildlife populations; water pollution; inadequate supplies of potable water
Environment - international agreements:	<i>party to:</i> Biodiversity, Climate Change, Climate Change-Kyoto Protocol, Desertification, Endangered Species, Environmental Modification, Hazardous Wastes, Law of the Sea, Ozone Layer Protection, Ship Pollution, Tropical Timber 83, Tropical Timber 94, Wetlands <i>signed, but not ratified:</i> Marine Life Conservation
Geography - note:	Lake Volta is the world's largest artificial lake

2.2.2 People

Population:	22,409,572 <i>note: estimates for this country explicitly take into account the effects of excess mortality due to AIDS; this can result in lower life expectancy, higher infant mortality and death rates, lower population and growth rates, and changes in the distribution of population by age and sex than would otherwise be expected (July 2006 est.)</i>
Age structure:	0-14 years: 38.8% (male 4,395,744/female 4,288,720) 15-64 years: 57.7% (male 6,450,828/female 6,483,781) 65 years and over: 3.5% (male 371,428/female 419,071) (2006 est.)
Median age:	<i>total: 19.9 years male: 19.7 years female: 20.1 years (2006 est.)</i>
Population growth rate:	2.07% (2006 est.)
Birth rate:	30.52 births/1,000 population (2006 est.)
Death rate:	9.72 deaths/1,000 population (2006 est.)
Net migration rate:	-0.11 migrant(s)/1,000 population (2006 est.)
Sex ratio:	<i>at birth: 1.03 male(s)/female under 15 years: 1.03 male(s)/female 15-64 years: 1 male(s)/female 65 years and over: 0.89 male(s)/female total population: 1 male(s)/female (2006 est.)</i>
Infant mortality rate:	<i>total: 55.02 deaths/1,000 live births male: 59.56 deaths/1,000 live births female: 50.33 deaths/1,000 live births (2006 est.)</i>
Life expectancy at birth:	<i>total population: 58.87 years male: 58.07 years female: 59.69 years (2006 est.)</i>
Total fertility rate:	3.99 children born/woman (2006 est.)
HIV/AIDS - adult prevalence rate:	3.1% (2003 est.)
HIV/AIDS - people living with HIV/AIDS:	350,000 (2003 est.)
HIV/AIDS - deaths:	30,000 (2003 est.)
Major infectious diseases:	<i>degree of risk: very high food or waterborne diseases: bacterial and protozoal diarrhea, hepatitis A, and typhoid fever vectorborne diseases: malaria and yellow fever are high risks in some locations</i>

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	<i>water contact disease:</i> schistosomiasis <i>respiratory disease:</i> meningococcal meningitis (2005)
Nationality:	<i>noun:</i> Ghanaian(s) <i>adjective:</i> Ghanaian
Ethnic groups:	black African 98.5% (major tribes - Akan 44%, Moshi-Dagomba 16%, Ewe 13%, Ga 8%, Gurma 3%, Yoruba 1%), European and other 1.5% (1998)
Religions:	Christian 63%, Muslim 16%, indigenous beliefs 21%
Languages:	English (official), African languages (including Akan, Moshi-Dagomba, Ewe, and Ga)
Literacy:	<i>definition:</i> age 15 and over can read and write <i>total population:</i> 74.8% <i>male:</i> 82.7% <i>female:</i> 67.1% (2003 est.)

2.2.3 Government

Country name:	<i>conventional long form:</i> Republic of Ghana <i>conventional short form:</i> Ghana <i>former:</i> Gold Coast
Government type:	constitutional democracy
Capital:	Accra
Administrative divisions:	10 regions; Ashanti, Brong-Ahafo, Central, Eastern, Greater Accra, Northern, Upper East, Upper West, Volta, Western
Independence:	6 March 1957 (from UK)
National holiday:	Independence Day, 6 March (1957)
Constitution:	approved 28 April 1992
Legal system:	based on English common law and customary law; has not accepted compulsory ICJ jurisdiction
Suffrage:	18 years of age; universal
Executive branch:	<i>chief of state:</i> President John Agyekum KUFUOR (since 7 January 2001); Vice President Alhaji Aliu MAHAMA (since 7 January 2001); note - the president is both the chief of state and head of government <i>head of government:</i> President John Agyekum KUFUOR (since 7 January 2001); Vice President Alhaji Aliu MAHAMA (since 7 January 2001); note - the president is both the chief of state and head of government <i>cabinet:</i> Council of Ministers; president nominates members subject to approval by Parliament <i>elections:</i> president and vice president elected on the same ticket by popular vote for four-year terms; election last held 7 December 2004 (next to be held December 2008) <i>election results:</i> John Agyekum KUFUOR reelected president in election; percent of vote - John KUFUOR 53.4%, John Atta MILLS 43.7%

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Legislative branch:	unicameral Parliament (230 seats; note - increased from 200 seats in last election; members are elected by direct, popular vote to serve four-year terms) <i>elections:</i> last held 7 December 2004 (next to be held December 2008) <i>election results:</i> percent of vote by party - NA; seats by party - NPP 128, NDC 92, other 10
Judicial branch:	Supreme Court
Political parties and leaders:	Convention People's Party or CPP [Nii Noi DOWUONA, general secretary]; Every Ghanaian Living Everywhere or EGLE [Owuraku AMOFA, chairman]; Great Consolidated Popular Party or GCPP [Dan LARTY]; National Convention Party or NCP [Sarpong KUMA-KUMA]; National Democratic Congress or NDC [Dr. Huudu YAHAYA, general secretary]; New Patriotic Party or NPP [Samuel Arthur ODOI-SYKES]; People's Convention Party or PCP [P. K. DONKOH-AYIFI, acting chairman]; People's Heritage Party or PHP [Emmanuel Alexander ERSKINE]; People's National Convention or PNC [Edward MAHAMA]; Reform Party [Kyeretwie OPUKU, general secretary]
Political pressure groups and leaders:	NA

2.2.4 Economy

Economy - overview:	Well endowed with natural resources, Ghana has roughly twice the per capita output of the poorer countries in West Africa. Even so, Ghana remains heavily dependent on international financial and technical assistance. Gold, timber, and cocoa production are major sources of foreign exchange. The domestic economy continues to revolve around subsistence agriculture, which accounts for 34% of GDP and employs 60% of the work force, mainly small landholders. Ghana opted for debt relief under the Heavily Indebted Poor Country (HIPC) program in 2002, but was included in a G-8 debt relief program decided upon at the Gleneagles Summit in July 2005. Priorities under its current \$38 million Poverty Reduction and Growth Facility (PRGF) include tighter monetary and fiscal policies, accelerated privatization, and improvement of social services. Receipts from the gold sector helped sustain GDP growth in 2005 along with record high prices for Ghana's largest cocoa crop to date. Inflation should ease but remains a major internal problem. Ghana also remains a candidate country to benefit from Millennium Challenge Corporation (MCC) funding that could assist in transforming Ghana's agricultural export sector. A final decision on its MCC bid is expected in spring 2006.
GDP (purchasing power parity):	\$51.9 billion (2005 est.)
GDP (official exchange rate):	\$9.233 billion (2005 est.)
GDP - real growth rate:	4.3% (2005 est.)
GDP - per capita (PPP):	\$2,400 (2005 est.)

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GDP - composition by sector:	<i>agriculture: 35.5%</i> <i>industry: 25.6%</i> <i>services: 39% (2005 est.)</i>
Labor force:	10.62 million (2005 est.)
Labor force - by occupation:	agriculture 60%, industry 15%, services 25% (1999 est.)
Unemployment rate:	20% (1997 est.)
Population below poverty line:	31.4% (1992 est.)
Household income or consumption by percentage share:	<i>lowest 10%: 2.2%</i> <i>highest 10%: 30.1% (1999)</i>
Distribution of family income - Gini index:	30 (1999)
Inflation rate (consumer prices):	15% (2005 est.)
Investment (gross fixed):	24.6% of GDP (2005 est.)
Budget:	<i>revenues: \$3.216 billion</i> <i>expenditures: \$3.506 billion; including capital expenditures of \$NA (2005 est.)</i>
Public debt:	80.1% of GDP (2005 est.)
Agriculture - products:	cocoa, rice, coffee, cassava (tapioca), peanuts, corn, shea nuts, bananas; timber
Industries:	mining, lumbering, light manufacturing, aluminum smelting, food processing, cement, small commercial ship building
Industrial production growth rate:	3.8% (2000 est.)
Electricity - production:	5.356 billion kWh (2003)
Electricity - consumption:	5.081 billion kWh (2003)
Electricity - exports:	400 million kWh (2003)
Electricity - imports:	500 million kWh (2003)
Oil - production:	7,433 bbl/day (2003 est.)

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Oil - consumption:	39,000 bbl/day (2003 est.)
Oil - exports:	NA bbl/day
Oil - imports:	NA bbl/day
Oil - proved reserves:	8.255 million bbl (1 January 2002)
Natural gas - production:	0 cu m (2003 est.)
Natural gas - consumption:	0 cu m (2003 est.)
Natural gas - proved reserves:	23.79 billion cu m (1 January 2002)
Current account balance:	\$57 million (2005 est.)
Exports:	\$2.911 billion f.o.b. (2005 est.)
Exports - commodities:	gold, cocoa, timber, tuna, bauxite, aluminum, manganese ore, diamonds
Exports - partners:	Netherlands 12.3%, UK 10%, France 6.9%, US 6.4%, Belgium 4.7%, Germany 4.6%, Japan 4.2% (2004)
Imports:	\$4.273 billion f.o.b. (2005 est.)
Imports - commodities:	capital equipment, petroleum, foodstuffs
Imports - partners:	Nigeria 12.6%, China 11.4%, UK 6.6%, US 6.4%, France 4.9%, Netherlands 4.2% (2004)
Reserves of foreign exchange and gold:	\$1.732 billion (2005 est.)
Debt - external:	\$7.084 billion (2005 est.)
Economic aid - recipient:	\$6.9 billion (1999)
Currency (code):	cedi (GHC)
Exchange rates:	cedis per US dollar - 9,072.5 (2005), 9,004.6 (2004), 8,677.4 (2003), 7,932.7 (2002), 7,170.8 (2001)
Fiscal year:	calendar year

2.2.5 Communications

Telephones - main lines in use:	313,300 (2004)
Telephones - mobile cellular:	1.695 million (2004)

Telephone system:	<i>general assessment:</i> poor to fair system; Internet accessible; many rural communities not yet connected; expansion of services is underway <i>domestic:</i> primarily microwave radio relay; wireless local loop has been installed <i>international:</i> country code - 233; satellite earth stations - 4 Intelsat (Atlantic Ocean); microwave radio relay link to Panaftel system connects Ghana to its neighbors; fiber optic submarine cable (SAT-3/WASC) provides connectivity to Europe and Asia
Radio broadcast stations:	AM 0, FM 49, shortwave 3 (2001)
Television broadcast stations:	10 (2001)
Internet country code:	.gh
Internet hosts:	384 (2005)
Internet users:	368,000 (2005)

2.2.6 Transportation

Airports:	12 (2005)
Airports - with paved runways:	<i>total:</i> 7 <i>over 3,047 m:</i> 1 <i>1,524 to 2,437 m:</i> 4 <i>914 to 1,523 m:</i> 2 (2005)
Airports - with unpaved runways:	<i>total:</i> 5 <i>914 to 1,523 m:</i> 3 <i>under 914 m:</i> 2 (2005)
Pipelines:	refined products 74 km (2004)
Railways:	<i>total:</i> 953 km <i>narrow gauge:</i> 953 km 1.067-m gauge (2004)
Roadways:	<i>total:</i> 47,787 km <i>paved:</i> 8,563 km <i>unpaved:</i> 39,224 km (2003)
Waterways:	1,293 km <i>note:</i> 168 km for launches and lighters on Volta, Ankobra, and Tano rivers; 1,125 km of arterial and feeder waterways on Lake Volta (2005)
Merchant marine:	<i>total:</i> 4 ships (1000 GRT or over) 6,308 GRT/9,418 DWT <i>by type:</i> cargo 1, petroleum tanker 1, refrigerated cargo 2 <i>foreign-owned:</i> 1 (Brazil 1) (2005)
Ports and terminals:	Takoradi, Tema

2.2.7 Military

Military branches: Army, Navy, Air Force

Military service age and obligation: 18 years of age for compulsory and volunteer military service (2001)

Manpower available for military service: *males age 18-49: 4,808,451*
females age 18-49: 4,762,459 (2005 est.)

Manpower fit for military service: *males age 18-49: 3,011,081*
females age 18-49: 2,991,551 (2005 est.)

Manpower reaching military service age annually: *males age 18-49: 251,056*
females age 18-49: 247,777 (2005 est.)

Military expenditures - dollar figure: \$83.65 million (2005 est.)

Military expenditures - percent of GDP: 0.8% (2005 est.)

2.2.8 Transnational Issues

Disputes - international: Ghana struggles to accommodate returning nationals who worked in the cocoa plantations and escaped fighting in Cote d'Ivoire

Refugees and internally displaced persons: *refugees (country of origin): 40,853 (Liberia) (2005)*

Illicit drugs: illicit producer of cannabis for the international drug trade; major transit hub for Southwest and Southeast Asian heroin and, to a lesser extent, South American cocaine destined for Europe and the US; widespread crime and money laundering problem, but the lack of a well-developed financial infrastructure limits the country's utility as a money-laundering center

(Source: CIA factbook (<http://www.cia.gov/cia/publications/factbook/geos/gh.html>))

§ 2 .3 The footprint-area



Figure 7. Geographical location of Newmont operations in Ghana

The Ahafo project is located in the Asutifi District, Brong-Ahafo Region, in Ghana. This is approximately 200 kilometers northwest of Ghana's capital city Accra (Figure 1). The mine concession area covers 536.56 square kilometres. The total population of the area is 9.575 persons. Ethnic diversity is high, due to immigration over the past 50 years of persons seeking land to farm.

Within a few kilometres of footprint-area are five sizeable communities. Within the region are five small nucleated settlements (Dokyekrom, Kodiwohia, Kwakyeokrom, Manushed, and Yawusukrom), and about 1,000 rural homesteads. The sizeable communities are the seats of Paramount Chiefs or Divisional Chiefs. They serve as the major market towns of the District, provide access to urban infrastructure (e.g., electricity and water supply systems), and a variety of social facilities (e.g. schools and health centres). Kenyase is the district headquarters. Nucleated settlements are

located on Local Distributors or single-lane tracks, serve as smaller market towns, and sometimes feature a small primary school (e.g. Dokyekrom, Kodiwohia, Kwakyeokrom, and Yawusukrom). These settlements are surrounded by farmland worked by residents. Isolated rural homesteads are scattered more or less even throughout the area.

The population consists of farmers with limited income due to low output from small family farms; 95% of homesteads practice subsistence and cash cropping. Cash crops include cocoa, oil palm, teak, pineapples and citrus. Food crops include cereals, legumes, plantain, yam, cocoyam, vegetables and cassava, and are produced for both consumption and sale. In addition most homesteads keep livestock, mostly poultry, sheep and goats. As a result non-farming sources of income are limited and 2/3 of adults have no employable skills other than farming. Other income generating activities include trading, teaching, food processing, tailoring and sewing, rent of buildings and land, pensions, dividends from group investments, rent of farming equipment and distilling. The level of education is low (42% has no formal education) and is a principle reason for a lack of income diversity other than farming and forestry. Women make up a large part of the agricultural workforce, and generate the majority of non-farm income. 53% of the population is comprised of children between the ages of 0 to 18 due to the prevalent presence of disease, amongst which malaria is of major concern (45% of all ill health reports). Access to basic facilities for potable water, sanitation, and health is limited. In the footprint area itself (536.56 square kilometres) are four schools, and no health posts, clinics or hospitals. In addition there is no electricity. The infrastructure exists out of three public roads plus single lane exploration tracks and foot / bicycle paths which link rural farm fields to homesteads and homesteads to the market towns of Ntotoroso, and Kenyase.

The project is located in Brong-Ahafo Region as mentioned before. The Brong-Ahafo Regional Coordinating Council links the national government and the district / municipal / metropolitan assemblies. It is comprised of chief executives and members of district / municipal / metropolitan assemblies, along with two representatives from the House of Chiefs, the Regional Minister and Regional Deputy Minister. Brong-Ahafo Region has 13 administrative districts. The entire Project falls within Asutifi District. Asutifi District Assembly is the highest administrative and political authority in the district. The District Assembly has 70% elected members and 30% government appointees. It is headed by the District Chief Executive, who is appointed by the President with the approval of two-thirds of the District Assembly. It exercises deliberative, legislative and executive functions, and is responsible for development through preparation and management of district development plans. The Executive Committee of the District Assembly is headed by the District Chief Executive. Sub-district government consists of urban / town / area / zonal councils and unit committees.

Traditional authorities possess deep institutional relevance in the area. They play a particularly important role in land allocation and management. The Project falls within the Ashanti Kingdom, the seat of which is Kumasi. The Ashanti King, Otumfuo Osei-Tutu II, recognizes a number of Paramount Chiefs, each of whom administers a Stool. Within Asutifi District, Kenyase 1 and Kenyase 2 have Paramount Chiefs. There are also Divisional, or Autonomous Chiefs within the District, in Ntotoroso, Gyedu and Wamahinso.

§ 2.4 Newmont mining

Founded in 1921 and publicly traded on the NYSE since 1925, Newmont is the largest gold company in the world and operates in 10 countries worldwide. Headquartered in Denver, Colorado, the company employs approximately 14,000 people. The majority of whom work at Newmont's mines sites in the United States, Australia, Peru, Indonesia, Canada, Uzbekistan, Bolivia, New Zealand, Mexico and Ghana. Globally Newmont has a land position of about 51,500 square miles. In 2005 Newmont sold approximately 8.6 million consolidated ounces (6.5 million equity ounces) of gold realizing revenues of \$4.4 billion.

§ 2.5 The Ahafo project

Newmont has three subsidiaries organized under the laws of Ghana:

- Newmont Ghana Gold Ltd. (NGGL);
- Rank Mining Company Ltd. (Rank); and
- Golden Ridge Resources Ltd. (GRRL).

The current resource is the result of exploration by various interests, which were consolidated by NGGL following a merger with Normandy Mining Limited and purchase of Moydow Mines International, Inc. interests in Rank Mining Ltd. in 2003. Through these mergers and acquisitions NGGL acquired the rights to develop the area covered by permits previously issued by the Ghana Environmental Protection Agency (EPA) for the Ntotoroso and Sefwi projects, which were renamed by NGGL as the Ahafo Project. All projects in Ghana are planned to become part of its new core district of operations.

The Ahafo land position consists of 774 square kilometres of reconnaissance license along an approximate 47 kilometre strike

length. The engineering for the project is almost complete and the first gold production is expected in the second-half of this year (2006). Akyem is the second project in Ghana. The Akyem project is about 36 months behind on the Ahafo project and the first gold production is expected in mid 2008. Subsequently this case study focuses on the Ahafo project since impact of operations and choices made concerning policies have already materialized. For the geographical location of both projects see figure 7.

Ahafo currently has an expected mine life of about 15 years, and at full production a production of approximately 550,000 ounces per year is expected.

§ 2.6 Policies

2.6.1 Labour

Newmont Ghana has well developed employment and training opportunities for local communities. These are recognized to be of such quality that they "could serve as a model for other companies" (Zandvliet 2005). Newmont has constructed a so called 'labour pool'. All communities in the footprint-area have been invited (by street theatre groups) to provide the company with resumes. Over 13000 were received. Applicants need to be approved by the Chief to prove that they are "local". For each community a quota was negotiated based on population, land size and the proximity to the site. The selection of the individuals for the pool is done during a public lottery. In turn, contractors are required to hire 100% of the non-skilled jobs through this labour pool and only skilled positions can be filled by a contractors own staff. An additional 10% of protocol jobs have been created to ease the pressure on the Chief to perform and to avoid corruption. The contractors provide the HR department with the numbers of workers they need. Next the HR department allocates workers to contractors

and see to it that the quotas per village are adhered too. After short-term contracts are terminated workers can re-enter the labour pool.

