



THE MILLENNIUM DEVELOPMENT GOALS AND HUMAN RIGHTS: Companies taking a rights-aware approach to development

The Business Leaders Initiative on Human Rights

with contributions from:

The Institute for Human Rights and Business

The Corporate Social Responsibility Initiative, Harvard Kennedy School

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This report is the result of a series of dialogues and shared learning experiences of some of the companies that were part of the Business Leaders Initiative on Human Rights (BLIHR).

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Designed by Alison Beanland

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The Millennium Development Goals represent human needs and basic rights that every individual around the world should be able to enjoy – freedom from extreme poverty and hunger; quality education, productive and decent employment, good health and shelter; the right of women to give birth without risking their lives; and a world where environmental sustainability is a priority, and women and men live in equality.

Ban Ki-moon

Secretary-General, United Nations
The Millennium Development Goals Report,
2010

The private sector is the engine for employment creation, bringing goods and services to rich and poor alike and playing a host of other critical functions within societies. To what extent it performs these roles responsibly and in ways that contribute to sustainable economic and social development for all will have a huge impact on whether countries are able to achieve the MDGs, and whether we can finally claim to live in a world where every person's human rights are protected and fulfilled.

Mary Robinson

Chair, Institute for Human Rights and Business
and
former Chair, Business Leaders Initiative on
Human Rights

I. BACKGROUND

The Business Leaders Initiative on Human Rights

The case studies in this publication were initiated during the final year of the Business Leaders Initiative on Human Rights (BLIHR),¹ which completed its work in March 2009 after a period of six years. BLIHR's aim was to show how international human rights standards as set out in the Universal Declaration of Human Rights could be applied in the context of business policy and practice. Although its members were exclusively businesses, BLIHR was chaired by Mary Robinson² for the full period and enjoyed close working relationships with representatives from a range of civil society organizations, trade unions, inter-governmental organizations and states. This brief overview of BLIHR's key activities provides context to the motivation for writing the case studies in this publication and the spirit in which they were intended.

BLIHR was formed in 2003, as a time limited business-led attempt to better understand the meaning and practice of applying human rights principles and standards in business contexts. Its initial members were ABB, Barclays Bank, MTV Europe, National Grid, Novartis, Novo Nordisk and The Body Shop International. The group grew in subsequent years to include other businesses and industry sectors (extractives, energy, food and beverage, technology, clothing, information technology, telecommunications) and other geographies (in particular beyond Europe to North America and increasingly into emerging economies). These additional members were Areva, Ericsson, Gap Inc., General Electric, Hewlett Packard, Newmont Mining, Statoil, The Coca-Cola Company and Zain.

It is important to reflect that in 2003 very few companies were willing to publicly communicate on human rights issues. During the 1990s, controversies surrounding labor rights and supply chains (which had brought companies such as Reebok, Nike and Gap into the spotlight) and also security issues and civil rights in relation to the activities of oil companies (such as Shell in Nigeria, BP in Colombia, Total in Myanmar, Exxon in Indonesia and so on) made human rights a more urgent subject but only a small number of companies were willing to discuss broader human rights issues openly or seek to incorporate this framework into their ongoing corporate citizenship initiatives. Where it did exist, the approach was atomistic and also reactive. There was at that time no unified policy approach to the issue between business sectors, or across geographies and none which embraced the full spectrum of human rights as set out by the United Nations Universal Declaration of Human Rights and two UN human rights Covenants.

¹ The Business Leaders Initiative on Human Rights has a legacy website – www.blihr.org

² Mary Robinson is President of Realizing Rights: The Ethical Globalization Initiative and a former President of Ireland and UN High Commissioner for Human Rights. She is currently Chair of the International Board of the Institute for Human Rights and Business – www.institutehrb.org.

By 2003, the subject of business and human rights was receiving greater international attention with the development of the United Nations Global Compact and the growing momentum within the context of the UN Sub-Commission on Human Rights where the so-called ‘Norms’ on Business and Human Rights were being proposed. BLIHR agreed to take an agnostic position on the Norms during their development, when most business associations were stridently opposed, and to ‘road-test’ the content of the Sub-Commission adopted Norms in business contexts with the aim of developing an evidence-based response.³

The BLIHR companies reported on their road-testing in 2004⁴ and 2006⁵ and in broad terms concluded that a majority of the Norms’ provisions were realistic expectations of major companies and consistent with the content contained in the main United Nations human rights treaties. However, some ‘content’ issues were seen as problematic. These included the inclusion of the ‘precautionary principle’, the centrality given to consumers over other stakeholder groups and the under-representation of economic and social rights. Perhaps the biggest concern was not the issue of the Norms’ contents but instead their proposed ‘application’. The Norms offered little in terms of substantive distinction between the roles of states and those of companies, only a matter of degree, and also suggested that the UN itself could instigate a global accountability mechanism in fairly short shrift (not a bad thing per se but politically unfeasible at that time). As opposition to the Norms from governments and business associations mounted, BLIHR joined in publicly supporting the proposal by the inter-governmental UN Commission on Human Rights to create in 2005 the mandate of a Special Representative of the UN Secretary General to move debates around business and human rights forward.

It was partly because of the leadership shown by a number of governments and the growing profile of Special Representative John Ruggie in developing a shared agenda, that BLIHR decided to extend its original three-year lifespan (2003-2006) by a further three years (2006-2009) to contribute to this important process. During this second three-year period, BLIHR companies sought to map the essential components (or ‘essential steps’) of what any business should do anywhere in the world to respect human rights, regardless of its size, business sector or home state. The policy framework proposed by Professor Ruggie in 2008⁶ was endorsed by BLIHR, as it was by many other actors, and ‘the corporate responsibility to respect human rights’ has become the baseline expectation for business behavior – in particular through the application of human rights due diligence.⁷

It is important to see the case studies in this report as a relevant but separate contribution to ongoing discussions about the role of business in contributing to greater realization of human rights around the world. BLIHR is now succeeded by another business led initiative, the Global Business Initiative on Human Rights, which builds on this work and focuses partly on the application of human rights to business practice in emerging economies.⁸

Both initiatives were based on the proposition that businesses must accept and implement their baseline due diligence responsibilities through every operation. All involved recognize that this remains

³ BLIHR (2003) *BLIHR1: Building Understanding*, December 2003

⁴ BLIHR (2004) *BLIHR2: Work in Progress*, December 2004.

⁵ BLIHR (2006) *BLIHR3: Towards a ‘Common Framework’ on Business and Human Rights: Identifying Components*, March 2006.

⁶ United Nations Human Rights Council (2008) ‘*Protect, Respect, Remedy: A Framework for Business and Human Rights*’, Presented by John Ruggie on 7 April 1966, A/HRC/8/5.

⁷ BLIHR (2009) *BLIHR4: The End of BLIHR Policy Report*, March 2009.

⁸ www.global-business-initiative.org

‘work in progress’ for even the most progressive global companies and that stronger guidelines, accountability and (where needed) better regulation might be required to fully set a ‘level playing field’.

The case studies in this report seek to move beyond these premises to ask a further question: how do human rights contribute to the way a business might understand its (mainly moral) responsibilities to the broader international development agenda? This comes at a time when growing attention has been focused on the role of businesses in the realization of the UN Millennium Development Goals (MDGs) by 2015.

There are many examples relating to health, education, water, housing, food and work where leading companies are seeking to contribute to strategies for achieving the MDGs that might have been included in this report given that each of these issues can and should be understood in terms of international human rights standards and obligations. The cases profiled here have been put forward by BLIHR member companies to contribute to better understanding of the role of business in furthering so-called rights-based approaches to development.

The thinking and examples represented in this report are nascent and experimental. All those involved in its production recognize that the ‘business and human rights’ agenda and the ‘business in development’ agenda have existed in separate silos – the first focusing mainly on compliance and risk-based thinking and the latter more focused on opportunity and partnership. There have been important institutional, political and legal reasons to keep these approaches distinct in public policy terms, but from the perspective of a business manager or a local community these distinctions might not always be apparent.

An important conclusion to be drawn from these cases is that human rights need not be seen by companies exclusively in terms of risk management but should also be viewed as principles and approaches to their operations that can potentially generate new business opportunities and create value for broader society. Considering human rights in this way is obviously a decision each company needs to make on its own terms. It should in no way undermine or lessen the centrality of respecting all rights and of ongoing and careful due diligence across all business operations. But perhaps human rights need not stop there for companies.

John Morrison

Executive Director of the Institute for Human Rights and Business

Director of BLIHR (2003 to 2009)

II. Companies taking a rights-aware approach to development

Salil Tripathi with Jane Nelson and Amy Lehr⁹

Over the past decade increased attention has been focused on the role of business in global development and in helping to achieve the Millennium Development Goals. At the same time, the emerging norm of the corporate responsibility to respect human rights has gained momentum at the international level. Yet the ‘business and human rights’ and ‘business in development’ agendas have continued to operate largely in separate silos. This has been so despite the fact that a small vanguard of companies has been actively engaged in advancing both agendas.

The seven cases submitted by companies in this report provide the beginnings of what might be called a ‘rights aware approach’ – the inclusion of human rights inspired thinking and approaches in strategies to address wider societal issues such as development priorities. These seven companies were members of the Business Leaders Initiative on Human Rights, which operated from 2003 to 2009. The majority of them have also been active in other UN-supported initiatives such as the UN Global Compact, Business Call to Action, and Growing Sustainable Business programs.

These companies all understand that they have a series of fundamental responsibilities under the corporate responsibility to respect all human rights, but that is not the specific focus of this report. Instead, this report provides insights into how a group of companies are themselves working to make connections between human rights and development in their own policies and operations around the world.

Business and global development

Ever since the first caravan of camels set off with goods to trade with other parts of the world and the first ships set sail exploring new markets, business has sought economic opportunities beyond borders. The exchange of goods and services, through trade and investment, has changed our world.¹⁰ There have been huge benefits with the spread of prosperity, as people have enjoyed greater access to goods, services, ideas, and technology. Trade has also altered landscapes fundamentally, and in many places that were colonized, as several authors have pointed out, it has devastated traditional societies.¹¹

Economic exchange can be a force of good. The Nobel Laureate Amartya Sen has argued that restricting trade is like restricting conversation across cultures: trade is another form of conversation.

⁹ Salil Tripathi is director of policy at the Institute for Human Rights and Business in London. Jane Nelson is Director of Corporate Social Responsibility Initiative at the Harvard Kennedy School. We gratefully acknowledge the research of Amy Lehr and editorial supervision of Shannon Murphy.

¹⁰ See Chanda, Nayan *Bound Together* (Yale University Press, 2007) for a balanced overview.

¹¹ See Fannon, Frantz *Peau Noire, Masques Blancs (Black Skin, White Masks)* (Avalon, first published in 1952) and Pakenham, Thomas *The Scramble for Africa* (Abacus, 1992).

Consumers are able to buy cheaper goods, jobs are created, producers earn higher profits, and when they pay taxes, governments get revenue that can be used to support development.¹²

But that circle isn't always virtuous. Companies that expand abroad have often attracted criticism,¹³ if not outright suspicion,¹⁴ that they are using their economic power and political influence for their own interests, ignoring the broader interests of society. Another Nobel Laureate, Milton Friedman famously argued in 1970 that the social responsibility of business is, indeed, to make profits.¹⁵ Friedman never suggested that business should pursue profit by breaking rules, or through deception or fraud.¹⁶ At the same time, he did not question if the rules prevailing then, or as developed later, were necessarily fair. In many cases, critics argue that businesses have pursued their profit-making interests so exclusively, that they have damaged the lives of people affected by their activities. Accurate or not, those perceptions account for some of the widespread suspicion against business.

It is not just business, but all economic processes that have faced criticism. The roots of opposition run deep, into the history of colonization of the Americas, Africa, and Asia.¹⁷ In recent years, renewed economic globalization has been a focus of concern as it clearly rewards some, not all, participants.¹⁸ With governments dismantling barriers at the end of the Cold War to attract trade and investment and companies pursuing profit in emerging markets, economic globalization accelerated. Besides the former Soviet Bloc, many other countries opened to investment as well. Chinese economic reforms began in the early 1980s; India opened its economy in 1991.

There were understandable concerns that economic liberalization would proceed without social protection and respect for human rights – a prospect that alarmed many – and the backlash gathered momentum, culminating in the protests in Seattle in 1999, at the World Trade Organization's ministerial meeting. The summit failed to achieve its goals of liberalizing trade.¹⁹ Within civil society groups, the suspicion of the business agenda was magnified due to several major incidents where businesses had been implicated in human rights abuses, due to acts of omission or commission, especially in the extractives, manufacturing and agribusiness sectors.²⁰

The drive towards global corporate responsibility and accountability

The backlash against corporations reflected the frustrations experienced by host governments, civil society groups, but above all, victims of abuses, because of the lack of an effective accountability mechanism. It was against this backdrop that Kofi Annan, then Secretary-General of the United Nations, spoke at the World Economic Forum in Davos, in January 1999,²¹ proposing a new “global compact”, through which business would uphold international standards for human rights, labor, and the environment. Specifically, he said:

¹² Bhagwati, Jagdish *In Defense of Globalisation* (Oxford University Press, 2004)

¹³ Hertz, Noreena *The Silent Takeover* (Heinemann, 2001)

¹⁴ Klein, Naomi *No Logo* (Flamingo, 2000)

¹⁵ Friedman, Milton *The Social Responsibility of Business is to Increase its Profits* in *The New York Times Magazine*, Sept 13, 1970.

¹⁶ “There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.” Friedman (ibid.)

¹⁷ Litvin, Daniel *Empires of Profit: Commerce, Conquest, and Corporate Responsibility* (Texere, 2004)

¹⁸ Stiglitz, Joseph *Globalisation and its Discontents* (WW Norton, 2003)

¹⁹ Bhagwati, Jagdish: *The Wind of the Hundred Days: How Washington Mismanaged Globalization*, The M.I.T. Press, 2001.

²⁰ In particular, the disastrous leak of methyl isocyanate gas from the Union Carbide plant in Bhopal, India, in December 1984, which killed some 3,000 people instantly, and perhaps another 12,000 over the decades that followed. In 1995, the Nigerian Government executed nine Ogoni

activists, including the writer Ken Saro-Wiwa, after a trial most observers concluded was unfair. Saro-Wiwa and the Ogoni people were objecting to Shell's drilling in their region. Several companies, including BP, Occidental Petroleum, and Chiquita have faced allegations of working with the military or paramilitary forces, and armed opposition groups, in Colombia, leading to widespread abuses. Apparel manufacturers like Nike, Reebok, Gap, and Adidas have faced criticism for the treatment of labor in factories.

²¹ <http://www.un.org/News/Press/docs/1999/19990201.sgsm6881.html>

Globalization is a fact of life. But I believe we have underestimated its fragility. The problem is this. The spread of markets outpaces the ability of societies and their political systems to adjust to them, let alone to guide the course they take. History teaches us that such an imbalance between the economic, social and political realms can never be sustained for very long.

The industrialized countries learned that lesson in their bitter and costly encounter with the Great Depression. In order to restore social harmony and political stability, they adopted social safety nets and other measures, designed to limit economic volatility and compensate the victims of market failures. That consensus made possible successive moves towards liberalization, which brought about the long post-war period of expansion.

Our challenge today is to devise a similar compact on the global scale, to underpin the new global economy. If we succeed in that, we would lay the foundation for an age of global prosperity, comparable to that enjoyed by the industrialized countries in the decades after the Second World War. Specifically, I call on you — individually through your firms, and collectively through your business associations — to embrace, support and enact a set of core values in the areas of human rights, labour standards, and environmental practices.

Annan was prescient: his speech preceded the Seattle summit by a few months.

From small beginnings – at the first Global Compact summit in 2000 there were some 50 companies – today the UN Global Compact has become the world's largest corporate social responsibility initiative, including over 6,000 companies, the majority not from the OECD, and many of them small- and medium-enterprises. The Global Compact is a learning forum, and a network; it is not a standard setter and does not evaluate corporate conduct, nor is it designed to hold participating companies accountable although participants are now required to communicate annually on their progress and a number have been expelled from the Global Compact in recent years for failing to do so.

Besides the Global Compact, the UN has made other important efforts to harness the power and strength of the private sector to reach developmental goals. One such example was in 2003, when Annan launched a new partnership with the global private sector aimed at achieving targets set at the 2000 Millennium Summit to halve extreme poverty, halt the spread of HIV/AIDS and provide universal primary education by 2015. Stating that, “We cannot reach these goals without support from the private sector,” Annan called upon the private sector to join governments and international organisations in the effort. Annan named former President Ernesto Zedillo of Mexico and former Finance Minister Paul Martin of Canada as co-chairs of the Commission on the Private Sector and Development.

In September 2010, Annan's successor, Secretary-General Ban Ki Moon, has convened 300 heads of state and government, chief executive officers, civil society leaders, and heads of UN agencies, during the UN Summit on the Millennium Development Goals (MDGs). The Summit is expected to identify ways to accelerate progress towards reaching the MDGs; identify actions the private sector can take to help close implementation gaps; provide a platform for business to share actions they have taken towards achieving MDGs; and highlight ways states can facilitate further business engagement for development.

While business involvement in development efforts is welcome, civil society groups and critics have noted that viewing such action in isolation is counter-productive. Investing in development without paying attention to potentially harmful impacts on human rights can have adverse consequences. It may mean money spent poorly, or infrastructure built where not needed, or some communities favored over others, or benefits that may not be relevant in the context.

Attention to human rights obligations and development processes which are participatory, transparent and focused on accountability for results benefiting all are commonly referred to today as “rights-based approaches” to development. Where there are proper accountability mechanisms built, and where development initiatives are the result of a wide, fair, and transparent consultation with the intended beneficiaries, development strategies are increasingly viewed not only as being fair but also more effective in producing sustainable results. Furthermore, encouraging business to do good must not come at the expense of making business accountable – to the law and social expectations. Such expectations vary widely, and the focus of this essay is on identifying the rights that are affected in development processes companies support, and the extent to which human rights are informing the development discourse that involves the private sector.

Efforts to create an accountability framework for business have continued elsewhere within the UN system during the past decade. The now-defunct UN Sub-Commission on the Promotion and Protection of Human Rights, a group of experts appointed by the inter-governmental Commission on Human Rights, adopted in August 2003 *Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights*. The Sub-Commission’s work met with fierce opposition from major business associations and most governments. While the Human Rights Commission – the intergovernmental parent body of the Sub-Commission – recognized some useful elements in the Draft Norms, it decided not to adopt them. Instead, the following year with a view to overcome the divisions in the area, it requested the UN Secretary-General to appoint a Special Representative for Business and Human Rights to take forward these issues. In 2005, the then UN Secretary-General, Kofi Annan, appointed Professor John Ruggie to fill this mandate.

Stressing the need for markets to be underpinned by rules, in his report to the Human Rights Council in April 2008, Ruggie, observed:

Business is the major source of investment and job creation, and markets can be highly efficient means for allocating scarce resources. They constitute powerful forces capable of generating economic growth, reducing poverty, and increasing demand for the rule of law, thereby contributing to the realization of a broad spectrum of human rights. But markets work optimally only if they are embedded within rules, customs and institutions. Markets themselves require these to survive and thrive, while society needs them to manage the adverse effects of market dynamics and produce the public goods that markets undersupply. Indeed, history teaches us that markets pose the greatest risks – to society and business itself – when their scope and power far exceed the reach of the institutional underpinnings that allow them to function smoothly and ensure their political sustainability. This is such a time and escalating charges of corporate-related human rights abuses are the canary in the coal mine, signaling that all is not well.²²

²²Ruggie, John *Report of the Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises* presented to the Human Rights Council, April 2008 (A/HRC/8/5)

Ruggie proposed a framework, now endorsed by the UN Human Rights Council, which clarifies the roles and responsibilities of businesses and governments, and suggests ways in which gaps can be addressed:

*The framework comprises three core principles: the State duty to **protect** against human rights abuses by third parties, including business; the corporate responsibility to **respect** human rights; and the need for more effective access to **remedies**. The three principles form a complementary whole in that each supports the others in achieving sustainable progress.²³ (Emphasis added).*

This framework recognizes the primary obligation of the state and clarifies the responsibility of corporations, stressing the need for access to remedies.

With the international community expecting business to play a major role in meeting development objectives, clarifying the role and responsibility of business has become important.

Companies are moving into new markets in a large number of developing economies, and in many instances, they have no option but to invest where resources, labor, or potential customers exist. We live in a world where no State has a perfect record in protecting human rights. States do not have similar resources to fulfill rights, nor do all States protect human rights with equal vigour. Indeed, in many parts of the world where companies operate, the State is weak or non-existent, either because the location where business operates is remote from the capital city, or the State lacks resources to administer all parts of the country, or the State lacks the political will to protect human rights. As a result, in some of the most important and rapidly growing markets today, States are struggling with meeting their obligation to protect human rights. This happens because in many cases, States lack sufficient regulatory, institutional and administrative capacity, in others they are engaged in armed conflict, and in some places, natural disasters have reduced the States' ability to fulfill their obligations.²⁴

The governance gaps are due to the mismatch of the globalization of business and the lack of global governance. As states have not been able to keep pace with the speed with which markets have integrated and globalized, regulatory gaps have grown. One consequence of that is that in parts of the world where the State is absent but where businesses operate, companies have become proxy targets of communities which may have long-standing grievances against the State. Those gaps need to be filled for effective governance of those societies. In such an environment, even companies' development activities are sometimes viewed with suspicion.

By the late 1990s, a growing number of companies began taking steps to act responsibly throughout their global operations, including by engaging with development and human rights issues and reporting publicly on their social and environmental impacts. Many of these companies were operating in countries with weak governance. Some had also been targets of campaigns, boycotts, and in some instances, of lawsuits under the Alien Tort Claims Act in the United States.

²³ *ibid.*

²⁴ For a detailed exploration of corporate responsibility in such instances, see *Setting Boundaries: Clarifying the Scope and Content of the Corporate Responsibility to Respect Human Rights* (Institute for Human Rights and Business, November 2009).

Available at:
http://www.institutehrb.org/pdf/Setting_Boundaries-Clarifying_Scope_and_Content_of_Corporate_Responsibility_to_Respect_Human_Rights.pdf
(IHRB, Nov 2009).

With major economic growth expected from emerging markets and large economies like China and India, companies need to address human rights challenges while respecting state sovereignty and cultural norms. The Universal Declaration of Human Rights applies everywhere, and most countries have signed or ratified the international covenants on human rights.²⁵

Individual Corporate Action/Responsibility

Companies are understandably reluctant to assume responsibility for human rights in areas beyond their control. The “Protect, Respect, Remedy” framework put forward in 2008 by the Special Representative of the Secretary-General on Business and Human Rights specifies that companies have a responsibility to respect human rights across their operations and through the relationships connected to those operations. This includes, for example, responsibility within their workspace for meeting human rights standards with regard to health, safety and work conditions and for their impacts on health and welfare of any pollution they cause. It also includes taking steps to prevent and mitigate any negative impacts by the suppliers in connection with their own products and services.

