

---

# Business and Human Rights in Eritrea: Lessons from the Mining Sector

Lloyd Lipsett

President, LKL International Consulting

Todd Romaine

Vice President Corporate Social Responsibility, Newsun Resources

Semhar Habtezion

International Trade Adviser, UK Trade and Investment

Chair: Jason Mosley

Associate Fellow, Africa Programme, Chatham House

17 June 2015

The views expressed in this document are the sole responsibility of the speaker(s) and participants, and do not necessarily reflect the view of Chatham House, its staff, associates or Council. Chatham House is independent and owes no allegiance to any government or to any political body. It does not take institutional positions on policy issues. This document is issued on the understanding that if any extract is used, the author(s)/speaker(s) and Chatham House should be credited, preferably with the date of the publication or details of the event. Where this document refers to or reports statements made by speakers at an event, every effort has been made to provide a fair representation of their views and opinions. The published text of speeches and presentations may differ from delivery.

### Introduction

Eritrea's economy is increasingly reliant on international business. The development of the country's extractive sector holds particular potential, with gold, silver, copper and zinc proving to be lucrative sources of revenue for the state. However, accusations of forced labour and exploitation undermine this economic growth, and greater redistribution of mineral wealth is required to improve human development.

At this event, held at Chatham House on 17 June 2015, speakers discussed the opportunities for business in Eritrea, and highlighted the responsibility that multinational corporations share for safeguarding the rights of workers and local stakeholders.

The presentations at this meeting were on the record, while the question and answer session was off the record.

The following summary is intended to serve as an aide-memoire for those who took part, and to provide a general summary of discussions for those who did not.

For more information - including recordings, transcripts, summaries, and further resources on this and other related topics - visit [www.chathamhouse.org/research/africa](http://www.chathamhouse.org/research/africa).

### Lloyd Lipsett

Lipsett opened by discussing the human rights impact assessment (HRIA) that Nevsun contracted LKL Consulting to undertake. This was the first HRIA conducted in Eritrea, and was published in April 2014. HRIAs are new, born from UN guiding principles that help businesses to understand what is expected of them. Only about 40 have been undertaken globally and made public, although a similar amount have been conducted and remain confidential.

Unusually, Lipsett was asked both to conduct the HRIA and to monitor the implementation of the assessment, following the process from report to fruition. He used two methodologies to conduct the assessment: one with a community focus, which was created by Rights & Democracy, an NGO that Lipsett previously worked with in Canada; and the other by the Danish Institute for Human Rights. The HRIA focused comprehensively on all relevant human rights issues in Eritrea. The first set of issues related to workers' conditions within the mining compound – including health and safety, freedom of association, and forced and child labour. The second examined community rights, including water and sanitation. Community rights is an area where environment and human rights typically intersect. The third area considered was the relationship between the company and its business partners along the supply chain, and between the company and the government.

Lipsett framed his recommendations around concepts of human rights and due diligence, as recommended by the UN. The HRIA included recommendations concerning human rights policy, human rights training, audits of subcontractors, and dialogue on social investment between communities and the government. These have been the key areas of focus in the follow-up assessment over the last year, but there are also new issues to consider. These include new exploration of activities, reasons for high staff turnover, road safety around the mines, security and human rights.

The speaker concluded by stating that it was positive to see a shift from focusing on corporate social responsibility (CSR) and corporate philanthropic actions to avoidance of negative human rights practices

at the beginning of the process. Furthermore, there is no legal requirement for companies to conduct HRIAs, so it is particularly unusual for a smaller company like Nevsun to be doing this.

#### Todd Romaine

The speaker began by stating that Eritrea has limited natural resources and will rely on its mining sector as a major source of income for the future. As a result, the government is attempting to learn from other African countries' mistakes concerning royalties, human rights, the environment and resource-sharing. Furthermore, in order to create an attractive business environment for foreign investment, especially from G8 countries, the Colorado School of Mines was commissioned in the early 2000s to create a mining code based on that of Queensland, Australia.