To ensure adequate training of staff a training coordinator has been onsite from the start of the project. A two week preparation course is mandatory for all workers before they start. The course covers basic safety requirements and how to work in an industrial setting. Newmont has developed about 800 training modules for the project that are all obtainable free of charge for vocational education training centres throughout Ghana. Contractors are required to provide more detailed on-the-job training. Employees that excel at their job will be given an opportunity to become trade-helpers through additional training as semi-skilled labourers. The best 24 of these semi-skilled staff will receive apprenticeships and will be (permanently) employed as operators, warehouse staff, and so forth. The apprenticeship training will be provided by a recognized institute to make sure graduates receive an international certification.

2.6.2 Corporate governance

Newmont recognizes that the impact on the footprint-area is high, and that the effects by far out live the lifespan of the mine. Therefore efforts are made to ensure that the project improves the lives of the people in the surrounding communities, in a safe and environmentally responsible manner. For that reason Newmont has designed the five star management program. This program is designed to manage health and safety, community and environmental responsibilities, and ensure corporate policies are implemented at all sites. A part of this program exists out of annual external Five Star assessments to monitor the effectiveness and prioritize areas to improve. The five main focus areas are: Ensure the health and safety of employees; Build strong relationships with communities; Protect the environment and reclaim

disturbed land; Provide economic value in the communities that extends beyond the life of the mine; Encourage operations to provide adequate resources for health and safety, community and environmental management.

The utilized standards for environmental management are aligned with and go beyond the requirements of ISO14001. The standards for stakeholder engagement are based on the Institute of Social and Ethical Accountability's AA1000 Framework principles, which are designed to improve accountability and performance through stakeholder engagement, reporting, and auditing. The standards for Health Safety and Loss Prevention management have been analyzed by external agencies and compared with internationally known standards such as OHSAS 18001, and are found to meet or exceed the requirements of these management system audit and assessments protocols.

Community

Relocation & resettlement

As stated before the Project is expected to impact a total of 9.575 people, of which 5.185 (823 households) will be physically and economically displaced. The resettlement planning has been developed as a collaborative process. The principles, policies, procedures, and rates have been determined through multi-stakeholder involvement in a Resettlement Negotiation Committee (RNC). This committee includes representatives of Project affected people, households, traditional authorities, district and regional government representatives, non-governmental organizations, and Newmont. The resettlement and relocation program is in accordance with World Bank Operational Directive (OD) 4.30 and the Equator Principles.

As a first step baseline data on land use, ownership, and census has been collected from a variety of sources including the national census (2000), Ghana Poverty Reduction Strategy Paper (2003), Brong-

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Ahafo Region Handbook (n.d.), Asutifi District Medium Term Development Plan (2003-04), and two socioeconomic surveys undertaken by SGS Environment for Normandy Mining Ltd. in 1999 and 2000. In addition Newmont has undertaken a census and socio-economic survey of the Study area, prepared by its nongovernmental organization partner, Opportunities Industrialization Centres International (OICI 2004b) and a land use and structure inventory prepared by pA as the basis of the Resettlement Action Plan (pA 2005). Survey data includes district demography, social services, health care facilities, community centres, district economy, infrastructure (water supply, sanitation systems, solid waste management systems, household fuel systems, transportation networks, telecommunication networks), household organization, and district land data (land uses, rights, land cover). All this information has been used to design the resettlement and relocation activities as well as a community development plan.

As of August 2005, Newmont has compensated Project affected people for a total of \$920,694 (US) (¢8,286,246,000) for loss of their homes, and \$12,878,990 (US) (¢115,910,910,000) as compensation for those that farm in the Project area. A participatory consultation program was developed for this resettlement and compensation to ensure there was broad community support for Newmont's actions and attitudes towards local residents. Two resettlement villages are being built to a high standard with many amenities not available previously (pA 2005). Examples are water, brick houses, roads etc.

Community development

As part of the five star management program Newmont has launched a sustainable community development program known as the Livelihood Enhancement and Empowerment Program (LEEP). This is anticipated to last 18 months. Phase 1 of the program, launched in February 2005, focuses on economic growth, wealth creation,

quality of life, and empowerment for the all households. To ensure sustainability and community ownership of the LEEP program, an advisory committee has been created that to include both private (Newmont and other private businesses in the area); public (District Assemblies and Government Ministries); OICI and other non-governmental organization partners; donors; and community representatives (traditional authorities, women, men, youth groups) to obtain expertise and input to finalize Phase 2 of the LEEP. In addition, the advisory committee would secure participation in the process through mobilization of human, material, and financial resources and technical expertise for implementation, monitoring and evaluation of the program.

Phase 2 of the LEEP will be initiated following the start of gold production (projected to be July 2006). Project affected people will have an opportunity to participate in the Phase 2 programs. A commitment has also been made by Newmont to provide a LEEP training facility in the community of Gyedu, which will be managed by ICCES. The facility will provide capacity building to Project affected people focusing on youth. OICI and the training centre entered into a Memorandum of Understanding during May 2005 to assist with infrastructure improvements and provide management support. The training facility will initially focus on vocational training to 600 youths from the Project affected area. As identified above, the LEEP program includes a Monitoring and Evaluation plan designed to provide data on project inputs, outputs, and outcomes during pre-project implementation of the LEEP, at the beginning of each major task, at the conclusion of each task, and during period site visits. Project inputs include infrastructure, equipment, and livestock; output is training; and outcomes include changes in agricultural productivity, income, and health and nutrition.

Kenyase 2 and Ntotorso are "host" communities to resettled residents. Newmont is building new houses in these

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villages. In addition to the new housing stock in the resettlement villages, assistance has been given by

- Establishing new water sources (boreholes);
- Renovating existing water sources;
- Supporting the Kenyase town water system; and
- Constructing a water storage facility on the Subri stream, this will remain as a permanent source of water for domestic and irrigation use after mine closure.

Training is provided for individuals on the five Community Water and Sanitation committees on effective management of community water and sanitation infrastructure and building management capabilities. Committee members are instructed to inform local residents of the importance of drinking only potable water, using proper sanitation practices, and instilling a sense of personal responsibility for maintaining water and sanitation facilities, which could benefit all residents of the Study area.

Electrical service was not available in most of the Study area; Over 90 percent of households used kerosene or paraffin for lighting. Electrification and telecommunications within the Study area is being improved due to the increased demand created by the Project. Electricity for the Project is provided by the Volta River Authority (VRA) from 161kV substations at Kumasi and Sunyani. Development of the Project would provide VRA with a sufficient customer base to enable financing for completion of the previously planned project. Completion of the ring circuit would improve power availability to a large portion of north-western Ghana. Communication services are currently lacking or restricted in and around the Study area. Government post offices and commercial telephone/postal agencies are located in Kenyase 2, but are not reliable. Because of demand by Project personnel, mobile phone coverage became available in Kenyase 1 and Kenyase 2 in September 2004 (pA 2005). This network was installed to support Project communications.

No estimate of the number of people that is being served is currently available.

environment

The Environmental Management Plan was developed in 2004 and includes 24 specific performance procedures and a framework compliant with Ghanaian regulations and Newmont's corporate standards. Environmental stewardship requirements are incorporated into the contracts of every contractor employed on the project. Audits and regular inspections were conducted and reviewed with each contractor to ensure compliance. A formal procedure was established to develop and implement corrective actions in a timely manner for deficiencies identified during the audit and inspection process. The existing environmental permit was updated with current socio-economic data and scope-of-work changes at Ahafo. The changes pertained to an increase in gold reserves and several environmental design improvements made to address risks associated with the tailing storage facility and plant site. Tailings are the fine remains of crushed ore left after the gold is processed. In 2004, 320 hectares (791 acres) were disturbed to build the plant site, road and other infrastructure. Of those, 6 hectares (15 acres) were reclaimed or restored. Plans were made to control key environmental risks including sediment entering local bodies of water, clearing vegetation and topsoil, and reducing dust pollution generated by vehicles and construction. Baseline studies were done on water and sediment-control techniques the site has used. Ahafo conducted a flora and fauna survey to inventory local vegetation and control clearing during construction. Water was used to suppress dust. As part of project feasibility studies, Ahafo prepared closure planning and costing forecasts. The site updated this plan in 2004 to account for the project's scope-of-work changes. In addition, topsoil is being collected and stockpiled from the cleared area to use in re-vegetation to protect against erosion. Some topsoil will be used to reclaim areas surrounding construction, and the remainder

will be stockpiled for long-term reclamation activities. In 2005, Ahafo has continued to reduce environmental risks related to construction. It has controlled sediment and erosion, and constructs sediment control dams to limit sediment released to local waterways. In early 2005, a second project hazards and risk review has been conducted to ensure that all identified risks, standards and regulatory requirements are addressed with the appropriate engineering controls.

Economy

Even though the project is currently not producing gold, it is seen as a significant contributor to the Ghana economy. In 2004, Newmont Ghana paid \$6.7 million in payroll and another \$22 million on good and services. In addition, it paid \$1.3 million in taxes to the government including payroll, rates, duties and levies, non-refundable Value Added Tax (VAT), and social security contributions. Newmont signed a foreign investment agreement ratified unanimously by the Ghanaian Parliament that established a fixed royalty rate of 3.0 (3.6 percent for production from forest reserve areas) of total sales. The agreement also established tax rates for the lives of the mines. These agreements reflect Newmont's commitment to job training for local citizens, community development and environmental protection. No political contributions were made on the site. Employment is one of the greatest economic contributions of the mine. Residents living near the Ahafo project benefit from the company's commitment to hire all unskilled labor from their communities. Local semi-skilled and skilled labor, contractors and subcontractors were given top hiring priority. In 2004, 636 locals were trained and put in a labor pool and 369 were hired. Another significant achievement included making \$9 million in crop compensation payments to 3,000 farmers

under guidelines established through the Resettlement Negotiation Committee. Water and sanitation improvements at the resettlement villages totaled \$1.4 million. Ahafo spent \$132,200 on community investments and \$19,701 on in-kind donations in 2004. Ahafo's most significant community donation in 2004 was \$121,000 for improvements to the Kwakyekrom Primary School. The site also donated \$5,000 for a computer to Our Lady of Assumption Secondary School at Yamfo.

2.6.3 Procurement

Newmont does not structurally favour or use local suppliers. The reason that has been given for that is that "there is limited local an national capacity to meet Newmonts needs"(Zandvliet, 2005). A successful local contracting arrangement has however taken place; the provision of the staff canteen, but this has been initiated by a single manager that helped to start up the vegetable farm. At present, local contracting opportunities are mainly limited to the construction of the resettlement villages. Due to the tight time schedule only businesses that already met the standards of Newmont are used. It is stated however by Newmont management that they prefer contracting local businesses and that they would be prepared to pay a premium of 3-4% for local supplies.

There is however significant time and effort spend on building the capacity of these local suppliers by for example explaining how the bidding process works and connecting them to technical experts. Nonetheless, much criticism was voiced when the construction started over the fact that this had not been done properly.

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§ 2 .7 Summary of impact assessment

TABLE S-I Summary of Potential Impacts and Control Measures Ahafo South Project	
Potential Impact	Control Measures
HUMAN ENVIRONMENT	
Social and Economic Resources	
<p>Converting an agricultural-based economy to a cash, industrial-based lifestyle.</p> <p>Displacing and resettling Individuals and communities.</p> <p>Disrupting access to communities located near the Project site.</p> <p>Influx of new residents, many of whom may have different cultural expectations and values</p> <p>Potential for spread of infectious diseases, including HIV/Aids.</p> <p>Improved housing developments in resettlement communities.</p> <p>New employment opportunities.</p> <p>Increased annual income and reduction of poverty.</p> <p>Training and educational opportunities.</p> <p>Loss of access to some areas.</p> <p>Limited direct impact on potable water sources of local communities as a result of construction and operation of the Project.</p> <p>Increasing cross-cultural tension as expatriates move into the racially and tribally homogeneous Study area.</p> <p>Increasing social problems such as prostitution, teen pregnancy, drugs, drunkenness, and increased crime.</p> <p>Increasing social problems and potential for inflation of housing costs in the local communities.</p> <p>Increasing risk to local resident's health and safety.</p> <p>Increasing waterborne diseases.</p> <p>Increasing risks related to transporting and using chemicals including sodium cyanide</p> <p>Impacting water quantity/quality used for drinking water.</p>	<p>NGGL has initiated a program to relocate/resettle individuals and families and to compensate for loss of agricultural crops and structures.</p> <p>NGGL has reduced the scope of physical and economic displacement associated with the Project through the following:</p> <ul style="list-style-type: none"> ▪ Minimizing size of mine infrastructure elements and shortening distances between them, in order to reduce size of the Project area as much as possible. ▪ Minimizing buffers around mine infrastructure in order to reduce size of the Project area as much as possible without compromising health and safety of nearby residents. ▪ Restricting construction of mine-related infrastructure to rural, sparsely settled areas, distant from towns and major public facilities or infrastructure (pA 2005). <p>Project construction and operation is expected to result in improvements to existing District and local infrastructure including: transportation, water supply systems, sanitation systems, solid waste management systems, electrical systems, and telecommunication network.</p> <p>For resettling persons/households, NGGL has provided a replacement plot within a Resettlement Village for their residential use.</p> <p>NGGL has commissioned OICI to provide Financial Management Training Programs for non-resident farmers and displaced households.</p> <p>NGGL is training individuals on Community Water and Sanitation Committees in the communities of Ntotoroso, Gyedu, and Wamahinso. Training includes effective management of community water and sanitation infrastructure.</p> <p>NGGL has rendered the following specific types of support to date:</p> <ul style="list-style-type: none"> ▪ Extra assistance with the logistics of resettlement and reconciliation to a new community and home. ▪ Rental allowances. ▪ Resettlement near family, friends and neighbors to help maintain informal social/support networks. ▪ Transport allowances. ▪ Special support as needed.

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TABLE S-1 Summary of Potential Impacts and Control Measures Ahafo South Project	
Potential Impact	Control Measures
	<p>To prevent increases in waterborne diseases, NGGL will take the following measures:</p> <ul style="list-style-type: none"> Establish a fishery resource in the Subri Reservoir and introduce species such as Tilapia, which feed on insect larva, including mosquito larvae. Develop an educational program related to waterborne disease and on parasite cycles of selected species such as <i>Schistosoma spp</i> Prevent community or residential development adjacent to the banks of the reservoir. Monitor presence of vector-borne diseases in the reservoir (SGS 2000a). <p>NGGL has developed a malaria prevention program presented in the Appendix A. NGGL has developed HIV/AIDS standards and guidelines in Appendix A.</p>
Cultural Resources	
Losing artifacts and historical/archaeological information and disturbance of graves.	<p>NGGL has commissioned a cultural resources survey to identify shrines and cemeteries.</p> <p>NGGL will notify the national museum of discovery of cultural artifacts or historical features, and will allow museum professionals an opportunity to evaluate any findings.</p>
Visual Quality	
Modifying existing landscape.	<p>Waste rock disposal facilities will be designed, where practicable, with boundaries to blend with surrounding topography.</p> <p>Reclamation of disturbed areas no longer required for operation will be conducted concurrent with operations.</p> <p>Reclamation of disturbed areas at end of mining will restore vegetative communities on all land disturbance except for pit highwalls.</p>
Noise and Vibration	
Increasing the general level of noise and vibration within the vicinity of its operations. Generating continuous and intermittent noise and vibrations from mining activities.	<p>Blasting times will be made known to the public to avoid surprise effects. Sign boards will be located in Ntotoroso, Ghedu, Kawkuadekrom, Kenyase 1, and Kenyase 2. Blasting will be performed only during daylight hours.</p> <p>Vibration induced by blasting will be minimized because controlled blasting technology will be applied.</p> <p>All private buildings and infrastructure within 500 m of the planned ultimate pit rim will be relocated to ensure safe distance.</p> <p>A noise monitoring program will be implemented to ensure that noise from activities and equipment at mine facilities meet or fall below the noise guidelines established by the Ghana EPA at the nearest residential uses to the mine site.</p> <p>Blasting demonstration will be organized for public witnessing under the close supervision of the Ghana EPA and the relevant governmental and traditional authorities.</p>

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<p>TABLE S-1 Summary of Potential Impacts and Control Measures Ahafo South Project</p>	
Potential Impact	Control Measures
BIOLOGICAL ENVIRONMENT	
Flora	
<p>Ground disturbance and vehicular traffic could increase incidence of noxious weed invasion and spread.</p> <p>Removing agricultural crops, trees, and other plant species during surface disturbance actions.</p> <p>Crop and timber production potential on unreclaimed disturbed land would be permanently lost (mine pit highwalls).</p> <p>Increased population density creating an increased demand for crop production. Site-specific and local reductions in crop land from the mine footprint would increase demand for unaffected land outside of the mine disturbance area for crop production, charcoal, and other natural amenities derived from plant communities. Shortened fallow cycles and reduced productivity of land over the long-term due to increased local demands for production of food crops and cash crops.</p>	<p>A noxious weed monitoring and control plan will be developed to ensure that reclaimed areas are protected from noxious weed invasion.</p> <p>Disturbed areas no longer essential for mine operations will be reclaimed concurrent with mining activities.</p>
Fauna	
<p>Development of the mine pit, waste rock disposal facility, tailing storage facility, and other ancillary facilities would remove wildlife habitat reducing availability of forage, security, and breeding cover for wildlife inhabiting the area. All species dependent on these sites would be killed or displaced. Displaced animals may be incorporated into adjacent populations, depending on variables such as species behavior, density, and habitat quality. Adjacent populations may experience increased mortality, decreased reproductive rates, or other compensatory or additive responses.</p> <p>The mine pit highwalls would be lost as habitat for terrestrial species. If water in the pit contains high concentrations of heavy metals or other constituents, long-term ingestion by wildlife may pose a risk to some species.</p> <p>Black kit young and eggs would be destroyed if nesting trees are removed.</p> <p>Mortality of bush baby and Bosman's potto would occur as trees are removed.</p> <p>Habitat loss and mortality of species with conservation priority (First Schedule Ghana Wildlife Regulations), as a result of the Project, could result in site-specific losses of biodiversity. Population densities of species of conservation priority would be reduced or eliminated in mined areas.</p>	<p>Fencing or berming/ditching around the mine pit rim would prevent or minimize terrestrial wildlife from entering the mine pit.</p> <p>Some species of wildlife could use habitat developed on reclaimed waste rock disposal facility.</p> <p>Administrative controls, including policies that prohibit employees and contractors from engaging in hunting activities on all mine properties, would be implemented.</p> <p>Depending on water quality in the pit lake, some species of bats, birds, and other wildlife may be able to use the pit lake as a drinking water source.</p> <p>Reclamation of the tailing storage facility to support crop production would benefit "generalist" species of wildlife that utilize habitat with high levels of human activity.</p> <p>A large proportion of protected wildlife species with potential to be affected by the Project and alternatives have been recorded in the forest reserve. Reclamation activities following mining would create habitat for habitat generalists and habitat enhancement in forest communities would improve habitat for forest-dwelling species.</p> <p>Alternative A would reduce risk to wildlife from exposure to constituents of concern would be eliminated.</p>
Forest Reserves	
<p>Indirect impacts may occur related to potential induced activity related to improved access and/or use of Forest Reserve areas due to increased workers in the Project area.</p>	<p>See Biodiversity Management Program discussion in Chapter 5 – <i>Environmental and Social Action Plan</i>.</p>

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TABLE S-1
Summary of Potential Impacts and Control Measures
Ahafo South Project