While many companies have taken their own steps to implement their responsibility to respect, there are areas where collective action to the same end is clearly useful. Collective action need not only be that undertaken by several companies together, but may include the participation of civil society groups, and in some cases, including home and host governments. The Business Leaders Initiative on Human Rights (BLIHR) is one such corporate-led collective initiative, which brought companies together to deal with human rights issues.

Multi-Stakeholder Initiatives

The past decade has seen the rise of multi-stakeholder initiatives, where companies come together either with their competitors, or with other businesses and civil society groups, and in some cases home and host governments, to address specific concerns. Many of these initiatives have played a useful role. Many initiatives depend on mutual trust and goodwill to operate effectively. Such initiatives are not necessarily legally-binding.

One of the earliest such initiatives was the **Fair Labor Association**,²⁶ which was launched in 1999, and includes companies, universities, and civil society organizations all seeking to improve working conditions in factories around the world. A year later, the **Voluntary Principles for Security and Human Rights**²⁷ was established, which now includes 17 companies representing extractive industries, seven governments, and nine civil society groups, which collectively work towards promoting a climate where extractive industries can operate while protecting their people and assets, but also respecting the human rights of others who are at risk. The **Extractive Industry Transparency Initiative**²⁸ launched in 2002, aims to bring transparency in revenue sharing between companies and host governments. It includes three compliant countries, 27 candidates, and five other countries. Its board includes representatives from supporting countries, industry associations, and civil society. The **Kimberley Process Certification Scheme**²⁹ was born after the UN Security Council imposed sanctions on diamonds traded from rebel-held territories, and passed a resolution

²⁵ The International Covenant for Civil and Political Rights (<http://www2.ohchr.org/english/law/ccpr.htm>) and the International Covenant for Economic, Social, and Cultural Rights (<http://www2.ohchr.org/english/law/cescr.htm>), both of 1966, which came into force in 1976.

²⁶ www.fairlabor.org

²⁷ www.voluntaryprinciples.org

²⁸ www.eitransparency.org

²⁹ www.kimberleyprocess.com

in 2000 calling for a certification scheme. The scheme was launched in late 2002, targeting diamonds sourced from rebel-held conflict zones, which at that time included Angola, Cote d'Ivoire, Sierra Leone, and the Democratic Republic of Congo. The Scheme today includes 49 members comprising 75 countries (the European Union states count as one member).

In the last five years, there have been more initiatives, including the **Global Network Initiative**,³⁰ which includes 23 participants, including companies, financial institutions, and university departments. The initiative brings together these participants to collaborate in order to provide guidance and directions to the industry to advance user rights of freedom of expression and privacy. **The Better Sugarcane Initiative**,³¹ which includes 28 companies and organizations, seeks to improve conditions on sugarcane farms and promote sustainable practices. Many other such initiatives currently are in existence around the world.

The corporate responsibility to respect human rights

While multi-stakeholder initiatives have been enormously useful in creating voluntary frameworks for business, they are often sector-specific (e.g. EITI) or problem-specific (e.g. FLA or VPs). In other words, these are necessary initiatives, but cannot be sufficient in addressing the full range of potential business impacts on human rights. Human rights are universal, interdependent, inalienable, and interconnected. One of the signal achievements of the UN business and human rights framework is that it applies to all sectors, all businesses, and covers all internationally recognized human rights.

Many companies have made affirmative statements supporting the Universal Declaration of Human Rights. How do companies give meaning to their intent?

The SRSB has outlined the importance of human rights due diligence as the baseline. It needs to be based on a *statement of policy* articulating the company's commitment to respect human rights; and it comprises periodic *assessments* of actual and potential *human rights impacts* of company activities and relationships; the *integration* of these commitments and human rights risk assessments into company decision-making; and *tracking* as well as *reporting* performance. Where companies identify that they are nevertheless responsible for human rights harms, they should take steps to ensure their remediation. The UN framework is designed to provide a practicable basis for companies of all sizes and sectors to ensure they are respecting human rights, and thereby to manage this growing area of risk and protect business value.³²

The baseline for the corporate responsibility to respect human rights is due diligence. In human rights terms, the priority for any company is to respect rights and ensure that it is not complicit in rights abuses by others. What companies might do beyond this baseline – on a voluntary basis – is the subject of this report. The BLIHR companies, in the cases that follow, show evidence of a developing rights-aware approach to addressing development challenges and helping to achieve key development goals.

³⁰ www.globalnetworkinitiative.org

Business, 2010), available at
(http://www.institutehrb.org/pdf/The_State_of_Play_of_Human_Rights_Due_Diligence.pdf)

³¹ www.bettersugarcane.org

³² For a detailed examination drawn from interviews with 24 companies, see *The State of Play of Human Rights Due Diligence: Anticipating the Next Five Years* (Institute for Human Rights and

Companies helping to realize human rights

Many companies accept the notion that they advance and support human rights. They do not have the obligation under human rights law to “fulfill” or “realize” human rights. But often their activities can and do contribute significantly to help realize rights. These activities can sometimes be seen as with corporate philanthropy. There is a legitimate role for corporate philanthropy, and as the SRSG has explained:

Companies may undertake additional human rights commitments for philanthropic reasons, to protect and promote their brand, or to develop new business opportunities. Operational conditions may dictate additional responsibilities in specific circumstances, while contracts with public authorities for particular projects may require them. In other instances, such as natural disasters or public health emergencies, there may be compelling reasons for any social actor with capacity to contribute temporarily. Such contingent and time-bound actions by some companies in certain situations may be both reasonable and desirable.

Such actions can have remarkably positive outcomes: it helps companies secure their social license to operate, manage risks, improve reputation and stakeholder relations, and in certain cases help develop new markets, products and relationships. These actions also help individuals to realize their rights, and States to achieve some of their development objectives. A growing number of companies look strategically at their relationships with broader society. They seek to align their core competencies and corporate strategies with development needs and rights, and in the process these companies strive for a leadership role. By being ahead of other companies, they are in a position to anticipate societal expectations. And their contribution helps stakeholders achieve development objectives, as set out in the Millennium Development Goals.

As the UN Secretary-General noted in his July 2008 report *Committing to Action: Achievement of the Millennium Development Goals*:

*The MDGs set time-bound targets, by which progress in reducing poverty, hunger, disease, lack of adequate shelter and exclusion – while promoting gender equality, health, education and environmental sustainability – can be measured. They also embody basic human rights – the rights of each person on the planet to health, education, shelter and security.*³³

It should be noted that when undertaking voluntary activities towards the realization of rights, businesses should act in a way that does not undermine the capacity of the state, and ideally should help build such public capacity. Companies do not have the mandate to replace the State, nor do they have the expertise or capacity to do so. From a Rawlsian notion of justice, or as a practical matter, companies make their own calculations about their role in development and that can clash with societal expectations. When the gaps persist, grievances accumulate; mutual antagonism may result, creating contexts in which human rights abuses occur. This poses a dilemma. Ruggie notes how expectations can widen:

.... A large and profitable company operating in a small and poor country could soon find itself called upon to perform ever-expanding social and even governance functions – lacking democratic legitimacy, diminishing the State’s incentive to build sustainable capacity and undermining the company’s own economic role and possibly its commercial viability.

³³ Background note by the Secretary-General: *Committing to Action: Achieving the Millennium Development Goals*. High-Level event on the Millennium Development Goals. United Nations: September 23rd, 2008.

Some of the case studies show clear evidence that companies are increasingly conscious of this risk and are taking clear measures to adopt a multi-stakeholder approach, sometimes directly involving representatives and agencies of the states in question. Once again, it is worth adding that such voluntary initiatives differ from the corporate responsibility to respect human rights, which applies regardless of state capacity or intention. As the SRSG has noted:

*In contrast, the corporate responsibility to respect human rights exists independently of States' duties or capacity. It constitutes a universally applicable human rights responsibility for all companies, in all situations.*³⁴

When companies are operating in countries where human rights protection is not perfect show awareness of the human rights framework, their efforts often support and sustain the development agenda. While the Millennium Development Goals are targets for States to meet by the year 2015, it is clear that this is a gargantuan task, and cannot be met by governments alone, whether developing country governments, developed country donors, international financial institutions, or even governments acting together. A more concerted, collaborative and participative approach is essential that proactively engages with business and civil society. As demonstrated by a growing number of public-private partnerships in areas such as health, education, food security and access to water, sanitation and energy, companies can play an important role in transferring resources and technologies and in efficiently bringing together skilled experts and solutions in a systemic manner where the need is greatest. These businesses realize that it is in their long-term interest to have healthy societies, functioning institutions, and fair, competitive markets that are inclusive. The seminal UN Secretary-General's report,³⁵ *We The Peoples* articulates a clear vision for the Millennium: of globalization and governance, freedom from want, freedom from fear, in order to sustain the future and renew the United Nations. It sets a clear framework for all actors for poverty alleviation goals, now encompassed in the Millennium Development Goals.

There is a clear case for companies to be part of the solution. They can do so by applying a human rights aware approach to their operations. That means, first, that companies should respect human rights, comply with the law, and identify risks. Second, being aware of human rights risks can help companies anticipate and mitigate crises. Third, being responsive to external stakeholders who increasingly demand that companies demonstrate respect for fundamental rights is a key part of being a responsible corporate citizen. Fourth, by respecting human rights companies can create social value and new opportunities for themselves. And, perhaps the most important reason: companies should take human rights seriously because it is the right thing to do.

Salil Tripathi, Director of Policy at the Institute of Human Rights and Business

Jane Nelson, Director, CSR Initiative, Harvard Kennedy School

³⁴ See Ruggie, John *Business and Human Rights: Further steps toward the operationalization of the "protect, respect and remedy" framework*. Report to the Human Rights Council (A/HRC/14/27) April 2010.

³⁵ *We The Peoples: The Role of the United Nations in the 21st Century* (United Nations, 2000). Available at: <http://www.un.org/millennium/sg/report/full.htm>

CASE STUDIES

The Millennium Development Goals

- 1 ERADICATE EXTREME POVERTY & HUNGER
- 2 ACHIEVE UNIVERSAL PRIMARY EDUCATION
- 3 PROMOTE GENDER EQUALITY AND EMPOWER WOMEN
- 4 REDUCE CHILD MORTALITY
- 5 IMPROVE MATERNAL HEALTH
- 6 COMBAT HIV/AIDS, MALARIA AND OTHER DISEASES
- 7 ENSURE ENVIRONMENTAL SUSTAINABILITY
- 8 DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT

I. Overview

In this publication, seven companies³⁶ have discussed in their own words their understanding of the relevance of rights to development challenges in areas where the companies operate. As part of BLIHR, the companies have reflected on their experience in that initiative, in addition to engagement in other initiatives such as the UN Global Compact and their own journey in the field of human rights. They do not view human rights only as a challenge to be met, or a risk to be assessed and mitigated, but also as an opportunity – to help realize rights, to secure a social license to operate, and to enhance their reputation.

We do not suggest that these are the only companies that have acted in this manner. Indeed, there are hundreds of public-private partnerships, partnerships between companies and civil society groups, and company-administered programs in many parts of the world where companies have helped governments and local communities to realize development objectives. What is significant about these seven cases is that the international human rights framework has guided their approach, and the companies have developed programs and activities reflecting that.

Improving access to essential products and services

The case by **ABB** discusses how the company has sought to draw on its core competencies to bring electricity to rural areas of Tanzania and India. Regions and communities without electricity and other modern sources of energy often suffer from extreme poverty. The people living in such conditions have limited freedom of choice and opportunity, and the unemployment rate is often high. Productivity is reduced, for example, because collection of wood for cooking and heating ties up women's time in rural areas. Thus, ABB's efforts to incorporate human rights relevant principles cast new light on its efforts to promote development. For example, lack of access to energy sources affects the right to *work*, including the right to an adequate standard of *living*. Lack of energy also can affect the right to *education* because it reduces the ability of students to study after dark and limits participation in school activities in times of extreme temperature. The enjoyment of the right to *health* also partly depends upon access to energy that can run medical equipment, and avoiding indoor fires that cause 1.3 million respiratory illness deaths per year.³⁷ Recognizing these rights' relevant dimensions and committing to human rights principles of participation and transparency in decision making led ABB to work with civil society partners. The result was that initially electricity was priced at highly subsidized levels that communities negotiated with the authorities, with the goal of raising prices over time as incomes rose and long-term sustainability of the project was ensured.

³⁶ The companies were part of the Business Leaders' Initiative on Human Rights. These companies prepared their cases for presentation at the Business and Human Rights Seminar in Paris in 2008, to commemorate the 60th anniversary of the Universal Declaration of Human Rights. These cases were then analyzed by the staff of the Institute for Human Rights and Business and the Corporate Social Responsibility Initiative at the Harvard Kennedy School. Detailed

questions were sent to the companies to elaborate on their activities within a human rights framework, and their responses added to the final text. The Institute and the CSRI at the Harvard Kennedy School wrote the overview.

³⁷ The WHO estimates that 2.5 million women and young children in developing countries die prematurely each year from breathing the fumes from indoor biomass stoves, World Energy

Outlook 2002, International Energy Agency, <http://www.iea.org/textbase/nppdf/free/2000/weo2002.pdf>.

Ericsson's recent initiatives are strongly informed by the Millennium Development Goals and human rights. Attention to the human rights perspective helped open the possibilities of Ericsson's new e-products deployed in the Millennium Villages.³⁸ Ericsson has worked with Zain and MTN in Africa, to increase telecommunication access in remote parts of the continent. This includes distributing mobile phones that are used for e-learning and communication by health workers, as well as in schools. These products are helping realize rights and development goals, such as the right to health and education.

However, their primary effect is on the right to *information*, which is generally not in and of itself a development goal. Access to information then has a whole series of secondary effects on rights, including health, and education. It also supports the right to *work*, including the right to a decent *living*, because it helps entrepreneurs and farmers connect to potential buyers and suppliers and know current market prices. The opportunity before the company is to look at the full spectrum of human rights and develop new uses for its e-learning technology, empowering remote communities.

The **Novartis** example shows how a pharmaceutical company can combine forces with other companies in different sectors to increase awareness about health, mobilize local doctors, and provide information for early detection of ailments. Novartis became interested in the largely untapped pharmaceutical market in rural India. Simultaneously, Novartis realized that pharmaceuticals were not readily available or used there, and that public health suffered as a result. Novartis did not use human rights terminology with its field staff. However, the questions it posed within the organization revealed an awareness of the human rights framework. Novartis also used a model for analyzing rural markets that looks at the same four elements that are outlined in the definition of the right to health: availability, accessibility (physical and economic), acceptability, and quality.³⁹ Given this, the company can be bolder in future in using the terminology of human rights to address development needs.

Barclays Bank has shown how large banks can get involved with micro-finance. Barclays' microfinance model in Uganda builds on traditional forms of financing in villages and it is now being expanded to a number of other countries. The company is gaining a new customer base when people "graduate" from microfinance and enter the formal banking system. At the same time, the company's employees have the opportunity to volunteer and use their core expertise to help develop the microfinance system. Microfinance supports the right to *work* and a decent *living*, because it helps entrepreneurs gain seed funding. Increased income then can provide the financial basis to access other rights such as *health* and *education*.

Barclays acknowledges that it could not have developed the program on its own. It worked with local and international agencies and the *Guardian* newspaper, to develop an integrated poverty alleviation and health improvement project in Katine, Uganda. The activities have included improving community health, sanitation, and hygiene, providing access to quality education and safe water, and increasing income generation opportunities, besides empowering communities for local governance. In linking various activities, the bank says its project underscores the importance of interdependence of all human rights. A sharper clarity about rights-holders and their legitimate claims can help the bank, and companies in a similar situation, to develop programs that evolve from philanthropy to full-scale development programs.

³⁸ A project located at the Earth Institute at Columbia University, aimed at helping rural communities help lift themselves out of extreme poverty.

More details at: www.millenniumvillages.org.
³⁹ Right to Health, General Comment 12, UN CESCR Committee.

Promoting responsible use of essential products and services

GE faced a moral dilemma in India related to the use of its portable ultrasound machines. The experience highlights the ethical considerations the company experienced when it faced allegations that its ultrasound machines were being used for female infanticide. Many medical practitioners used the machines to identify the sex of the unborn child. In societies that have traditionally preferred the male-child, this often meant that the fetus was aborted. Abortion is legal in India, but Indian law prohibits female infanticide. Despite the law, the practice of female infanticide continues.

On the one hand, GE's portable ultrasound machines enable diagnosis of illnesses in rural areas, where such services were previously unavailable, thus supporting the right to health. On the other hand, the company saw the risk of having ultrasound machines used in gender discriminatory ways that threaten the right to life. The company developed new contracts with buyers of its machines. It trained its employees to be on the lookout for unscrupulous buyers and encouraged them to not sign deals with them. Because of the deep-rooted societal nature of the problem, GE also started a public campaign emphasizing the empowerment and value of women and girls. This is a bold, necessary initiative.

Improving working conditions in supply chains

The **Coca-Cola Company** in El Salvador has also addressed the challenge of child labor. Coca-Cola buys sugar from El Salvador. Although El Salvador has ratified the convention prohibiting *child labor* and provides free primary education in the country, child labor is widespread. International human rights groups pointed out the problem, saying some of the sugar from El Salvador's farms was ending up in the syrup used by Coca-Cola's local bottlers. Many farms accepted child labor.

Coca-Cola faced a challenge, but it had limited space to act, since it was several layers removed from the farms along the value chain. It could stop buying sugar from those farms where children were employed; or import the beverage from other countries; or look for local solutions. Viewing itself as a long-term player in El Salvador, but headquartered in another country, the company opted for a local solution. Its aim was to prevent local job losses. It brought together local bottlers and the national sugar association. It worked with the government as well as an existing International Labor Organization program to move children out of factories and back into schools. The result is that child labor has decreased substantially on sugar farms in El Salvador. Coca-Cola has shown how companies in a similar situation can take effective action while minimizing harm.

Taking a rights-aware approach to project development

Newmont had the difficult task of resettling a community and working out compensation when it began operating its mine in Ahafo in Ghana. Newmont's case explains how the company undertook its consultation with the communities involved. It was not easy, considering that some groups were initially unwilling to move. But Newmont worked patiently, and in the process developed a framework for resettlement, and paid compensation that was acceptable to the community. It also provided vocational training for people who were resettled. As part of its resettlement policy, and as a way to avoid harming the right to work, it now trains and utilizes resettled persons in its supply chain.

The following case studies illustrate specific challenges and opportunities in specific locations faced by a small sample of seven companies. They are intended to be illustrative rather than comprehensive. These companies were part of the Business Leaders Initiative on Human Rights and some of them also participated in other important UN-led development initiatives. They reveal their interest in understanding the linkages between their policies and practices on human rights and their engagement in helping to achieve development goals in the countries and communities in which they operate. Each case is an attempt by the company to outline the challenge or opportunity the company faced at the intersection of human rights and development, the approach taken in responding to this, and some of the results and lessons learned.

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ABB: Improving access to electricity in Tanzania

CASE STUDY

The Challenge

Access to electricity – a key element in social and economic development – is an important goal for global society. However, nearly one in five people on the planet live without the access to modern energy services which are crucial to realizing a range of fundamental rights.

An estimated 1.6 billion people live without access to electricity and 2.5 billion people rely on traditional biomass for cooking and heating, according to the International Energy Agency (IEA). A space view of Africa after dark, for example, reveals large swathes of the continent without a single glimmer of light.

The provision of power helps realize human rights – it is essential, for example, in improving working conditions, and developing better schools, medical clinics and housing. Thus a lack of power can limit opportunities to fully enjoy those rights.

Regions and communities without electricity and other modern energy sources often suffer extreme poverty, limited freedom of choice and opportunity, and high rates of unemployment. Productivity is reduced, for example, because collection of wood for cooking and heating ties up women's time in rural areas. Thus, access to energy sources affects the right to work, including that of being able to make a decent living.

A lack of energy also can impact the access to and quality of education. Energy is needed to be able to study after dark, to run and be trained with the technology needed to develop 21st Century skills, and to attend school despite extreme temperatures. The right to health also partly depends upon access to energy. Advanced medical equipment needs electricity to operate, and vaccines must be kept cold to remain effective. In the absence of electricity, indoor air pollution from cooking on open fires causes respiratory illnesses that account for the premature deaths of 1.3 million people a year, according to the International Energy Agency.

The UN Millennium Development Goals placed more focus on the role of energy in development, though it is not explicitly stated in any of the goals. Without huge power infrastructure investment and policy changes, by 2030 some 1.4 billion people will still lack electricity access and 2.7 billion will still be cooking with biomass fuel, says the International Energy Agency.

Most people without electricity live in poor, rural parts of developing countries. Bringing power to these areas is usually more expensive than urban or semi-urban electrification, and many governments cannot raise enough capital to develop and sustain the energy needs to serve their citizens.

For a company like the electrical-engineering multinational ABB, it is crucial that rural electrification projects are not seen as acts of philanthropy but rather part of a business model. This is essential to allow for long term internal 'buy-in' to such projects by business and sales managers who are seeking to achieve targets and for whom philanthropy is a "nice to have," not a "must." In a period of economic downturn, it is particularly helpful if the business case has been made.

If companies are to pursue such projects – as part of their daily business – they need to be a commercial as well as a social venture. External funding – from the World Bank, for example – would mean that the corporate partners in these projects are paid market prices for their products and work, thereby providing a more clearly defined business case for such partnerships, and providing empirical evidence of how a human-rights aware approach can benefit the bottom line.

The Approach

One approach lies in public-private partnerships in which different partners bring diverse skills to an initiative. ABB has started partnering with local authorities and NGOs in its Access to Electricity program for rural areas. The program was

developed in response to former UN Secretary General Kofi Annan's call at the launch of the UN Global Compact in 1999 for companies to do more to support global development goals.

ABB realized that it could leverage its core business capability – providing electricity – to support development and the realization of human rights. In the 1990s, ABB had focused on strengthening its environmental and social performance, and the Access to Electricity program coincided with a growing understanding of the company's human rights responsibilities and accountabilities – a process that has resulted in the embedding of core human rights criteria into key business decision making processes such as supply chain management and project risk assessments.

The Access to Electricity program is designed to be more than simply a series of rural electrification projects. The aim is to encourage different stakeholders – governments, companies, non-governmental organizations, aid agencies, and representatives of civil society – to bring their complementary skills to a project and work closely together.

This is not a traditional “top-down” program which introduces solutions without sufficient stakeholder consultation. Emphasis is placed on the importance of participation, a key principle in rights-based approaches to development, and working with local people and authorities to establish villagers' needs, and ensure that whatever is introduced – electricity, for example – is affordable in the long term, environmentally sustainable and carefully managed.

Considerable preparatory work, including due diligence, needs to be undertaken to select the appropriate speaking partners, stakeholders and communities. Questions asked during this phase include: Are you working with the right people in the local authority? Do they have the confidence of the villagers?

Stakeholder consultation takes the form

of a series of meetings organized by the district authorities in the chosen villages. Considerable time needs to be allocated to such discussions, as electricity may be a new concept to some, and others may have fears about meeting the costs involved. There may also be jealousies or hidden agendas from some as to why certain individual villagers are prepared to take the “risk” of having their homes or shops linked to a grid.