Nevsun has been working in Eritrea since 1998 and signed an agreement with the government in 2004; it has therefore been present throughout the country's human rights journey. Nevsun and the Eritrean government have also collaborated on a variety of issues such as policies concerning human and workers' rights in order to set a framework for development. The government has also collaborated on strengthening Nevsun's supply chain, seeking to ensure that no national service workers are employed by the company, a practice that is prohibited in Eritrea. Additionally, Nevsun conducts spot checks and inspections to guard against this, as its mining licence could be withdrawn if national service workers are found to be employed in its operations.

Furthermore, Nevsun has accepted all the recommendations of the HRIA and, several months ago, also adopted a human rights policy that it is hoped will be adopted as standard practice across all Eritrean mines. In addition, the company offers external training on the voluntary principles of human rights and security for the mine's security forces and the nearby military; Nevsun again hopes that such training will become a standard across all mines in Eritrea, with the view to also being adopted at the national level. The speaker stated that Nevsun is moving towards alignment with the latest (i.e. 2012) edition of the IFC (International Finance Corporation) Performance Standards on Environmental and Social Sustainability.

Other areas that Nevsun is improving concern the ability to report grievances as well as community development projects. The company has recently been awarded \$303,000 by the Eritrean government for community development projects focusing on areas such as irrigation and agriculture near the mine site. This is an important pilot project because it shows the changing interface that the government can have on regional and national planning priorities.

The speaker concluded by outlining three lessons learned by Nevsun since commencing operations in Eritrea. First, the various audits conducted and policies adopted by the company and the government will create a more transparent dialogue, which will allow external feedback to tie into the work that Nevsun does with the Eritrean regime. Second, CSR cannot be seen as supplanting the role of the government of Eritrea. The regime must buy into human rights at a domestic level with the process evolving organically, not as a paternalistic imposition by Nevsun. It is promising that Nevsun's operations in Eritrea are setting a benchmark and a standard for new companies moving into the country's mining sector, such as Chinese companies with different views of CSR. Third, the speaker expressed his belief that Nevsun is a force for good in Eritrea that extends beyond paying taxes and royalties.

#### Semhar Habtezion

The speaker opened by stating that she was speaking at this meeting in a personal capacity, and not representing any organization that she has worked for or currently works for.

Eritrea's fishing, maritime and mining sectors are largely untouched as a result of the country's historical context, and South–South trade and inter-Africa trade should be encouraged. As a result of this, the country offers lucrative investment opportunities, especially considering Eritrea's strategically important location along key trade routes. These factors should not be ignored, and investors should consider Eritrea an attractive option once the situation on the ground has improved. The basic skill sets of Eritreans exist in most cases, and where they do not, Eritreans are hardworking and quick learners. There is a strong sense of the importance of education in the country, which is encouraged through families. The self-reliance that was practised during colonial rule has now been applied to how the government runs the country. This is not a bad thing alone, but it requires commentators to dig deeper to understand the repercussions.

The speaker described some of the factors that currently make Eritrea a poor investment opportunity, stating that the outside perception of the country is very far from reality. She had heard from human rights organizations working in the country that a Western 'cookie-cutter' approach to human rights in Eritrea was wrong; the audience should make up their own minds about this. While the present discussion was not the correct place to discuss the crimes committed in Eritrea, these crimes cannot be ignored or pushed to one side. Another deterrent factor is the uncertainty surrounding sanctions in Eritrea and the reputation and legal issues created by this reality. Moreover, any country placed under sanctions has no guarantee that the sanctions will not be increased at any time, making Eritrea an unattractive investment opportunity. There is also the question of whether a court exists that companies could take the Eritrean government to in the event that it reneged on its agreements or laws.