Potential Impact	Control Measures
Surface Water Resources	
Degraded surface water quality as a result of direct disturbance to the land (increased erosion and sedimentation), and exposure of fresh rock and mineral surfaces to weathering and leaching (potential for acid generation and/or increased leaching of metals).	Seasonal surface water that flows toward the mine facilities will be diverted in channels designed to transport the 100-year, 24-hour storm event. Runoff from disturbed areas and water that collects in the mine pits during operations will be diverted to one of the environmental control dams and/or used for make-up water needs.
Accidental spills of chemicals and petroleum products used for mine processing activities.	Base of waste rock disposal facilities will incorporate a French drain system to allow natural surface water and springs to flow beneath waste rock. Low permeability layer will be constructed above the drain system.
Blocking or diverting surface water flow from natural drainages.	Excess water that collects in the tailing storage facility will be recycled to a process water pond at the plant site.
Short-term increase in sediment load to the drainages during construction of road crossings.	Water quality and flow will be monitored in streams and at other seep/spring locations.
Changes in topography resulting from mining activities that progressively modify watershed characteristics of sub-basins.	Mine closure actions will include removal of sediment accumulated behind environmental control dams and the dams will be breached to restore free-flowing conditions.
Increasing overland runoff volume as a result of vegetation removal for land development.	No settlements will be developed below the tailing storage facility within the mining concession boundary.
Surface water captured by mine-related facilities and not released back into the natural drainages, affecting downstream water users.	Emergency response plans, backup systems, and treatment methods have been developed to prevent or respond to spills of mine process chemicals and fuels.
Waste rock disposal facilities increase overland runoff due to steeper slopes and less vegetative cover; these effects would be localized.	If mine pits remain open after cessation of mining, diversion channels will prevent natural surface water runoff from entering the mine pits.
Mine pit dewatering increasing stream flow if discharged to drainages.	Waste rock disposal facilities will be placed on a low permeability layer and covered with growth medium. A minimum 1 percent gradient would be maintained on lift surfaces to further reduce infiltration.
	Potentially acid-generating (PAG) waste rock will be encapsulated within the waste rock disposal facilities using acid-neutralizing rock with an overlying low permeability layer. This will limit exposure of PAG rock to meteoric water.
	Waste rock disposal facilities will be inspected quarterly and following heavy precipitation to detect abnormal conditions.
	Only water that meets Ghanaian EPA water quality standards will be discharged from the facility.
	Roads will be constructed with ditches and culverts to collect and convey water runoff from road surfaces to sediment traps or ponds.
	Implement Best Management Practices (BMPs) to prevent or

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TABLE S-1 Summary of Potential Impacts and Control Measures Ahafo South Project	
Potential Impact	Control Measures
Wetlands	
Filling wetlands in drainage as a result of construction of the tailing storage facility and water storage facility.	New wetlands will be created by the water storage facility and possibly environmental control dams. The net effect is likely that more wetlands would be created than lost.
Changes in hydrological regime possibly reducing wetland areas downstream from water impoundments and mine pits.	All surface-disturbing activities will be conducted in accordance with project sediment control guidelines/BMPs and an approved Construction Management Plan.
Increasing sediment in wetland areas from soil disturbance associated with mine development and operation.	Seasonal surface water that flow toward the mine facilities will be diverted in channels around the facilities and back to natural drainages. Runoff from disturbed areas and water that collects in the mine pits during operations will be diverted to one of the environmental control dams.
Aquatic Organisms	
Alternating natural stream flow patterns as a result of mine facility construction will affect fish and aquatic insects present in the stream.	Minimize disturbance of natural drainages to the extent possible.
Increased breeding habitat for mosquitoes and aquatic invertebrates such as snails at the water storage facility. Because mosquitoes are carriers of malaria, and snails are host for a stage in the life cycle of a parasite that causes the disease bilharzia in humans, humans may be negatively affected by enhanced habitat for aquatic organisms.	Seasonal surface water flow toward mine facilities will be diverted in channels around the facilities and back to natural drainages. Runoff from disturbed areas and water that collects in the mine pits during operations will be diverted to one of the environmental control dams.
Mine pits remaining after mining will partially fill with water. Depending on water quality, these water bodies may become habitat for fish and other aquatic organisms. If water quality is poor, fish and aquatic organisms likely would not become established in the pit lakes.	Water quality and/or flow rates will be measured monthly, quarterly, or semi-annually at designated springs/seeps and surface water stations.
PHYSICAL ENVIRONMENT	
Air Quality	
Fugitive dust generated during mine operations resulting from blasting, ore and waste rock hauling, dumping, grading, and backfilling actions.	Fugitive dust emissions will be controlled through use of direct water application, chemical binders, or wetting agents.
Dust generated from transfer points on conveyor systems, grinding and milling operations, and stockpiling.	Disturbed areas will be revegetated concurrent with operations where possible.
Dust generated from increased vehicle travel through villages.	Speed limits are set for vehicles traveling through populated areas to limit dust generation.
Gaseous emissions resulting from operation of mine equipment and light vehicles.	Haul roads will be maintained on a continuous basis to ensure safety and minimize fugitive dust emissions.
	Dust suppression sprays and dry dust collection systems will be installed on respective ore crushing circuits and all ore transfer points in the plant.
	Gaseous emissions will be minimized through proper operation and maintenance of equipment.

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TABLE S-1 Summary of Potential Impacts and Control Measures Ahafo South Project	
Potential Impact	Control Measures
	<p>reduce increased sediment load to streams outside of direct disturbance areas.</p> <p>Discharge of water containing cyanide or other chemicals will be prevented by operating all gold extraction and processing operations using a water/chemical solution recycle system. No effluent will be released to the environment, except possibly under an accident.</p> <p>Continued operation of the water storage facility will be a potential source for potable water in the area.</p>
Groundwater Resources	
<p>Localized groundwater drawdown immediately surrounding the mine pits.</p> <p>Potential impacts to groundwater quality from the waste rock disposal facilities, tailing storage facility, ore stockpiles, mine pits, septic systems, landfills, or spills of chemicals and fuels.</p>	<p>After cessation of mining and dewatering, pit lakes will develop in each mine pit, with water levels eventually approaching pre-mine elevations (20 to 30 meters below ground surface).</p> <p>Potentially acid-generating (PAG) rock will be encapsulated within the waste rock disposal facilities using acid-neutralizing rock with an overlying low permeability layer. This will limit exposure of PAG rock to meteoric water.</p> <p>To prevent leakage, process water pond will have multiple geomembrane liners and a leachate collection system. The ROM pad will be constructed on low permeability clay material.</p> <p>The tailing storage facility would be constructed with a low permeability base, and geomembrane liner where beneath the supernatant pond. An underdrain collection system will be constructed at the base of the facility to collect and discharge any seepage to a collection pond.</p> <p>Reclamation of the tailing storage facility and waste rock disposal facilities will minimize infiltration of precipitation into these facilities.</p> <p>Groundwater monitoring wells will be installed downgradient of the tailing storage facility and waste rock disposal facilities, and sampled at a frequency and duration per approval of Ghana EPA.</p> <p>Community boreholes and potable wells will be monitored for water quality and water elevations to ensure sources are unaffected by dewatering activities.</p> <p>Continued operation of the water storage facility will recharge groundwater with good quality water.</p>
Soil Resources	
<p>Surface disturbance resulting in reduced fertility, loss of soil structure, reduced infiltration and water holding capacity, erosion, and reduced productivity</p> <p>Increased soil erosion due to vegetation removal, and immediately following soil replacement before new vegetation has been established.</p> <p>Impacting previously uncultivated areas as relocated populations</p>	<p>NGGL will salvage soil to be used in reclamation.</p> <p>Stormwater-related erosion will be controlled using various BMPs, including brush barriers, sediment ponds, small check dams, sediment fences, and other controls until vegetation is established to provide stable soil conditions.</p> <p>All surface-disturbing activities will be conducted in accordance with project sediment control guidelines/BMPs and an approved</p>

Annex 3. Case study; Total - The Yadana project in Myanmar

§ 3.1 Myanmar

Myanmar is a country in Asia that is partially located on the India subcontinent. The official name is Union of Myanmar and used to be called Burma. The name change was instigated in 1989 by the currently still residing Junta government, this change has however not been accepted by many dissidents and the United States. The name Myanmar is deducted from the traditional, Burmese name of the country: Myanma Naingngandaw.

The country has existed for more than a thousand years and resisted all invasions up until 1908 as it was included into the British Commonwealth. Burma's unity, that is often labelled fragile, has been achieved slowly. Many ethnic groups are accounted for and different religions are practiced within the country amongst which are, animistic spirits and Buddhism. The North that is closed to visitors, is a world apart from the South. Mandalay is increasingly becoming Chinese. Yangon (the former capital) is an active and modernizing city. Trafficking in precious gems and opium has continued to benefit the rich as well as the military, while endemic diseases continue to afflict the poor.

After Britain's colonization, Japan invaded it during WO II. This invasion was welcomed at first, but then resisted for its exactions by the general Aung San - who founded both the nation and the army. He was assassinated in 1947. Burma became independent on the 4th of January, 1948 and left the Commonwealth. A short period of democracy followed (induced by U Nu's government), but the hope lay in Socialism, just like for the other countries in the region at the time. At first Ne Win (a general) emerged as a leader but soon became authoritarian and was replaced by army

officers grouped together under the State Law and Order Restoration Council (SLORC), headed by army chief of staff Saw Maung, who promised general elections in 1989. The SLORC officially replaced socialism with capitalism but the living conditions for the population remained the same.

Opponents of the Regime formed a coalition party, the National League for Democracy (NLD), under the leadership of Aung San Suu Kyi. Numerous popular demonstrations were repressed resulting in thousands of deaths. Martial law was declared by the regime and in July 1989 Aung San Suu Kyi was placed under house arrest. The junta affirmed that they wanted to restore power to civilian leadership and held parliamentary elections in May 1990. The NLD won with a majority of 396 seats out of 485. The regime did not accept the outcome however, took over NLD headquarters and jailed hundreds of supporters. On recommendation of an American marketing firm the name SLORC was changed into SPDC; State peace and Development Council in 1997. This has however in no way influenced the rule.

It was only after these events that the rest of the world became concerned about Myanmar and condemned the military government that has been accused of massively violating human rights and in particular for using forced labour. This slow reaction in combination with poor knowledge of the actual situation due to the country's isolation, left people (NGOs in particular) imagining the worst. Nevertheless international attention has remained low, though very harsh. Major international organisations refuse to work in Myanmar and only very little aid is provided. The US and European Union have put embargos in place. All of this was set to slowly change until the Aung San Suu Kyi was arrested again in 2003 and violence flared up.

Recently that junta has reinforced the seclusion of Myanmar by refusing

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communication and in- and exports.

§ 3 .2 Key country indicators; Myanmar

(also known as: Burma)



3.2.1 Geography

Location:	Southeastern Asia, bordering the Andaman Sea and the Bay of Bengal, between Bangladesh and Thailand
Geographic coordinates:	22 00 N, 98 00 E
Map references:	<u>Southeast Asia</u>
Area:	<i>total:</i> 678,500 sq km <i>land:</i> 657,740 sq km <i>water:</i> 20,760 sq km
Area - comparative:	slightly smaller than Texas
Land boundaries:	<i>total:</i> 5,876 km <i>border countries:</i> Bangladesh 193 km, China 2,185 km, India 1,463 km, Laos 235 km, Thailand 1,800 km
Coastline:	1,930 km
Maritime claims:	<i>territorial sea:</i> 12 nm <i>contiguous zone:</i> 24 nm <i>exclusive economic zone:</i> 200 nm <i>continental shelf:</i> 200 nm or to the edge of the continental margin
Climate:	tropical monsoon; cloudy, rainy, hot, humid summers (southwest monsoon, June to September); less cloudy, scant rainfall, mild temperatures, lower humidity during winter (northeast monsoon, December to April)
Terrain:	central lowlands ringed by steep, rugged highlands
Natural resources:	petroleum, timber, tin, antimony, zinc, copper, tungsten, lead, coal, some marble, limestone, precious stones, natural gas, hydropower
Land use:	<i>arable land:</i> 14.92% <i>permanent crops:</i> 1.31% <i>other:</i> 83.77% (2005)
Irrigated land:	18,700 sq km (2003)
Natural hazards:	destructive earthquakes and cyclones; flooding and landslides common during rainy season (June to September); periodic droughts
Environment - current issues:	deforestation; industrial pollution of air, soil, and water; inadequate sanitation and water treatment contribute to disease

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Environment - international agreements: *party to:* Biodiversity, Climate Change, Climate Change-Kyoto Protocol, Desertification, Endangered Species, Law of the Sea, Ozone Layer Protection, Ship Pollution, Tropical Timber 83, Tropical Timber 94
signed, but not ratified: none of the selected agreements

Geography - note: strategic location near major Indian Ocean shipping lanes

3.2.2 Demographics

Population: 47,382,633
note: estimates for this country take into account the effects of excess mortality due to AIDS; this can result in lower life expectancy, higher infant mortality and death rates, lower population growth rates, and changes in the distribution of population by age and sex than would otherwise be expected (July 2006 est.)

Age structure: 0-14 years: 26.4% (male 6,335,236/female 6,181,216)
15-64 years: 68.5% (male 16,011,723/female 16,449,626)
65 years and over: 5.1% (male 1,035,853/female 1,368,979) (2006 est.)

Median age: *total:* 27 years
male: 26.4 years
female: 27.6 years (2006 est.)

Population growth rate: 0.81% (2006 est.)

Birth rate: 17.91 births/1,000 population (2006 est.)

Death rate: 9.83 deaths/1,000 population (2006 est.)

Net migration rate: 0 migrant(s)/1,000 population (2006 est.)

Sex ratio: *at birth:* 1.06 male(s)/female
under 15 years: 1.02 male(s)/female
15-64 years: 0.97 male(s)/female
65 years and over: 0.76 male(s)/female
total population: 0.97 male(s)/female (2006 est.)

Infant mortality rate: *total:* 61.85 deaths/1,000 live births
male: 72.68 deaths/1,000 live births
female: 50.38 deaths/1,000 live births (2006 est.)

Life expectancy at birth: *total population:* 60.97 years
male: 58.07 years
female: 64.03 years (2006 est.)

Total fertility rate: 1.98 children born/woman (2006 est.)

HIV/AIDS - adult prevalence rate: 1.2% (2003 est.)

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HIV/AIDS - people living with HIV/AIDS: 330,000 (2003 est.)

HIV/AIDS - deaths: 20,000 (2003 est.)

Major infectious diseases: *degree of risk:* very high
food or waterborne diseases: bacterial and protozoal diarrhea, hepatitis A, and typhoid fever
vectorborne diseases: dengue fever and malaria are high risks in some locations (2005)

Nationality: *noun:* Burmese (singular and plural)
adjective: Burmese

Ethnic groups: Burman 68%, Shan 9%, Karen 7%, Rakhine 4%, Chinese 3%, Indian 2%, Mon 2%, other 5%

Religions: Buddhist 89%, Christian 4% (Baptist 3%, Roman Catholic 1%), Muslim 4%, animist 1%, other 2%

Languages: Burmese, minority ethnic groups have their own languages

Literacy: *definition:* age 15 and over can read and write
total population: 85.3%
male: 89.2%
female: 81.4% (2002)

3.2.3 Government

Country name: *conventional long form:* Union of Burma
conventional short form: Burma
local long form: Pyidaungzu Myanma Naingngandaw (translated by the US Government as Union of Myanma and by the Burmese as Union of Myanmar)
local short form: Myanma Naingngandaw
former: Socialist Republic of the Union of Burma
note: since 1989 the military authorities in Burma have promoted the name Myanmar as a conventional name for their state; this decision was not approved by any sitting legislature in Burma, and the US Government did not adopt the name, which is a derivative of the Burmese short-form name Myanma Naingngandaw

Government type: military junta

Capital: Rangoon (government refers to capital as Yangon)
note: junta began shifting seat of government to Pyinmana area of central Burma in November 2005

Administrative divisions: 7 divisions (taing-myar, singular - taing) and 7 states (pyi ne-myar, singular - pyi ne)
divisions: Ayeyarwady, Bago, Magway, Mandalay, Sagaing, Tanintharyi, Yangon
states: Chin State, Kachin State, Kayah State, Kayin State, Mon State, Rakhine State, Shan State

Independence: 4 January 1948 (from UK)

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National holiday:	Independence Day, 4 January (1948); Union Day, 12 February (1947)
Constitution:	3 January 1974; suspended since 18 September 1988; national convention convened in 1993 to draft a new constitution but collapsed in 1996; reconvened in 2004 but does not include participation of democratic opposition
Legal system:	has not accepted compulsory ICJ jurisdiction
Suffrage:	18 years of age; universal
Executive branch:	<i>chief of state:</i> Chairman of the State Peace and Development Council (SPDC) Sr. Gen. THAN SHWE (since 23 April 1992) <i>head of government:</i> Prime Minister, Gen SOE WIN (since 19 October 2004) <i>cabinet:</i> Cabinet is overseen by the SPDC; military junta, so named 15 November 1997, assumed power 18 September 1988 under the name State Law and Order Restoration Council (SLORC) <i>elections:</i> none
Legislative branch:	unicameral People's Assembly or Pyithu Hluttaw (485 seats; members elected by popular vote to serve four-year terms) <i>elections:</i> last held 27 May 1990, but Assembly never allowed by junta to convene <i>election results:</i> percent of vote by party - NA; seats by party - NLD 392 (opposition), SNLD 23 (opposition), NUP 10 (pro-government), other 60
Judicial branch:	remnants of the British-era legal system are in place, but there is no guarantee of a fair public trial; the judiciary is not independent of the executive
Political parties and leaders:	National League for Democracy or NLD [AUNG SHWE, chairman, AUNG SAN SUU KYI, general secretary]; National Unity Party or NUP (pro-regime) [THA KYAW] (at last report); Shan Nationalities League for Democracy or SNLD [HKUN HTUN OO]; and other smaller parties
Political pressure groups and leaders:	National Coalition Government of the Union of Burma or NCGUB (self-proclaimed government in exile) ["Prime Minister" Dr. SEIN WIN] consists of individuals, some legitimately elected to the People's Assembly in 1990 (the group fled to a border area and joined insurgents in December 1990 to form parallel government in exile); Kachin Independence Organization or KIO; Karen National Union or KNU; several Shan factions; United Wa State Army or UWSA; Union Solidarity and Development Association or USDA (pro-regime, a social and political mass-member organization) [HTAY OO, general secretary]
International organization participation:	APT, ARF, AsDB, ASEAN, BIMSTEC, CP, EAS, FAO, G-77, IAEA, IBRD, ICAO, ICRM, IDA, IFAD, IFC, IFRC, IHO, ILO, IMF, IMO, Interpol, IOC, ISO (correspondent), ITU, NAM, OPCW (signatory), UN, UNCTAD, UNESCO, UNIDO, UPU, WCO, WHO, WIPO, WMO, WTO

3.2.4 Economy

Economy overview:	- Burma, a resource-rich country, suffers from pervasive government controls, inefficient economic policies, and rural poverty. The junta took steps in the early 1990s to liberalize the economy after decades of failure under the "Burmese Way to Socialism," but those efforts stalled, and some of the
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liberalization measures were rescinded. Burma does not have monetary or fiscal stability, so the economy suffers from serious macroeconomic imbalances - including inflation, multiple official exchange rates that overvalue the Burmese kyat, and a distorted interest rate regime. Most overseas development assistance ceased after the junta began to suppress the democracy movement in 1988 and subsequently refused to honor the results of the 1990 legislative elections. In response to the government of Burma's attack in May 2003 on AUNG SAN SUU KYI and her convoy, the US imposed new economic sanctions against Burma - including a ban on imports of Burmese products and a ban on provision of financial services by US persons. A poor investment climate further slowed the inflow of foreign exchange. The most productive sectors will continue to be in extractive industries, especially oil and gas, mining, and timber. Other areas, such as manufacturing and services, are struggling with inadequate infrastructure, unpredictable import/export policies, deteriorating health and education systems, and corruption. A major banking crisis in 2003 shuttered the country's 20 private banks and disrupted the economy. As of December 2005, the largest private banks operate under tight restrictions limiting the private sector's access to formal credit. Official statistics are inaccurate. Published statistics on foreign trade are greatly understated because of the size of the black market and unofficial border trade - often estimated to be as large as the official economy. Burma's trade with Thailand, China, and India is rising. Though the Burmese government has good economic relations with its neighbors, better investment and business climates and an improved political situation are needed to promote foreign investment, exports, and tourism.

GDP (purchasing power parity): \$76.36 billion (2005 est.)

GDP (official exchange rate): \$8.042 billion (2005 est.)

GDP - real growth rate: 1.5% (2005 est.)

GDP - per capita (PPP): \$1,600 (2005 est.)

GDP - composition by sector:	<i>agriculture:</i>	54.6%
	<i>industry:</i>	13%
	<i>services:</i> 32.4% (2005 est.)	

Labor force: 27.75 million (2005 est.)

Labor force - by occupation: agriculture 70%, industry 7%, services 23% (2001)

Unemployment rate: 5% (2005 est.)