Small communities in remote parts of Tanzania and India are already reporting sustainable economic, social and environmental benefits as a result of the program. What is the spark for this progress? Electricity.

In southern Tanzania, ABB is working with the global conservation organization WWF and local authorities on a project in the 2,500-strong village of Ngarambe, on the edge of the Selous National Park. WWF has many years of experience in this region, and had already won the trust of villagers before the launch of this joint project.

The first step was to provide the village with a diesel-powered generator and create a mini-grid for a few homes, the village school and health clinic, and local government buildings, providing power for a four-hour period after dark each day and replacing the traditional, more expensive source of fuel, kerosene.

ABB supplied the generator, installed underground cables and low-voltage equipment, and trained local people to run the power supply. WWF provided guidance on issues ranging from reducing deforestation to health care and environmental education.

The electricity was sold at a highly subsidized rate initially with local users deciding with the authorities what price they could afford to pay. The plan was that as the economic benefits of having power became more tangible over time, the price would be raised correspondingly to match incomes and eventually resemble the market rate.

Impacts and Lessons Learned

In the first five years of the project, the achievements and changes the initiative has made have been remarkable, despite the impacts of recession and drought. Across the village, new small businesses have sprung up, education and health care services have improved, and a clear policy on deforestation has been developed with the local authorities.

The benefits from the arrival of electricity in mid-2004 have included:

- In the first year of the project alone, five times as many pupils passed their exams and the number of pupils attending the village school rose to 350 from 250. Lessons are now also prepared and given after dark, allowing for additional time to develop access to and quality of education offered.
- At the dispensary, the local doctor can now treat patients after nightfall. Some patients are saved the lengthy journey to the nearest hospital 50 kilometers – or two hours ride – from the village.
- In 2010, the new energy resources have supported the creation of a sawmill which, coupled with environmental training, is helping to ensure sustainable logging, and is providing employment for 30 people. An electricity driven sunflower and sesame press is also raising incomes. .

The number of houses and shops connected to the grid has doubled to about 100. Increased prosperity has also drawn an additional 700 people into the village in recent years; more houses have been built and new sections of the village have been planned and added. A water pump has been installed in the village, designed to save the women the journey to a well in the shrub outside Ngarambe, but take-up has been slow because of the additional cost.

Two important steps taken in 2009 provide further evidence of the viability of the project.

Firstly, villagers are now faced with

paying a more “realistic” price for their electricity for the first time. When the project started in 2004, villagers were paying the equivalent of \$1.50 a month for electricity. This has risen progressively in line with their incomes, and was recently doubled by a 12-member village utility council to a monthly rate of \$6 for farmers, \$9 for small business and \$12 for shopkeepers. The recession and drought have affected some people’s ability to pay these rates. Nonetheless, a financial safety net, set aside by ABB and WWF, to help people falling behind with their payments, has not yet been activated because, with their increased incomes, villagers by and large can afford the higher tariffs.

The second major development is that a crop of jatropha has been planted by villagers, who hope to use the oil from the plant’s seeds to fire the generator rather than the imported and polluting diesel which is currently employed. The jatropha project will, however, still take some time before it becomes viable.

ABB believes this project is replicable and is testing this approach in other areas. The early success of the Tanzania project encouraged ABB to extend the Access to Electricity program to India. In the western state of Rajasthan, a new project has brought together ABB, the state government and an NGO to provide solar power to desert hamlets.

The program started in 2005, providing one hamlet with power generated by solar panels, and has since been extended to six more hamlets covering 1100 households. The hamlets’ inhabitants, who are mainly weavers and tailors, can now work longer and earn more, and their children can study at night. With the price of solar equipment coming down, and eco-efficient lighting being developed, this form of electrification may prove highly successful in future.

The results in Rajasthan are measurable and impressive: The productivity of weavers and tailors has risen by 50% and

40% respectively over past two years, and the number of children attending school has doubled in the same period.

The approach to such projects may need to vary according to the context. For instance, creation of mini-grids in Africa will take higher and longer-term financial support from institutions like the World Bank, than the cheaper solar projects in countries like India which are already close to being commercially viable.

Partnering is challenging but often necessary. For ABB, partnering is not a radical departure; the company works with many other businesses and governments as part of its day-to-day business. Partnering on more “holistic” projects where different parties provide their input on long-term economic, social and environmental issues is more complex and time-consuming. Considerable homework and training are needed and, above all, local buy-in needs to be secured.

Such activities do a great deal to support a company’s license to operate and raise its profile. These benefits to the business may not be immediately recognized or tangible but are important nevertheless. Within ABB, levels of interest and pride in the Access to Electricity projects are considerable. Such activities contribute to employees’ morale and pride, and the ability of the company to attract and retain talent – a benefit to the entire business.

In such projects, the combination of external financing, different areas of expertise complementing each other, and winning local hearts and minds (and pockets) add up to a solid business fundamental – the ability to effect sustainable change and the realization of rights through core business activities.

Ericsson:

Mobile connectivity and access to health and education in Africa through Millennium Villages

CASE STUDY

Introduction

As of June 2010, there were nearly 5 billion mobile subscriptions worldwide – well above half the global population – with the greatest new subscriber growth coming from emerging markets. Given the current growth projections, this number could reach 7 billion within a few years. Almost 90% of this subscriber growth will come from emerging markets.

Ericsson is a world-leading provider of telecommunications equipment and related services to mobile and fixed network operators globally. The company's origins date back to 1876 in Stockholm, Sweden. Over 1,000 networks in more than 175 countries utilize its network equipment and 40 percent of all mobile calls are made through its systems.

Ericsson has been active in Africa since the 1890s when the company started providing infrastructure for fixed-line telephony in North Africa and South Africa. Ericsson is the leading supplier of telecommunications equipment and services to operators in sub-Saharan Africa, which in 2009 had a mobile penetration rate of approximately 38% (At the same time, the annual growth rate of GSM subscribers in Africa was more than 20%, or about 60 million subscribers.⁴⁰

With the licensing of mobile telephony spectrum in South Africa in early 1994, Ericsson achieved immediate success as the sole supplier of GSM network infrastructure to MTN South Africa. Since then, Ericsson has grown throughout the rest of sub-Saharan Africa and played a key role in the growth of Africa's GSM mobile telecom market. Today, Ericsson counts more than 60 mobile and over 20 fixed-line operators in sub-Saharan Africa as customers and has a market share of over 50% in GSM, with customers including both major pan-African and country-specific mobile operators.

The reasons why some remote areas of emerging markets are still sparsely served (if at all) by telecommunications are varied.

Capital and operational investments to build networks in remote areas can be high, and the poorest of the poor are often not seen as a profitable proposition. Combined with at times unstable governments, high disease burdens and rampant food insecurity, investments have been deterred.

Never the less, there is no doubt that providing access to mobile communications to poorer regions and developing countries will help to improve living conditions of the poor. A philanthropic approach would seem the most respectable way to make this happen. However, while philanthropy can provide short-term relief, it often fails to act as a long-term, sustainable solution. A better answer is creating a sustainable business case for running economically viable network operations, which generates profits (and thereby interest) for all stakeholders.

Addressing extreme poverty in Africa: the Millennium Villages

In August 2008, the World Bank revised its estimate of extreme poverty, saying that approximately 1.4 billion people on the planet are currently living in extreme poverty, about 400 million more than previously thought.⁴¹

Africa has the greatest proportion of people living in extreme poverty – more than 40 percent or roughly 300 million people living on less than \$1 a day. The continent's environmental, epidemiological and geographical challenges – including low-productivity agriculture, a high disease burden and high transport costs – render African countries most vulnerable to persistent extreme poverty. With many rural communities stuck in a poverty trap, they are unable to make the investments in human capital and infrastructure which are required to achieve truly self-sustaining economic growth.

Governments from 192 countries adopted the Millennium Development Goals set in 2000 – which are time-bound

and quantifiable targets for halving extreme poverty by 2015. The Millennium Villages initiative is a community-led effort that aims to achieve these goals in the poorest, most remote places in rural sub-Saharan Africa, through an innovative business model.

The action

In a unique public-private partnership with governments, businesses, local universities and NGOs, the project seeks to provide affordable, science-based solutions and technologies to help people lift themselves out of extreme poverty. Over a period of 5-10 years to 2015, communities and local government are building capacity to allow the initiatives to continue and to develop a solid foundation for sustainable growth.

It is within this context that Ericsson, together with mobile operators Zain and MTN, is working with the Millennium Villages project to bring mobile communications and Internet access to the 12 Millennium Village sites in ten African countries – a total population of about half a million people. For Ericsson, this partnership is helping to increase its understanding of market dynamics among the poorest of the poor and across remote areas of Africa around the specific technologies that have proven to have positive social impacts.

In addition to designing and implementing a comprehensive end-to-end telecommunications strategy in the Millennium Villages, Ericsson has been working since 2008 to extend its networks into previously unconnected areas and to upgrade existing GSM networks to provide voice and data capabilities. In some of the countries, where the 3G spectrum is available, Ericsson has installed 3G networks. Concrete progress has been made in nearly all villages, with particular emphasis on Kenya, Rwanda, Tanzania, Uganda and Ghana. Work in the remaining villages continues. As of end 2009, connectivity reached 85% of the

population in the Millennium villages, and continued mobile traffic growth indicates high demand for services. This initiative is supported by supplying appropriate technical solutions; using low power or alternative power sources, such as solar and wind energy when appropriate; mobile application development, including mobile applications and platforms which enable the delivery of services with information on health, education and weather (for example). To date Sony Ericsson has provided more than 1700 handsets for Community Health Workers to explore the use of mobile devices as a tool in the area of health care.

Ericsson and Human Rights

All businesses need to be responsible for respecting human rights in their operations and to exercise appropriate due diligence to ensure that they do not abuse the rights of others, or become complicit in the abuse of others.

However, many businesses also play a role in the realisation of rights through their core business activity, even if this is not their primary business motivation. Ericsson has become increasingly aware that its core technologies can assist in the promotion of economic and social rights such as access to education or basic health services. While the Millennium Village project covers several focus areas such as agriculture, education, health, infrastructure and small business development, this case study focuses specifically on the benefits of mobile telephony on increasing access to improved healthcare and education.

Mobile connectivity allows for voice and Internet access in remote areas where it would not have been feasible to connect using traditional wire-line infrastructure. In some parts of the developing world, the mobile phone is the first access point to the Internet, and in many areas wire-line access no longer even needs to be used.

Access to health

Ericsson is working with the Millennium Villages to strategically leverage mobile and Internet infrastructure to promote the achievement of the Millennium Development Goals (MDGs). Three of the MDGs are specific to health, and for global health and development, under a mobile health, or **m-health** framework, the following objectives have been established in the project:

- Improve access to emergency and general health services
- Improve efficiency of health service delivery
- Improve clinical practice for enhanced health outcomes
- Improve disease surveillance and control
- Enhance collection of vital statistics on births and deaths to refine public health interventions
- Reduce child and maternal mortality
- Improve monitoring and evaluation of health system activities for enhanced planning and decision-making.

The telecom interventions which support m-health initiatives include the following:

- mobile phones for Community Health Workers (CHWs) in all the Millennium Villages, and additional phones for health clinics and ambulances
- the establishment of a toll-free emergency number to facilitate communication in the event of a health-related emergency
- mmobile phones-for-health pilot projects to improve data collection such as birth and death counts and health service delivery more generally
- telemedicine projects that enable informal communication between CHWs in the villages and nurses in rural clinics (and potentially the district hospital too), as well as structured “tele-consultations” between nurses in the rural clinics to the medical call centre
- Childcount+ which uses SMS text messages to facilitate and coordinate the activities of field based CHWs including

patient registration, delivery of health reports to central web dashboard for monitoring by a central health team and automated alert systems to reduce gaps in treatment

- Other Mobile survey tools, such as Ericsson's Mobile Survey Tool, MST, which can be used to collect and process data on basically anything, such as vital health statistics, and leverages the mobile network to store and upload data real-time to a central server.

Impact: The Millennium Village cluster in Rwanda

The Millennium Village cluster in Rwanda is located in Mayange; a sector of Bugesera District located about 40 km south of the capital, Kigali. In a country known as the "pays des milles collines" ("land of 1,000 hills"), the terrain around Mayange is flatter and drier than most of Rwanda. The area suffers from sporadic rainfall and declining soil fertility, leading to endemic poverty, illness and a lack of economic opportunity. The project began working with an initial 5,000 people in Kagenge, one of Mayange's five subdivisions, in early 2006. The population was facing impending famine because of failing rains and a poor harvest the previous year, and the health center had a real shortage of staff, medicines, equipment and supplies, with no electricity or running water.

Unlike most of rural Rwanda, where individual homesteads are scattered across the hilly landscape, Mayange has several "umudugudus", or settlements, of closely spaced dwellings, which the government built to house returnees after the 1994 genocide. Nearly 14 years after the genocide, Bugesera – and Rwanda as a whole – are intently focused on rebuilding and reconciliation.

When the Millennium Villages project began in 2006 the Mayange Health Center was attempting to serve the local population despite having insufficient nursing staff and virtually no medicine or

equipment, as well as no running water or electricity, despite the fact that power lines passed just a few hundred meters away. HIV prevalence was estimated to be the highest in the nation at 13% (though the government has since revised those figures down to single digits). At the time nearly one in five children died before the age of 5. At the beginning of the project, Mayange Health Center, with a catchment area of roughly 25,000 people, was seeing fewer than 750 patients a month. With simple, cost-effective interventions, Mayange Health Center, which before had 6,146 total outpatient visitors during the whole of 2005, was soon able to see 4,000 outpatients in just one month. All of this is helping to dramatically reduce mortality in the under 5's, ensuring healthy mothers are delivering healthy babies, and reversing the impact of limited access to care.

By 2009, in the Millennium Village of Mayange, Rwanda, Mobile learning applications were being used to demonstrate how CHWs can access health-related content to gain information. The Mayange cluster's community health workers are trained in reproductive health and a malaria treatment program to diagnose and treat the disease at the household level. The CHWs can also use mobile health applications to record births and deaths in the cluster with their mobile phones, eliminating the need to keep time-consuming and unreliable paper health records.

Access to education

The United Nations Committee on Economic, Social and Cultural Rights recognises the role of technology in assisting accessibility to the right to education.⁴²

The Millennium Village clusters in Kenya, Uganda and Ghana

The Millennium Village of Dertu, Kenya, is located in the Northeastern Province of Kenya, approximately 140 km from the

Kenya-Somali border. The village is home to an estimated population of 5,200 residents, predominantly of the Kenyan Auliyahan ethnic Somali community.

Mobile connectivity is improving access to education and boosting teacher presence, teacher quality and increasing student attendance. As of 2009, Dertu's schools have been connected to the Internet via the mobile network, which provide students with access to previously inaccessible information. Thanks to mobile technology, a teacher equipped with a mobile phone can now get in contact with the mostly nomadic families of his students who follow their herds at distances of up to 40 kilometers away from the village center. In the first month of connectivity, more than 250 children previously without access to education enrolled at school because their parents felt comfortable leaving them there knowing they could be in touch with them by mobile phone. The number of girls at school rose significantly from two to 50 in the first month of mobile communications. School enrollment has tripled and dropout rates have fallen by 85 percent. Additionally, the Millennium Village Project has launched a mobile school, which can follow pastoral families as they move across the country.

The School 2 School program builds upon the MV project's mission to achieve the Millennium Development Goals (MDGs) in part by empowering children and youth. The program leverages innovative technology to connect classrooms in impoverished communities in Africa to classrooms in the United States to engage in a cross-cultural learning experience that promotes global awareness and action. All the villages now have the possibility to have internet access thanks to the mobile network.

In Ruhiira, Uganda, the wireless enabled connection has allowed the village school to participate in the program with a school in Greenwich, Connecticut.

In Kumasi, Ghana, students are able to

interact with peers in Washington, DC; and in Kisumu, Kenya, students can work on assignments together with peers in Los Gatos, California, as part of the Millennium Cities initiative.

Schools in the Millennium Villages in Africa are benefiting directly through peer to peer interaction with students and teachers in the United States while obtaining important computer literacy skills. Meanwhile, students and teachers in the United States gain a clear, accurate picture of life in Africa and are equipped with the experience to be advocates and activists in the campaign to eradicate extreme poverty.

The potential to scale up beyond the Millennium Villages

The Millennium Villages initiative is a highly complex project whose many limitations were recognized from the outset.⁴³ The scale of each project site (a cluster of several villages totaling 5,000 –55,000 people) is determined by project financing available and possibilities for implementation but poses several limitations. The sites are not large enough to justify large-scale infrastructure (such as a new water-treatment facility) or to justify a flow of foreign buyers to source agricultural-based primary commodities, or to promote foreign investment in processing facilities. They are vulnerable to inflows of people from surrounding areas and vulnerable to possible resentment in the surrounding communities. The project also remains vulnerable to political upheaval and to natural disasters that might be better cushioned by interventions on a national scale.

If the Millennium villages continue to be 'islands of prosperity' amongst unrelenting poverty, then they might become undermined by neighborhood jealousy. However, if the Millennium Villages are instead part of an expanded national-scale effort to achieve the MDGs, then they will benefit from an expanding national

market, increased social and political stability, improved national-scale infrastructure, and will succeed in attracting private investments that connect the villages with regional and international markets.

Nevertheless the Millennium Villages project is based on the principle of sustainability and scalability, and to date there are many signs that this is working. Many governments in countries where the project is already working well have expressed interest in expanding the project to a district or sub-district level. The health interventions in particular are a good example of potential scalability, as health interventions are only conducted in cooperation with National Ministries of Health. The Ministries of Education are also a crucial partner in developing sound solutions to enable access to learning in traditional or alternative school settings with the help of technology.

The fact that the 12 Millennium Village sites are located in such distinctly different agro-ecological zones across Africa and face challenges so specific to those regions will mean that any comparison and assessment will be of many different variables and factors.

This should also allow several different context specific templates to be developed for future use and dissemination of best practice. Ongoing evaluation of the project will also provide a rich source of data and learning, not only quantitatively speaking (how phones are being used, for example), but also of how mobile phone technology impacts societies in some of the least developed countries in the world.

Other human rights considerations in scaling up this work:

An important premise of a rights-based approach to Education or Health is the indivisibility of rights. The mobile phone should also be considered in the context of other relevant rights, in particular freedom of expression, the right to privacy and data

protection and freedom of information. These are as relevant in the Millennium Villages as they would be anywhere else. Special consideration should also be given to accessibility of the technology within contexts of poverty. The Villages are good starting points for understanding the ways in which phones can be accessible to all inhabitants, regardless of gender, age, ethnicity or other factors.

As noted at the Commission for Africa Information Technology Seminar, the ability to communicate is a key form of empowerment – *"It increases people's social capital and the choices available to them."* The psychological benefits of being able to talk to family and friends should also not be dismissed lightly. Indeed, as well as all the many other benefits, access to ICT has the capacity to simply enrich the lives of a great many people.⁴⁴

Some initial conclusions:

The Earth Institute, the primary scientific partner in the Millennium Villages initiative, is continually evaluating the socioeconomic impacts of the project interventions, and annual reports on progress are conducted.

In 2009, Ericsson and the Earth institute initiated a joint monitoring and evaluation study to assess the impact of mobile connectivity in the achievement of the MDGs in four of the villages. Indicators of success are being monitored and evaluated to understand the current and potential uses of mobile information communication technologies (ICT) in achieving the Millennium Development Goals. Specifically, the study's objectives are to understand current users of mobile phone and their usage practices; to assess the potential impact of mobile accessibility across health, education, small business and household sectors; and to understand barriers to a wider uptake of mobile technologies and related services, while suggesting policies to overcome these barriers.

The study uses a mixed methods approach, combining quantitative and qualitative methods to identify trends and assess the potential impact of mobile communications. The Millennium Villages represent a unique setting for investigating the impact of various development interventions. Four sites selected for the study (Ghana, Nigeria, Kenya and Tanzania) represent a combined population of approximately 120,000 people and varying maturity levels of mobile connectivity across different sectors).

To the extent that the occupational, educational and poverty characteristics of these sites can represent most areas in sub-Saharan Africa, lessons drawn from these sites can provide useful insights into the potential use and scale-up on the rest of the continent.

Initial results being monitored:

For the health sector:

Mobile networks represent an unprecedented opportunity to respond to emergencies, create a cadre of well-trained and accountable health workers, and reduce isolation for those who work in rural areas. This finding is particularly relevant in the context of sub-Saharan Africa, where health care delivery is limited by availability of resources, large distances and poor infrastructure. Mobile phones are used for consultations, to provide better service at the point-of-care and in making and following-up with referrals. Improved competence and efficiency of health care institutions benefits the local community. The use of m-health applications has the potential for reducing processing time for data collection and analysis, from weeks to minutes. Lives can now be saved, as health workers are able to respond to emergency situations, signaled through mobile technology.

For the education sector:

Mobile networks help to ensure teacher presence, teacher quality and student attendance. More than half of the

interviewees mentioned the use of mobile phones in following up with parents and ensuring more efficient management in schools. Clearly there is a significant role for mobile phones in improving the attendance and quality of education provided to 19.2 million primary school children in the rural areas of the four countries of the study, who are currently enrolled in school.

A successful 'Communication for All' strategy (which Ericsson has developed from its long-standing experience in developing markets such as Africa) has focused on the need to overhaul some of the tried and tested business models used in other countries. Existing business models, as well as product and service portfolios, are not always applicable when addressing new rural areas with only a few, often low-spending, users. Mobile communication must be affordable if the digital divide is to be truly bridged.⁴⁵ Access to information and communication technology is critical to breaking the poverty cycle. This creates the vital foundation for empowering change, by providing tools to help people lift themselves out of extreme poverty.

⁴⁰World Cellular Information Services, WCIS

⁴¹"The developing world is poorer than we thought, but no less successful in the fight against poverty," Policy Research Working Paper by Shaohua Chen and Martin Ravallion. World Bank. <http://econ.worldbank.org/docsearch>.

⁴²"Education has to be within safe physical reach, either by attendance at some reasonably convenient geographic location (e.g. a neighbourhood school) or via modern technology (e.g. access to a "distance learning" programme)" (UN Committee on Economic, Social and Cultural Rights; General Comment 13).

⁴³Proceedings of the National Academy of Sciences

⁴⁴Commission for Africa: Information Technology, Communication and Infrastructure Seminar, London, 26 January 2005. http://213.225.140.43/english/consultation/bob_geldofs_seminars/discussions/26January2005ITSeminarSummaryofDiscussion.pdf

⁴⁵Communications for All White Paper, Ericsson (2005): "If mobile communication is to be made available to everybody, operators must find ways to remain profitable while keeping services affordable. Addressing the Total Cost of Ownership (TCO) for operators is imperative. Technical solutions are now available that make it possible for operators to charge low tariffs, while remaining profitable. New business models, such as network sharing between operators, can help reach new users, especially when building network coverage in rural areas."

Novartis:

Creating access to medicines in rural India through the Arogya Parivar Initiative

CASE STUDY

The Situation: Hundreds of millions in need – but how to start?