In the 1990s serious investors, bankers, doctors and professionals migrated from Eritrea and are now key actors in the African development field. However, many are disappointed with the country's trajectory and want little to do with it. Eritreans must not believe that companies operating in Eritrea are the lifeline to the government and the country's development, considering there are wealthy and successful Eritreans living abroad who could contribute to Eritrea's development. It is also not enough to simply assume that investing money is always positive, as otherwise it would be correct to state that it would always be good to invest money in corrupt regimes; paying wages and reinforcing the cycle of oppression is not enough without simultaneous change.

The speaker concluded by discussing the lobbying and bargaining power of companies operating in Eritrea. She emphasized the importance of normalizing relations with Ethiopia, as well as the power that investors could wield at the UN level to improve relations between the two countries. Furthermore, she stated that by partnering with the Eritrean regime, companies directly contribute to its existence. She appealed direct to international investors to use their bargaining power to address the brutality of the Eritrean dictatorship.

## Summary of Questions and Answers

### Questions

The speakers were asked how much of an impact the sanctions have had on Eritrea as a whole, as well as on both Nevsun's and other mines.

The speakers were asked what specific checks are conducted in order to ensure that no national service workers are employed by Nevsun. They were also asked how many Eritrean nationals are employed by Nevsun.

### Answers

Over 90 per cent of Nevsun's workforce consists of Eritrean nationals. In order to ensure that no national service workers are employed in the company, documentation with reference numbers and identification numbers is examined before a post is offered, and photo ID badges are issued to ensure the same person who is interviewed takes the job. The national service programme in Eritrea has a negative impact on the economy as companies like Nevsun experience problems attracting and retaining skilled and semi-skilled labourers. With more mines being put into operation this problem is only likely to increase, although it may lead to a government rethink concerning the policy.

Sanctions on Eritrea have had a negative effect on the share price of Nevsun, despite the justification for the sanctions having dissipated. Nevsun would like to see the sanctions revoked because not only have they negatively affected the company, they have also affected their competitors and made it more difficult to attract capital.

### Questions

The speakers were asked what their perspectives are on the human rights abuses in Eritrea.

The speakers were asked how Nevsun's supply chain is monitored for national service workers.

The speakers were asked how Nevsun analyses or monitors the impact of its investments on society.

The speakers were asked to elaborate on the laws they had been mentioning, considering that there is no constitution that has been implemented in Eritrea and thus no laws.

### Answers

Eritrea does not publish any national economic data because it does not want Ethiopia to know this information. Nevsun is currently lobbying for more transparency within the government, and part of this includes understanding where money is being spent. Romaine stated that Nevsun had been operating in Eritrea since 1998 and he had never seen any human rights abuses on any of his travels there. What he had witnessed were paved roads, schools and hospitals; this demonstrates that money is being spent – it is just unclear exactly how much and where. Concerning Nevsun's supply chain, Romaine stated that Bisha Mining Share Company (the legal entity that operates the Bisha mine) monitors this and conducts many spot checks. Furthermore, there is a South African company that manages much of the construction on site.

According to Lipsett, in Eritrea there exist many proclamations, and while these are not as satisfactory as laws, they function in a similar way. There are collective agreements concerning state-owned enterprises and contractual agreements. Furthermore, the Labour Proclamation adheres to most of the ILO (International Labour Organization) standards.

### Questions

The speakers were asked if they knew what the UK was doing to ensure Eritrea is undertaking the obligations of the 2000 Algiers Agreement between Eritrea and Ethiopia.

The speakers were asked their perspectives on what happens outside of Nevsun's fences in terms of the wider political situation.

### Answers

The mining sector could have a positive role in implementing the Algiers Agreement, because after demobilization it can offer people jobs and an incentive to stay in Eritrea. It is not necessarily the role of the UK to become involved in the agreement, and that Eritrea needs to win credibility with neighbouring countries more than with Western Europe.

Romaine finished the session by commenting that he believed that Nevsun is a catalyst for change in Eritrea, starting a process on which to build. Nevsun is using its leverage to engage in dialogue with the government in order to have this future impact, although he acknowledged that there are some elements that are simply beyond Nevsun's control.