Population below poverty line: 25% (2000 est.)

Household income or consumption by percentage	<i>lowest</i>	10%:	2.8%
	<i>highest</i> 10%: 32.4% (1998)		

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share:

Inflation rate 25% (2005 est.)
(consumer prices):

Investment (gross fixed): 11.5% of GDP (2005 est.)

Budget: revenues: \$473.3 million
expenditures: \$716.6 million; including capital expenditures of \$5.7 billion (FY04/05 est.)

Agriculture products: - rice, pulses, beans, sesame, groundnuts, sugarcane; hardwood; fish and fish products

Industries: agricultural processing; knit and woven apparel; wood and wood products; copper, tin, tungsten, iron; construction materials; pharmaceuticals; fertilizer; cement; natural gas

Industrial production growth rate: NA%

Electricity production: - 7.393 billion kWh (2003)

Electricity consumption: - 6.875 billion kWh (2003)

Electricity exports: - 0 kWh (2003)

Electricity imports: - 0 kWh (2004)

Oil - production: 18,500 bbl/day (2005 est.)

Oil - consumption: 32,000 bbl/day (2003 est.)

Oil - exports: 3,356 bbl/day (2003)

Oil - imports: 49,230 bbl/day (2003)

Oil - proved reserves: less than 1 billion bbl (2005)

Natural gas production: - 9.98 billion cu m (2003 est.)

Natural gas consumption: - 1.569 billion cu m (2003 est.)

Natural gas exports: - 8.424 billion cu m (2003 est.)

Natural gas imports: - 0 cu m (2003 est.)

Natural gas proved reserves: - 283.2 billion cu m (2005)

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Current account balance: -\$215 million (2005 est.)

Exports: \$3.111 billion f.o.b.
note: official export figures are grossly underestimated due to the value of timber, gems, narcotics, rice, and other products smuggled to Thailand, China, and Bangladesh (2004)

Exports commodities: - clothing, gas, wood products, pulses, beans, fish, rice

Exports partners: - Thailand 38.9%, India 11.5%, China 5.9%, Japan 5.2% (2004)

Imports: \$3.454 billion f.o.b.
note: import figures are grossly underestimated due to the value of consumer goods, diesel fuel, and other products smuggled in from Thailand, China, Malaysia, and India (2004)

Imports commodities: - fabric, petroleum products, plastics, machinery, transport equipment, construction materials, crude oil; food products

Imports partners: - China 29.8%, Singapore 20.8%, Thailand 19.3%, South Korea 5.2%, Malaysia 4.8% (2004)

Reserves of foreign exchange and gold: \$721.1 million (June 2005)

Debt - external: \$6.967 billion (2005 est.)

Economic aid recipient: - \$127 million (2001 est.)

Currency (code): kyat (MMK)

Exchange rates: kyats per US dollar - 5.761 (2005), 5.7459 (2004), 6.0764 (2003), 6.5734 (2002), 6.6841 (2001)
note: these are official exchange rates; unofficial exchange rates ranged in 2004 from 815 kyat/US dollar to nearly 970 kyat/US dollar, and by year-end 2005, the unofficial exchange rate was 1,075 kyat/US dollar

Fiscal year: 1 April - 31 March

3.2.5 Communications

Telephones main lines in use: - 424,900 (2004)

Telephones mobile cellular: - 92,500 (2004)

Telephone system: *general assessment:* barely meets minimum requirements for local and intercity service for business and government; international service is fair
domestic: NA
international: country code - 95; satellite earth station - 2, Intelsat (Indian Ocean), and ShinSat

Radio broadcast stations: AM 1, FM 1 (2004)

Television broadcast stations: 2 (2004)

Internet country code: .mm

Internet hosts: 43 (2005)

Internet users: 63,700 (2005)

3.2.6 Transportation

Airports: 84 (2005)

Airports - with paved runways: *total:* 19
over 3,047 m: 6
2,438 to 3,047 m: 10
1,524 to 2,437 m: 3 (2005)

Airports - with unpaved runways: *total:* 65
1,524 to 2,437 m: 14
914 to 1,523 m: 19
under 914 m: 32 (2005)

Heliports: 1 (2005)

Pipelines: gas 2,056 km; oil 558 km (2004)

Railways: *total:* 3,955 km
narrow gauge: 3,955 km 1.000-m gauge (2004)

Roadways: *total:* 27,000 km
paved: 3,200 km
unpaved: 23,800 km (2005)

Waterways: 12,800 km (2005)

Merchant marine: *total:* 34 ships (1000 GRT or over) 402,724 GRT/620,642 DWT
by type: bulk carrier 8, cargo 18, passenger 2, passenger/cargo 3, roll on/roll off 2, specialized tanker 1
foreign-owned: 9 (Germany 5, Japan 4) (2005)

Ports and terminals: Moulmein, Rangoon, Sittwe

3.2.7 Military

Military branches: Myanmar Armed Forces (Tatmadaw): Army, Navy, Air Force (2005)

Military age and service: 18 years of age for voluntary military service for both sexes (May 2002)

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obligation:

Manpower available for military service: *males age 18-49: 12,268,850*
females age 18-49: 12,469,771 (2005 est.)

Manpower fit for military service: *males age 18-49: 7,946,701*
females age 18-49: 8,543,705 (2005 est.)

Manpower reaching military service age annually: *males age 18-49: 469,841*
females: 455,689 (2005 est.)

Military expenditures - dollar figure:   
\$39 million (FY97)

Military expenditures - percent of GDP: 2.1% (FY97)

3.2.8 Transnational Issues

Disputes international:



over half of Burma's population consists of diverse ethnic groups with substantial numbers of kin beyond its borders; despite continuing border committee talks, significant differences remain with Thailand over boundary alignment and the handling of ethnic rebels, refugees, and illegal cross-border activities; ethnic Karens flee into Thailand to escape fighting between Karen rebels and Burmese troops; in 2005 Thailand sheltered about 121,000 Burmese refugees; Karens also protest Thai support for a Burmese hydroelectric dam on the Salween River near the border; environmentalists in Burma and Thailand continue to voice concern over China's construction of hydroelectric dams upstream on the Nujiang/Salween River in Yunnan Province; India seeks cooperation from Burma to keep Indian Nagaland separatists from hiding in remote Burmese uplands

Refugees internally displaced persons: and *IDPs: 550,000-1,000,000 (government offensives against ethnic insurgent groups near borders; most IDPs are ethnic Karen, Karenni, Shan, Tavoyan, and Mon) (2005)*

Illicit drugs: remains world's second largest producer of illicit opium (estimated production in 2004 - 292 metric tons, down 40% from 2003 due to eradication efforts and drought; cultivation in 2004 - 30,900 hectares, a 34% decline from 2003); lack of government will to take on major narcotrafficking groups and lack of serious commitment against money laundering continues to hinder the overall antidrug effort; major source of methamphetamine and heroin for regional consumption; currently under Financial Action Task Force countermeasures due to continued failure to address its inadequate money-laundering controls (2005)

Source: CIA factbook (<http://www.cia.gov/cia/publications/factbook/geos/bm.html>)

§ 3 .3 The footprint-area

The footprint-area centred in this case study is located in south of the Tenasserim district, as is shown in figure 8. The nearest large city is Tavoy (Dawei) located an estimated 60 kilometres further south. Along the coast there are a few fishing villages whose inhabitants also cultivate rice and raise animals. The centre of the region is sparse scrubland, crossed by a number of waterways, including two fairly large rivers, the Heinze Chaung and the Dawei. Farmers live in scattered large clearings, raising crops and animals in the traditional manner, with very little equipment and/or technology available to them. The

people with no access to land. This has been exacerbated by the compensation money. A fear still exists concerning forced labour, although there has been no record of this happening in the footprint-area since 1995. Enforcement is all done by the military, but because they are not financially supported by the government, and as a result need to sustain themselves, are corrupt and easily bribed and at times resort to illegal activities. There is an extensive illegal import network from the neighbouring countries but this does not reportedly provide funding for arms/supplies to belligerent groups

The population in the original pipeline zone has grown from 35,000 people in 1996 to

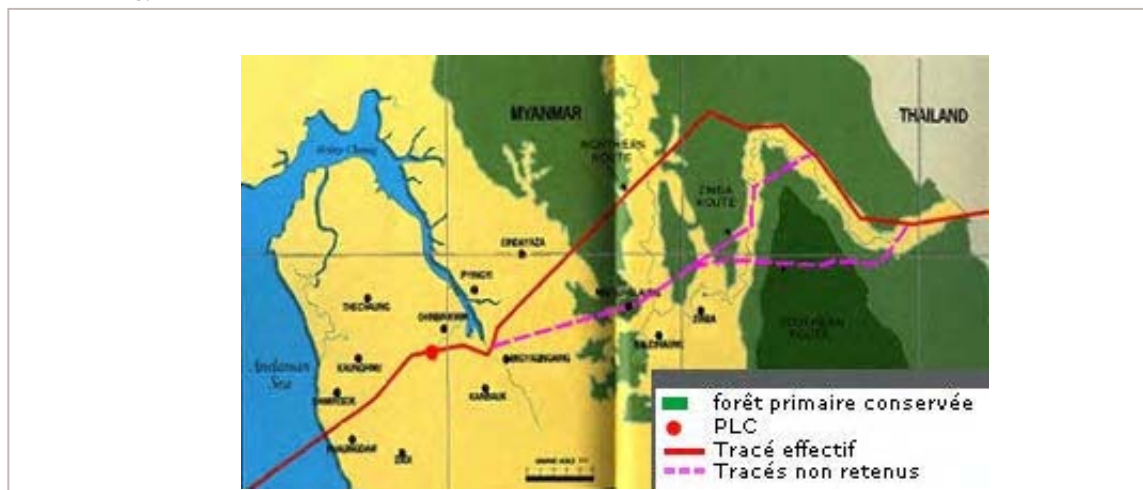


Figure 8. Footprint-area - Myanmar

regulation that requires farmers to sell part of their rice production to a state-owned organization at low prices affects their income and ability to save. Unemployment rates are very low at 5.2%. There is a traditional divide in the role within the household, as the women are expected to work at home and take care of the family subsequently women unemployment is not calculated. Youth unemployment is rising. There is also a social divide in the system between the (previous) landowners and the

more than 45,000 persons at end-2004. The ethnic makeup of the region is fairly diverse. The coastal villages around Damboneik are mainly inhabited by Mon fishermen. Three villages in the centre of the area, near the Dawei River, are occupied by Karen, usually Christians (Baptists). The other villages are dominated by Burman Buddhists. The largest city, Kanbauk, also has a small Muslim community and a mosque. Relations between ethnic groups are peaceful in the footprint region.

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Remote from large cities and with dirt access roads that were washed away during the monsoon season, the region through which the pipeline runs was very isolated. A education was very limited with only 4053 children attending school in 1995 (this is the total of primary, secondary and higher education) compared to a total of 8,664 in 2004/2005. Currently every village in the footprint-area has at least one school that can be attended regardless of financial resources.

§ 3 .4 Total

Total operates in more than 130 countries, with 111.401 employees. These worldwide operations are conducted through three business segments: Upstream, Downstream and Chemicals. Upstream includes oil and gas exploration and production, Gas & Power and other energy sources, whilst Downstream covers refining and marketing, along with trading and shipping. Chemicals comprises various activities, including Petrochemicals, Specialties, Fertilizers and Elastomer processing as well as Arkema, a structure which will eventually become independent, consolidating Vinyl Products, Industrial Chemicals and Performance Products.

The segments are supported by the parent company's functional divisions: Finance, Legal Affairs, Strategy and Risk Assessment, Human Resources and Corporate Communications.

Total is the world's fourth-largest oil and gas producer, with production of 2.59 million barrels of oil equivalent a day and proved reserves of 11.1 billion barrels of oil equivalent in 2004. They are also a world leader in gas production and marketing and in power generation. Total operates a network of almost 17,000 service stations worldwide -mostly in Europe and Africa- mainly under TOTAL and Elf banners, of which approximately 50% are company-owned. In addition they are preparing for the future by investigating renewable energies such as wind power and photovoltaic (solar power).

§ 3 .5 The Yadana project

A Memorandum of Understanding was signed in 1992 by Total and the Myanmar Oil and Gas Enterprise (MOGE, largely owned by the Myanmar government) concerning the commencement of the construction and exploitation of offshore gas facilities. In

addition, the partners PTT-EP, MOGE, and other subsidiaries of Total and Unocal (in the form of a separate company; Moattama Gas Transportation Company (MGTC), would build a 346-kilometer subsea pipeline to bring the gas to landfall in Myanmar, and a 63-kilometer onshore pipeline, with control and metering units, to carry the gas to the border with Thailand (see figure 8). The joined venture was to be, and is operated by Total. Thailand purchases most of the field's output under a long-term contract. Construction was carried out between fall 1995 and mid-1998, the actual gas production was started in July 1998. The total investment of Total added up to be approximately US\$1 billion. Furthermore, additional capital expenditure expenses where and still are required during the field's lifetime to drill additional wells and install compressors. The export started in early 2001, as the export production threshold of 525 million cubic feet per day was met. The project has been named the Yadana project.

§ 3 .6 Policies

3.6.1 Labour

Total has made it a point from the outset to hire Myanmar nationals for the project. Eighty-eight percent of the people who helped build the pipeline (2,200 people out of 2,500) and 95% of the 800 employees currently working for Total Myanmar and its subcontractors were hired locally. Recruitment is based on skills and competencies and vacancies are open to all that want to apply. Contractors were contractually obliged to fill unskilled positions with 50-66% local laborforce. An additional 100 Myanmar technicians and engineers were selected during the construction phases to operate the production facilities and pipeline. They underwent 18 months to two years of training at Total centres and subsidiaries (at a cost of about US\$10 million).

3.6.2 Corporate governance

From the outset it has been clear that the commitment to this project would require long-term involvement. Subsequently the Socio-Economic Program (SEP) was deployed as early on as 1995, even before the fieldwork began. The programme addresses some of the principles that are stated in Total's Code of Conduct and that are reiterated by total in Myanmar. Goal of the programme is to contribute to the economic and social development of the countries in which the Group operates, "in particular the progress of host communities". For the Yadana project the focus is on four key areas: health, education, economic development and infrastructure. These have been prioritized in collaboration with the villagers. Initially the project was intended for the residents of the 13 villages closest to the pipeline, but it was extended to 23 villages in the pipeline region in 2001. Currently the programme is benefiting 45,000 villagers in the region. The program also includes initiatives outside the pipeline region, such as support for orphanages in the Yangon region, a nation-wide blindness prevention program, hospitals and a home for the elderly.

Healthcare

The facilities for healthcare and education are offered to the residents free of charge. There are 12 physicians on site (living in the villages) that provide free consultations and free basic medications. In addition 79 health care workers and 30 midwives have been trained by the project and are given a small incentive for providing their services (it has been stated that even if they would no longer be rewarded by the project they would still carry on providing these services (CEP, Fieldvisit, 2005).

Education

A strong desire for education was expressed by the villagers in 1995. Subsequently an extensive program to improve the region's educational infrastructure was launched in 1996, enabling the construction of 40 schools (including 6 in 2004) and the renovation of 20 others. Each village now has at least one school. Teaching materials

have been supplied and a school library program has been established at 16 schools. Financial aid is available to all that wish to attend school, both for primary school and college financial arrangements are offered. The teachers are civil servants paid by the Ministry of Education. To enable teachers to maintain an acceptable standard of living and encourage them to serve in remote regions, salaries are supplemented with financial aid granted to 311 teachers and assistants under the Socio-Economic Program.

Economical development

An important part of the SEP was making sure that existing economical activities where not disrupted by the Yadana project, and where possible stimulate these initiatives. In advance a survey was carried out determining the main economical activities; fishing in the coastal villages, rice cultivation, and multi-crop subsistence farming including the production of vegetables, animal husbandry (pigs and chickens) and seasonal crops such as oil palms, cashew nuts and rubber trees. There already was a surplus of produced goods, selling was difficult because of the bad condition of the infrastructure and weak marketing channels. The regulation that requires farmers to sell part of their rice production to a state-owned organization at low prices affects their income and ability to save. Subsequently the program set out to improve agricultural practices, by drawing on traditional experience and the villagers' drive. The goal was to generate real progress without creating dependence or disrupting existing ways of life. A permanent team of four veterinarians and three agriculturalists from the Socio-Economic Program, assisted by 32 veterinary auxiliaries trained in 2004, dialogued with each village to define the desired programs and provided the required technical support. Their initiatives focused on developing: Pig, sheep and cattle farming through breeding, education and an intensive vaccination program; Food, perennial and horticultural crops through breeding, supply of plants, plant protection products and fertilizers, and advice. To support these initiatives

several model farms where established, which are closely supervised by program technicians but owned by groups of villagers, to ensure subsequent progress throughout the rural regions. These operations include:

Two model pig breeding farms, one in Kanbawk and one in Migyaunglang, created in 1995 to raise piglets for sale to farmers after vaccination and weaning. Two model poultry breeding farms, one in Thechaung and one in Eindayaza, which have been operating according to the same principle since late 1996. A crop farm in Migyaunglang, founded in 1999, that supplies farmers with quality seedlings and young plants to develop a variety of perennial crops (oil palms, cashew nuts, rubber trees). An oil palm plantation in Thechaung managed by around 60 farmers. These initiatives drove the development of 277 small pig farms and 126 small poultry farms. In addition, 402 families are participating in a variety of crop development programs. The projects are financed by the farmers themselves, who often join forces. They are supported by a system of micro-credits offered under the SEP, where six-month loans in kyats at low interest rates (2% per month, compared with inflation of 5% per month) are used to purchase animals, plants or equipment required to start a project. The system also accommodates commercial projects and fishing enterprises, which can purchase boats, motors and nets. Since the system was introduced in 1997, more than 3,500 people have used of it. The loans are allocated and managed in each village by an elected ad hoc committee consisting of two men and two women, who are often teachers. The compensation received by certain villagers for the use of their fields also provided resources for investment. A total of US\$1.2 million (169 million kyats) was paid to 303 villagers for 585 acres of cultivated land crossed by the pipeline right-of-way. It should be emphasized that this compensation system negotiated with the villages was favorably received by the landowners.

Infrastructure

Finally, the project also provides support for improving the infrastructure of the pipeline area. This includes Improvement of the existing road network, construction of new roads and maintenance of all-season roads, as well as 20 bridges. Complete refurbishing of health and education infrastructure, in particular a hospital in Kanbawk, 15 clinics (of which seven built by the Socio-Economic Program and eight by the villagers), 40 new schools and 20 renovated schools (as also been mentioned under “education”). The educational facilities now available for children include one nursery school, 48 primary schools, six middle schools and three high schools. Completion of around 20 irrigation and potable water supply programs, including the construction of dams, reservoirs, piping systems and wells. Construction of community facilities, including the renovation of pagodas and churches, two assembly halls, the market in Kanbawk and ten soccer fields. This work was carried out by voluntary paid adults employed by the Yadana project subcontractor. In some cases, such as the restoration of pagodas or churches, the work was performed by the villagers themselves. The Socio-Economic Program provided the required funds or materials and occasionally the machinery used for earthmoving.

3.6.3 Procurement

The contracting process within Total is as follows.

Within this tendering process no policies are in place to structurally favour, inform and/or use local suppliers. The reasons for rejection are explained to suppliers to increase their chances of winning a contract. The deployment of best practices is supported during all stages of the relationship.

Subsequently two companies manage the large field contracts in Myanmar: a Yangon-based company is used for equipment rental and road maintenance and an international company responsible for catering (in the PLC

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and metering station at the Thai border) and transportation. According to Total this is due to their “inability to meet the demanded quality and quantity standards”. The company does not have any facility to upgrade the business skills of the local community to its required quality level. Total does buy some fresh produce locally.

1. TENDER
2. SELECTION
a. Suppliers submit a bid comprising a technical envelope and a cost envelope. b. The technical envelope, which includes Health, Safety & Environment (HSE) criteria, is reviewed. Any supplier scoring less than 3 out of 5 on the HSE criteria is automatically eliminated, without review of the second envelope. c. The cost envelope is reviewed for suppliers with a high enough technical score.
3. SUPPLIER SELECTION AND CONTRACT SIGNATURE
4. CONTRACT ADMISSION
a. The supplier’s business unit manager is reminded of the HSE commitments and targets that were accepted when the contract was signed. b. At project sites, targets and results are posted to ensure that employees embrace HSE rules. Safety-related example: Posting of the incident rate and the rules to be applied. c. Supplier performance is monitored and incentives are introduced for the supplier and its employees. Safety-related example: A bonus for supplier employees if total recordable injury rate targets are met. d. Corrective measures are suggested when targets are not met.