Recent years have witnessed significant advances in medicine. Yet many of these benefits have not yet reached many in developing countries, particularly in rural areas, where access to basic health care infrastructure and medicines is still extremely limited. A minimum level of good health is a key driver for economic development and the enjoyment of a host of human rights. Governments have a duty to fulfill everyone's right to achieving the highest possible standard of physical and mental health. This includes developing a plan and providing resources for a public health care system, including building infrastructure, hiring medical staff, and providing basic medicines. However, governments may not have the resources or the political will to educate sufficient competent health care workers or to invest in infrastructure (e.g. hospitals, but also less obvious elements such as roads or telecommunications). Other actors, such as non-governmental organizations, are filling some of the gaps, but many programs last only until their funding is exhausted. Enormous challenges remain. Business, another critical social actor, is increasingly working on innovative ways to play an appropriate role in supporting health care systems in developing countries.

India is a prime example of the inability of a government health care system to penetrate rural areas. Amongst other problems, access to appropriate medicines is very limited, and the public lacks basic knowledge about health. These limitations affect millions.

In this context, how can a company like Novartis help? As a business, what is the most appropriate role for it to play, and what value can it add to help solve such dilemmas? Governments have a duty to *fulfill* rights – to create and administer an entire public health care system. Businesses are social actors but serve a different purpose than governments.

Recent international debate has focused on the responsibility of business to *respect* rights act with due diligence to avoid infringing on the rights of others.⁴⁶

However, many leading companies are voluntarily trying to exceed this minimum standard and are working to help solve some of the most pressing human rights issues, preferably through new, market-based approaches which go above and beyond traditional philanthropic approaches. Employees at Novartis felt, as one of the original UN Global Compact participants, that the company should use any opportunity to be part of the solution to rural health system challenges. Rather than explicitly framing these challenges as a "human rights" problem in its legal sense, their reaction and approach was based on identifying the need and seeking to address one of the most critical aspects of the human right to health – the need to improve the availability and accessibility of medicines for those in rural areas.

Novartis employees were particularly inspired by the growing number of companies experimenting with for-profit business models that reach the poor, often referred to as "bottom-of-the-pyramid" initiatives. The term "bottom-of-the-pyramid" was popularized by the late Professor C.K. Prahalad and refers to the largest but poorest socio-economic group in the world, the four billion people who live on less than \$2 per day (typically in developing countries). His idea calls for a shift in seeing these people as victims and instead, to start considering them resilient and creative entrepreneurs, as well as value-demanding consumers.

In early 2006, two divisions of Novartis, Generics (Sandoz) and Consumer Health, decided to create and test such a business model in India.

The Approach: A 'social business' model aimed at longevity and scalability

Novartis and its generics division Sandoz were operating a large business in many urban areas in India, operating along the traditional multinational pharmaceutical company sales model, by visiting doctors to generate prescriptions and supplying distributors with products. Several domestic and international pharmaceutical companies were also attempting to create a rural distribution system for their products. But in many cases, they were merely adapting the traditional business model of visiting doctors to generate prescriptions and supplying distributors with products.

Such approaches managed to create some penetration in rural markets, estimated by McKinsey & Co. in 2005 as 18% of an Indian medicine market valued at US\$6.3 billion. But they failed to create the full US\$4.8 billion potential market in rural areas that McKinsey estimated could exist by 2015. The gap between the physical need for medicines and demand for them mostly arises from an information deficit. Many remain uneducated or unaware of the symptoms of specific diseases, and due to the cost and time involved in seeking professional advice, prefer to delay a visit to the doctor and remain undiagnosed unless their disease becomes critical.

The Novartis team recognized they had to address these interlinked challenges, particularly the initial step of making villagers aware of prevalent diseases and encouraging them to seek treatment. This required a completely new approach because in many rural areas of India, there is little or no mass communication – no TV and only a very few radio stations and newspapers. Therefore, awareness of diseases and their treatments can really only be created by speaking *directly* to villagers. For inspiration, Novartis looked to the model of fast-moving consumer goods

(FMCG) companies, who were the first to organize large field forces, village by village (for example, the "Shakti" initiative of Unilever or the "e-Choupals" of ITC).

Novartis wanted to organize a similar, third party field force. Its role would be to manage the whole "patient flow," from cooperating with local doctors to helping to increase detection and treatment of diseases, to working with distributors and pharmacists to make medicines available in locations as close as possible to the patients and to linking up with NGOs to ensure compliance to prescribed treatments. But all of this would start with – most importantly – delivering education programs about health matters directly to the villages.

As the small Novartis team tried to decide what kinds of products should be on offer and what form they should take, they realized that most of the market information available to Novartis business units relates to the upper class urban markets and simply does not address low-income rural markets. Olivier Jarry, a senior international executive, and Dev Madeka, a recent MBA graduate met with several Fast-Moving Consumer Goods companies that were willing to disclose their business model, as well as several pharmacy and hospital chains interested in exploring this opportunity with Novartis. They also worked with local consultants to conduct twelve epidemiological studies and to launch their own research activities in two states, to better understand the different unmet needs, usages and attitudes in each part of India. To assess the potential for a bottom-of-the-pyramid or "social business" approach to medicines in rural India, the "4A's" model, with which marketing professionals are familiar, was a useful starting point for evaluating potential approaches to rural marketing:

ACCEPTABILITY. Rural patients want powerful, fast-acting medicines so that they can return to work quickly. But Indian regulations render over-the-counter drugs (those that can be sold by a registered pharmacist without a doctor's prescription) almost inexistent – except for traditional ayurvedic Indian medicines.

In addition, many patients are not comfortable with self-medication. They prefer to visit a doctor or their local RMP (registered medical practitioner, also called "a doctor"), who tend to use injections because it gives them more credibility with patients. Free drugs delivered by government facilities or Non-Governmental Organizations (NGOs) are considered low quality and low value. Thus, in India, for a drug to be available only on prescription might not be a handicap to its viability and could even be seen as an advantage.

AWARENESS. Awareness of diseases is extremely variable depending on the influences people have been subject to (government programs or NGO initiatives, for example). Novartis' research indicated that awareness of tuberculosis (TB) and nutrition was generally higher, while hygiene matters and sexually-transmitted diseases, including HIV-AIDS, were not well understood. Women's health matters in particular are little spoken of and understood, but there is real interest in being able to learn more about these matters from a trustworthy source. Interestingly, once they have been convinced to visit a doctor, villagers will trust local doctors more than a visiting city doctor, even if they are not as qualified. Product branding is all but ignored.

AVAILABILITY. Due to regulations, medicines can only be carried by certified distributors and sold in registered pharmacies. A quarter of a million pharmacies are registered, another half million are not (although they are supposed to identify themselves by

displaying an official document, in practice, it is very difficult to know which ones are actually registered). National pharmacy chains run just a couple of hundred pharmacies, mostly in large towns, but several of them are experimenting in rural or low-income areas with a “clinic” (i.e. a doctor in a single room) and a laboratory for basic analysis.

AFFORDABILITY. Many families have indicated that they would dedicate the equivalent of US\$1 weekly for general health products. For more expensive treatments (an all inclusive TB treatment costs at least US\$2 per week for periods of over 6 months), patients will usually have to borrow from neighbors or relatives. Micro-finance institutions, companies which evaluate and approve micro-loans and collect payments, will grant micro-credit for “productive investments” only which does not include medical treatment. Health insurance for low-income populations is only at a small-scale, very experimental stage.

A key strength of FMCG companies operating in rural markets is that they are often operating under a single brand (e.g. Colgate, Pepsi Cola), and that they use “mega-branding” techniques to embed their brands and logos in the mind of consumers: uniforms, vehicles, and booths in open air markets are decorated with the brand, and even songs, mini movies or painted walls. This would be a very unusual approach for pharmaceutical brands to take. Furthermore, most products that Novartis can expect to sell are prescription drugs, which it is prohibited to advertise by brand names to the general public, although it is permissible for health professionals to do so.

Nevertheless, the Novartis team did choose to build an umbrella brand, from scratch. They initially thought of using “Novartis” – or “Sandoz” (the generics brand of Novartis) – somewhere within the new brand name, but it was resolved not to

do so in order to not narrow the options for the future development of the business model. The team selected the name “Arogya Parivar”, which in Sanskrit can be read as “healthy family,” but can also mean “alliance for health”, reflecting the project’s intention to concentrate on the diseases representing the highest burden in rural India (measured by the World Health Organisation as ‘DALY’ – disability adjusted life years³⁷) rather than focusing on the existing product portfolio of Novartis. In the early days of the project, however, the experimental products focused on diseases where the various divisions of Novartis could best offer adapted solutions: tuberculosis and other respiratory infections, skin and uro-genital infections, diabetes, micro-nutrient deficiencies, diarrhea, intestinal worms, acid reflux, and coughs, colds and allergies.

The umbrella brand was used wherever possible: on each and every piece of education material distributed to patients or health professionals, on banners used in health camps and village meetings, on the uniforms of the field workers, and on their bicycles and micro-vans. New products developed especially for the targeted population even bore it as a brand name. All training and marketing materials (leaflets, posters, short educational movies, treatment recommendation sheets with a detachable “referral” coupon to inform the doctor) were developed from scratch and had to be translated into all official languages used in rural India – at least 29.

At the end of 2006, the information gathered was deemed sufficient to start three pilot sites in the states of Uttar Pradesh and Maharashtra. Typically located 5 to 25 miles away from the nearest urban city with limited means of connectivity, the targeted villages have a population under 500 with poor hygiene and healthcare infrastructure. India has primary health centers, but the challenge lies in spreading awareness on preventive healthcare and motivating villagers to seek medical advice,

especially for woman and child health. The Arogya team initially mapped and found agencies that were involved in similar efforts and knew well that this called for joint participation to address large-scale issues.

As the idea was not to build up a large Novartis field force, rather to cooperate with a few appropriate, established partner organizations, Novartis worked with a local agency that built up a small field team in each of the selected locations. Because transportation and communications in rural India are a constant challenge, the organization had to be highly decentralized, with as many decisions as possible taken in the field. Thus the plan was to organize the field force in autonomous “cells,” covering approximately 3000 square kilometers (1200 square miles). This size allows the Cell Supervisor to travel to the limits of the cell within one day, usually by motorbike. Each location would grow through multiplying and sometimes splitting these cells and new colonies of cells would be established to enter new locations.

Each Cell Supervisor is expected to behave like an entrepreneur. As self-sustainability of each cell is crucial, the main indicator for evaluation is the ratio of sales / cell costs. They receive extensive training about every aspect of their work and the range of diseases they will be dealing with. The Supervisor’s first task is to identify where the villagers might be reached (fairs, festivals, open-air markets?), which doctors they could be referred on to, and which pharmacists could dispense the products. They also decide how many “Health Educators” they need to cover the few dozen villages in their cell.

Results to date

The objectives of Arogya Parivar have evolved over time. At the start of the project, the objective was to find a workable business model, and prove that it could be sufficiently profitable to pay for

field and management costs. 24 months after the start of the project, it is now a commercial initiative, but the main focus is still on measuring sales and profitability, and understanding their drivers (referrals to doctors, promotional effectiveness, numbers of health camps organized, for example). However, the project's true strategic intent is to learn how to create a 'social business' in order that:

- rural inhabitants receive health education; and their diseases are better detected, diagnosed and addressed
- doctors, paramedics and pharmacists see an increase in visits to their offices and stores
- local associates in the field force receive training, an income, the credibility of being associated with a respected company, and increased social status in the community
- local governments can build on the activities through complementary activities to increase health and human productivity.

In September 2007, after an extension to 12 pilot sites, Novartis felt comfortable enough with the business model to approve an ambitious roll-out plan that would cover more than 180 locations (cells) by the end of 2008 and would keep adding the same number every year for at least 5 years, covering a potential territory of up to 300 million people. By mid 2009, Arogya Parivar had 202 cells in operation, covering a population of around 25 million villagers, and another 85 cells were in the start-up phase.

So far it has proven difficult or in some cases impossible to measure the initiative's real impact on the health of the targeted populations. Whilst in the start-up phase this was regarded not possible due to lack of resources, it probably just goes beyond the scope of even a holistic approach like Arogya Parivar. Comprehensive health impact assessments might instead be carried out by government entities or NGOs who are interested in documenting the impact on public health of such initiatives

and Novartis would be open to sharing its established network of trusted contacts and establishing a consistent approach. At the moment, Arogya Parivar is actively seeking such partners, also because feedback through performance indicators regarding the access to medicine objective is important for motivating the field force.

For the time being, the Arogya Parivar management team remains guided and motivated by two things –practical, expanding as fast as it makes business sense (both in terms of cash-flows and risk taking), and emotional, the gratitude expressed by patients and health professionals in the field for what Arogya Parivar is bringing them. As the project continues, it should become easier to deal more systematically with the pros and cons of the chosen approach and of each of the activities in the project.

Currently, it is helpful to grasp the project's easy to measure effects, such as how it is providing an income to more and more people, or the growing number of patients who are having TB treatment. Similarly health professionals' satisfaction in their dealings with Arogya Parivar is quite obvious and in case of problems corrective action can be taken quickly without sophisticated analytic models.

Lessons learned

Again, it is too soon to put specific data on reduction of disease burden. Mid to long term interventions are usually required to yield impact, but Arogya is engaged in negotiations with a formal third party agency to conduct an impact study. In terms of wider lessons, while many difficulties may have been temporarily been put on hold due to the pressures in getting the practicalities of such an important project off the ground and will have to be solved at a later date, the lessons learned at the current stage of the project are substantial:

- **An entrepreneurial spirit is key.**
Reliable market data is mostly non-

existent. A basic understanding of unmet needs of patients must be built directly by the team, who then needs to take the risk of experimenting with potential measures. Fortunately, the issues of under-served and under-educated patients in rural India are often similar and include deficiency in micro-nutrients, pregnancy and birth problems, various infections coming from sexual conduct and ignorance of hygiene principles, pain from hard work or badly treated injuries and diseases.

- **Beliefs and attitude matter.** It is crucial for the initiative to build and maintain trust and credibility with all stakeholders in the communities in which it operates. Therefore, maintaining its ethos as a 'social business' is very important. "Human rights" and the "right to health" are not terms used by or with the field force, as the common understanding of human rights among the field force is in the sense of civil and political rights. The field force views the issue in the context of socio-economic challenges facing India.⁴⁸ However, team members do seem to share the conviction that the rural population deserves improved access to better healthcare services. This important aspect of organizational culture is continuously strengthened through trainings and management behavior.
- **Breaking even can take some time.** There was no guarantee that the gross margin generated could ever cover the costs until twenty cells had run for a period of six months. As at the middle of 2009, more than half of the Cells were delivering a higher than expected performance. Arogya Parivar has proven to bring a significant incremental business to Novartis business units in the regions where it operates.
- **The company needs to be open for a different business model.** Rates of return in "bottom-of-the-pyramid" approaches like Arogya Parivar are quite

different from the typical rates expected in the rest of the sector. Although this business is for-profit, its net income percentage will likely always be below most other Novartis business units. Of course, this brings up all kinds of red light signals in the normal budgeting and new product prioritization processes.

Significant internal lobbying was needed to overcome the reflex to see such initiatives as a dilution of the Business Unit's profitability and as deflecting their focus from the more profitable segments.

- **Recruiting qualified staff can be a challenge.** Except for the four Novartis managers heading Arogya Parivar, the rest of the team is administered by a third party throughout India. These associates receive competitive compensation, paid into a micro-bank account which is opened on their behalf, and they also receive accident insurance. While this third party solution greatly simplifies the human resource considerations, it remains a challenge and has slowed down the expansion of the project to find field persons from local villages with sufficient basic education and a good reputation, willing to learn about the many complicated topics and to work hard under the sun or monsoon rains. Other options have been excluded, such as a Multi-Level Marketing organization like Amway, which is too expensive, or recruiting retired pharmaceutical representatives, who are not willing to work in such harsh conditions.
- **Replication is feasible but maintaining quality may require new approaches.** Arogya Parivar has created an extensive methodology, which the Emerging Markets Group now have at their fingertips, on how to start a project in a new bottom-of-the-pyramid market, including templates on how to structure the project, prepared forms, and other similar tools. Despite differences between the markets – such as existence of private doctors – this methodology is still

expected to be useful. However, relying on hundreds of people who are not direct associates of Novartis, operating in remote areas, creates many challenges which might not always be covered by resort to the company's existing management systems.

- **Interaction with other providers.** As expected, developing a relationship with NGOs working in neighbouring or overlapping areas has been smooth, as they usually are happy to support Arogya Parivar's awareness raising activities in their particular area of work (such as tuberculosis) and to share resources for activities which are of common interest. However, relationships with authorities and public institutions have proved to be far more difficult. Apart from the crucial efforts to engage with village authorities or elders, contact with health authorities and hospitals never managed to foster any deeper cooperation. While public doctors and official representatives need to be generally informed about Arogya Parivar's activities in order to avoid spreading negative and untrue rumors, the barriers of bureaucracy and corruption (at least perceived by the public) did not allow for any opportunities for broader cooperation.

There are also questions that cannot yet be answered, but that go to the very core of this – and any – “social business” project. Is Arogya Parivar doing too much or not enough, and is it doing it in the right way? Is it pushing the poor to buy products that they do not need? Or is it asking a too high price for products simply to cover its operating costs? Is it competing with the free healthcare services provided by the government or NGOs and therefore on the wrong track in striving to provide more products and services as this might lead into a complete healthcare service to the underserved? Shouldn't that be the role of the Indian government? And: Should Novartis allow itself to suffer a loss in order to spread the benefits of Arogya Parivar faster?

The implicit emphasis on the right to health as the basis of a “bottom-of-the-pyramid” initiative like Arogya Parivar was critical to its success, leading to innovative as well as sustainable solutions to improve the access to healthcare for rural populations. Now the project faces new challenges, as in the next phase the product portfolio needs to be enlarged, which includes the development of special low-cost products (in the first phase only a few changes in package sizes took place). To replicate the success of the first phase of the project – i.e. to address low-income markets in emerging economies in a systematic way – a standard portfolio of products is necessary, to address convenience and price, and most importantly, all of the relevant health needs.

Given that Novartis business units are unable to develop or adapt several products as quickly as the project might need, Arogya Parivar will have to contract with other suppliers. However, the basic pre-condition for effective partnership in this rapidly evolving project will be that these suppliers are convinced of the importance of rural markets, rather than simply wanting to expand into developing countries. They also must share the values and beliefs of the project and of Novartis – like the importance of being present in a new market segment and being fully dedicated to improving access to medicines.

⁴⁶ <http://www.reports-and-materials.org/Ruggie-report-7-Apr-2008.pdf>

⁴⁷ http://www.who.int/healthinfo/global_burden_disease/en/

⁴⁸ The Indian Constitution codifies most civil and political rights as fundamental rights, and calls many economic, social, and cultural rights as “directive principles for state policy.” Indian courts have, however, issued several judgments that underscore the justiciability of economic, social and cultural rights, and in recent months, the Government has proposed legislative changes to codify economic, social, and cultural rights also as rights, and not as state obligations.

Barclays Bank:

Expanding opportunity and financial inclusion in Uganda through the Katine Community Partnerships project

CASE STUDY



Katine Community Partnerships project summary

The Katine Community Partnerships project in Uganda is implemented through partnership between AMREF (African Medical Research Foundation), the Katine community, the Soroti local government, the Guardian newspaper and Barclays. Launched by the Guardian in 2007 as a three-year £2.5 million initiative, the project takes an integrated and community based development approach to addressing the causes of ill health and poverty in the Katine area. The objectives are to improve community health, access to quality education, access to safe water, hygiene and sanitation, provide increased income generating opportunities and empower communities to engage in local governance. Funding is by way of Guardian reader donations while the Guardian tracks the project's development on-line and in print. Barclays matches readers' funds to a value of £1.5 million and has given additional funding and business expertise to a financial inclusion project implemented by CARE International (CARE) and local NGO, UWESO (Uganda Women's Effort to Save Orphans). FARM-Africa, an agricultural-based NGO is providing technical advice on the income generating/livelihoods component. The goal is to improve the quality of life of the 25,000 people living in Katine.

Project Partners

Each project partner brought specialist expertise to help improve the lives of people in Katine.

The Guardian's extensive coverage of the project (including a dedicated website www.guardian.co.uk/katine), enables the newspaper and online readers to increase their awareness and understanding of international development. The newspaper's inspiration for the project came from its desire to convey an honest and transparent account of the successes and failures involved in seeking to support

a community in moving out of poverty, despite the many global and local obstacles in their way. The Guardian has engaged a team of reporters to communicate interesting and objective stories from Katine. It is also working with an established and award winning Ugandan journalist, Richard Kavuma who regularly reports online and in print. Through PANOS, the Guardian has also contracted a Ugandan community journalist Joseph Malinga. His role is to support the community to tell their own stories and engage in on-line discussions on the Guardian Katine website through the community resource centre in Katine.

Investing in communities is an important part of **Barclays** sustainability strategy. The rationale is that the bank benefits from contributing to the development and sustainability of the communities in which it operates. As well as providing funding to the programme as a whole, Barclays is using its business skills and expertise to increase access to financial services for poor people via support for the innovative financial inclusion aspect of the project – the development of a savings-led programme via the Village Savings and Loans Association (VSLA) methodology developed by CARE in 1991 and implemented in around 40 countries in Africa. The bank has also engaged its commercial team in Uganda to develop appropriate financial products (like savings and loans) to meet the needs of low-income communities.

The NGO partner, **AMREF**, (African Medical and Research Foundation) is responsible for the delivery of the project "on the ground". A specialist in African health and community development, AMREF had over 13 years' previous experience working in Soroti district. Since AMREF had good links with local and national government, the NGO and wanted to continue to invest in a marginalised and underserved region (Katine sub-county had also received less NGO support than other

sub-counties). It also wanted to work with local government to test a model of integrated rural development and demonstrate what could be done to address the causes of poverty and ill health.

The partnership experienced some teething challenges initially. Over two years in, however, the partnership is strong and a high degree of trust has been established.

Katine history and development status

Katine is one of 17 sub-counties in Soroti district in the Teso region of north-eastern Uganda. The majority of the population is represented by the Iteso and Kumam ethnic groups, traditional cattle herders and subsistence farmers. Around 95% of the population is Christian. Katine has six parishes with 66 villages and an estimated population of around 25,000 according to the last census in 2002. Soroti is five hours' drive from Uganda's capital city, Kampala. It is one of the poorest districts in the country with more than 77% of the population living on less than US\$1 a day. The majority are subsistence farmers and cattle breeders, but vegetation is scarce. Cassava, sorghum, groundnuts, millet, maize and rice are the main crops grown. Just 8% of houses are constructed with permanent roofs, walls and floors. Most people live in mud houses, with no running water or electricity.