Table 1. Procurement process Total

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Annex 4. ICRG Risk rating compilation

Annex 5.

political risk

		max. score	Ghana	Myanmar	Netherlands
A	Government Stability	12	9.5	9.5	7.5
B	Socioeconomic Conditions	12	5.5	4	10
C	Investment Profile	12	8.5	2.5	12
D	Internal Conflict	12	9.5	8	10
E	External Conflict	12	11.5	8.5	12
F	Corruption	6	2	1	5
G	Military in Politics	6	3	0	6
H	Religious Tensions	6	6	6	2.5
I	Law and Order	6	2.5	3	6
J	Ethnic Tensions	6	3.5	3	4.5
K	Democratic Accountability	6	5	0	6
L	Bureaucracy Quality	4	2	1	4
total		100	68.5	46.5	85.5

economic risk

	GDP per Head	5	0	3	5
	Real GDP growth	10	6	6.5	6
	Annual Inflation rate	10	5.5	3.5	10
	Budget balance as percentage of GDP	10	-4.5	7	7
	Current account as percentage of GDP	15	10.5	11.5	13
total		50	17.5	31.5	41

Financial risk

	Foreign Debt as percentage of GDP	10	4	9.5	7.5
	Foreign Debt service as a percentage of exports of good and services	10	9.5	8.5	10
	Current account as a percentage of exorts of goods and services	15	11.5	11.5	12.5
	Net international liquidity as Months of Import cover	5	2	0	0.5
	Exchange rate stability	10	10	10	10
total		45	37	39.5	40.5

Accumulated risk rating

61.5	58.75	83.5
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<50%	Very High risk
50-60	High Risk
60-70 %	moderate risk
70-80%	low risk
80-100%	very low risk

Source: International Country Risk Guide

CR risk definition

§ 5 .1 Risk categories

POLITICAL RISK DEFINITION

The political risk rating evaluates the likelihood of state or non-state political actors negatively affecting business operations in a country. It assesses the extent to which the state is willing and able to guarantee contracts and the extent to which non-state actors may threaten the viability of business operations. State actors can include domestic and foreign governments, parliament, the judiciary and the security forces; non-state actors can include insurgent groups, labour unions, lobbies, organised crime, environmentalists, ethnic and indigenous groups as well as international organisations. The impact of political risk on companies can include negative government policy, judicial insecurity, exposure to corruption, reputational damage, expropriation and nationalisation, and international sanctions. It assesses the extent to which political, economic and institutional stability may enhance or diminish the likelihood of these risks taking place. Political risk may vary for companies and investment projects because of factors such as industry sector and investor nationality.

SECURITY RISK DEFINITION

The security risk rating evaluates the likelihood of state or non-state actors engaging in actions that harm the financial, physical and human assets of a company. It assesses the extent to which the state is willing and able to protect those assets and the extent to which state or non-state actors are capable of harming those assets. Actors that may pose a security risk to companies can include political extremists, terrorists, the security forces, foreign armies, petty criminals, organised criminals, computer hackers, protesters, workforces, local communities, indigenous groups, corrupt officials, business partners, and in-country

company management and staff. The impact of security risk on companies can include theft, injury, kidnap, damage to installations, information theft, extortion, fraud, expropriation and loss of control over business. Security risk may vary for companies and investment projects because of factors such as industry sector, investor nationality and geographic location.

TERRORISM RISK DEFINITION

The terrorism risk rating assesses the potential for acts of terrorism that directly or indirectly threaten foreign business interests including, but not restricted to, their personnel and assets. For the purposes of the terrorism risk rating, Control Risks defines terrorism according to the nature of the act, not the identity or motivation of the perpetrator. Terrorism is premeditated violence or the threat of violence against non-combatant targets, usually intended to influence an audience.

TRAVEL RISK DEFINITION

The travel risk rating evaluates the security risk to individual or groups of business visitors. It assesses the extent to which the state is willing and able to protect business visitors. Actors that may pose a travel risk to visitors can include criminals, terrorists, insurgent groups, the security forces, foreign armies, protesters, local communities, indigenous groups and transportation companies. Other actors that may affect travel risk can include climatic conditions, natural disasters and health hazards. The impact of travel risk on visitors can include theft, injury, kidnap, murder, travel disruption and illness. Travel risk may vary for visitors because of factors such as visitor nationality and geographic location within a city or country.

§ 5 .2 Risk levels

5.2.1 *EXTREME RISK*

The definitions for *EXTREME* political, security, terrorism and travel risk follow:

Political risk

Conditions are hostile to/untenable for business. There is no investment security. The following conditions may apply: the economy has collapsed; law and order has broken down and state bodies ceased to function; there is a state of war or civil war; non-state actors cause suspension of operations; or the state is actively hostile to foreign business and expropriation of assets is likely.

Security risk

The severity of security risks to assets or personnel is likely to make business operations untenable. There is no law and order; conditions may verge on war or civil war. Foreign companies must strongly consider withdrawal.

Terrorism risk

In the absence of effective government control, terrorist or insurgent groups operate almost unchecked, posing a severe threat to Western or government targets.

Travel risk

Travel is dangerous and should be avoided. The authorities are unable or unwilling to provide protection. High levels of violence or terrorism persist, and foreign travellers will be specific targets.

5.2.2 HIGH RISK

The definitions for HIGH political, security, terrorism and travel risk follow:

Political risk

Business is possible but conditions are difficult or likely to become so in the near future. Political institutions effectively do not function, the regulatory framework is poor and judicial decisions are arbitrary. There is little security for investments. Business may be exposed to the following risks: economic and political conditions may become rapidly unstable; international sanctions are possible; non-state actors actively target business; or there is a risk of contract repudiation or re-negotiation by state actors.

Security risk

There is a probability that foreign companies will face security problems; special measures are required. Assets and personnel are at constant risk from violence or theft by state or non-state actors OR there is a high risk of collateral damage from terrorism or other violence. State protection is very limited.

Terrorism risk

While law and order is generally satisfactory there is a sustained terrorist campaign by one or more terrorist groups either against the government or against Western targets.

Travel risk

Travel is difficult and requires planning. State or non-state actors are likely to disrupt travel; protection from the authorities is inadequate. Terrorism, political unrest or high levels of violent crime (including kidnapping) pose a serious risk, with foreign travellers likely to be targeted or at increased risk of incidental exposure to violence

5.2.3 MEDIUM RISK

The definitions for MEDIUM political, security, terrorism and travel risk follow:

Political risk

Foreign business is likely to face some disruption from state or non-state actors OR long-term investment security cannot be guaranteed. There is a risk for business of exposure to some or all of the following: corruption; strong and hostile lobby groups; absence of adequate legal guarantees; restrictions on imports or exports; weak political institutions; and capricious policy-making. In some Medium risk countries there is a latent threat of military or other illegal intervention.

Security risk

There is a reasonable possibility of security problems affecting companies, but there is no sustained threat directed specifically against foreign companies. Targeted crime

or violence poses some risk to foreign assets and personnel OR they are at reasonable risk from violence by terrorists or unrest. State security is inadequate.

Terrorism risk

Domestic terrorist groups are active, and / or the country is an obvious target for international Islamic extremist groups, and/or the domestic security situation provides a fertile environment for attacks against Western targets.

Travel risk

Travel is possible but may be subject to disruption by state or non-state actors; these may pose a physical risk. Levels of violent crime (including kidnapping) and/or terrorist attacks pose some risk: caution is required.

5.2.4 LOW RISK

The definitions for LOW political, security, terrorism and travel risk follow:

Political risk

Business can operate with few problems. Political institutions are stable but there is some possibility of negative policy change. Legal guarantees are strong but business may face some regulatory or judicial insecurity. Non-state actors may occasionally hamper operations.

Security risk

Assets are generally secure and the authorities provide adequate security. Companies and personnel face only infrequent exposure to violence from terrorists or criminals; companies are unlikely to be systematically targeted for asset theft.

Terrorism risk

The country has few if any domestic terrorism problems, and / or is not a target for international Islamic extremist terrorist groups. However, these groups may use the country as a location to attack American, British, Israeli or other 'Western' targets. Limited potential support and/or security

conditions would hamper terrorist operations.

Travel risk

Travellers face few problems. There is a possibility of disruption by state and non-state actors (such as demonstrations) though these pose little physical threat. Common-sense precautions will minimise the risk from crime. Any low-level terrorist campaign poses only incidental risk to travellers.

5.2.5 INSIGNIFICANT RISK

The definitions for INSIGNIFICANT political, security, terrorism and travel risk follow:

Political risk

The environment for business is favourable and likely to remain so. Government policy is stable and the economy is secure. Business faces no legal or regulatory disadvantages. There are no significant non-state threats to operations.

Security risk

Assets and personnel are not at risk except from isolated incidents or petty crime. Levels of violent crime are low, the authorities provide effective security and there is virtually no political violence.

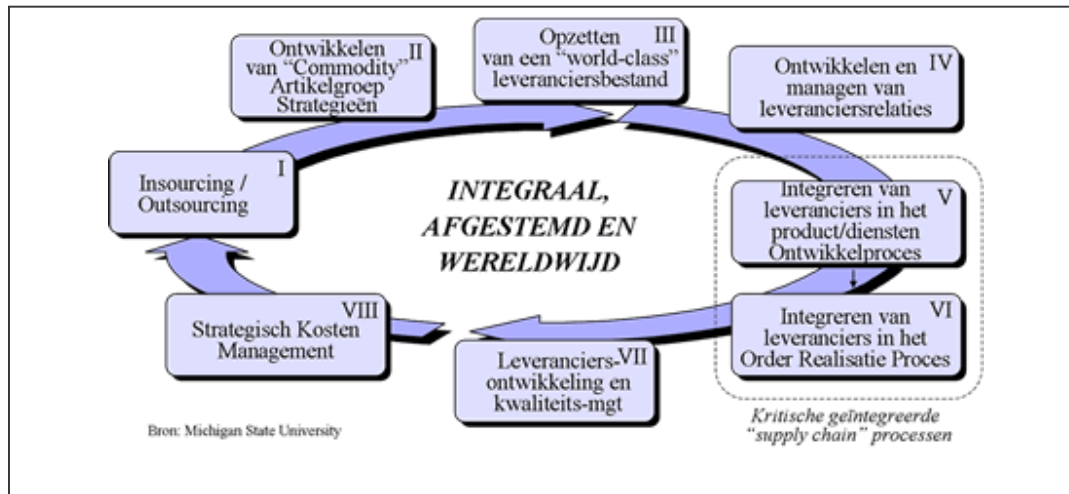
Terrorism risk

The country has no domestic terrorist groups and no precedents of terrorism. There are few if any attractive targets for international Islamic extremist terrorist groups, who would have difficulty operating in the country because of good security and/or a lack of potential support networks.

Travel risk

It is possible to travel freely. Levels of violent crime are very low though isolated incidents may occur; the risk from petty crime is low.

Even Special Actions Can Go Bad/Even Normal Actions Can Do Good



Annex 6. MSU model

§ 6.1 Strategic processes within the MSU-model

6.1.1 Insourcing / Outsourcing

Outsourcing means that a corporation people, competencies, assets and infrastructure to execute certain activities, which do not contribute to the short/long term competitors advantage, disinvests to be able to fully concentrate on the core-business. The activities that are placed with third parties essential to the product portfolio or for the management of the business and shall, either integrated or not, be procured with others. Insourcing is the exact opposite of this.

6.1.2 The development of 'commodity'/article group strategies

An article group strategy is a plan for each article group of a corporation encompassing the targets and short and long term strategy. Elements of an article group strategy are amongst others the product/process characteristics (demand side), the procurement policies, the form of

the suppliers database, the investments in supplier development, the congruent contracts and logistical and transactional elements. Through the optimal combination of these elements it is possible to draw up a fitting strategy for each article group. make

6.1.3 Construction of a 'World Class' supplier list

A 'World Class' supplier list contains the correct number and the most suitable suppliers of an organization. The persisting process of identification and development of good relations with suppliers is important for realization of the various forms of scale advantages for procurement. Ideally this process is steered from the article group strategy.

6.1.4 Development and management of supplier relationships

Leading organization in the world know a differentiated supplier list and policies that are fitted to this. Successful supplier relations bring a high level of coordination, trust, information distribution, communication and creativity. This is specifically the case for the most strategically relationships (partnerships, alliances).

Even Special Actions Can Go Bad/Even Normal Actions Can Do Good

6.1.5 *Integration of suppliers in the Product / Process / Services development process.*

This entails that the knowledge of external suppliers concerning the development of products, processes and services is fully integrated into the internal processes.

6.1.6 *Integration of suppliers into the Order realization process*

The integration of suppliers into the order realization process encompasses the range of strategies and activities that ground the simplification, standardisation and synchronising of operational processes of an organization. When integrating suppliers into this process gains can be generated concerning, amongst others, customer services, capacity, costs, decision-making and communication.

6.1.7 *Supplier development and quality management*

The most important goal of this process is the development of the skills and achievements of suppliers. The rate, at which this happens has a significant

influence on the competition power of a company.

6.1.8 *Strategically cost management*

Strategically cost management is concerned with the identification of costs and their sources and the formulation and execution of strategies that aim to eliminate/reduce costs throughout the supply chain.

§ 6.2 Supporting processes within the MSU model

6.2.1 *Design of a globally integrated and matching, strategies and plans*

Procurement strategies need to be deducted from the general organizational strategy and included in a total-procurement policy. The development of a fitting procurement and supply chain strategy requires a good view on the competitive environment and the identification of factors, that are of influence on the procurement process, the supplier markets and organizational aspects in general.



6.2.2 Development of a organizational and team strategies

This supporting process looks at the formation of the procurement organisation in the cooperation with other disciplines, to make sure that the company goals and the thereof deducted procurement and supply chain targets are maximised.

6.2.3 Globalization

Globalisation of procurement processes and strategies means the organisation of procurement on a global, national and local level in order to utilize global procurement opportunities. Elements like attaining scale advantage, the coordination of procurement strategy per region, international cooperation, human resource management and the effective use of information systems and technology are imperative.

6.2.4 Development of a procurement and supply chain measurement systems

Procurement and supply chain achievement measurements put the focus on gaining a maximum result in relation to the set targets, on internal-procurement and supplier relationships as well as in the procurement portfolio. Based on analyses of the measurement realistic expectations can be formulated concerning ongoing and future results and corrective measures can be developed.

6.2.5 Development and implementation of supporting IT systems

The development and implementation of supporting IT systems are important elements for a good supply chain management strategy. Fully integrated IT systems can span across several links and are

the foundation for the improvement and developed of new products and services.

6.2.6 Staff development and training

In staff development and training the process of identification of prerequisite knowledge and skill for the realisation of organizational and procurement goals, up until the implementation of the essential competencies are described. Aspects like reward, training, selection and preservation of knowledge are integrated in this supporting process.

Annex 7. Interviews

§ 7.1 Rob Veeke

Partner Inkoop en FM Groep bij Significant BV

Interviewer: Suzanna Haarbosch

Datum:

Dinsdag, 28 Februari 2006

Locatie + medium: Telefonisch

Letterlijke transcriptie

Goedemorgen - opnemen van het gesprek

Ik zou graag willen beginnen met wat meer van uw achtergrond

Ja

En daarna lokaal tegenover wereldwijd inkopen, facilitaire inkoop en eisen die worden gesteld aan leveranciers en dan of u misschien denkt of het mogelijk is om op basis van die gegevens kleine lokale leveranciers te gebruiken, en als iets niet duidelijk moet u het gewoon vragen want het kan best zijn dat ik iets onduidelijk uitleg zoals u gemerkt heeft

Nou ja de vraagstelling was ook eigenlijk wel een beetje uniek, maar dat komt ook omdat ik het, en dat heb ik je ook in mijn mail heb aangegeven ook minder herken, maar goed daar komen we waarschijnlijk dadelijk wel op

Oké, zou u dan wat meer willen vertellen over uw achtergrond? Met wat voor organisaties u hebt gewerkt, in welke functie...

Ja, overigens ik weet niet hoe dicht je de microfoon zit of bij de speaker maar je bent niet heel erg goed verstaanbaar. Ik hoop dat ik wel goed verstaanbaar ben.

U bent prima verstaanbaar, is dit duidelijker?

Dit is duidelijker.

Dan doen we het zo.

Ja, nou ja. Ik ben dus Rob Veeke ik ben directeur en eigenaar van Significant. Dat is een adviesbureau met zo'n 40 consultants. Daarvoor was ik werkzaam, samen met diezelfde consultants bij Price Waterhouse Coopers, jou wellicht bekend. Een van de 4 grootste accountancybureaus in de wereld en die hadden ook heel lang heel veel consultants.. alleen ten gevolge van een verandering in de regelgeving in Amerika mochten toen op dat moment de accountantsbureaus geen adviseurs in dienst hebben omdat daar een conflict of interest ontstond. Je kunt je voorstellen dat je als consultant je eigen organisatie moet gaan controleren. Dus wij zijn op 1 januari 2003 verzelfstandigd. Wij houden ons met name bezig met, eigenlijk met 3 onderwerpen. Dat is het optimaliseren van ondersteunende diensten. Dan moet je denken aan de HR ICT en finance kolom dus alles dat in dienst staat van het primaire proces. Wij houden ons ook bezig met collectief beleidsonderzoek. Dat is weer een heel andere poot. En de derde poot die weer met de eerste te maken heeft is dat wij ook redelijk actief zijn op het gebied van inkoop. En met dat laatste houd ik mij vooral bezig, en dat doe ik nu inmiddels zo'n 15 jaar.

Oké, met wat voor organisaties heeft u vooral gewerkt? Op de site staat aangegeven vooral grote en middelgrote organisaties. Zou u wat namen kunnen noemen?

Ja, ik zelf wij hebben zelf, significant als organisatie actief op het inkoopgebied is denk ik de #1 positie in de publieke sector. Dat komt doordat wij van oudsher gespecialiseerd zijn in het begeleiden van complexe Europese aanbestedingen. Want je weet dat overheidsinstanties verplicht zijn conform de regelgeving Europees aan te besteden. Ik zelf samen met een aantal collega's zijn met name actief in de private sector. En om even een beetje te noemen ik

zit nu op dit moment bij Vendex KBB, V&D, bijenkorf, Hema. Ik heb gezeten bij de Rabo, ING, ABN AMRO, BGGM.... even kijken hoor BHP Billiton. Ik moet even graven hoor, maar dat zijn toch wel de meest belangrijke.

Oké, en wat is in uw ervaring de voorkeur van die bedrijven wereldwijd of lokaal inkopen?

Nou ja, je moet een onderscheid maken tussen primaire en secundaire inkoop. In die zin dat primaire inkoop zijn alle goederen en diensten die je inkoopt ten behoeve van het primaire proces. Dus bijvoorbeeld Philips die semi-conductors maakt en daarvoor de grondstoffen en materiaal inkoopt om semi-conductors te produceren en secundaire inkoop dat zijn zeg maar de producten en diensten die je inkoopt om de bedrijfsvoering te laten lopen. Of dat jij in het schoonmaak kantoor zit of dat er uitzendkrachten rondlopen of dat het kopieerapparaat dat daar staat niet werken. Kijk wij hebben geen verstand van de kerosine die de KLM nodig heeft om de vliegtuigen te laten vliegen, dat is overigens een hele gespecialiseerde markt. Dus het moment dat je over globaal en local sourcen praat, moet je denk ik wel een onderscheid aanhouden tussen primaire inkoop en secundaire inkoop. Wij houden ons vooral bezig met secundaire inkoop zoals ik al zei omdat we geen verstand hebben van de kerosine van de KLM. En dat betekent dat wij in sourcing trajecten bijna altijd regionaal of lokaal inkopen.

Kun u daarvoor de redenen aangeven? Waarom specifiek regionaal of lokaal?