There was a rebellion by the Uganda Patriotic Army in Teso region (where Soroti is based) from the late 1980s to the early 1990s and an incursion by the Lord's Resistance Army (LRA) from the Acholi region into Teso region from 2003 to 2006. During the time of the LRA incursion (which lasted 20 years in the north of Uganda), thousands of children were abducted from their villages and forced to fight for the rebel group. In 2003 the rebels attacked Katine, causing many people to flee their homes for the safety of camps in Soroti. Many returned to find their homes

destroyed and their cattle stolen. Dairies, local electricity systems, railways and schools were damaged in the fighting, which resulted in job losses and a collapsed infrastructure. AMREF's work in partnership with Barclays and the Guardian was designed to help the community recover from more than two decades of conflict and cattle raiding (from nomadic herders in nearby Karamajong region). The impact of the fighting has been telling on the community. Many people witnessed horrific scenes – loved ones murdered, families torn apart – which have not only left the region socially and economically stunted, but also entrenched political hostility towards central government.

The local government in Soroti is from the opposition and, like many northern and eastern regions, is excluded from power at the centre. During the period of conflict, and more recently where there have been floods and drought, there is little evidence that local leaders or the government did much to rehabilitate the community in Katine. Any improvements have been largely due to NGO activity.

Out of the 17 sub-counties and three municipality divisions in Soroti district, Katine had one of the worst indicators for poverty and underdevelopment. A comparison between Katine indicators and the results of the 2006 Uganda Demographic and Health Survey showed that overall baseline conditions for the Katine population were worse than average for rural areas of the country.

A baseline survey conducted in January 2008 demonstrated that the overall conditions in Katine sub-county were uniformly poor.⁴⁹ Access to safe water in Katine was at 42% and latrine coverage was at 44%, far lower than the averages for Soroti district. In some parishes, like Olwelai, latrine coverage was only 24% compared to 68% in Soroti district.

The school drop-out rate was at 19% for boys and 22% for girls and the pupil to classroom ratio was at 91:1. Also, 16% of

children aged 7-12 were orphans. Livelihoods, which depend mostly on agriculture, had been disrupted by 20 years of internal conflicts and cattle rustling. Displaced by war, people were starting their lives from scratch as infrastructure had been destroyed and systems disrupted. The community was also apathetic, living in absolute poverty and not engaged in local governance. They had no knowledge of their rights to health and saw basic social services as a privilege rather than a right – they could not demand the services they needed or hold their leaders accountable.

The Katine Community Partnerships Project (KCPP) aims to bring long-lasting benefit to communities in the locality by addressing the underlying social determinants to ill health and poverty. Through promoting improvements in healthcare, access to quality education, livelihoods, access to safe water, sanitation and hygiene and community participation, the project aims to contribute towards building a healthier, thriving community that is aware of its rights to services and is more able to hold its leaders accountable.

Uganda – country profile

Uganda has a relatively stable economy and has experienced significant economic growth for over a decade, with poverty having decreased substantially. Expansion in the agriculture, construction and communications sectors has fuelled growth. Nevertheless, Uganda remains one of the poorest countries in the world with 31% of the population living below the poverty line and a per capita income of around \$300 per annum. Uganda is unlikely to meet its Millennium Development Goal (MDG) targets by 2015, although the country has made progress on three Goals – poverty, universal primary education, and HIV/AIDS. More resources have been targeted to the poor and to girls in particular and, with the adoption of improved policies, strengthened

institutions, and additional funding, the country may meet the target on hunger. Uganda faces other development challenges that undermine progress already made on the MDGs. These include a high population growth rate and the long insurgency in northern Uganda.

The Government of Uganda is signatory to a number of international human rights conventions and covenants, including the International Covenant on Civil and Political Rights, International Covenant on Economic Social and Cultural Rights and the Convention on the Rights of the Child.

The Ugandan national Poverty Eradication Action Plan (PEAP) determines national investment priorities, the allocation of resources, and the monitoring of progress towards achieving poverty reduction. PEAP also mandates the Government of Uganda to accelerate progress in providing access to basic services for its citizens. This access is designed to be delivered through a decentralised system of governance with the Parish Development Councils as the lowest level of planning at the village level. The Katine project was designed to contribute to the PEAP and here AMREF works to support the decentralisation process and strengthen local government planning processes through continuous

partnership and mentoring of local government and community groups.

This work also contributes towards the different components of both the Katine project⁵⁰ and the MDGs. Investment and action by the private sector is a key priority for the Government to support progress towards the MDGs and to ensure access to basic rights for all Ugandan citizens. AMREF's implementation includes a major focus on rights based approaches to programming. Training on rights based approaches is taking place at the community level, the parish level, sub-county level and district level, so that not only do citizens know and understand their rights to services, but the duty bearers are also made more aware of their responsibilities to the communities they serve. A committee at sub-county and parish level has been formed to explore the issues of rights and to develop messages for posters/radio programmes/t-shirts/billboards for the communities in Katine to increase their understanding of their rights to education, to health, to water and sanitation.

Barclays Bank of Uganda

Barclays Bank of Uganda Limited has operated in Uganda for over 80 years and

in 2007 embarked on a retail expansion programme which included the acquisition of Nile Bank, the seventh largest commercial bank in Uganda (with 18 branches). It was the first Ugandan bank to extend its branch network beyond Kampala, the capital city, and the first indigenous bank to offer cash machines to its customers. These attributes presented an attractive opportunity for Barclays to increase its retail network and market penetration in Uganda. Today, Barclays Uganda serves more than 290,000 customers and clients across the country through a network of over 75 ATMs and over 50 distribution outlets. It has invested heavily in local talent to sustain this growth. Staff strength in Uganda has risen from 200 at the start of 2007 to over 1,000 by mid 2008 including 228 from Nile bank. Expanding the business to more rural parts of the country required Barclays to consider how to develop financial products and services that are relevant and affordable for low-income customers. Barclays Uganda therefore developed basic accounts with easy access such as the Sanyuka account (no cheque book requirement, VISA debit card access, monthly fee of UGX 5,000 equivalent to £1.50).

In line with Barclays global community

Barclays Community Investment Strategy

In 2009, Barclays invested £54.9 million in community projects around the world, and more than 58,000 employees in 31 countries were involved in fundraising and volunteering initiatives.

Responsibility for budget allocations and spending is devolved to the different areas of the business. Within Barclays overarching community investment framework, businesses can decide the causes which matter most in their communities – from tackling malaria in East Africa to helping reduce debt among elderly people in the UK. The framework focuses on three themes:

- *Banking on brighter futures*

This is Barclays flagship programme and employs the bank's financial skills and expertise to maximum effect to help people work towards financial independence and security. Aligning community investment to core business in this way makes good sense and maximises positive impacts – it enables the bank to bring the power and capability of its organisation to tackle social issues. Efforts are focused on financial

inclusion, entrepreneurship, education and helping people into employment. This is especially relevant in a developing economy like Uganda, where financial independence is lacking; poverty levels are high and there is limited savings and access to financial services.

- *Looking after local communities*

This programme invests in the many neighbourhoods around the world where Barclays has a presence. Supporting causes that matter in local markets is one of the best ways that Barclays can meet specific needs and engage local stakeholders – be they customers, community representatives or colleagues.

- *Charity begins at work*

This is a vital component of Barclays community investment programme: supporting employees to get involved with the causes they care about most and harnessing their energy, time and skills for mutual benefit.

investment themes, Barclays Uganda has also contributed to local corporate social investment (CSI) initiatives around health, entrepreneurship, education, supporting people with disabilities and the disadvantaged. Barclays staff engagement with their local communities is encouraged through employee volunteering opportunities, fundraising, and participation in the implementation of community programmes such as the Katine project.

Rationale for Barclays involvement in the Katine project

Katine is a great example of the complementary strands of Barclays commercial, sustainability and community investment strategies working together. Besides providing general funding to the programme, there is an opportunity for Barclays to use its core business skills and expertise in i) promoting financial inclusion through developing and piloting the Village Savings and Loans Association (VSLA) model; and ii) developing appropriate financial products to meet the needs of low-income communities. At the same time the initiative is addressing other local priority issues, specific to the local context, e.g. eradicating malaria and ensuring access to clean water. Barclays employees are supporting the project through skilled and unskilled volunteering – involving its workforce in the project fosters capacity building and skills transfer, contributes to the personal development of colleagues, and generally deepens the connection between the organisation and the Katine communities.

The decision to join the Katine project was made by the senior level committee in Barclays responsible for community investment. This committee is chaired by the Barclays Group Vice-Chairman and membership includes the chairman and chief executives of most of the bank's business units. The decision was made through a consultative process, including Barclays Uganda, with comprehensive due

diligence being conducted on the project and the partner organisations. Senior level engagement in the partnership has been maintained throughout, including visits to Katine by both the Chairman and Chief Executive. The project has engaged colleagues and expertise from across Barclays business, including the Global Community Investment and Financial Inclusion teams in London and the Emerging Markets division headquartered in Dubai.

The financial inclusion aspect of the project was designed to fit the local context in Uganda – AMREF advised on the most effective strategies and Barclays Uganda colleagues advised on the design of the financial inclusion component, through which Barclays has agreed to:

- Build awareness of basic savings and credit processes reaching 5,000 people in Katine (through Village Savings and Loans Associations – self managed groups of 15-20 people managing their savings and loans activities) in partnership with CARE
- Develop and deliver a basic business skills and financial literacy component to 5,000 people
- Test linkages between the VSLA groups and Barclays branches (including new technology tools when possible), ultimately creating a previously un-accessed market for the bank.

Barclays commercial expansion in Uganda provided two key drivers for the initiative: i) the overarching commitment to offer development support to communities in which Barclays operates and ii) the need to develop a portfolio of products and services appropriate for rural low-income people, which would assist in building a customer base for the future. Katine is extremely remote (see map), but it is only 20km from the nearest Barclays branch (in Soroti), providing the opportunity to link the branch and employees to the project. Barclays is working closely with CARE, and its local partner as well as with the

members of the community to develop financial products that will suit their financial needs. Products focusing on providing access to savings are to be launched during 2010 with other products to follow.

The project offers an opportunity to both develop and pilot a model for sustainable microfinance in a remote rural area with potential for replication in different countries and contexts and to identify innovative ways to provide people living in poor and remote areas with access to financial services.

Katine Community Partnership Project Goals

At the outset, it was decided that the project's goals would reflect the MDGs and cover the following themes:

- 1 *Improved community health*: addressing malaria, HIV/AIDS, tuberculosis, safe motherhood, infant and child morbidity and mortality, strengthening local health systems and training health human resources;
- 2 *Improved access to quality primary education*: improving the teaching and learning environment, reducing disease through improving sanitation facilities, promoting inclusive education;
- 3 *Improved access to safe water, sanitation and hygiene*: increasing sustainable access to clean water, improved sanitation infrastructure and hygiene practices, empowering communities to manage water sources;
- 4 *Improved income generating activities*: improving food security and agricultural production, diversifying economic base, improving access to markets, training community groups in financial awareness and financial inclusion, engaging communities in the formal financial system;
- 5 *Communities empowered to engage in local governance*: strengthened local governance and increased ability of communities to advocate for basic rights.

Project achievements

Impacts achieved to date include:

In **health**, the project has contributed to a reduction in illness.

- Health centre reports show that diarrhoea incidences for children below five years have reduced from 6.8% in September 2008 to 3.7% in September 2009.
- Immunisation coverage for children against the eight killer diseases has exceeded the government target of 90% and increased from 89.3% in 2008 to 95.9% in 2009.
- 60 people living with HIV/AIDS, 1,740 children under 5 years and 1,000 pregnant mothers received 2,800 insecticide treated bed nets with support and instruction for use by Village Health Team members (community health workers) trained by AMREF.
- Incidence of malaria in children under five years old has reduced from 75.5% in 2008 to 72.9% in 2009. For adults malaria cases have reduced from 57.7% in 2008 to 54.9% by September 2009.

In **education** the project has contributed to increased enrolment, retention of pupils in higher classes and increased numbers of children sitting and passing Primary Leaving Examinations (PLE), resulting in more children able to join secondary school.

- Enrolment has increased since the start of the project by 17% (from 7,531 to 9,071 pupils) due to an improved teaching and learning environment.
- Textbooks have been distributed to schools to improve teaching and learning. To date 4,025 textbooks have been procured and delivered to the 15 schools. Consequently, ten schools are meeting the district and national standard of textbook to pupil ratio of 3:1 and 1:1 respectively.
- 16 classrooms, three offices, three stores and one library have been rehabilitated, improving the teaching and learning environment.

- Classroom hygiene and sanitation has improved, the cement floors do not harbour fleas and jiggers that were rampant and affecting child participation and attendance previously.

Access to **safe water has increased** from 42% at the start of the project to 66% due to the drilling of new boreholes, the rehabilitation and repair of existing boreholes and other interventions.

- Currently 50.2% of households are able to access a safe water source at an average walking distance from their home of 1.5km compared to 2.5km at the start of the project.
- Sanitation coverage has increased to 39% from 7% at baseline in households and to 75% from 25% at baseline in schools. There are now 312 ideal homesteads in the community. (Includes hand-washing facilities, dry rack, latrine, rubbish pit, clean compound, bath shelter, and animal house).
- 13 new four-stance VIP latrines and 5 ecological sanitation latrines have been constructed in 15 schools in Katine, reducing the pupil/stance ratio from 91:1 at the start of the project to 43:1.

To achieve **improved income generating opportunities**, the project continues to support 540 farmers in 18 farmer groups.

- To date the groups have harvested the first drought resistant, high yielding, quick-maturing cassava that was introduced by the project. This harvest has helped the farmers mitigate the effects of the severe drought experienced in 2009.
- The groups also operate Village Savings and Loan Associations. Most of them have completed their first cycle of savings, with some saving up to Ush3.4 million (£1,054). The groups have shared out their savings and profits with some individual members getting between Ush50,000-300,000 (£16 – £93) each.
- The farmer groups agreed to mobilise the community to contribute towards the construction of the farmers' produce

store. The store will ensure food security and increased income through collective marketing of produce.

To **empower communities to engage in local governance**, the project supported parish development committees to generate plans based on community priorities.

- These have already been integrated into the three year sub-county development plan to enhance better planning and service delivery.
- The broadcast of nine radio talk shows has increased access to information about health and other development issues.

Replication has been a key concern for all partners from the start. The project was designed to ensure that investment per capita is not hugely different from the total per capita sum that the government invests in its population, e.g. through health and education. This approach is still perceived to be sound.

Sustainability concerns have been integrated into the project design. In particular, the partners are working hand in hand with local government counterparts at village, parish, sub-county and district level. This not only ensures local buy-in to the project, but also that the government is aware of the successes and learnings from the project.

Next steps for financial inclusion

The financial inclusion component, working through Village Savings and Loans Associations, has proved particularly effective and more than 3,200 people are now part of VSLAs in Katine using small loans to invest in their farming and income generating activities. Barclays has committed £10 million to scale the model up globally. The initiative, called '*Banking on Change*', is being delivered in partnership with CARE and Plan in 11 countries in Africa, Asia and Latin America. *Banking on Change* will expand Village Savings and Loan Associations to over

500,000 people in these regions but, more importantly, the partners will investigate ways to improve the model, making it work better and more efficiently. For example, in some communities the focus will be on new target groups such as young people, while in others alternative distribution channels will be tested.

Linking the groups to formal banking services is one of the key areas of innovation for the 'Banking on Change' partners. The successful development of a linkage model which is mutually beneficial to group members and a formal financial institution will be a major step in promoting financial inclusion in the poorest communities. Barclays is working to understand the benefits of linkages to formal financial services for Village Savings and Loans groups and their clients, developing bespoke products, services and channels for mature groups in selected countries.

Learnings from the project

The KCCP partnership has successfully demonstrated how different aspects of development, implemented concurrently and in a co-ordinated way, can improve the lives of people more quickly and effectively than addressing the issues separately.

The project also serves as a model of cross-sector partnership, whereby the media, different NGOs, government, CSOs and the business sector can bring their unique skills and competencies together to improve the quality of lives of the people living in Katine. The project offers alternative ideas and practical experience in agriculture, healthcare delivery and financial inclusion that aids understanding of how poor rural communities may be developed cost effectively and sustainably. The potential benefit is not necessarily to replicate the whole model into different communities, but for the communities, development agencies and governments to take the learnings from the project, and adapt and apply them to their own local situations.

In terms of learning and best practice:

In **health**, the role of community based structures such as Village Health Teams (VHTs), volunteer health workers elected by their villages, is critical in reducing preventable diseases e.g. diarrhoea and malaria and in supporting the poorly resourced health centres in managing both patients and diseases. In particular, VHTs are able to follow up patients who have been diagnosed with TB and HIV/AIDS and encourage them to continue their medication. AMREF has worked closely with the district to demonstrate the effectiveness of well trained VHTs in reducing household disease. However the issues of motivation and remuneration remain points of advocacy.

In **education**, the establishment of community based structures such as Parent and Teacher Associations and School Management Committees (PTAs and SMCs) strengthen community ownership over school supervision and school governance, e.g. in Katine the PTAs were able to mobilise parents to collect local materials for school construction, construct teachers' lodging (grass thatched) and replace an underperforming headmaster by lobbying to the District Education Officer. The approach to school management has been adopted by the district in other sub-counties as a successful approach to engage communities to manage and supervise schools.

In **water and sanitation**, community participation and ownership in managing and maintaining new boreholes contributes to their continued effectiveness in providing clean water. Trained hand pump mechanics have been able to repair and maintain water sources and water source committees have full ownership of boreholes. This is in stark contrast to boreholes left in disrepair which were implemented by other agencies that did

not involve communities in the process. The water source committees established have a chairman and treasurer, they collect a small fee from households that can afford to contribute towards maintenance charges and are therefore accountable for ensuring continued access to clean water.

In **livelihoods**, introducing simple technologies like drought resistant cassava can help farmers stave off the impact of the recent drought in Katine. Village Savings and Loan Associations (VSLA) have also been extremely successful and are a replicable model for other rural communities. They have encouraged women and men to adopt a savings culture and invest in alternative income generating activities (such as tailoring or selling produce at markets) which has resulted in improving economic prospects for community members. Other community structures such as water source committees have adopted a similar approach with the support of an appropriate institution and subsequently increased their income.

Throughout all aspects of the project, the importance of partnership with communities in the development process has been demonstrated clearly. Ensuring they are engaged and participate in the entire project cycle, from design through to implementation and monitoring, encourages local ownership and improves confidence, competency and sustainability.

As the project matures, AMREF will continue to document lessons learned and share successes with the Soroti local government, advocating the scale up of appropriate elements at national level.

The project mid-term evaluation suggested that the three years originally agreed for the project was insufficient to ensure maximum sustainable benefit to the community, therefore the participants have extended the term to four years, concluding in 2011.

Olwelai Farmers Group VSLA

In 2008 the Katine Community Partnerships Project (KCPP) supported and facilitated 18 farmer groups to start the first Village Savings and Loans Associations (VSLA) in Katine.

A VSLA is a self-selected group of people (usually unregistered) who pool their money into a fund from which members can borrow. The money is paid back with interest, causing the fund to grow. The savings contributions by VSLA members are deposited with an end date (usually between 8–12 months) in mind for distribution of all the funds to the individual members, usually on the basis of a formula that links payout to the amount saved. This fund distribution provides a large amount of money that members can then use as they want, without restrictions. Members of the group can take it in turns to take small loans from the savings fund, with the money paid back at with interest over a set period, as agreed by the group members. As loans are repaid with interest, the savings fund grows so that when the fund distribution takes place, members receive their original share of the savings with interest.

Field officers from AMREF and UWESO worked closely with people in Katine to help them form VSLAs, select a committee and agree the rules for saving and borrowing within their group. With regular training and support the groups learned how to manage meetings and keep accounts of their transactions, ensuring that every member could be confident about how their money was handled. The members were able to use the loans to help them cover household expenditure and to invest in their farming and other income generating activities. Over 150 VSLAs have formed in Katine and most have completed the first annual cycle of their transactions. One example is the Olwelai Farmers Group.

Olwelai Farmers Group is located in Olwelai village in Katine Sub County. It has 28 group members of which 17 are women. The group was formed in May 2008 by AMREF, receiving training on best farming practices at a Farmer Field School and later being trained on how to run savings and loans activities by a UWESO field officer. The initial training in VSL methodology took six weeks; the group started to meet in July 2008 and then received regular visits by field officers to advise them on their meetings. Members of the group meet on a weekly basis and they save by buying shares (between one to five shares per meeting) each costing USh500 – about 16 pence.

Members say that they faced numerous

challenges before joining the group. Emiru Michael says “I could not save money because I lacked knowledge of how to save”. Another member, Aubo Angella added that many members struggled to cover everyday expenses such as school fees for their children and food for family meals. Other members pointed out they lacked the capital to start a business or had difficulty in accessing money whenever there was an emergency such as a sickness in the family.

The female members of the group have been able to make the most of the opportunity to save. Immaculate Auma had accumulated the highest number of shares – 260, earning her over Ush160,000 (about £50). Twelve of the female members accumulated more than 200 shares while only seven male members accumulated more than 200 shares. However, the member with the least shares was a woman, with 93 shares – the only member who had less than 100 shares. “She was sceptical of the idea. She thought that UWESO would collect their money and run away with it at the end of the cycle; that is why she was not so eager to buy shares,” Charles Otto the group chairperson says. There is now a high level of trust between UWESO and the group members.

Immaculate lives in Olwelai village with her husband and six children. Since she joined the VSLA she has been involved in a number of small transactions including buying and selling cereals and fish. Through these activities, she has saved more than Ush100,000 (about £30). “I am going to add this money to what I have been saving and buy at least one bull,” she says. Her husband is 31 years old and runs a lock-up in one of the small trading centres in Katine. She says that her husband, though not a member of the VSLA, has been supportive, at times contributing to the weekly buying of shares when Immaculate did not have money.

The drought has affected Immaculate’s family quite badly. They had planted groundnuts, sorghum, beans, millet and cassava but most of these crops were destroyed by the heat and lack of rain. On two occasions, the family had gone without a meal in 24 hours, although on both occasions the youngest children were given porridge. Surprisingly, on these two occasions Immaculate had more than Ush100,000 (about £30) that she could have accessed. “The focus was to buy at least a bull so I didn’t want to touch that money,” she says.

For this reason, the VSLA also established a

welfare fund to help members to cope with emergencies. Charles mentions that ‘the welfare savings have rescued members on several occasions’. When members meet, each contributes Ush100 (less than three pence) toward the welfare fund. This money is borrowed by members when they have an emergency at home that requires finances, which they pay back without interest. “When you don’t have food at home, instead of the family sleeping on empty stomachs a member borrows from this money and buys food. You can also borrow money to treat sick children or to keep children in schools.”

The group chairperson, Charles says that the VSLA has benefited them a lot. He says, “it has helped us in our families and as a group’. As a result of continuous involvement in the VSLA project, Olwelai group members say they’ve been able to eat a more nutritious and balanced diet and increase their household income and assets. They have learned how to save together and to use some of the savings to make small loans that can help them to cover unexpected costs and to invest in their farming activities.

Arienyo Margaret, a treasurer of the group says “Now I’m not poor because I am able to send my children to school easily, afford the fees and uniforms and I can feed my family well”.

The Olwelai group completed their first VSLA cycle at the end of July 2009 with a total of 2,851,000 USH (about £880) in savings and with the interest generated by loans made to members, the grand total the group was able to share out between members was 3,523,700 USH (about £1,090).