De reden daarvan is eigenlijk heel simpel omdat er op het gebied van secundaire inkoop is de toegevoegde waarde van global sourcen is eigenlijk gewoon 0. In die zin dat.. kijk noem maar een schoonmaak bedrijf. Als je een schoonmaak bedrijf wil inkopen zie je in de eerste plaats dat de behoefte erg lokaal is. En dat daardoor ook de dienstverlening lokaal moet worden ingekocht en dat ook de leveranciersmarkt

voor ondersteunende diensten niet global is. Bijvoorbeeld een bedrijf als ISS dat zit wel in een aantal landen maar als je een Europees of wereldwijd bedrijf bent kom je ISS in een aantal landen niet tegen. Laat staan buiten het continent, buiten Europa. Dat geldt overigens niet voor alle commodities bijvoorbeeld PC's of over multi-copiers.

Ja

Daar zie je natuurlijk weer wel dat die wereldwijd worden ingekocht. Dus zeker als het om dienstverlening gaat wordt het lokaal ingekocht, soms boven nationaal bijvoorbeeld België en Nederland of België en Duitsland bij Campina bijvoorbeeld. Maar zodra het om dienstverlening gaat wordt het - met uitzondering van de IT sector - lokaal.

Oké, kunt u misschien aangeven een gemiddelde als een bedrijf zoveel uitgeeft aan de totale inkoop dan is zoveel procent daarvan besteed aan facilitaire inkoop?

Nou ja, dat hangt er een beetje vanaf wat jij verstaat onder facilitaire inkoop.

Ik bedoel de secundaire inkoop de ondersteunende

Dus ook marketing inkoop, ook uitzendkrachten.. bedoel je dat?

Ja.

Ja, die quote zoals ze dat noemen die verschilt heel erg per bedrijfstype. Ik noem maar wat. Als je Philips hebt gaan heel veel van die facturen in het primaire proces zitten. Maar als je een bank bent of een onderwijs instelling dan gaat een groter percentage van de facturen in de bedrijfsvoering zitten. Dus daar kan ik niet zo maar een antwoord opgeven. Maar dat zal bij Philips eerder 10% zijn en bij een onderwijsinstelling of bij een bank eerder 50%.

Even Special Actions Can Go Bad/Even Normal Actions Can Do Good

Oké, merkt u ook dat er verschillende eisen worden gesteld aan leveranciers tussen primaire en facilitaire inkoop?

Nee, ik denk niet dat je onderscheid kunt maken. Het onderscheid wordt niet bepaald door de aard van wat de te inkopen dienst is.

Inderdaad. Maar vervolgens wordt er niet bijvoorbeeld gezegd leveranciers die voor ons leveren voor het primaire proces willen wij maar zoveel procent van de omzet voor zijn. Terwijl dat niet zo uitmaakt bij de facilitaire inkoop.

Nee dat denk ik niet. Ook facilitaire inkoop. Ik vind trouwens het woord facilitaire inkoop een beetje verwarrend hoor. Want facilitair is voor mij een stuk kleiner dan bedrijfsvoeringinkoop.

Hoe zou u het dan willen noemen?

Nou zoals ik zei. Secundaire inkoop. Primaire inkoop die valt in het primaire proces en secundaire inkoop is ten behoeve van de bedrijfsvoering. Die heeft er dan mee te maken of dat het gebouw doet wat ze moet doen, om te zorgen dat de medewerker beschikt over de dingen die hij nodig heeft voor het kunnen uitoefenen van zijn functie. Maar dat onderscheid, ook dat zie ik niet hoor. Om maar een voorbeeld te noemen, nu bij vendex kbb met de inkoop van marketingdiensten bezig en wij kijken ook daar heel nadrukkelijk naar stel nou dat wij ons werk aan dat en dat bedrijf zouden geven. Hoe groot deel van de omzet nemen wij dan voor onze rekening? En dat is altijd een balans tussen zorgen dat je een substantieel deel van de omzet voor je rekening neemt bijvoorbeeld 3-5%. Want als je leverancier een omzet heeft van ik noem maar wat 5 miljoen en je doet zelf daarvan zeg maar 2 ton. Dan heb je zelf ook iets in pap te brokkelen zo. Dus dat is de ene kant van het verhaal. Dan kun je invloed uitoefenen op wat er gebeurt en dan de andere kant zeggen we het mag nooit meer dan 15% zijn. Want op het moment dat je besluit om bij een leverancier weg te gaan

dan wil je niet het faillissement voor je rekening hebben. Dus die overweging van de secundaire inkoop maak je ook bij de primaire inkoop. Dat doe je overal als het goed is.

Oke. Zijn er nog meer eisen die zeg maar globaal aan leveranciers worden gesteld? Bijvoorbeeld met betrekking tot een bepaalde manier van boekhouden, ARBO, dat soort dingen?

Ja van alles. Er zijn tegenwoordig ook heel veel eisen toch omdat je onderwerp ook over global sourcing gaat en dan lokaal. Er zijn allerlei eisen ten aanzien van milieu. Zorgen dat er milieuvriendelijke producten gebruikt worden. Een bedrijf zoals NIKE bijvoorbeeld, ook een klant van ons geweest, die kan zich gewoon niet permitteren om door hun leveranciers in het nieuws te komen dat er zeg maar dat er milieuschadelijke stoffen worden gebruikt. Daar zijn lijsten van dat is 1, en het tweede punt is natuurlijk kinderarbeid. Ook dat heeft met image te maken, dat ze niet op een indirecte manier willen bijdragen aan de instandhouding van kinderarbeid. Ja, er zijn eisen m.b.t. elektronisch factureren tegenwoordig een bedrijf als IBM dat is ook een van de meest vooraanstaande bedrijven op het gebied van inkoop. Daar doe je geen zaken meer mee als je niet elektronisch je facturering kan aanbieden. Er zijn eisen op het gebied van levertijd natuurlijk. Net als bij het primaire proces, er voor zorgen dat je je toeleveringsrisico zoveel mogelijk afdekt. En dat is natuurlijk ook in het kader van global sourcing heel belangrijk. Je kunt wel naar China gaan, dat is heel goedkoop maar het mag natuurlijk niet de consequentie hebben dat je heel lang op je goederen moet wachten. Tuurlijk ook in de retail bijvoorbeeld. Bij vendex kbb bijvoorbeeld dat is heel leuk dat je je mode in china besteld maar moet het natuurlijk voordat het voorjaar is inkopen door de mensen en in de winkels liggen.

Ja inderdaad

Even Special Actions Can Go Bad/Even Normal Actions Can Do Good

Dat is de ene kant van levertijd en de andere kant is, de levertijd moet dus kort zijn en daarnaast moet die ook betrouwbaar zijn. Dus als je op 13 april je goederen wil hebben dan moeten ze er ook zijn. Dus ook dat zijn eisen die bij de selectie van leveranciers worden meegenomen.

U zei net dat er ook vaak de eis wordt gesteld van bijvoorbeeld het aan kunnen bieden van elektronische facturering. Maar ik zou me kunnen indenken dat voor kleine lokale leveranciers dat niet mogelijk is, of omdat ze nog niet over de technologie beschikken of omdat het te kapitaalintensief is voor dat soort organisaties. Zou het dan mogelijk zijn voor een IBM om toch op een of andere manier de procedures aan te passen ze wel gebruik kunnen maken van lokale leveranciers?

Het antwoord is nee, maar je redenering is ook niet juist. Tenzij als je nu een bedrijfje in Oebagadoeba voor de geest hebt. Die procedures zijn zo simpel het enigste wat je over moet beschikken is een internet aansluiting. Dus dat is niet kapitaal intensief. Dat is niet kostbaar dat is een foute gedachte. Je moet niet aan applicaties denken die tienduizenden euro's kosten. Je hebt gewoon Internet nodig en dan kun je elektronisch je facturen inschieten bij de wat grotere vooraanstaande companies.

Denkt u dat er dat soort eisen zijn die wel een belemmering vormen?

Dat er eisen die een belemmering vormen voor wat?

Een belemmering voor kleine lokale leveranciers om mee te dingen naar een contract?

Ja, als ze niet groot genoeg zijn. Maar ik weet niet aan wat voor leveranciers... want je zit nu dus aan secundaire inkoop te denken?

Ja

Maar zoals ik zei een bedrijf in Oebaganoeba zal zoiezo weinig kans maken om bij een IBM of Vendex Kbb in Nederland ondersteunende diensten te verkopen.

Ja inderdaad, maar ik zit te denken aan een MNO die zelf een locatie heeft in een ontwikkelingsland en die voor die voor die locatie secundaire inkoop in moet kopen. Dus niet dat kleine leveranciers zich gaan profileren op de wereldmarkt. Maar juist dat een MNO op een hele lokale markt de secundaire inkoop gaat regelen.

Ja, maar dat doen ze nu toch ook al? Als IBM in Thailand zit dan zullen ze hun catering en schoonmaak echt bij een Thaise bedrijf worden ingekocht. Of een subsidiary van een groter bedrijf als dat toevallig aanwezig is en ze hebben daar een overeenkomst mee. Ze doen gewoon aan local buy.

Nee inderdaad. Dus het is gewoon mogelijk. Het is geen probleem?

Ja hoor. Alleen ze moeten zeg maar qua reputatie beyond doubt zijn.

De reputatie mag geen enkel gevaar opleveren voor de MNO.

Ik neem aan dat je er iets bij voor kan stellen.

Ja, absoluut.

Een IBM dat zijn beursgenoteerde organisaties en die kunnen zich niet permitteren dat zelfs al is het via leveranciers verkeerd in het nieuws te komen.

Dat zie je nu ook gewoon met Shell, alles wat ze zelf doen en wat er aan gerelateerd is wordt er in mee genomen.

(stille)

Ziet u daar een trend in dat secundaire inkoop steeds verder van de organisatie af komt te staan? Of dat het steeds belangrijker wordt?

Dat zijn twee vragen, met verschillende antwoorden. Ik vraag me in eerste instantie af wat bedoel je met steeds verder van de organisatie af komen staan?

Dat het steeds meer afzijdig wordt gezien van de bedrijfsvoering, dat het minder belangrijk wordt voor een organisatie.

Nee dat is onzin. Dat is niet zo. Het wordt gewoon anders georganiseerd. Maar dat heeft niet met minder belangrijk te maken. Het punt is dat je kijkt een bedrijf als Vendex KBB die zich met kleding bezighoudt om ervoor te zorgen dat jij en ik kort na de zomer de wintermode kunnen kopen dat is de doelstelling van de bijenkorf, en dan het liefst nog een beetje een hippe mode met een hip merk. Een bedrijf als Vendex KBB, de bijenkorf die zijn niet in het leven geroepen om ervoor te zorgen dat roltrappen draaien, dat de liften het doen of dat de winkel goed schoongemaakt is. Gevolg daarvan is dat ze dat soort dienstverlening meer en meer op een andere manier gaan organiseren maar daarmee wordt het niet minder belangrijk. Die roltrap moet het wel doen anders komt de klant niet van A naar B. Of de winkel moet wel schoon zijn anders komt die klant ook niet meer. Maar wat ze dus doen is dat ze proberen zo veel mogelijk dienstverlening proberen uit te besteden in clusters. Daarmee bedoel ik het volgende; je kunt je liften onderhoud uitbesteden aan bedrijven zoals Koonen ofzo maar en vervolgens het onderhoud aan je roltrappen aan een ander bedrijf, en wat ze steeds meer gaan doen is al die disciplines bij elkaar pakken en met een bedrijf als GTI of Tonit, nou ja weet ik veel, dat ze daarmee een overeenkomst afsluiten en dat ze ook daarmee een groot aandeel van hun aanbod aan een beperkt aantal leveranciers afsluiten. En dat betekent dat op het hoofdkantoor van Vendex KBB niet voortdurend mannetjes en mevrouwtjes bezig zijn om ervoor te zorgen dat ze zich met de details gaan bemoeien. Dat is wat er gebeurt. Maar daarmee wordt het niet minder belangrijk. Het wordt gewoon anders georganiseerd.

Ja nee inderdaad.

Kortom het antwoord op die vraag is nee, dat zie ik niet.

Dus u zegt eigenlijk het gebruik van lokale leveranciers is geen enkel probleem en wordt ook al veel gedaan.

Ja, zeker in de indirecte bedrijfsvoering. Er is gewoon geen globalmarkt voor heel veel van de secundaire inkoop. Die is er niet. Nou kan ik een heel flauw voorbeeld noemen van kantoor artikelen. Je zou naar correct express kunnen gaan, maar het is gewoon veel goedkoper om het bij Cantic te doen in Nederland. In Italië zijn weer andere. Ja, je kunt naar correct express, en dat is een global bedrijf met overigens een veel sterkere leveranciersbasis in Amerika dan in de rest van de wereld. Maar nog, die hebben maar een 2-3% van de totale wereldmarkt in handen. Dat is niks.

Voor het feit dat ze wereldwijd zijn is dat inderdaad wel. Heeft u zelf misschien nog vragen of opmerkingen?

(INDEX)

Nou, ik vraag me af wat nou eigenlijk het doel is van jouw onderzoek. Waar komt de probleemstelling vandaan, en wat is je hypothese?

De probleemstelling komt uit de signalering dat steeds meer MNO gaan investeren in ontwikkelingsland. En de wat je dan ziet is er ontzettend veel risico's gepaard gaan met het aanwezig zijn in een ontwikkelingsland. En voor de FM die ook risicomangement in zijn portefeuille heeft, heeft daardoor een aanzienlijk probleem vergeleken met het aanwezig zijn in het westen. Bijvoorbeeld conflicten en dat soort toestanden krijg je dan allemaal mee te maken. En nou is in principe de hypothese voor mijn onderzoek te kijken of dat het mogelijk is door juist lokaal in te kopen op zo'n manier je directe omgeving te beïnvloeden dat die risico's kleiner worden. Dus ik zou me kunnen voorstellen dat een

van de oorzaken van die risico's is een instabiele economie, dus als je vervolgens lokaal gaat inkopen stimuleer je de economie en tegelijkertijd bouw je een functionele relatie op met je omgeving. Doel van het onderzoek is om te kijken of dat inderdaad het geval is en of dat dan ook inderdaad de risico's voor de organisatie reduceert.

Maar doen ze dat al niet dan? Ik weet niet, maar in wiens opdracht voer je dit uit?

Het onderzoek wordt gefaciliteerd door Overmars.

Oh ja, via Michaël Geerdink. Ja, maar die heeft daar niet een opdrachtgever achterzitten ofzo? Dus dat er een concreet bedrijf is die die vraag heeft neergelegd bij Overmars?

Nee nog niet.

Maar volgens mij gebeurt het al wat jij net zegt.

Echt waar?

Jawel, stel nou dat je bezig bent met het bedrijf en je bent aan het offshoren. Er komt nu een voorbeeld bij me binnenvallen van BHP die bijvoorbeeld in Moskou dat is toevallig ook een ontwikkelingsland, maar die hebben al juist vanwege de aard van de leveranciersmarkt zoiezo lokaal ingekocht, dat heb ik je net geprobeerd te vertellen. Maar dat geldt ook voor India of Vietnam of Laos. Ze moeten al gebruik maken van lokale leveranciers omdat er gewoon geen global players zijn. En het wordt ook gezien als een manier om een local presence te krijgen. Om contacten op te bouwen en om dingen makkelijker te maken. Een beetje haarlemmerolie gedachten. Dan is er nog een derde punt dat veel overheden dat eisen.

Echt waar?

Jawel, om maar eens in Zuid-Afrika te beginnen. Als jij in Zuid-Afrika een bedrijf

wil hebben zal je verplicht een joint-venture aan moeten gaan met bestaand nog op te richten bedrijf moeten kiezen. En het is zelfs zo dat bij wet in Zuid-Afrika een black-majority in het bedrijf moet zitten. In het kader van positieve discriminatie. Maar dat verschilt natuurlijk van land tot land. Er zijn gewoon overheden die dat als eis doen omdat ze niet willen dat een Philips naar Bangalore gaat in India, ik noem maar wat, vervolgens het merendeel van haar ondersteunende diensten zou regelen met andere bedrijven met Amerika en Europa en dat eigenlijk niemand er beter van wordt in Bangalore zelf, behalve dan die 50 man ofzo die daar aan het werk zijn.

Dat is inderdaad deel van het onderzoek, ik heb het alleen nog nergens kunnen vinden. Zou u wat bronnen daarvoor aan kunnen geven?

Nou, ik heb het niet zo paraat. Maar ik neem aan dat het ministerie van ontwikkelingssamenwerking, en ik zit te denken aan IAPSO dat is een vereniging van de VN

En wat doet die organisatie?

Die stimuleert onder andere inkoop projecten in ontwikkelingslanden. Daar zat vroeger een oud collega van mij Johan van den Groeve maar ik weet niet of hij daar nog zit.

Ik ben inderdaad ook van de VN een heel stel organisaties en initiatieven tegen gekomen die wel zijdelings mee bezig zijn op een of andere manier. Maar nog niet wat u zei dat ze echt inkoop projecten of trajecten begeleiden in ontwikkelingslanden. Dus dat is wel heel interessant.

Ja, ik heb zelfs een collegaatje die er een jaar tussen uit is en die zit nu in Mozambique, en die is daar verbonden aan ik dacht ook IAPSO en ook aan een universiteit van Mozambique. En die ondersteunt dus lokale mensen om bijvoorbeeld het inkoopvak te leren.

Even Special Actions Can Go Bad/Even Normal Actions Can Do Good

Dus het gaat ze ook echt om kennis vergroten.

Ja, want dat zijn natuurlijk ook de mensen die in dienst kunnen treden als bijvoorbeeld IBM besluit om daar een vestiging te openen.

Dus het ministerie van ontwikkelingshulp, IAPSO. Oké, dan zal ik daar achter aan gaan. Ik heb geen vragen meer. Heeft u misschien nog vragen?

Nee, ik ben klaar, ik hoop dat ik je een beetje geholpen hebt.

Absoluut, zeker wel. Vooral dat ze er al mee bezig zijn, daar heb ik nog niets over kunnen vinden, dus dat is wel fijn om te weten.

Ja ik denk dat het goed is om de facilitaire functie is binnen veel grote bedrijven lokaal of regionaal georganiseerd, dus bijvoorbeeld een ING die hebben geen global facility manager ofzo. Het is natuurlijk heel erg nationaal georganiseerd. Met name om de redenen die ik net zei, je kunt het wel centraal willen sturen maar dat heeft weinig zin door de lokale behoeften en de karakteristieken van de lokale leveranciersmarkt om in die behoeften te voorzien. Je kunt begrijpen dat catering in Israël iets anders is dan catering in Scandinavië. Dat is echt totaal anders. Dus dat zegt ook al iets over hoe dat is. Ik denk ook dat het onzinnig is om het doen. Maar je zou bijvoorbeeld eens kunnen kijken of dat je met iemand zoals Ronald Bergkamp van IBM in contact zou kunnen komen. Die jouw kan vertellen hoe IBM in Bangalore of in Laos of in Afrika de ondersteunende diensten regelt.

Heel graag.

Dan moet je Ronald Bergkamp bellen, die zit bij IBM in Amsterdam, hij is iets van European Facility Management. En als je mijn naam noemt dan komt dat wel goed.

Heel erg fijn.

Heel veel succes,

Dank u wel, mr. Postmes had nog gevraagd of ik u de groetjes wou doen, dus bij deze.

Dat is je begeleider?

Ja inderdaad.

Doe hem maar de groeten terug, en doe ook maar aan Michaël.

Zal ik zeker doen. Wilt u nog een transcriptie van het interview.

Ja heel graag, dat was ik nog even vergeten, maar dat vind ik altijd heel erg leuk. Ik weet namelijk niet zeker of ik jouw ook bij het afstuderen krijg.

Dan zal ik die zo snel mogelijk aan u mailen. Heel erg bedankt voor het interview.

Graag gedaan. Succes.

Dank u wel. Tot ziens.

Dag.

§ 7.2 prof.Szirmai

(Adam Szirmai (Eddy) is Professor of Technology and Development Studies at the Department of Technology Management, Eindhoven University of Technology. He was one of the co-founders of the Eindhoven Centre for Innovation Studies, author of a number of books and articles on development economics)

Interviewer: Suzanna Haarbosch
Datum:
Vrijdag, 3 Maart 2006
Locatie + medium: Telefonisch

Letterlijke Transcriptie

Goedemorgen met Suzanna Haarbosch. Stoor ik?