After the share out, members were able to use their savings and the interest received to buy assets for their homes and their farming activities. For example, members of the Olwelai group were able to buy four cows, ten goats and five mattresses. The funds also helped to pay for school books for 84 children in primary school and for the school fees to allow five children to attend secondary schools; which was not possible before the VSLA was formed. As a result of the positive experience, the Olwelai group agreed to start a second cycle of VSLA activity. Nine months into this second cycle, they have already equaled the amount of funds accumulated in the previous 12 months.

Conclusion

The Katine project is ambitious, multidimensional and brings together many partners, advisers and participants. It is attempting to develop a replicable means of assisting poor communities in strengthening their local social and economic infrastructure, in a way that the communities can continue to manage and develop in the longer term under their own auspices. It is an example of how very different organisations, businesses and communities can work together to address systemic problems, combining skills, expertise and creativity to achieve positive results working in conjunction with the communities involved and ensuring their ownership of the advances made. In terms of human rights, the benefits to the communities are measurable around access to water, healthcare, education, livelihoods and participation in local governance. Access to finance may not be a right in itself, but provides people with the means to make choices to realise rights, e.g. to pay for a child's education, or medical treatment.

From Barclays perspective, the project has benefits to the bank on many levels. There is a strong philanthropic aspect in the provision of funds and employee engagement through volunteering, but also a strong commercial driver in the development of a robust microfinance model, which is now being scaled up and rolled out in other countries. The development of products for this market is underway, so we will be able to serve communities and customers better in less developed regions. Working with the other project partners has also provided valuable learning and experience. The project has also helped raise awareness of human rights among our broader workforce as the project achievements and visits are publicised internally.

⁴⁹ Katine household baseline executive summary, page 2. The baseline survey was conducted by AMREF with support from UBOS (Ugandan Bureau of Statistics)

⁵⁰ The five components include health education, livelihoods, water sanitation and hygiene and community empowerment

General Electric: Promoting ethical ultrasound use in India

CASE STUDY

Introduction: the benefits and burdens of ultrasound technology

The distribution of compact, portable ultrasound technology in India offers significant potential health benefits to millions who suffer from painful or potentially life-threatening diseases, such as breast cancer, uterine fibroids, cardiac disease and gynecological disorders. Ultrasound technology also has the potential to increase efficacy and early detection in diverse medical fields such as anesthesia delivery, cardiac surgery, sports medicine, and emergency medicine. Ultrasound is also uniquely powerful in that it is the only imaging technology that can be transported to a patient or used where a patient might most urgently need it – whether on the side of a road after a serious motor accident or in remote communities where a patient may have to travel for several hours just to reach a basic primary health center. When one considers this vast scope of medical applications, along with the great need for imaging technologies among rural and urban populations in India, it is clear why India's ultrasound market poses both a significant business and public health opportunity.

Researchers and other experts contend that India faces a demographic crisis, as the number of women per 1,000 men has fallen over the years. There are several reported reasons for this, but a preference for the male child in some Indian societies, as in certain other countries and cultures, is an important reason.⁵¹ Observers have noted that these preferences are deeply rooted, historical and driven by a combination of cultural and economic factors. For example, traditionally, Indian parents are expected to pay expensive dowries to their daughter's future husband's family to whom the parents then "lose" her. In a country without a social security system, male children are often viewed as their parents' long-term security when girls are expected to marry and eventually leave home.

While never intended to facilitate such abortions, ultrasound technology can be used by unscrupulous medical practitioners to identify the sex of the fetus. Parents or other family members, determined to find out the sex of the unborn child may decide to terminate the pregnancy if the unborn child is a girl rather than a boy, and that girl is unwanted. The Indian Government has outlawed prenatal sex determination, but the practice persists. Yet, the economic concerns are only part of the story. In fact, the numbers of female vs. male births have been dropping most quickly among wealthy, urban populations, specifically in northern India. This trend suggests that economic security alone will not safeguard female fetuses.

Allegations that ultrasound technology is misused to facilitate female feticide in India have arisen despite government legislation and action to reduce rates of female feticide through prohibition of sex-selective abortions. In 1998, the Indian government authorized the "Pre-Natal Diagnostic Techniques" (PNDT) Act of 1994, a law that prohibits any person or body from using equipment or techniques for the purpose of detecting the sex of an unborn child. There are exceptions for diagnoses of specified sex-linked diseases or disorders. The law also prohibits anyone from communicating the sex of the fetus if it is detected during a pre-natal examination or diagnostic test. The law requires, among other things, that all practitioners, clinics, genetic counseling centers, and any other facilities that perform pre-natal diagnoses register with the government, obtaining a certificate of registration, and displaying a notice regarding the prohibitions on fetal sex detection.

In 2003, the government implemented the 2002 amendments to the PNDT Act, explicitly recognizing the responsibility of manufacturers and distributors to protect against female feticide and assure proper use of ultrasound equipment by prohibiting them from selling, renting, permitting or

authorizing the use of ultrasound machines for fetal sex determination, and imposing criminal punishment such as fines and jail time. Manufacturers must confirm that the customer has a valid PNDT Certificate and has signed an affidavit stating that the equipment shall not be used for sex determination. Manufacturers must also provide the government with a quarterly report disclosing to whom the equipment has been sold. GE has observed that these laws have not always been routinely enforced, that reports of female feticide are still commonplace, and that other reports point to declining numbers of female live births relative to male live births in many areas of both rural and urban India.

While the spread of ultrasound technology certainly is not the root cause of the increase in reports of female feticide, the compact, portable and relatively low-cost nature of this technology does increase the complexity of overseeing and prosecuting medical practitioners, companies or other individuals who violate the PNDT Act and misuse the technology to assist in sex-selective abortions. In addition, couples may now use other technologies such as in-vitro fertilization and pre-implantation genetic diagnosis to determine sex and implant male embryos selectively, thereby further skewing the sex ratio without having to resort to sex-selective abortion. While the exact scale of the challenge in India – in terms of the numbers or statistics on female feticide – is unclear and contentious, reports suggest that this is a societal problem that is on the rise.⁵²

Against this backdrop of deeply rooted cultural-economic biases and uneven government regulation in India, the spotlight has shifted to the corporations that produce and sell ultrasound technology in this ever emerging economy. GE Healthcare (GEHC), which had the benefit of experience in addressing similar issues in China, worked with GEHC India to respond with increased safeguards against

illegal sales and support for campaigns to increase awareness of the human rights issues at stake. GEHC India's ongoing experience demonstrates how a major corporation can act, through CSR and education campaigns, in a manner that advances important human rights yet fits within the bounds of its commercial strategy. It also provides examples of steps a manufacturer can take to reduce the risk that its products will be misused in ways that violate human rights.

Respecting human rights.

This case presents several important human rights considerations and quandries including how to consider several different human rights at one time while also respecting cultural differences. (See Box 1)⁵³ Clearly, the selective abortion of female fetuses violates human rights protections against practices and customs based on prejudices against women. Given the number of uses of ultrasound in obstetrics and gynecology, restricting women's access to the technology would conflict with the human rights goal of reaching the highest standards of health. In addition, while sex-selective abortion is technically illegal in India, there is evidence that non-compliant or unscrupulous practitioners still perform sex-selective abortions. There is a good chance that these illegal procedures are performed under less than adequate conditions. Thus, if abortions are performed outside of hospitals or by unlicensed practitioners, it is more likely that the practice is putting the health of the mothers at risk and jeopardizing not

only their ability to reproduce in the future, but also quite possibly their lives. There is also concern that women may be forced to undergo coercive abortions when they do not share the views of their families or communities that female fetuses should be aborted. These rights are also indirectly referenced by two of the eight UN Millennium Development Goals: "Promote gender equality and empower women" and "Improve maternal health."

On the other hand, there is also a human rights argument to be advanced on behalf of the millions of Indian citizens whose health or well-being might be severely harmed by limiting the use and proliferation of ultrasound technology. In a scenario in which the use or spread of technology is severely curtailed in order to "solve" the female feticide problem, then the rights to life, health and well-being of those citizens would also be threatened. Indeed, the use of ultrasound goes well beyond obstetrics and gynaecology, into areas including emergency medicine, and GE has donated ultrasound technology throughout the developing world for many years in connection with established product donation programs and in response to human health crises, such as those caused recently by the Indian Ocean Tsunami and South Asia earthquake. An obvious paradox: the same technologies that further the human rights of some can be misused in a way that greatly undermines human rights of others.⁵⁴

Finally, the principle of non-complicity is thought provoking in this case. While there has been much debate over what

Box 1: Several human rights at stake

- **UDHR Articles 2 & 3:** Equal rights without reference to sex
- **ICCPR Article 2:** Non-discrimination on the basis of sex in relation to all rights
- **ICESCR Article 2 & 12:** Non-discrimination in relation to all rights; Highest attainable standard of physical and mental health
- **CEDAW Article 1,5:** No discrimination based on sex; Eliminate prejudices, customs and practices based on idea that women are inferior
- **CRC Article 2:** No discrimination based on sex

constitutes “complicity” by a business, the principle speaks to the idea that a company may be considered complicit in human rights abuses if, for example, as set forth in Principle 2 of the U.N. Global Compact, of which GE became a member in 2008, the company by “inaction” or “acceptance” fails to “raise the question of systematic or continuous human rights violations in its interactions with the appropriate authorities.”⁵⁵ Could GE viably be accused of complicity based on human rights violations with respect to non-state actors ignoring the Company’s warnings regarding PNDT compliance and thus acting in violation of the Indian law? Indeed, critics of GEHC India argued that the Company’s sales of ultrasound technology were enabling doctors to illegally determine sex thereby contributing to human rights violations. Legal debates aside, the challenge for GEHC India, which strenuously denied accusations of statutory or human rights violations, was to ensure and communicate that the Company was taking all necessary measures to avoid even the appearance of any form of complicity.

In India, the threats to GEHC’s business posed by these human rights allegations were significant. Firstly, and perhaps most importantly, the criticisms threatened GE’s corporate reputation in India as a multinational company, not just within the GEHC unit. The impact on the corporate reputation was particularly apparent when allegations began appearing in international media outlets, such as the *Wall Street Journal*. The highly negative association of GE’s name with such an emotional human rights issue, female feticide, posed a threat to GE’s reputation world-wide, even for those of its products that had no direct connection to ultrasound or GEHC India. Secondly, if left unchecked, the criticism from activists could have threatened GEHC’s access to the Indian ultrasound market, of which it currently hold a large market share -

about 51% of the ultrasound market share in South Asia in 2006. Moreover, ultrasound is a significant portion of GEHC’s current sales and growth. In South Asia, where the use of high-end imaging systems like MRI is limited due to cost, and relatively few in the medical field are trained in these advanced imaging technologies, the growth potential for ultrasound is significant.

It could be argued that GEHC’s view of female feticide as a threat to its international business reputation undercuts any claim by the company that it was truly concerned about the issue as a human rights violation. Others might argue that GEHC has demonstrated a lack of sensitivity towards local cultural differences by acting out of concern for its international reputation and/or by imposing international human rights values on Indian customers, given that many parts of Indian society do not agree with the Act’s prohibitions (as demonstrated by the uneven enforcement of the PNDT Act and rising rates of female feticide). GE rejects the view that a company’s concern for preserving its reputation is somehow inconsistent with its ability to advance human rights or to

respect important cultural values. Similarly, GE believes it has demonstrated that its commitment to advancing human rights, as set forth in its Statement of Principles on Human Rights, extends beyond just reputational concerns. By way of example, GE has joined the UN Global Compact and continued its leadership activities with human rights-focused business groups while developing Human Rights Implementing Procedures through which it instructs its leaders how to operationalize the Company’s commitment to human rights at all levels of its businesses.⁵⁶ This case study highlights, however, how difficult it can be for any company to navigate competing business, human rights and societal interests.

GEHC India’s approach to this human rights dilemma has evolved over time and can be compared and contrasted with the Company’s response to reports of misuse of ultrasound technologies for gender selection in China, which initially received greater focus due in large part to China’s controversial “one child” policy. (See Box 2) As in India, some Chinese societies have a preference for male over female children. Like India, China has passed legislation

Box 2: GEHC’s sale of ultrasound in China

In early 1996, GE’s General Counsel, Ben Heineman, asked the GEHC legal team: “What are we doing in China which may cause us to have a human rights problem, and what can we do to mitigate any risk?”

Risks Identified:

- Cultural preferences for male children.
- Government’s controversial “one child” policy had received worldwide attention and criticism from human rights, feminist and religious groups.
- Despite legislation that prohibited medical professionals from identifying gender of fetus unless medically necessary, family planning clinics charged with enforcing one child policy had been accused of performing abortions that were gender-based.
- Following the Tiananmen Square incidents in 1989, Western MNCs were subject to greater scrutiny from human rights groups for doing business in China.

Some of GEHC’s Responses:

- Refused to sell ultrasound technology to family planning clinics, or to sell products below a certain price point to reduce chance that products would enter the birth control market.
- Advised customers by placing stickers on machines, and in writing and advertising that using ultrasound to detect gender of fetus was illegal. Chinese joint venture partners also also undertook these actions.
- Trained sales and marketing personnel about illegal use of ultrasound and to avoid sales where misuse was suspected.

outlawing the use of ultrasound for gender selection (yet Chinese law does not place liability for misuse on manufacturers). In both India and China, GEHC took actions beyond what was legally required. However, when in 2006, Indian activists began linking GE with this human rights issue through international media outlets, the company understood that these criticisms posed even greater threats to its reputation and market growth and that more needed to be done.

Company response:
Increasing the stringency of safeguards

As with GEHC China, GEHC India wanted to demonstrate that it was stringently screening potential ultrasound sales and taking the right precautions to avoid post-sale misuse of the ultrasound technology. Indeed, since 2000, GEHC India has worked – through a combination of training programs, amendments to legal contracts, regular auditing, and rigorous sales screening and tracking – to increase the stringency of the sales review process. (See Table 1) These actions were taken prior to 2003, the year when the PNNDT Act’s amendments imposing liability for manufacturers were implemented, and they go beyond the manufacturers’ legally required controls.

At present, a single sale of ultrasound equipment goes through up to five internal checks – from the initial sales contact to equipment installation – to verify that the customer has a valid PNNDT registration certificate. As noted above, a valid PNNDT registration certificate means that the clinic or the user is registered with the local government and provides an affidavit that it will not conduct fetal sex selection using the equipment. Machines are labeled with a sticker that warns that “fetal sex determination is illegal & punishable by law.” (See Box 3)

GEHC sales contracts and dealer agreements contain standard terms and

Table 1: Timeline of GEHC India’s Actions and the PNNDT Act



GEHC India Actions	
1990s	1998: PNNDT Act of 1994 is authorized. Manufacturers are not covered by the Act. Began proactively communicating through customer magazines and website to all hospitals, nursing homes and diagnostic centers about the PNNDT Act and the need to adhere to the law
2000	Began the first training for sales agents on legal implications of PNNDT
2002	Instituted mandatory training (on PNNDT legal implications) for all sales/service employees and dealers who are involved in ultrasound sales Implemented internal policy on PNNDT compliance which is updated or renewed annually Added explicit warnings about PNNDT law to terms & conditions sections of all sales contracts Added strict PNNDT obligations to all dealer and dealership agreements; clearly state that non-adherence will result in termination of sales relationship Began posting on GE ultrasound machines clearly that “Fetal Sex Discrimination is Illegal” (See Box 3) Instituted quarterly PNNDT audits of dealer sales & direct sales to ensure that 100% of completed sales are to customers with valid PNNDT certificates Began work on PNNDT “Playbook” for use as a training manual. The Playbook explains the law and GE’s policies for salespeople to follow.
2003	2002 Amendments to PNNDT Act are implemented. Manufacturers can be held liable for violations of the Act.
2006	Finalized and distributed the Wipro GE Healthcare PNNDT “Playbook”
2007	Held first meetings with critical social activist groups and representatives
2008	Began poster campaigns to promote “Rights of the Girl Child.” Began funding educational programs for girls. Began sponsorship of young Indian female tennis star.

conditions to ensure compliance with the PNNDT Act, such as: “You agree not to use or permit the products to be used in any manner that does not comply with any applicable laws, rules or regulations. Further, you represent that you do not intend to re-sell the products to any other party or to export the products outside India”. More specifically, contracts state, “except when required by medical necessity . . . [i]t is illegal to use pre-natal diagnostic techniques like ultrasonography, amniocentesis etc., to determine and communicate the sex of an unborn child . . .” With respect to the requirement to produce PNNDT certificates, contracts state in part, “In case you are unable to provide us with the required documents as per the

Act and Rules, at the time of invoicing, we shall have the right to cancel your order without incurring any liability to you for the same.”

Sales people are trained on how to advise end users of the equipment on the implications of the PNNDT Act and to escalate any concerns about observed or suspected non-compliance to managers. They are also encouraged to balance their desire to increase equipment sales with a caution to not participate in sales that may end up in the hands of unscrupulous or unlicensed practitioners. Even if a potential customer has a valid PNNDT certificate, but the sales person senses from a customer’s comments or behavior that the equipment may be used unethically or fall into the

Box 3: GE’s product sticker warning label

Wipro GE Healthcare

Wipro GE Healthcare does not support the use of ultrasound technology for fetal sex determination.
Fetal sex determination is illegal & punishable by law.

wrong hands, then the sales person is required by GEHC to terminate all sales discussions. This screening process does not end after the equipment has been sold. A practitioner must also present a valid PNDT registration certificate before having their equipment serviced by GEHC India or purchasing updated accessories. These internal policies and trainings were seen as necessary steps in increasing safeguards during the sales process to lower the risk that the equipment would be misused.⁵⁷

In a further effort to address the issue of female feticide, GEHC India recently launched a campaign to raise public awareness of this human rights abuse. GEHC India distributed a series of educational posters to its customers, the end-users of the ultrasound equipment. The posters were designed to grab attention, raise awareness about female feticide, and discourage the practice. The campaign is viewed as a long-term approach to addressing the human rights issue itself as opposed to one that is directly linked to managing the public's perceptions of GE's business practices. The goal is to expand the public's awareness raising campaign beyond its immediate customer base by distributing a series of these posters through the national government of India. (See Box 4)

Stakeholder perceptions: criticism shifts to doctors and other manufacturers

Vocal stakeholder groups in India, including NGOs and social activists, have for many decades publicly opposed feticide and infanticide in India and advocated for government action and societal change. For example, the research and advocacy group CEHAT (Centre for Enquiry Into Health and Allied Themes) played a pivotal role in ensuring that the PNDT Act was implemented. Since 2001, CEHAT, the Forum against Sex Determination, and other groups, have focused on the role they claim ultrasound manufacturers play

in enabling or increasing the rate of sex-selective abortions. Dr. Sabu George, one of the most outspoken activists on the subject, began criticizing GEHC India's sales practices in 2002 through an article in the international journal *Reproductive Health Matters*. While the activists noted that a significant part of the challenge was the national and state government's weak enforcement of the PNDT Act, they also targeted GEHC India for, in their opinion, not doing enough to ensure that the technology GEHC sold was used ethically and legally by customers. In 2006 and 2007, several spokespersons from these groups were quoted by national and international media criticizing ultrasound manufacturers for facilitating or enabling the rise in sex-selective abortions.

Since 2007, GEHC India executives have met with many of the critical activist group leaders, including Dr. Sabu George. Through these meetings and through GEHC India's systematic efforts to increase safeguards in the sales process, executives feel they have been successful in engaging and educating these stakeholders about what GEHC is doing to lower the risk of misuse of its ultrasound equipment. A February 2008 *Times of India* article quotes Sabu George as stating that, in his opinion, "doctors are to be blamed" for the misuse of ultrasound technology.⁵⁸ While this article reflects a change in activists' focus away from manufacturers, the same article mentions that several manufacturers have not submitted customer sales data to the government as required under the PNDT law, threatening the government's enforcement efforts. In contrast, since 2004, GEHC has consistently submitted its quarterly sales data and customer lists to the Indian government. This demonstrates that despite all of GEHC India's efforts, it risks being grouped in with all other ultrasound manufacturers on the human rights issue of female feticide.

GEHC India cannot ignore the roles and track records of its competitors in the

Box 4: Sample poster excerpt from GE awareness campaign

I am strong.
I am confident.
I am powerful.
I am a girl.



A girl child is the most precious gift, an asset to the parents, to society, and to humanity. She is someone's daughter or sister, and a future mother and grandmother.

Taking life away from a girl child is a terrible act, one that kills a source of joy, sustenance, creativity, leadership, innovation and wisdom. Would a girl child's killers be able to commit this act, had their mothers not been allowed to be born?

Let's do all we can to make people think, realize and act... to stop female foeticide.



ultrasound market because any companies that do not address the human rights concerns of female feticide can bring disrepute to ultrasound technology and to GEHC as a leading manufacturer. Competition is rising from other Western MNCs and from other countries, such as China, that are entering the Indian ultrasound market with less expensive products. If GEHC India's competition fails to comply with ignores evidence of violations of the PNDT Act, GEHC India could lose brand familiarity among all customers, including those who comply with the law. If human rights abuses by the end users increase, even if that increase is tied to a competitor's activity, it is possible that GE would suffer reputation backlash or a loss of brand capital in India—simply due to its association with an industry viewed by some as "irresponsible". GEHC India faces the challenge of convincing skeptical competitors that the efforts it has made to avoid sales to unscrupulous practitioners have in fact been effective.

There is data to prove that this is the case – sales volume and internal audits, in 2002, for example, the first full year after GEHC had begun implementing the new measures in India, show that the company's ultrasound sales growth declined from the previous year by approximately 22% and that the decline in sales of black-and-white ultrasound machines was especially sharp.⁵⁹

Yet, such a drop could also be attributable

to increased competition from other ultrasound manufacturers and changing preferences among buyers. GE kept its protective measures in place despite the drop in sales. Undoubtedly, in addressing challenges presented by a competitive market, the Company will have to rely on all of the lessons it has learned about the human rights problem of female feticide in India and elsewhere.

Lessons learned: respecting human rights through outward looking educational campaigns and promotion of standard practices

In reflecting on their experiences in India, GEHC executives have demonstrated that the most effective approach to this type of challenge requires action on several levels.

Enforce Rigorous Internal Controls.

The first step in approaching human rights challenges requires looking internally to ensure that the company is not only obeying the rule of law, but also conducting itself in a way that is supportive of human rights and culturally sensitive. GEHC India has attempted to do this through its rigorous sales process review that goes considerably beyond basic legal requirements to avoid risk wherever possible and by training its employees to keep their eyes open and to know the customer.

The second step, GEHC India has learned, is to move beyond simply looking at one's operations and to think creatively about how the company can contribute to the wider societal change that must take place in order to tackle the root cause of these challenges to human rights, such as:

Work with Government to Promote

Standard Industry Practices. GEHC India has met with government officials to share information about its internal controls and sales practices that go beyond the PNDT Act's requirements and has called upon the government to increase enforcement activities and education programs. GE also has pushed for industry-wide action. With

the support of activists, GEHC India executives have reached out to other companies through the Confederation of Indian Industries (CII) to address the problem of female feticide. GEHC believes this type of engagement has paid off by enhancing its reputation among reputable practitioners and by changing attitudes of social activists towards GEHC India and its sales practices.