Nee hoor, helemaal niet. Wij hadden een afspraak.

Ja dat klopt.

Steek maar van wal.

Oké. Zoals ik u uit hebt gelegd in mijn e-mail ben ik bezig met mijn afstudeeronderzoek en wat ik probeer vast te stellen met het onderzoek is of dat het mogelijk is voor MNO's in ontwikkelingslanden om een positieve invloed te hebben op hun directe omgeving en zo tevens hun eigen risico's te reduceren.

Je bent niet goed te horen, zou je wat harder kunnen praten.

Natuurlijk, is dit zo duidelijker?

Ja, prima.

Oké, dan zou ik graag iets meer willen weten van uw achtergrond. Daarna de kenmerken die u noemt van ontwikkelingslanden in het bijzonder het dualisme van de economie in combinatie met het begrip stabiliteit en dan wat u

denkt dat de mogelijke invloed is van het gebruik van leveranciers.

Invloed van...?

Het gebruik van lokale leveranciers door een MNO

Ik zal meteen zeggen dat dit niet direct geheel mijn onderwerp is, maar er is wel de laatste jaren veel over geschreven. Onder andere door meneer Narula, die heeft een aantal essays en artikelen geschreven over dit onderwerp, de invloed van buitenlandse ondernemingen in ontwikkelingslanden en dan met name de vraag of dat je nou linkages hebt met onderaannemers. Ik kan je.. als je op internet naar Narula gaat, dat is een indische naam.. oh wacht hier heb ik al zijn site. En hier staan allerlei leuke artikelen op even wachten dan pak ik ze er even bij, een ogenblikje. Ja, hier een artikel uit 2005 dat heet exploring the relationship between technology spillovers and foreign direct investment in Argentina, of understanding the absorptive capacities of innovation. Dit is een tekst dat gaat over de mogelijkheden van technologische investeringen in ontwikkelingslanden. Ja hier vind je allerlei leuke artikelen daar moet je maar eens kijken. Zijn naam is RAJNEESH en Narula is wat makkelijker dat is gewoon NARULA. Als je die intoets op bijvoorbeeld google ofzo dan kom je daar wel bij uit. Hij schrijft met name over deze vraag.. ik heb hem toevallig vorige week nog gesproken vandaar dat ik aan hem denk. En er is bijvoorbeeld een proefschrift geschreven over Tanzania waarin speciaal ingegaan wordt op de vraag of grote buitenlandse bedrijven lokale onderaannemers hebben. Of ze dat doen en wat ze daaraan hebben en in dat proefschrift worden verschillende voorbeelden genoemd in Tanzania. Een voorbeeld waar het wel gebeurt is bijvoorbeeld een bierbrouwer in Tanzania en die verbouwen lokaal hop en die hebben eerst onderzocht ofdat zij goede kwaliteit konden leveren en die haalt nu zo'n 95% van zijn hop of hoppen hoe je dat ook moet noemen uit het binnenland. Een voorbeeld, je hebt ook andere voorbeelden

van bedrijven die dus helemaal niets doen aan lokale leveranciers bijvoorbeeld in Indonesië en Seoel en daar halen ze gewoon alles uit het buitenland en dat heeft eigenlijk te maken met de absorptive capacity dus de capaciteit van de lokale aannemers om de bestaande barrière te doorbreken. Als ze genoeg kunnen leren, over genoeg vaardigheden beschikken zul je eerder zien dat een grote buitenlandse investeerder contacten zoekt met zo'n lokaal bedrijf, want daar kunnen ze wat mee. Als de skillgap de kloof tussen de vaardigheden van de multinational en de lokale aannemers te groot is dan zullen ze of alleen de rotste klussen daarna toe schuiven of ze zullen er helemaal niets aan doen. Dus dat hangt eigenlijk af van de vaardigheden in het land zelf.

Inderdaad. Denkt u.. zou het zo kunnen zijn wanneer er een hele grote kloof is tussen de kennis die aanwezig is en de kennis waar de MNO naar op zoek is dat het juist dan extra belangrijk is om wel die relaties op te zoeken?

Het is extra belangrijk maar het zal niet gebeuren. Des te groter de kloof des te minder kans op dat een groot buitenlands bedrijf op zoek gaat naar lokale onderaannemers. Die zitten daar niet uit idealisme, die zitten daar uit de strategische belangen voor het bedrijf en als de kloof te groot is dan zullen zij daar niet veel aan doen tenzij de overheid een beleid ontwikkeld om inderdaad aan de ene kant steun te leveren aan de lokale aannemers en de andere kant om druk uit te oefenen op die ondernemingen om dat juist wel te doen. Maar als je het een beetje pessimistisch wil formuleren dan des te groter de kloof des te groter de kans dat er iets gebeurt. En dan zou je zeggen dus de bedrijven zullen dat zien die investeren dat niet uit idealisme doen, je hebt wel betere en slechtere bedrijven dat is wel zo maar toch zullen bedrijven altijd de eigen bedrijfsbelangen dienen. En die zitten daar niet als ontwikkelingswerken maar als ze mogelijkheden zien en als er druk op ze wordt uitgeoefend dan wel. En zoals ik zei

dat voorbeeld van die bierbrouwer in Tanzania dat is een heel voorbeeld. En die laten ook hun kroonkurken maken in Tanzania en die hebben heel veel steun geboden aan hun onderleveranciers. Zoveel steun dat die onderneming uiteindelijk ook aan andere bierbrouwers kon leveren. Dat staat in dat proefschrift. Dat staat in dat proefschrift als je daar in geïnteresseerd bent. Ik denk niet dat het zo makkelijk te krijgen is maar ik zal het er even bij pakken. Het heet het, het is van een Maltees Brian Portelli heet 'ie, en het heet Foreign Direct Investment, Multi National Enterprises en industrial development en dan gaat het over backward linkages en knowledge transfer in Tanzania en daar staat deze cases in. Ik weet niet of het makkelijk te krijgen is en je zou dat proefschrift is geschreven bij het center of Innovation Technologie en Cultuur, tik TIK, op de sociale faculteit van de universiteit van Oslo dus je zou kunnen proberen of je daar een proefschrift te pakken kan krijgen. Maar die dingen van Narula zijn makkelijker te vinden. Heb ik daar je vraag een beetje mee beantwoord.

Absoluut. U zegt inderdaad bedrijf zitten er niet uit idealistische redenen, ze zijn geen ontwikkelingshulp daar ben ik het absoluut mee eens maar zou het zo kunnen zijn dat juist door dat een ontwikkelingsland de kenmerken van een ontwikkelingsland vertoont het extra gevaren oplevert voor die multinational.

Ja

Zou het dan ook zo kunnen zijn dat het juist in het eigenbelang is van die Multi National om wel die relaties aan te gaan met de lokale omgeving en zo hun eigenbelang te dienen doordat ze zo hun eigen risico's verkleinen?

Dat zou kunnen maar mijn verwachting, ik weet overigens niet zo heel veel van af, zou zijn des te instabieler de samenleving des te ongunstiger de vooruitzichten, des te minder een bedrijf bereid is om te investeren in onderaannemers en lokale leveranciers. Want dat is een proces van de lange adem.

Als de situatie onzeker is zal men proberen om de investeringen eruit te halen en zo snel mogelijk weg gaan. Alleen maar als je een vrij stabiele situatie hebt waarin je lange termijn plannen kan maken. Waarin de winsten gegarandeerd zijn, als een bedrijf min of meer kan doen en laten wat hij wil. Onder die omstandigheden is er vaak meer tijd om ook in de lokale leveranciers te investeren.

Daar ben ik het mee eens, maar ik kan me voorstellen dat bijvoorbeeld in de olie industrie. Alle gemakkelijke plaatsen en omgevingen voor bijvoorbeeld een Shell om olie te winnen zijn of raken uitgeput en die moeten dus opzoek naar nieuwe bronnen. En dat die dan juist in conflictgebieden liggen. Waardoor een bedrijf een bedrijf minder keus heeft om zich daar te vestigen.

Dat zou inderdaad goed kunnen. Olie maatschappijen hebben natuurlijk een nadeel; ze kunnen niet weg. Als de olie in Nigeria zit moet je ook in Nigeria blijven en dat zouden lokale beleidsmakers wel kunnen gebruik om te onderhandelen en een bedrijf zou dat... dat zou kunnen. Maar ofdat gebeurt weet ik niet, en ik ken daar geen onderzoeken over. Maar het algemene verhaal is, des te onzekerder des te eerder een bedrijf de neiging heeft om zich af te sluiten. En als ze wat doen dan zullen wat geld geven aan lokale politici of lokale dingen om de zaak rustig te houden, maar die lange investering van het opbouwen van een betrouwbaar netwerk dat doe je niet in een situatie waarin de pijpleiding wordt opgeblazen dan probeer je juist zomin mogelijk met de lokale omgeving te maken hebben.

Dat is inderdaad een beetje de traditionele en ook meer gangbare invulling van Risico Management risico vermijding...

Maar het zou kunnen. Je zou kunnen zeggen als Shell verstandig is dan gaan ze wel iets doen. Maar het punt is gewoon. Shell heeft waarschijnlijk al moeite genoeg om de centrale regering tevreden te houden en... ik ben een beetje pessimistisch. Ik vind het

wel een mooie gedachten dat het eigenbelang zou kunnen leiden tot investeringen in de lokale economie maar ik ken er geen studies van.

Ik weet dat bijvoorbeeld Chevron Texaco, die zitten in Kazachstan en ook in Angola die zijn juist wel bezig om die lokale leveranciers te gebruiken en om kleine lokale initiatieven te stimuleren. In Angola doen ze dat nu in samenwerking met het UNDP en een bank en wat ze ook laten zien in presentaties is het ook een van de redenen dat ze dat doen

Wat meer aanvaardbaarheid voor zichzelf te creëren

Ja inderdaad, maatschappelijk draagvlak.

Dat kan, maar in hoeverre is dat echt iets, nogmaals die programma's voor het scheppen van betrouwbare toeleveranciers dat duurt jaren. En dan moet je echt in kwaliteit moet je enorm investeren Kijk wat je ook ziet is dat een bedrijf wat geld geeft aan een school of een lokaal gezondheidscentrum gewoon als een soort PR. Maar dat is dus niet wat je bedoelt? En ik verwacht dat ze eerder zoiets zouden doen om de bevolking tevreden te stellen. Dan die echte investering in een onrustig gebied. Kijk Angola is nu een stuk minder onrustig dan dat het was, en dan zijn je vooruitzichten beter en krijg je dit soort dingen, maar ik verwacht dat in oost-nigeria waar de olie zit helemaal niets gebeurt. Ik weet het niet zeker hoor. Dat zou je eigenlijk eens een keer, misschien zou dat een stuk van je onderzoek kunnen zijn.

Dat zeker, we zijn ook aan het proberen om een casus organisatie te vinden. En benaderen dus ook Shell, Heineken dat soort organisaties die er dagelijks mee te maken hebben.

Ja want je zou ze gewoon kunnen vragen. Maar Angola is typisch een geval waarin de vooruitzichten beter zijn na een hele tumultueuze periode waarin nieuwe vooruitzichten bestaan en dan krijg je die

positieve effecten. Meer kan ik er eigenlijk niet over zeggen want echt bestudeert heb ik het niet. Ik heb er wel wat dingen over gelezen erover en die staan ook in het boek. Maar ja Narula.. een ander iemand die er ook veel over heeft geschreven is Sayal Lall, SAYAL LALL, die staat ook in het boek genoemd geloof ik. Die heeft in 2005 samen met Narula nog een boek hierover uitgegeven. Dat gaat allemaal om de voorwaarden die aanwezig moeten zijn voor een buitenlandse investering om gunstig te kunnen zijn. Maar dit gaat niet zo concreet hierop in, het is meer het algemene verhaal.

Dat is niet erg, alles is welkom. U noemde even geleden instabiliteit. Instabiliteit van een land. Wat bedoelt u hiermee? Kunt u hiervoor een definitie geven?

Nou er zijn allerlei indexen van stabiliteit, frequentie van kabinetswisselingen, frequentie van machtsovernames, die staat ook in een van de hoofdstukken van het boek. Dan heb je ook het economische beleid. Net als nu bijvoorbeeld dat Chavez, het is nu voor buitenlandse investeringen veel minder aantrekkelijk omdat de lange termijn uitzichten onzeker zijn. Dus het heeft ook te maken met de neiging tot wel of niet onteigenen de helderheid of niet helderheid ten opzichte van buitenlandse investeerders. Etnische conflicten binnen een samenleving. Ik zou niet zo een definitie hebben maar ja, zo die 5 dingen wisseling van regering, binnenlandse opstanden en geweld de politieke ideologie van de machthebbers zijn die vriendelijk of vijandig nou dat is het wel denk ik. En inderdaad ook andere aspecten die te maken hebben met de gewelddadigheid van de samenleving, bijvoorbeeld een negatieve factor voor investeerders is de gewelddadigheid in Zuid-Afrika waar het dagelijks leven echt gewoon heel gewelddadig is. Dan heb je ook nog de macro-economische stabiliteit dus dan heb je te maken met inflatie overheidstekorten, dat soort. Dus wordt er een stabiel beleid gevormd of heb je hyperinflatie en onvoorspelbaarheid. Daar houden investeerders niet van. En tenslotte heb je ook de graad van corruptie. Des te corrupter

des te meer onzekerheden. Dus dat zijn.. het is geen definitie maar het zit er allemaal wel een beetje in.

Iets dat mij is opgevallen is dat de term stabiliteit soms gebruikt wordt als oorzaak en soms als doel. En in weer andere gevallen wordt het gebruikt als zijnde een voorwaarde en basis voor verdere ontwikkeling.

Ja dat is heel goed gezien. Daar is geen oplossing voor omdat het een vicieuze is. Als je instabiliteit hebt gaat het economisch slecht en dat leidt weer tot verdere instabiliteit. Het is een beetje de kip en het ei verhaal. Op een andere manier als je als Angola of Mozambique uit zo'n burgeroorlog kan klimmen en je krijgt stabiliteit en dan gebeurt er wat waardoor die stabiliteit wordt verstevigd waardoor de economie toeneemt en de conflicten aan scherpte verliezen dan krijg je een opwaartse cirkel die elkaar versterken. Je zult nooit iemand vinden die zegt het is het een of het ander, want geen moment kun je zeggen des te meer instabiliteit er is des te meer problemen er zijn ook economisch.

Dat begrijp ik, maar een ander aspect dat mij opviel aan het gebruik van stabiliteit is dat het overal ter wereld. Ik ben het tegen gekomen in publicaties over Cambodja maar ook over Soedan en Colombia. Het enige constante wat ik daar aan kon vinden was dat het altijd te maken heeft met de mens en een verlangen naar zekerheid en voorspelbaarheid. Waardoor ik me af ben gaan vragen zekerheid van wat? Het enigste echt logische antwoordt daarop in aanmerking genomen dat het niet aan een cultuur of plaats gebonden blijkt te zijn is het dan gewoon iets menselijks is. Dat stabiliteit zekerheid van de vervulling van de menselijke basisbehoefte is..

Ik denk niet dat je het zo simpel kan stellen. Je hebt ook situaties waarin het juist als het beter gaat mensen ontevreden worden. Als je bijvoorbeeld neemt Iran onderleiding van de Sjah dat was een land waarin de omstandigheden in een snel tempo aan het

verbeteren waren, maar de verwachtingen van mensen gingen sneller omhoog dan de verbetering en toen ontstond er een ontevredenheid. Dus het is niet zo simpel 1 op 1 dat als het wat beter gaat neemt de stabiliteit toe als de basis behoeften vervuld zijn. Dat kan wel, soms zie je inderdaad wel dat armoede en een te kort aan land aan enorme spanningen tussen bevolkingsgroepen leiden maar soms zie je dat onder andere omstandigheden juist wanneer het beter begint te gaan te ontevredenheid nog sneller groeit.

Inderdaad maar dan komt wel de vraag naar boven van wat zijn dan die basis menselijke behoeften? Zoals u weet bestaan er verschillende theorieën over, de meest bekende waarschijnlijk toch wel Maslow maar op deze theorie komt veel kritiek omdat deze een vrij westers denkbeeld naar voren haalt. En dat is iets wat u ook aanhaalt in uw boek, is dat het heel moeilijk is om ontwikkeling te scheiden van het westen. En als je zegt dat als je de basisbehoeften van de mens vervult dan heb je stabiliteit, dan schrijf je niet voor hoe deze ingevuld worden, dan laat je zeg maar een soort van culturele vrijheid open

Ja dat klopt. Maar wat is dan de vraag?

Nou dan is de vraag, juist doordat het absoluut geen lineaire reacties of causale verbanden zijn is dat het naar uw mening mogelijk zijn om stabiliteit te definiëren als zijnde zekerheid van vervulling van de basis menselijke behoeften?

Ik vind het heel moeilijk om daar een algemeen statement over te maken. Juist omdat je als je een algemene statement maakt snel tegen voorbeelden noemen. Dus mijn advies zou zijn weerhoudt je van al te algemene uitspraken en theorieën en bekijk het iets meer in de context van een land. Je kunt inderdaad zien dat armoede en achteruitgang leidt tot armoede en conflicten dat is waar dus in die zin is het ook waar dat als je een economische verbetering te beweegstellingen het ook makkelijker is om deze te beteugelen dat is waar maar niet

iedere economische opgang is conflictloos. Maar als je dan toch een afweging zou willen maken of iets van een antwoord zou willen geven zeg je dat het over het algemeen makkelijker is om conflicten te bezweren en te beheersen in een groeiende economie en als dat dan lukt is dat weer een voorwaarde voor verdere groei dan stagnatie.

En als u dat nou van een hoger abstractie niveau bekijkt? Waarom is het makkelijker om een stabiele situatie te creëren in een opgaande economie?

Omdat voor een deel conflicten gaan over beheersing van de schaarse middelen die mensen nodig hebben om hun eigen basisbehoeften te bevredigen. En als er bijvoorbeeld niet genoeg land is dan verscherpen de.. of als er niet genoeg werkgelegenheid of behuizing is dan zie je dat spanningen tussen groepen op kunnen lopen. Het punt is natuurlijk wel duidelijk dat wanneer dat er niet is het een stuk moeilijker wordt. Als je bijvoorbeeld neemt Joegoslavië daar leidde de economische neergang tot verscherping van de tegenstellingen tussen de verschillende nationale groepen. Dus het is niet altijd waar, maar als je er toch iets over wilt zeggen waar je altijd voorzichtig mee moet zijn dan kun je zeggen dat in een situatie waarin je een positieve spiraal hebt je stabiliteit en economische vooruitgang hebt dat het makkelijker is om eventuele conflicten die zich voor doen niet uit de hand te laten lopen. Je kunt ze afkopen je kunt meerdere groepen tevredenstellen terwijl je als je stagnatie hebt dan moet je pijnlijke beslissingen nemen. Terwijl op zo'n moment mensen echt iets hebben te verliezen. En na een gegeven tijd. Maar er zit natuurlijk meer dan alleen economie er zitten vaak ook een gevoelens van bedreigdheid achter en die hebben vaak niets met de werkelijkheid te maken, maar met een beeld dat men van elkaar heeft. Maar over het algemeen is het makkelijk omdat te dempen en er mee om te gaan dan in een neergaande spiraal. Wanneer krijg je dat er bijvoorbeeld minderheden het land uit worden gezet dat is wanneer er een crisis

is, dan keert men zich tegen een of andere groep. Maar goed, dat in die zin kan je er wat over zeggen maar je moet oppassen met te algemene uitspraken. Ten eerste zijn er heel veel niet economische oorzaken en tegenstellingen. En ten tweede ook in perioden waarin de economie groeit, kan de zaak soms uit elkaar spatten. Ja, hier moet je wel een beetje mee oppassen, en hier niet te diep op in te gaan want dan wordt het wel heel breed. Het is wel leuk om erover na te denken.

Absoluut, dat is ook zo. Ik vind het echt razend interessant, vooral omdat je zo ontzettend veel tegenstrijdige theorieën en meningen tegen komt

Inderdaad, maar je kunt dan beter proberen om die case studies van bedrijven, en daar kan je het dan binnen plaatsen. Het andere is een beetje de hele wereld.