Raise Public Awareness of Human

Rights. GEHC India's poster campaign is one effort to think creatively about how to change attitudes about female feticide and the status of girls and women's rights. In addition, GEHC India has designed at least two new CSR programs: social investment in initiatives that promote education and equality among girls in India, and sponsoring a young, female, Indian tennis star. While GEHC India's CSR initiatives in this issue area are still nascent, they reflect a maturing business strategy of addressing human rights issues that moves beyond addressing non-complicity concerns and begins to integrate human rights into its implementation of corporate social responsibility.

⁵¹ See Annual Report 2006: Implementation of the Pre-Conception and Pre-Natal Diagnostic Techniques (Prohibition of Sex Selection) Act, Ministry of Health and Family Welfare, Government of India, Jan. 2007.

⁵² See Annual Report 2006: Implementation of the Pre-Conception and Pre-Natal Diagnostic Techniques (Prohibition of Sex Selection) Act, Ministry of Health and Family Welfare, Government of India, Jan. 2007.

⁵³ References are as follows: "UDHR" is the Universal Declaration of Human Rights of 1948; "ICCPR" is the International Covenant on Civil and Political Rights and "ICESCR" is the International Covenant on Economic, Social and Cultural Rights (both adopted in 1966 and entered into force in 1976); "CEDAW" is the Convention on Elimination of All Forms of Discrimination Against Women, adopted in 1979; and "CRC" is the Convention on the Rights of the Child, adopted in 1989 and entered into force in 1990.

⁵⁴ The potential for misuse of products is, of course, not unique to ultrasound or GEHC. GE has discussed its responses to the potential for misuse of ultrasound and other technologies in its Citizenship Reports in an effort to increase transparency of the Company's actions and to diffuse concern about its products.

Visit <http://www.ge.com/citizenship>

⁵⁵ Visit <http://www.unglobalcompact.org>.

⁵⁶ Visit:

http://www.ge.com/citizenship/performance_areas/human_rights

⁵⁷ GEHC has also taken the initiative to meet and work with Indian government officials to identify proactive ways to educate doctors against misuse, such as with the stickers, labels, PNDT audits and reporting concerns about non-compliance. For more information regarding the government's efforts to implement the PNDT Act, see <http://india.gov.in> and Annual Report 2006: Implementation of the Pre-Conception and Pre-Natal Diagnostic Techniques (Prohibition of Sex Selection) Act, Ministry of Health and Family Welfare, Government of India, Jan. 2007.

⁵⁸ *The Times of India*. 4 February 2008. "The girls never born."

⁵⁹ *Wall Street Journal Europe*. 18 April 2007.

Note to Readers: This case study was prepared by GE with the assistance of Business for Social Responsibility (BSR), which consulted publicly available secondary sources and direct input from GE executives who are familiar with this case. For more information on this case, please contact: Frank Mantero, Director, Corporate Citizenship Programs at General Electric Company, at frank.mantero@ge.com

The Coca-Cola Company:
Eradicating child labor in sugar cane harvesting in El Salvador⁶⁰
CASE STUDY

Sugarcane is a critically important crop to El Salvador's economy, second only to coffee.⁶¹ Some of the country's sugar is grown in rural farm cooperatives, which are co-owned and managed by local farmers. This system emerged out of the military junta government's agricultural reforms in the 1980s, which transferred a significant portion of land ownership to poor rural farmers. These cooperatives farm and harvest their sugarcane as a community, which can result in teenagers working as cane cutters or in young children working alongside their parents during the harvest.

In 2000, El Salvador ratified the International Labor Organization's (ILO) Convention 182, which calls for immediate and effective action against the worst forms of child labor.⁶² Sugar cane harvesting is internationally recognized as one of the worst forms of child labor because of the danger it poses to child health and welfare and because it interferes with school attendance.⁶³ As a result, the Salvadoran government has modified its laws to state that the minimum age requirement for work in sugarcane harvesting is 18 years of age.

According to UNICEF, more than 40 percent of El Salvador's population lives in poverty, and about half of all children and adolescents are poor.⁶⁴ Poverty is particularly widespread in rural regions of the country where sugarcane is grown and harvested.

Though attending public school is technically free in El Salvador, the actual cost to send a child to school can be prohibitively expensive for most low-income families. As a result, the funds earned by child laborers often contribute to the cost of their school attendance. Another barrier to rural children's education in El Salvador is the distance between secondary schools and the rural communities where many students live. There are more primary schools than secondary schools in rural areas. Children hoping to attend secondary school often

find that the closest school is a significant distance away by bus, which leads many teenagers to forgo secondary school to work instead.

Of children who can afford to attend school and have a means of transportation, many still suffer when the sugarcane harvest collides with the academic schedule. The last two months of the sugarcane harvest overlap with the beginning of the school year in El Salvador, causing working children to miss the first two months of school or to arrive at school late and exhausted each day. Many fall behind, are held back a year, or simply quit.⁶⁵

Beyond the risks to their education, sugarcane harvesting poses significant dangers to the health and welfare of children. The harvest requires the use of a machete, which can cause cuts and serious injuries. The work often involves hauling heavy loads and requires long hours in the heat. Children are exposed to heat and insects and suffer headaches, back problems and skin irritations. Sugarcane fields are harvested shortly after they are burned, so children also run the risk of inhaling smoke or ash, and they also often become dehydrated due to lack of access to water.

According to managers of sugar farm cooperatives, many of the underage cane cutters are boys aged 14-17.⁶⁶ They report that some of these teenage boys are already married and have children of their own, and that they cut cane to support their own families. Farm communities often consider these to be 'young men', and as such, they do not face strong social pressure to attend school and they are paid directly for their harvesting work. When younger children cut cane, they are often not paid directly – a parent or another family member collects payment for the child's contribution to the family's harvest.

The Coca-Cola Company in El Salvador

The Coca-Cola Company has been operating in El Salvador since 1935. Its beverages for domestic distribution are produced by its bottling partner in El Salvador, Industrias la Constancia, which has consistently been rated among the top two most socially responsible companies in the country.⁶⁷

To sweeten its beverages produced in El Salvador, Industrias la Constancia purchases sugar from a distributor that buys from El Salvador's largest domestic mill, CASSA.⁶⁸ Sugarcane must be processed soon after it is harvested, so the mill draws its sugar from farm cooperatives located nearby. Once at the mill, the stalks of cane are processed into raw sugar. The sugar is then transported to the bottling facility where Coca-Cola products are produced.

Through its Supplier Guiding Principles program, which covers authorized suppliers, Coca-Cola monitors quality standards and labor conditions at these mills. The Company uses third-party monitors to inspect these facilities to ensure compliance with a range of core labor standards, including a strict prohibition against child labor. This level of formal monitoring is currently not required at the sugar farm level by the Supplier Guiding Principles program, since the farms are not authorized suppliers to the Company. On a case-by-case basis, the Company does deploy third-party monitors to the sugar farm level in order to gather facts about the extent and nature of labor issues. With this information, the Company engages its own business partners and civil society and government to discuss potential solutions.

In June 2004, the international human rights advocacy organization Human Rights Watch brought the Company's attention to the problem of child labor in El Salvador through its report titled, *Turning a Blind Eye: Hazardous Child Labor in El Salvador's Sugarcane Cultivation*.⁶⁹ The report outlined

the extent of child labor in El Salvador's sugarcane harvesting industry and called on users of sugarcane, including The Coca-Cola Company, to take action to address the problem. As a result, the Company decided to send a cross-functional team to El Salvador to gather first-hand information on the nature and extent of child labor in El Salvador at the sugar farm level, and the industry and civil society players that had a role to play in addressing the problem. The Company had already taken steps to ensure that its authorized suppliers in El Salvador did not use child labor, but it was clear that the problem was further down the supply chain – at the farming cooperative level.

The team traveled to El Salvador in July 2004 to meet with the Asociación Azucarera de El Salvador (Salvadoran Sugar Association), CASSA, the local bottling partner, the Salvadoran Ministers of Labor and Agriculture, the local ILO office, as well as farm cooperatives. They learned that the ILO, supported by the U.S. Department of Labor, had invested millions of dollars in a major program since 2001 to combat the worst forms of child labor in El Salvador, including sugarcane harvesting.⁷⁰

This "Time-Bound Programme" was administered by the ILO's International Programme on the Elimination of Child Labour (IPEC), the United Nations organization with expertise in addressing child labor. By mid-2004, IPEC had already established ongoing relationships with the AAES and its foundation, Fundazucar, to improve enforcement of existing labor laws through expanded monitoring systems, financial assistance for education, and work alternatives for children coming out of sugarcane harvesting. The initiatives included the development of non-formal education centers – alternative work and skills training, remedial education, literacy and accelerated education programs – in conjunction with existing primary schools in targeted rural areas, in order to support the reenrollment and retention of children

removed from sugarcane harvesting.

Other organizations in El Salvador were in earlier stages of creating their own initiatives to address the problem. The AAES and the Company's largest sugar supplier, Compañía Azucarera Salvadoreña S. A. (CASSA), were cognizant of the importance of combating child labor, but also of the formidable cultural obstacles they would face in engaging with farm families about the issue. They had some programs in place already, and in meetings with the Company representatives, they expressed a willingness to invest further in addressing the problem.

The Salvadoran government ministers that met with the Company team were similarly aware and concerned, but they faced major challenges in garnering sufficient government funds to support labor law monitoring and investments in education that would help address the problem.

Enforcement of El Salvador's child labor laws is the responsibility of the Ministry of Labor. In 2007, the Ministry had 158 labor inspectors, 24 of whom were responsible for child labor monitoring. Given scarce resources, the ministry's inspectors most often focus on the formal sector, where child labor is easier to identify and address.⁷¹

Though a majority of the Company's sugar supply in El Salvador comes from privately owned and operated farms, the Coca-Cola team focused their visit on the farming cooperatives that had been identified as using child labor. The farm cooperatives that the Company team visited expressed deep resentment over the claims that they were exploiting their children. They defended the practice of teenage boys cutting cane, explaining that many of them were already fathers, and that there was no secondary school in the area. They felt strongly that fathers had a right to pass on to their sons the skill of cane cutting so that they could earn a livelihood. They also pointed out that, in

their experience, the alternative to gainful employment cutting cane for many young boys was involvement in gangs. Members of the farm cooperatives expressed concern for childrens' well-being while cutting cane, but they were adamant in their views that the cooperatives were being unfairly targeted for a practice that was both widespread and culturally acceptable.

Coca-Cola's potential responses

After the Company team's meetings and information-gathering in El Salvador, it identified three potential approaches it could take to addressing the problem of child labor in sugar farms in its supply chain in El Salvador:

1. *Import finished beverage products from another country.* Given the endemic nature of the child labor problem in El Salvador, Coca-Cola could stop buying Salvadoran sugar entirely and cease bottling operations in the country, instead sourcing finished beverages from a neighboring country. This option would help ensure that the sugar used in Company products was not harvest by children, and would not require a costly intervention of indeterminate length in addressing the problem in its Salvadoran supply chain. However, it would also cause significant disruption and job loss for the local bottler and throughout the local value chain.

1. *Try to eliminate child labor from farms producing sugar used in its products.* Coca-Cola could focus on singlehandedly trying to permanently eliminate child labor from its own sugar supply by aggressively monitoring only those farms supplying the mills where the Company purchased sugar. This approach would require a major investment of the time and resources to identify the farms, ensure that sugar going into Company products came only from those farms, and to fund frequent monitoring while also addressing issues of education and alternative employment. This approach

could result in improvements for only a fraction of the many children engaged in child labor in sugarcane.

3. *Use influence and leverage to drive a local, multi-stakeholder solution.* Coca-Cola could use its considerable influence and leverage in El Salvador to encourage and add momentum to the multi-stakeholder work already going on in El Salvador to address the issue. It could encourage the sugar industry in particular to invest more resources in identifying systemic, long-term solutions to the problem. It could also encourage the Salvadoran government to make addressing child labor a priority, pointing out the value in El Salvador being perceived as a country with high labor standards in light of CAFTA and related trade opportunities. This option would leverage local expertise on this complex issue and would enhance the sustainability of any interventions made to address the issue, since they would be locally funded and locally driven. This option may also most effectively address the cultural aspects of the problem, since it would be driven by Salvadorans themselves.

The company's response: supporting local solutions

Following its initial trip to El Salvador and wide-ranging stakeholder engagement on the issue, Coca-Cola determined that the optimal role it could play would be to use its influence and leverage to support a local, multi-stakeholder solution to the problem led by the local sugar industry. This was identified as the option that would improve the lives of the most child laborers and that would focus the responsibility for addressing the problem on the local actors with the most to gain from and the most knowledge about improving conditions – those in the local sugar industry, government and civil society.

Importing products from another country would have resulted in major job

losses in El Salvador in the bottling plant and in related distribution, retail, supply and production industries. Trying to eliminate child labor exclusively in its own sugar supply chain in El Salvador would have had narrow impact and would have required high financial investment and time with an indeterminate end-point.

Once it had decided on a course of action, the Company worked to identify the most useful role it could play in supporting national and local efforts to address the problem more broadly. It decided to engage in sustained advocacy with the AAES, the mills and the Salvadoran government to encourage them to strengthen their efforts to generate and promote locally-driven solutions. Coca-Cola stressed the interest of U.S. consumers and policymakers in sourcing goods from countries without child labor, an argument that was greatly aided by the fact that, at the time, CAFTA countries were sensitive to reputations of low labor standards and feared that their import quotas to the United States could decrease under the new trade deal. Even without Coca-Cola's encouragement, it is likely that the local industry would've been spurred by the CAFTA debate to scale-up activity to fight child labor.

With encouragement from Coca-Cola, and driven by their own belief that taking action on the child labor issue was critical, AAES played a leading role in locally-driven solutions to the problem. With funding from the sugar mills, the AAES led local action by implementing a program of field monitoring and social worker support. Benjamin Smith, former ILO IPEC Chief Technical Advisor in El Salvador, noted in particular the effectiveness of the AAES's innovative Social Worker Monitoring Program, which addressed the long-term challenge of changing cultural beliefs and historical patterns that contribute to rural child labor.⁷² The ten Social Workers employed through AAES were responsible for engaging with farm cooperative

communities on a regular basis to educate them about the benefits of taking children out of the sugarcane harvest while also monitoring the implementation of the mill's anti-child labor policies. While there is still work to be done, this program has been recognized as an important step in the right direction toward addressing the cultural and economic drivers of child labor in sugarcane harvesting.

In addition, El Salvador's sugar mills and the sugar cane farmers agreed as an industry to add two clauses to their cane supplier contracts that prohibit child labor. When buying from local farmers, they enforce this provision against child labor. If a supplier is known or found to be using child labor, the supplier is prohibited from selling to the mills. In order to be reinstated as a legitimate supplier, the farm owner has to meet with the mill general manager and present a signed letter of commitment that it will no longer use child labor. Fermina Cárdenas of CASSA mill reports evidence of the success of this industry-wide effort: in 2007 four farm owners were rejected on the basis of using child labor; all four made the necessary changes and relationships were later renewed.⁷³ The mills also agreed to hire a dedicated manager to work with supplier farms to inform them of their anti-child labor standards and to work with them to verify that children were not working in the harvest.

These industry efforts added greater momentum to the program that the ILO had already been implementing in El Salvador since 2001, and the increasing efforts of the Salvadoran government, civil society and other private sector entities. By 2007, the ILO IPEC program had invested over \$11 million USD in efforts to combat hazardous child labor in El Salvador.⁷⁴ Meanwhile, the Salvadoran government scaled-up its efforts to address the issue, issuing a National Plan for the Eradication of the Worst Forms of Child Labor in 2006 and focusing its efforts on strengthening

legal frameworks, building local institutional capacity, increasing access to education, alternative income generation and communication and awareness raising.⁷⁵ The Salvadoran Ministry of Education has taken over the management of the non-formal education centers that ILO IPEC originally funded, enhancing their sustainability and stability. They adopted workbooks and teacher training curricula designed by ILO IPEC to teach children about the risks of child labor and to inform teachers about how best to meet the needs of their students who work.⁷⁶

In support of these locally-driven initiatives, The Coca-Cola Company also invested in a small pilot project to test a program that would provide former child sugar harvesters with opportunities to earn money growing other crops that do not require hazardous work. With its implementing partner TechnoServe, an international non-profit with expertise in economic development, and the support of CASSA and Fundazucar, the Company invested \$60,000 in a community program in El Sunza, a farm cooperative that produced sugar for one of the mills supplying sugar used in Coca-Cola products. The aim of the project was to provide children with safe, alternative sources of income while enhancing their technical skill development and keeping them in school.

Initiated in 2006, the program required the 30 participating children to attend school instead of cutting sugarcane. To supplement their school curriculum, the program brought in an agricultural technician to teach the children how to plant vegetables and manage the project-funded greenhouse and orchard. In 2007, the children grew and harvested 1,350 pounds of tomatoes and they also produced chilies, eggplant, corn, cucumbers, yucca, tomatoes, cabbage and green beans. The project was designed to become self-sustaining using the income derived from the sale of its vegetable products.

Coca-Cola's interviews with participating children illustrated the positive impacts the program has had on their lives and their expectations about the future. One participant began cutting cane when he was 12; by age 18 he was growing cucumbers, tomatoes and chilies in the greenhouse in order to earn his income. Another participant reported that he liked cultivating vegetables instead of cutting cane and was proud of his role as manager of the greenhouse. He began working with his father in the sugarcane harvest when he was just seven years old; now at 12, he and his father hope to start a family business with their own greenhouse while he also attends school.⁷⁷

The program also sought to raise awareness in the broader community about the risks of child labor, with a focus on educating the parents of the children involved in the program about alternatives to sugarcane cutting. This was particularly challenging because participating children only earned money when their produce was sold at the end of the growing season, which resulted in less consistent income than they had earned when cutting cane. Participating children interviewed by Coca-Cola said that some of their friends had left the program because their parents wanted them to earn money more regularly.

Unfortunately, this program was unable to generate sufficient income from sale of vegetables to allow it to become self-sufficient – it ended in 2008. Having learned from this experience, Coca-Cola moved away from funding individual philanthropic programs toward a broader approach aligned with the public sector's efforts to address issues over the long-run. Coca-Cola entered into dialogue with the Salvadoran government about the need for increased government investment in educational opportunities in sugar growing areas and promoting labor monitoring support to sugar growing areas.

Results

Since 2004, the efforts of this diverse group of stakeholders – primarily the local stakeholders most invested in driving solutions to this issue – resulted in major decreases in the incidence of child labor in sugarcane harvesting in El Salvador. While child labor is still an ongoing problem, requiring continued attention and focus from a wide range of parties, progress has been significant. A number of stakeholders in El Salvador recognize that there has been a significant decrease in child labor in sugar cane fields. According to data from the enrollment census of the Salvadoran Ministry of Education, the number of child laborers in sugarcane has been reduced by 87% between 2003 and 2009, a decline likely in excess of 50 percent.⁷⁸ To continue this impressive progress, numerous stakeholders are continuing, adapting and scaling-up their work on the issue as they strive toward full eradication of the problem.

Benjamin Smith, Chief Technical Advisor for ILO IPEC in El Salvador from 2002-2006, spoke favorably of Coca-Cola's approach to addressing child labor in sugarcane harvesting in El Salvador. "Coca-Cola recognized that it could provide assistance," Smith said, "but it was the country's problem and the country itself had to address it." Smith felt that this message of local accountability was reinforced by the Company at all levels, noting that Coca-Cola insisted upon accountability from its suppliers, asked tough questions of the sugar industry and was supportive throughout the process of addressing issues and identifying opportunities for action.⁷⁹

Smith also thought there was value in Coca-Cola supporting child labor eradication efforts broadly, and not just focusing on the issue in its own sugar supply chain. He said this approach encouraged engagement among local organizations and bolstered attention to the issue within the government, in the

mills, at the sugar association, and in the farm cooperatives, which recognized and respected the Coca-Cola brand. Smith also highlighted the importance of the fact that the Company put an emphasis on the potential for child labor in sugarcane to have an adverse effect on El Salvador's export options as a new member of CAFTA. As this point was more clearly made, Smith saw the Ministry of the Economy and the sugar mills become more supportive.

Ana Bravo, former Director of Social Responsibility and Communications for the AAES, also reported that the engagement with Coca-Cola had positive results in terms of the industry's level of engagement in the issue. She explained, "Coca-Cola didn't leave us alone! From the beginning, Coca-Cola shared this problem with us. It gave us the time, support and tools to address the issue and improve conditions." Bravo also acknowledged the positive influence Coca-Cola had as a highly respected brand and company that was willing to bring attention to the importance of addressing the problem.

Olga Reyes, Senior Manager of Public Affairs for Coca-Cola's Central America office, felt that the credit for the progress made in El Salvador on this issue should go to the local actors who have responded positively by taking concrete action.⁸⁰ While emphasizing the fact that the Company played a strong supportive and encouraging role, she credited the ILO, the Salvadoran government, the AAES and other local NGOs with the remarkable progress made in expanding field monitoring and in providing increased education opportunities for rural children. In her regular visits to El Salvador, she observes continuous improvement at the sugar farms as they take steps toward eradicating child labor.

Lessons learned

The stakeholders taking action on this issue in El Salvador continue to learn from their experiences as they work toward

improving and expanding their efforts. Chief among the lessons learned for Coca-Cola was to better understand the complex drivers of child labor and the importance of locally-driven solutions. Seeing the success of locally-driven efforts to address the problem in El Salvador has influenced the Company as it looks to scale-up its anti-child labor work into other countries.

Local stakeholders have valuable points of view on how Coca-Cola can play an even more effective role in addressing the problem. Benjamin Smith and Ana Bravo suggested that the Company consider expanding its outreach in El Salvador to include peer companies that also buy sugar locally. Smith also suggested that the private sector could play a crucial and currently unfilled role by addressing economic constraints facing farm cooperatives. He proposed that micro-finance and broader credit programs could support farmers and that technical programs could conduct trainings to improve farm efficiency and productivity. In addition to relieving economic pressures that contribute to the use of child labor, such programs could explicitly prohibit child labor as a requirement for participation.

Smith also remarked that the Company's pilot alternative income project at the El Sunza farm cooperative was promising and said he would like to see it expanded to other communities, perhaps with additional local companies supporting similar efforts. Though small in scope and not without challenges, Smith noted that the program had succeeded in removing 30 children from sugarcane harvesting and had given them valuable new skills that would serve them well in their adult lives. According to Ana Bravo, the children who participated in the pilot "felt a sense of ownership over the work that they do."⁸¹ She also reported that parents' attitudes in the local community were beginning to shift and that there was a growing acknowledgement of the importance of education.

Benjamin Smith noted the value of Coca-Cola's consistent support to its suppliers and the sugar association as they struggled through the challenges of implementation, and the positive impacts of its discussions with the government on this issue. Olga Reyes has seen the benefits of the model pursued in El Salvador as Coca-Cola has scaled up its efforts in neighboring countries. She reported that Coca-Cola is seeing successes as it engages sugar associations in other Central American countries and other stakeholders in driving local action on this issue.