Dat is inderdaad zeker het geval, en zoveel tijd heb ik niet. Het wordt alleen heel moeilijk om te bepalen waar je nou precies naar moet kijken, en ik ga nu uit van de risico inventarisatie en analyses die zij hebben gedaan van hun omgevingen en vervolgens daar op door lopen. Maar inderdaad hier niet te veel over uitweiden anders

Nou ja, ik denk dat je wat dat betreft een model moet maken van het strategische belangen van de bedrijven en de mogelijkheden die het gastland bied in termen van competenties, stabiliteit en toekomstperspectief en ook tegendruk. Als je die tegen elkaar aan zet dat is ook een theorie die genoemd wordt in het boek van Dunlop van waarom ondernemingen in een ander land gaan investeren en daar kun je toch wel vrij concrete interactie tussen die dingen dus strategisch beleid overleven en winstgevendheid daar mag je vanuit gaan en van de andere kant de vooruitzichten en mogelijkheden die het gastland bied. Als markt, leveranciers van grondstoffen, als exporteur als mogelijke leveranciers van goedkope arbeidskrachten. Dus ook van

arbeiders en geschoolde arbeiders. Des te meer een land dat kan bieden des te meer ook bedrijven geneigd zal zijn te investering. En daar kun je dan allerlei interessante casestudies van vinden. En je zou kunnen proberen gewoon te vragen aan Shell wat is het nou eigenlijk in Nigeria wat doen je jullie daar nou eigenlijk? Daar hebben ze vast wel over nagedacht. Maar of ze dat willen zeggen dat weet ik niet. Het is wel heel interessant. Maar je kunt ook proberen om een aantal bedrijven te nemen en dan uit secundaire bronnen, want er is al meer over geschreven. Dus wat dat betreft zou dat proefschrift wel heel leuk zijn. Dat behandelt een van die casestudies.

Wellicht dat de universiteit het op kan vragen, dat zal ik eens proberen.

Dat kan zeker wel denk ik hoor. Dat kan wel.

Oké, heeft u nog vragen?

Nee niet echt. Ik vind het heel interessant en je bent leuk bezig zo te horen. Maar dit is dus echt jouw afstudeeronderwerp?

Ja inderdaad.

Het geheim van een goede afstudeerscriptie is altijd om het zo concreet mogelijk te maken en dan concreet te kijken naar wat er gedaan moet worden, wat wordt er al gedaan en wat zijn de verhoudingen met de toeleveranciers. Des te meer dat lukt des te meer je ook er wat over kan zeggen.

Dat ben ik inderdaad ook aan het proberen het zo ver mogelijk af te bakenen en aan te scherpen.

Nou heel veel succes

Dank u wel, ook bedankt voor het interview

Geen enkel probleem

Wilt u een transcriptie van het interview?

Nee hoor dat is niet nodig. Maar dank je wel. En afstudeer ze! Daag

§ 7.3 Ester Pronk

Coordinator building-projects 'habitat for humanity'.

Op 26-4-06 heeft Ester Pronk <xxxxxxxxxxxxxxxxxxxx> het volgende geschreven:
- Tekst uit oorspronkelijke bericht weergeven -

Beste Suzanna,

Allereerst excuses voor de late reactie, in mijn overvolle inbox kwam ik jouw mailtje tegen waarop ik nog niet heb gereageerd.

Leuke afstudeeropdracht heb je gekozen, in het kader van welke studie doe je dit onderzoek?

Wij zouden graag met je van gedachten willen wisselen, heb je al een specifieke vorm in gedachten?

met vriendelijke groet,

Esther Pronk

FW: risico inventarisatie werken in ontwikkelingsland Postvak IN

Van: suzanna haarbosch <xxxxxxxxxxxxxxxxxxxx> Verzonden door: gmail.com

Aan: Esther Pronk

<esther.pronk@habitat.nl>

Datum: 27-apr-2006 16:40

Onderwerp: Re: FW: risico inventarisatie werken in ontwikkelingsland

Beste mevr. Pronk,

Deze opdracht heb ik gekozen als afstudeeropdracht voor de opleiding Facility Management van de Haagse Hogeschool.

Wellicht is het het handigste als we er een schriftelijk interview van maken. Dat is kost het minste tijd van ons beide. Daarom ben ik zo vrij geweest om een korte vragenlijst al bij te voegen. Als u liever een persoonlijk gesprek heeft is dit natuurlijk ook mogelijk.

Ik zie uw reactie met belangstelling tegemoet.

Met vriendelijke groet,
Suzanna

Op 30-4-06 heeft Esther Pronk <xxxxxxxxxxxxxxxxxxxx> het volgende geschreven:
- Tekst uit oorspronkelijke bericht weergeven -

Hoi Suzanna,

Dat is inderdaad een goede oplossing. Ik heb je vragen in de mail gekopieert en op volgorde beantwoord.

1. Op welke manier voeren jullie je projecten uit? Ik heb bijvoorbeeld van Novib begrepen dat zij gebruik maken van lokale partners, zelf gaan ze niet naar de locatie toe. Hoe doen jullie dit?

Wij gaan wel naar de locatie toe en leiden ook de projecten zelf.

2. Op welke manier schat habitat for humanity de gevaren in die gepaard gaan met werken in een bepaalde omgeving?

Wij hebben natuurlijk ook lokale contacten, maar als eerste kijken we altijd naar bijvoorbeeld het reisadvies dat van kracht is voor een gebied. Daarna nemen we ook altijd contact op met onze lokale mensen omdat die natuurlijk veel beter en een meer gedetailleerd beeld kunnen geven van de situatie. Maar in het algemeen werken wij trouwens ook niet in hele gevaarlijke

gebieden. Wel veel ontwikkelingslanden en dat is altijd weer verschillend, maar nu zijn we bijvoorbeeld ook druk bezig in de VS met de opbouw na Katerina.

3. Tijdens mijn onderzoek ben ik het zoeten PCIA framework van Kenneth Bush tegen gekomen. Gebruiken jullie deze of een vergelijkbare methoden om de resultaten van jullie project in te schatten?

Ik ken het model wel, maar wij gebruiken het niet. Eigenlijk omdat onze projecten altijd het bouwen van huizen zijn, en die impact is eigenlijk meteen duidelijk. Hoewel we ook wel steeds vaker zien dat er ook andere effecten zijn. Dit is gebleken toen een medewerker na een paar jaar terug ging naar een locatie, heel veel van 'onze huizen' hadden wat schade en waren weer hersteld, maar er waren ook veel nieuwe huizen bijgekomen en de leveranciers leverde ook aan omringende dorpen. Misschien is dat ook doordat wij voornamelijk lokale vrijwilligers gebruiken, die leren natuurlijk ook veel tijdens een bouw. Ik denk dat het het verhaal is van; give a man a fish and he'll eat for a day, teach a man to fish and he'll eat for a lifetime. In ons geval; geef iemand een huis en hij heeft onderdak. Maar leer men hoe ze moeten bouwen en het hele dorp kan wonen.

4. Gebruiken jullie lokale leveranciers voor de bouwmaterialen? En zo ja, is het dan nodig om deze de ondersteunen met bijvoorbeeld trainingen etc. om ze op het gewenste niveau te krijgen?

Meestal gebruiken we inderdaad wel lokale leveranciers omdat we eigenlijk ook altijd lokale materialen proberen te gebruiken. Dit zowel uit praktische en kosten overwegingen. Het heeft geen zin om in Venezuela huizen van beton te gaan bouwen, want als er iets aan kapot gaat kan men het nooit lokaal repareren. En zoals ik net als zei hebben we gemerkt dat nadat ons project is afgerond en we alweer vertrokken zijn, mensen toch doorgaan met het bouwen van huizen. Over het algemeen zijn de

leveranciers die we gebruiken al wel een eind op weg naar wat wij nodig hebben, maar wat we wel proberen te doen is als het nodig is onze experts in contact te brengen met hen zodat ze ook leren en verbeteren en zodat we echt goede producten krijgen.

Ik hoop dat je wat met deze antwoorden kan. Laat het maar weten als ik je nog verder kan helpen.

Groetjes,
Esther

Even Special Actions Can Go Bad/Even Normal Actions Can Do Good

§ 7.4 prof. Narula

Professor of International Business Regulation at the University of Reading, appointments at the Copenhagen Business School, member of DRUID, Professorial Fellow at the Centre for Technology, Innovation and Culture (TIK centre) at the University of Oslo, in Norway, and research associate of MERIT (Maastricht Economic Research Institute for Innovation and Technology) at Maastricht University. Published on all research and authored a number of books.

Op 13-4-06 heeft Rajneesh Narula <xxxxxxxxxxxxxxxx> het volgende geschreven:

Tekst uit oorspronkelijke bericht weergegeven

Dear miss Haarbosch

Thank you very much for your email. It sounds like you got off on a flying start by talking to prof. Szirmai. If you speak to him again please send him my regards.

I find your research very interesting. You asked me some very fascinating questions. As you may know my teachings are mainly on the area of MNEs, and my research tends to focus more on policy issues. So I hope I have some good answers for you;

(you mention in a number of publications that even though technology spill over is expected from FDI, that this is contradicted by many studies. In your opinion, could this have anything to do with the procurement practices of the MNEs involved?)

Yes, I certainly do. I don't know if you are familiar with the research I conducted in Argentina together with Brian Portini but that involved the spillover of technology, skills and abilities to the local populations from the MNEs that were and are operating there. The conclusion of the study was that

none of these things actually took place. All the workers that are schooled remain internally as they get paid much higher wages than with local businesses. And they only used local suppliers for the most dangerous jobs as they didn't want to make the expected provisions for their own staff. The opposite is the case in Tanzania, a case you evidently have studied, so yes based on those two studies I would say that.

(Do you think that this relationship with the footprint-area actually influences the risks that face an MNE?)

Risk management is not my area of expertise, but even so logically I would say yes. When we were talking to the people in Argentina there was a sense of disappointment and with some profound anger with the MNE as they did not only see them as not using local suppliers, but even more over some MNE actually acquired some of the local business and because of their scale advantage were able to deliver the products much cheaper, ruining the changes of small local business.

(To me, in your publication on the practices of a brewery in Tanzania you indirectly state that it is a very successful enterprise and that this should be an example for other MNEs. Am I wrong to deduct this, and if not why do you think it is so successful?)

You are only partially correct by reading that into my texts. The case featured a lot of positive points but also some negative. Overall the outcome is very positive and does show that it is possible to use local suppliers. On the other hand the negative elements do need to be addressed. In the case I describe the contracting process as well as the contract contents and the way that it was used. This is my main point of criticism. The initial contract did not state all the requirements that a supplier of them needed to adhere to, for example labour rights, and environmental issues. In addition the grievance procedures and all that weren't elaborated on as much as necessary. For western standards it was clear and

Even Special Actions Can Go Bad/Even Normal Actions Can Do Good

understandable but it wasn't to the local business which caused much frustration in the end because it seemed that the brewery had all the power. This would have been avoided if the contract would have been detailed, complete, and if it would have been explained in detail to the supplier. This not with standing, I do believe it a highly successful example, judged on the very simple criteria; are they able to sustain themselves. The answer to this is a loud yes. All the suppliers that where included in the program have been able to expand their business to other MNEs in the area and have employed more staff etc. creating an overall long lasting affect that could not have been created by any other means.

(What are the changes in the process that need to be made to use local suppliers in a developing country context on a structural bases?)

The main change involves time and effort of staff. Not so much in the process.

(What do you think the long term effects of using local suppliers is compared to other initiatives?)

I assume that you are talking about community projects here. And that is very difficult to say. Very different community projects exist with just as many different outcomes. These can reap excellent results, just look at what has been achieved by MNEs by providing healthcare and education; this can not be done by using local suppliers. But when looking at the development of skills and stimulating the economy I think that using local suppliers may very well substitute a part of these projects. I don't say that this can take the place of all of them, but partially I do think this is the case. When considering the input necessary from the MNE I would then favour using local suppliers as it requires a lot less investment while getting similar, if not better results.

I hope that this is helpful. If you have any more questions please let me know. I'll be

glad to be of assistance. Good luck with your research.

Kind regards,
Rjaneesh Narula

§ 7.5 Mr Keizer

President of the board of 'De Facultatieve', member of the board of the national 'vereniging van crematoria'.

16 Maart, 2006
De Facultatieve, HQ

GEEN TRANSCRIPT OP BASIS VAN OPNAME!

(Voor het algemene stuk zie ontvangen documentatie)

Productie centra zijn gevestigd in Ohio-USA, Leeds, Tsjechië en China. Deze houden zich bezig met verkoop van ovens, verkoop van onderdelen en service.

China is de meest recente uitbreiding (2000). De Facultatieve is benaderd door de regering om een joint venture aan te gaan voor een locatie in het Noorden. Grootste verschillen liggen in de lokale wet- en aangevingen. Ook is er een groot verschil met de relatie met de medewerkers vergeleken met het westen.

Het grootste probleem bij het investeren in een land zoals China is het valuta risico. Doordat Tsjechië bij de EU hoort is dat bijna niet meer het geval. In ontwikkelingslanden algemeen is politieke stabiliteit, en de veiligheid van de medewerkers de grootste aandachtspunten. Uiteraard naar de economische afwegingen. Vaak worden hierdoor allianties gesloten.

Ook worden er momenteel ovens gebouwd in Singapore, bij al dit soort projecten is het een afweging van hoever moet je meegaan in de lokale cultuur. 'Operations' maakt bij de Facultatieve altijd dit soort beslissingen. Maar hoe meer afstand er is hoe moeilijker het is. Er wordt altijd wel veel aandacht aan de cultuur van de Facultatieve gegeven tijdens trainingen maar ook ontvangt elke nieuwe medewerker een starterspakket waarin dit aanbod komt.

Het grootste punt voor het gebruik van lokale leveranciers is de kwaliteit. De Facultatieve prefereert globale leveranciers met een lokale distributeur. Op deze wijze is er toch een lokale leveranciers maar wel met de zekerheid van een globaal netwerk/contract. Een groot voordeel van het gebruik van lokale leveranciers is de snelheid waarmee geleverd kan worden en ook het lokale contact. Ook gelooft de Facultatieve in het stimuleren van de lokale economie. De leveranciers eisen kunnen worden aangepast aan de leveranciers zolang de product kwaliteit maar niet in gevaar komt.

Om er voor te zorgen dat lokale leveranciers zich ontwikkelen tot de juiste kwaliteit is er ook een actief leveranciers ontwikkelingsbeleid. Zowel in Tsjechië als in China is dit gedaan. In China was dit echter geen succes door het communistische bestel. In Tsjechië is dit wel gelukt doordat het aanpassingsvermogen en leergierigheid van de lokale bevolking groot is.

Iets dat altijd lokaal ingekocht wordt is schoonmaak en catering. Er is geen globaal aanbod en de behoefte is altijd zeer lokaal.

Bij grote contracten die getenderd worden wordt gespecificeerd op techniek, levertijd en een lokale leverancier/distributeur. In veel regionale wetgeving staat ook als vereiste voor grote contracten het gebruik van lokale leveranciers.

§ 7.6 Mr. Zandvliet

Project director of the Corporate Engagement Project (CEP) of the collaborative for learning and development inc.

March, 20th 2006 Telefoon, 20.15

NIET EEN TRANSCRIPT OP BASIS VAN OPNAME!!!

Ten eerste moet je een heel duidelijk verschil maken tussen macro en micro omgeving. Onder stabiliteit wordt eigenlijk altijd de macro omgeving bedoeld; de economie en de wetgeving. Op basis van deze macro factoren worden landen ingedeelt in risk groups.

Op een operationeel niveau komen de risico's echter uit de footprint area. Dit is het gebied fysiek rondom de organisatie van waaruit een directe aanval op staff of assets mogelijk zijn. Met name gaat het hier om stabiliteit.

Voor een stabiele relatie wordt eigenlijk het volgende van een organisatie verwacht door de omgeving:

1. respectvolle behandeling; waardigheid
2. employment; inhuren van lokale arbeidskrachten
3. inkoop; zowel local suppliers als local contractors
4. community projects; het uitvoeren en steunen van lokale maatschappelijke projecten

De dingen zorgen ervoor dat de lokale gemeenschappen een goede impressie hebben van de organisatie.

Als er gebruik wordt gemaakt van lokale leveranciers wordt er een actief of een passief beleid gevoerd. Passief gaat alleen uit van prijsafspraken. Een actief beleid

daar in tegen is contractor development; samen met de contractor zorgen dat eisen zoals bijvoorbeeld kwaliteit en veiligheid gehaald worden. Dit wordt gedaan door middel van bijvoorbeeld pre-qualification workshop. Hierbij worden alle lokale mensen uitgenodigd en getest m.b.t. geschiktheid tot het vormen tot een toekomstige leveranciers. Dit soort programma's worden vaak door gemanaged door een local communities relationsmanager en net als ander contracten worden de uiteindelijke inkoopafspraken gemaakt door de contractdepartment.

In Ghana in een goudmijn en Indonesie worden er info avonden gehouden waarop iedereen welcom is en samen een stappenplan wordt ontwikkeld. In sommige organisaties wordt de meerwaarde van het gebruik van lokale leveranciers duidelijk erkend en is het beleid om zoveel mogelijk gebruik te maken van lokale leveranciers. De 'stabiliteitsfactor' wordt verrekend door bijvoorbeeld een percentage op de inkoopprijs te doen (10-25%) waarbij op deze manier de aantrekkelijkheid van een leveranciers bepaalt wordt.

Shell maakt gebruik van local content officers. I.p.v. grote contracten worden deze opgedeelt in kleine stukjes zodat ook kleine lokale bedrijven kunnen bieden op de aparte onderdelen van het contract. Het contract wordt als het water uitgekleeft en vriendelijker gemaakt. Uiteraard gaat het hierbij niet om de kritische aspecten van een project die de volbrenging van de deadline tegen kunnen houden. Deze local contents officers assess de local suppliers op quality, quantity en skillset.

Om stabiliteit te bereiken gaat het niet zo zeer om wat je doet maar meer om hoe je het doet. Het kan ook back-fire. Vaak worden er scholen of ziekenhuizen gebouwd die vervolgens leeg staan omdat er geen personeel voor is, en het hele project was niet overlegt met de lokale autoriteiten. Ook wordt er heel vaak geld doorgesluisd en veiligheid afgekocht. Voor echte stabiliteit en dus veiligheid is het essentieel om het

idee te geven en te bewijzen dat een organisatie de best heeft gedaan en echt om de mensen geeft. Het gaat erom dat de organisatie een goede buurman is, dan is de buurt ook een goede buurt. De basis hiervan is:

1. voorspelbaarheid - consistent gedrag vertonen
2. vertrouwen geven en demonstreren dat je zegt wat je doet en verklaart
3. transparantie

Een absolute trust breaker is beloftes maken en die niet nakomen. Dit komt heel veel voor in, en veroorzaakt conflictgebieden.

Het wil niet zeggen dat als macro stabiel in micro dat ook is en omgekeert. In Bangladesh is Macro stabiel maar micro zeker niet. Het komt erop neer dat ook in een instabiele macro situatie een micro stabiliteit gevormt kan worden. Maar hiervoor is het nodig om respect te tonen.

Op een lokaal niveau is er vaak een spanning tussen comm.relations officers en de technische figuren omdat de resultaten van dat extra geld van de comm.relations officers niet duidelijk zijn.

In handboek geschreven voor Duitsland iets. Staat grafiek (REEDS GEVONDEN) hierin staat duidelijk dat de macro invloed van de organisatie vermindert terwijl er steeds meer mogelijkheden ontstaan om de micro omgeving te beïnvloeden. In Soedan is er bijvoorbeeld een stabiliteitsclausule opgenomen in contracten. Daarom wordt het steeds "persoonlijker" voor organisatie om dit in te schatten en te managen. Dit is lastig omdat de effecten moeilijk te meten zijn.

Vaak worden gebruik gemaakt van Curitiff measures (herstellende) in plaats van preventitiff. Het is echter wel duidelijk dat gebruik van lokale leveranciers (suppliers&contractors) een goede bijdragen levert aan de stabiliteit. Dus het advies is absoluut meer lokaal outsourcen en lokaal investeren.