Michael Bochenek, principal author of the 2004 Human Rights Watch report on child labor in El Salvador, said he felt that Coca-Cola could still do more to provide sustainable alternative employment opportunities for children.⁸² He also encouraged the Company to be more open to engagement with stakeholders like Human Rights Watch on this topic, noting that the Company was not as open to engagement as they could have been when first approached about this issue in 2003. He noted that early engagement with stakeholders can help companies to better understand the nature of the problem and identify solutions more rapidly.

Overall, Coca-Cola's approach to child labor in El Salvador – fostering locally-driven, multi-stakeholder solutions – demonstrates the impact a single company can have on reducing the incidence of child labor without taking on the sole financial and technical responsibility for addressing the problem over the long-term. This case helps to illustrate the power that multi-national companies can have when drawing attention to and spurring local action on challenging human rights issues, even when the company has little direct control over the problem. The strategy The Coca-Cola Company employed in El Salvador has garnered positive results, and has inspired conversations within its global business system about scaling-up

such efforts to include other countries facing the challenge of child labor in sugarcane harvesting.

⁶⁰ This paper was written by Business for Social Responsibility in consultation with The Coca-Cola Company. It has been reviewed and edited by Harvard University's Corporate Social Responsibility Initiative and the Business Leaders Initiative on Human Rights.

⁶¹ World Bank. Online at: http://devdata.worldbank.org/AAG/slv_aag.pdf

⁶² El Salvador became a party to the International Covenant on Economic, Social and Cultural Rights (ICESCR) in 1980, which states that, "Children and young persons should be protected from economic and social exploitation. Their employment in work harmful to their morals or health or dangerous to life or likely to hamper their normal development should be punishable by law." The ICESCR also recognizes the right to education.

⁶³ The Salvadoran government identified the worst forms of child labor in El Salvador as sugarcane harvesting, fishing, firework production, commercial sex exploitation and garbage dump scavenging.

⁶⁴ UNICEF. Online at: <http://www.unicef.org/infobycountry/elsalvador.html>

⁶⁵ International Labor Organization, IPEC. Country Profile: El Salvador. 2001.

⁶⁶ Per TCCC's in-person interviews with sugarcane farm cooperative managers, in July 2004.

⁶⁷ Source: Universidad José Matías Delgado.

⁶⁸ CASSA, or Compañía Azucarera Salvadoreña, S.A., operates the sugar refinery and mill known locally as Central Izalco.

⁶⁹ Human Rights Watch. *Turning a Blind Eye: Hazardous Child Labor in El Salvador's Sugarcane Cultivation*. June 2004.

⁷⁰ United States Department of Labor. Online at: <http://www.dol.gov/ilab/media/reports/iclp/tda2001/el-salvador.htm>

⁷¹ United Nations High Commissioner on Human Rights. Online at: <http://www.unhcr.org/refworld/country,,,,SLV,4562d94e2,48caa46e2,0.html>

⁷² Interview conducted by Business for Social Responsibility with Benjamin Smith of ILO/IPEC.

⁷³ Interview conducted by Business for Social Responsibility with Fermina Cárdenas of CASSA.

⁷⁴ United Nations High Commissioner on Human Rights. Online at: <http://www.unhcr.org/refworld/country,,,,SLV,4562d94e2,48caa46e2,0.html>

⁷⁵ United Nations High Commissioner on Human Rights. Online at: <http://www.unhcr.org/refworld/country,,,,SLV,4562d94e2,48caa46e2,0.html>

⁷⁶ International Labor Organization, IPEC. *El Salvador Child Labor Project Publications*, 2006.

⁷⁷ Interview conducted by Business for Social Responsibility with Olga Reyes of The Coca-Cola Company.

⁷⁸ ILO Good Practice Note. "Elimination of the Worst Forms of Child Labor in Sugarcane Sector: A Different World is Possible." 2010.

⁷⁹ Interview conducted by Business for Social Responsibility with Benjamin Smith of ILO/IPEC.

⁸⁰ Interview conducted by Business for Social Responsibility with Olga Reyes of The Coca-Cola Company.

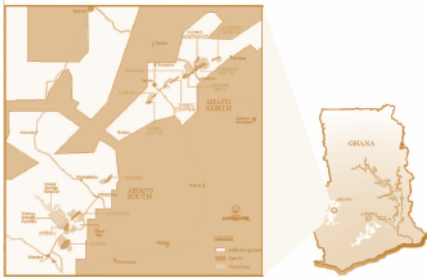
⁸¹ Interview conducted by Business for Social Responsibility with Ana Bravo of the Salvadoran Sugar Association.

⁸² Interview conducted by Business for Social Responsibility with Michael Bochenek of Amnesty International (formerly of Human Rights Watch).

Newmont:

Taking a rights-aware approach to the development of the Ahafo Mine in Ghana

CASE STUDY



Background

The mining sector has several risks in common with other industries in relation to human rights issues, such as labor rights, particularly in the supply chain. And the mining sector can impact a broad range of human rights. The human rights risks arise from, for example, interactions with and impacts on indigenous peoples and their traditional land. These interactions can affect the economic, social and cultural rights of those that control the surface land rights that lie physically above the mineral rights. Security poses another challenge. Companies that manage their security effectively can avoid having a negative impact on civil and political rights such as the right to life and to peaceful assembly.

While a large scale mining operation constitutes a sizeable industrial complex, it differs from most other industries because mines can only be located where ore is found in the earth. There is no option, as there might be for some other sectors, to choose where to base operations. Often, the land where mines and associated facilities are located is already occupied or being used by other people. As a result, the development of a mine can involve large scale resettlement, with the related human rights impacts. This was the case with Newmont's Ahafo gold mine in Ghana, West Africa.

According to a recent study of the community relationships near the Ahafo mine:

"Owned and operated by Newmont Ghana Gold Limited (NGGL), the Ahafo Mine is a recently developed greenfield site that began operating in July 2006. It is located in the Brong Ahafo Region, which is one of ten administrative regions in Ghana. Brong Ahafo is almost 40,000 square kilometres in area and home to approximately 1.8 million people. The mine is located approximately 290 kilometres by road from the national capital of Accra and approximately one hour's drive from the

regional administrative centre of Sunyani. Ahafo is the first large-scale mine to be developed in the region."⁸³

Management and protection of human rights is an essential component of Newmont's business strategy. As a member of the International Council on Mining & Metals (ICMM), Newmont implements the ICMM's ten Principles for Sustainable Development. Principle 3 commits its members to "uphold fundamental human rights and respect for cultures, customs and values in dealings with employees and others who are affected by our activities."

Central issues

The development and construction of the Ahafo mine was carried out under the 1994 Ghana Minerals and Mining Act⁸⁴ which took into account the interests of those people whose homes and livelihoods would be impacted by the development of a mine. This included the negotiation of resettlement entitlements, including the replacement of homes, and crop compensation levels, but did not include some other aspects such as compensation of non-agricultural lands or loss of future use. In addition to the Act, Newmont was also subject to the requirements of the IFC's Safeguard Policy OD 4.30 Involuntary Resettlement whose provisions indicate at a minimum that displaced persons should be (1) compensated for their losses at full replacement cost prior to the actual move; (2) be assisted with their move and supported during the transition period in the resettlement site; and (3) be assisted in their efforts to improve their former living standards, income earning capacity, and production levels, or at least be helped to restore them to their former levels.

Newmont's policy requires that before completing mine feasibility and layout configurations, facility location alternatives are evaluated in an attempt to minimize impact on communities, particularly to minimize possible resettlement. Before relocating communities, Newmont's

policies also require that feasible mine development alternatives are considered in order to avoid and minimize the impact of resettlement. When alternatives are not feasible, Newmont engages with the project-affected households to replace their homes and livelihoods. This was what occurred with the Ahafo mine, which necessitated the resettlement of about 400 households, many of whom had relied solely on farming for their livelihood. An additional 1,300 households were economically displaced, many of whom also relied solely on farming for their livelihood.

Ensuring that a mining project does not have a negative effect on the enjoyment of human rights requires more than simply building new homes. Newmont engages with partners to build community capacity, enabling community members to provide input into the planning of the resettlement outcomes and to learn improved or new ways to earn livelihoods. Newmont also improved sanitation in the resettlement homes, established programs for the most vulnerable people resettled, and facilitated access to farmland for those who wished to continue their previous way of earning a living.

Newmont have learned what some of the key questions related to large-scale resettlement programs are:

- How do a company and a community work together to respect cultural and economic rights associated with relationships to land?
- What role can traditional community leaders play in working with the company to respect traditional relationships to land and governance, and how are these traditional mechanisms integrated with the ever changing legal frameworks around land title and rights?
- What actions can be taken to mitigate impacts of economic displacement?
- What special measures should a company like Newmont take to

safeguard the rights and interests of the most vulnerable stakeholders, even if this does not conform to local tradition or non-legal concepts of land ownership?

The initial resettlement process

Newmont's approach to the resettlement negotiations was governed by Ghanaian legislative requirements, as well as by the company's own internal standards on resettlement (which in turn are based on the World Bank's Involuntary Resettlement Guidelines OD 4.30).⁸⁵ It employed an experienced resettlement consultancy to help develop and implement the resettlement plan with the affected communities. The Ahafo Resettlement Action Plan (RAP) summarizes the negotiated outcomes of the RNC.⁸⁶

Through respecting rights, Newmont also was able to meet a number of its own business imperatives. Newmont values its record on human rights and sustainable development and has its own standards as well as was determined to meet those of the IFC/World Bank. This meant that the resettlement process and its impacts had to be managed responsibly, in part to protect corporate reputation and relations with investors. Newmont faced a community relationship risk amongst the impacted households if it mismanaged the resettlement process, which would have had an eventual negative effect on its operations.

Developing an appropriate resettlement plan necessitates understanding the current economic activities and social patterns of the population through the use of effectively scoped baseline investigation and extensive consultation.

The important role of traditional authorities in socio-economic development is more pronounced in rural areas where traditional status is highly respected and the chiefs essentially lead their people in their socio-economic development efforts. The institutional capacity and relevance of

the traditional authorities in governance – especially at the sub-national level – are important features of Ghanaian society. Paramount Chiefs exert control over sub chiefs and lesser chiefs in the following areas:

- Custodians of stool lands (lands belonging to a traditional community which are allocated by the Traditional Leader);
- Leadership and control of inhabitants living on stool lands;
- Maintaining traditional heritage;
- Mobilisation of the population for development efforts; and
- Local arbitration and settlement of disputes.

With the support, agreement, and direct participation of local communities, traditional authorities and the government, a Resettlement Negotiation Committee (RNC) was established for the Ahafo project. It was composed of 55 representatives – traditional authorities, community representatives (including the youth and women), NGOs and government officials. The RNC members were independently nominated by their individual communities and validated to represent the people living in the area and to negotiate with Newmont on issues around resettlement and crop compensation. The RNC managed all negotiations on behalf of the local residents. By the end of 2006, nearly 400 households had relocated to two new communities containing newly constructed homes, community infrastructure, roads, and water systems at a cost of approximately \$14 million.

The Ntoroso Resettlement community is located in the Asutifi District which is immediately south of the existing community of Ntoroso and spans 398 acres (161 hectares). The OLA Resettlement community covers 126 acres (51 hectares) just west of the existing community of Kenyasi. The sites were chosen in consultation with the traditional authorities

who have primary control over the distribution of land.

Replacing homes and providing compensation

The new homes and residential plots came with a legal title (99-year leases). Prior to Newmont's resettlement, most residents held no titles to the lands they occupied because they had been owned by the traditional families and landowners. Legal title has created "pride of ownership" among resettled residents because they now know the land they live on is protected as their own. This process has led to concern being expressed by the traditional leaders who are essentially "losing control" over these lands for the lease period. However, ongoing dialogue with the leaders continues to underline the common interests of resettled households and the traditional leaders in the lease system.

As well as replacing peoples' homes with new ones, constructed with more durable materials, each home was provided with its own KVIP (Ventilated in Pit latrine) to improve sanitation conditions in the community. Two new schools built in the communities provide modern and well-equipped facilities for students.

Certain households asked that Newmont pay cash compensation in lieu of the provision of a resettlement house. Newmont utilized a rigorous community review process completed by the RNC to ensure that each household had alternative homes to relocate to prior to qualifying for cash compensation. This was to ensure via a verifiable and transparent process that alternative principal residences existed and were suitable for the affected household.

Loss of land and the ability to earn a living were the primary concerns expressed by locals involved in the resettlement process. Almost 90% of affected households relied on farming for their livelihoods. Residents who lost their residential land received a replacement

plot and improved structure in a resettlement community. Farmers whose crops were displaced by the mine received monetary compensation following a negotiation process in which payments for crops were approved by the Land Valuation Board.

The basis for determining crop valuations can be complex and emotional for all concerned. Despite the best efforts of the RNC, there has been some lingering concern over the price paid for several of the cash crops (cocoa, for example). To ensure crop compensation rates are fair, a Crop Rate Review Committee comprised of 60 community representatives, nongovernmental organizations (NGOs), traditional authorities and government agencies regularly reviews the rates based on local market crop prices and other economic factors.

Several of the affected households raised complaints as no compensation was paid for land which was not agriculturally productive at the time of resettlement. Similarly, the laws of Ghana only required compensation for crops and the compensation process utilized by Newmont was completed in accordance with the rules and regulations of Ghanaian law. In recognition of concerns expressed by impacted households, Newmont commissioned a study on the customary land rotation process and rights and compensation issues associated with land not under agricultural production. The revised Mining and Minerals Act (2006) now includes a designation for 'deprivation of use of land' and the methods of compensation are currently being evaluated.

Enabling the continuation of traditional forms of livelihood

The development of the mine created many new employment opportunities for local residents. Many local residents found new ways to earn a living, including employment at the mine or starting small

businesses. However, a large number of the local residents wished to continue with their farming traditions and some local youths also expressed concern regarding their ability to access employment opportunities.

In May 2006, recognizing that many affected residents wished to return to traditional farming practices, Newmont Ghana launched an Agricultural Improvement and Land Access Program (AILAP) to assist farmers in returning to their agricultural livelihoods and maintain or exceed the levels of crop productivity they had experienced prior to the implementation of the mine. This program works by providing incentives for compensated farmers to enter into land access agreements using traditional methods. The AILAP program provided cash compensation for land access transactions and offered the selection of one of five agricultural assistance packages and monetary assistance to reinstate farming on their new fields (land preparation, and tilling).

The program's aim is to provide assistance to approximately 4,000 impacted farmers. By the end of the initial AILAP campaign (Dec 2006), about 2,000 impacted farmers had registered and nearly 400 had received various assistance packages and begun new farms. This program is being administered for Newmont by its long-term partner in Ghana, Opportunities Industrialization Centers International (OICI).

Facilitating new forms of livelihoods through partnership

Newmont took further steps to ensure that the mine and consequent resettlement did not negatively impact the communities' right to work, including the right to earn a decent living, and other economic and social rights. These steps were also required to conform with IFC and World Bank standards.

To build a new mine in a responsible

manner requires a tremendous range of expertise ranging from geologists and mine engineers to environmental and community development professionals.

One way that Newmont ensures it uses the best possible people on its projects is to partner with organizations that have specialized skills or expertise specific to the regions in which the mine is developed.

Newmont has established a strong partnership and working relationship with OICI (Opportunities Industrialization Centers International), an international non-profit organization dedicated to improving the lives of the disadvantaged. OICI has developed technical expertise in restoring and enhancing people's standard of living through its work in Ghana over the past 38 years.

Newmont's relationship with OICI began several years ago with a field team who conducted an extensive livelihood survey that evaluated existing socio-economic levels, literacy rates and other characteristics of the community near the new Ahafo mine project. With information collected from local stakeholders, nongovernmental organizations (NGOs) and government agencies, OICI developed a comprehensive and sustainable community development program for Newmont Ghana, termed the Livelihood Enhancement and Community Empowerment Program (LEEP).

OICI's community development field team consisted of highly motivated university graduates who lived and worked in Ahafo-area communities. The group included crop scientists, physicians, sanitation experts, and economic development and finance specialists who provided their expertise and energy to implement the programs.

Launched in 2005, the OICI Livelihood Enhancement and Community Empowerment Program (LEEP) goals were to maintain and enhance the standard of living for those people who were resettled. They established programs to improve health, nutrition and education, outcomes of which were intended to foster economic growth and

income diversity, and build community resilience during and after the community resettlement caused by the mine's construction.

Since the LEEP program began a number of cottage industries have emerged – from soap making to mushroom and grass-cutter farming. These new sources of income, along with compensation money received from Newmont during the resettlement, have enabled some families to send their children to vocational programs for the first time.

The benefits of the programs are currently being validated by external independent experts. As part of its finance agreement with the mine, the IFC requires Independent External monitoring of the resettlement program as well as broader community impacts among other social and environmental programs. In 2007, independent assessors were impressed with the difference LEEP was making.⁸⁷ According to assessors, "...the visible footprint of LEEP is becoming more evident, particularly in the two resettlement communities, where numerous initiatives can actually be seen (e.g., animal breeding, various craftsmanship activities, training)."

Groups visited by the monitoring team also displayed increased expertise in the income-generating activities that LEEP promotes through training and provision of inputs, such as batik dying, mushroom production, pig breeding, soap making, grass cutter or poultry rearing, manioc processing, among others.

Finally, the assessors noted OICI reached an important milestone by training more than 200 local youths in vocational skills at the Integrated Community Centers for Employable Skills (ICES) in Gyedu, a village near the mine. ICES is a Ghanaian organization that provides vocational training and education to youth people aged 16 to 23.

Thus, the LEEP program has achieved a number of successes thus far. However, several challenges remain.

Addressing increased vulnerability

Resettlement rarely if ever results in complete satisfaction for all of those affected. Some people may have already been vulnerable due to family circumstances or predisposed to vulnerability due to conditions existing prior to the project. This can be exacerbated by resettlement, with certain groups, such as the elderly and sick, being more at risk than others. The Ahafo resettlement experience has also encountered cases of vulnerability which require ongoing management.

Newmont established the Vulnerable Program in 2006 to provide a safety net for the most vulnerable households having difficulty adjusting to resettlement or whose livelihoods have been affected by the presence of the mine. This program continues today, although has been scaled down. The goal of the program was to foster household self-sufficiency: specifically to provide a place to live, a means of income, food security, and access to medical care and education. The program was founded on a community-based strategy in which Newmont sponsored a local NGO, Guards of the Earth and the Vulnerable, to conduct assessments of vulnerable households and to work with OICI to develop ways to assist those in need.

The strategy aims to identify, register, and meet the basic needs of vulnerable households with targeted assistance that can help them to become self-sufficient. Newmont has historically contributed food, training and cash compensation. The program has been expanded to include farming support, education, medical support and training.

Formal monitoring of vulnerable households began in 2006 and continued through 2008. All households are tracked, from registration to self-sufficiency, in a project database. Assistance measures also are tracked, including household visits. Each visit is recorded and changes are flagged to ensure problems are being identified and

addressed. The tracking has been a useful tool and has been well received by affected communities.

More than 400 households have benefited from various forms of assistance programs including registration in a national health insurance program. The number of households that participated in the vulnerable program indicates an initially high level of transitional vulnerability due to project timing and the fact that the main cropping season had been interrupted by the resettlement process. However, data from the Vulnerable Program indicate that although a total of 459 households had been placed on the food basket assistance since 2006, 307 households have now been removed, indicating they are now self sufficient.

The Vulnerable Program has played an important role in ensuring that those most impacted by resettlement and at risk are provided with the assistance and support that they need.

Lessons learned

Resettling a community after a mine is built is more than simply build new homes and complete compensation payments. Resettlement can increase the economic vulnerability of particular groups, such as women, children, and the elderly, and programs need to target these groups in order to respect their special needs and rights to food, housing, and economic well-being. If sufficient knowledge exists about the impacted households, then steps can be taken to predict which households may be at risk of becoming vulnerable and programs need to be developed to minimize this.

Community engagement, relationships, and the negotiation process are very important and require the investment of significant time and energy from the very start. These processes must also take into account local culture and must be established to determine what the correct forms and magnitude of compensation

might be to ensure that the company respects the community members' rights to earn a decent living and to acceptable housing. While the exact process and outcomes may vary according to context, it is critical that companies give appropriate time and energy to community engagement and that they do not underestimate the value of these processes.

In order to ensure that impacted households are still able to earn a living, companies may need to work with partners to provide vocational training and support for new small businesses. Some of the displaced households may choose to continue their traditional ways of earning a living, and this may require additional measures, such as providing incentives for accessing new farming areas. This serves to protect human rights whilst also improving relations between the community and the company – and diminishing operational risk.

Undertaking resettlement of large numbers of households is a major project and it is a significant challenge to be able to accurately estimate the amount of time and resources that are required to plan, engage with affected households and undertake the full range of activities that are required for resettlement to occur with minimal impact to those being resettled. Often several years are required to complete these parts of the resettlement process. Ideally, the process should be completed or well established prior to the construction of the mine and its associated infrastructure.

From a human rights perspective, the company's objective should be to attempt to create conditions where the affected people are better off than they were previously, and the resettlement process goes beyond replacing people's homes, to include livelihoods, social and cultural assets. Having adequate baseline data on affected households is key to being able to measure the success of programs that are designed to meet this objective and determine when people's livelihoods have been replaced.

Conclusion

The Ahafo resettlement was the first major involuntary resettlement activity that Newmont had ever undertaken. The process up to now can generally be classed as successful, largely because the company was driven by a set of commitments and principles that meant that the decisions it took do protect human rights.

The resettlement process has met its short-term objectives; however, it has yet to measure the effectiveness of the livelihoods replacement component, which will require ongoing longer term monitoring against a set of baseline indicators longer term. It can often take several years before the outcome of livelihood replacement programs can be truly seen and understood.

A human rights approach to these issues sometimes involves the formalization of relationships and clarification of concepts such as land ownership. There is still much to learn about how the cultural rights of communities can best be respected whilst also safeguarding the interests and rights of more vulnerable members of the community, as well as the rights of women and children.

⁸³ Site-Based Assessment of Ahafo Mine, Ghana, March 2009. In Smith, G. and Feldman, D., *Community Relationships Review, Global Summary Report*, March 2009. pp. 85-108. <http://www.beyondthemine.com/2008/?l=1&pid=470&id=471>.

⁸⁴ In early 2006 the Ghanaian government enacted an updated version of its Minerals and Mining law (Act 703). The updated version of the law introduced a number of important changes to the way in which companies had to manage compensation and resettlement of people impacted by the mine development.

⁸⁵ <http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/EXTPOLICIES/EXTOPMANUAL/0,,contentMDK:20064610~pagePK:64141683~piPK:64141620~theSitePK:502184,00.html>

⁸⁶ see <http://www.newmont.com/africa/ahafo-ghana/public-disclosure-documents>

⁸⁷ See http://www.beyondthemine.com/2007/r.php?z=http%3A%2F%2Fnewmontghana.com%2Fimages%2Fstories%2Fahafo_pdf%2Ffind-ext_social_compliance_monitoring_report_july_2007_ahafo_south_project.pdf

