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A beacon of stability in a sea of unrest: the case of PHARMAKINA in the DRC

Bastian Birkenhäger

Executive summary

Pharmakina is a successful pharmaceutical company with headquarters in Bukavu in the conflict zone of eastern DR Congo. It is one of only a few companies in South Kivu Province to have survived the recent war. This business case study focusses on the specific challenges for a company operating profitably in a conflict zone, when at the same time the company wants to uphold good corporate citizenship ideals, e.g. through extensive community engagement. It will be shown that not only can these seemingly conflicting challenges be met without major trade-offs when innovative solutions are applied, but that in fact the different challenges **must** be met to operate successfully in a conflict zone.

Case Abstract

PHARMAKINA s.c.a.r.l. is a pharmaceutical company with headquarters in Bukavu in war torn eastern DR Congo. On a profitable basis the company produces quinine salts for the global market and Malaria and Aids medicines for the domestic market. The company is known for its extensive community engagement.

The company is aspiring to join the United Nations Global Compact. In this context the company has declared its willingness to act as "case subject" for this business case study and to make available the necessary resources.

There are two main challenges to be explored in this case study:

- 1) how to run a business successfully in a conflict area, including security issues, and
- 2) how to uphold (as much as is practicable) good corporate citizenship ideals – such as the UNGC principles – in a conflict area where also extreme poverty is found.

This case study will address the hypothesis that these two challenges involve trade-offs and can seemingly not be met simultaneously. For example, because community engagement mostly involves extra costs, activities in this field are detrimental to profit levels, the maximization of which is the primary goal for any company.

This case study will deal mainly with issues of community engagement, given the fact that a cross-cutting theme that ties in the issues related to

- 1) surviving as a business in a place like the DRC and
- 2) simultaneously abiding by UNGC principles is that of community engagement.

Some pertinent questions to be addressed in this case study are:

- How did PHARMAKINA meet the seemingly conflicting challenges?
- What are PHARMAKINA's activities in the field of community engagement?
- Why does PHARMAKINA engage in community engagement?
- Is community engagement essential for the survival of a company like PHARMAKINA in a conflict zone?
- What is the impact of PHARMAKINA on the immediate community?
- Is there a discernable impact of PHARMAKINA on the on-going conflict?
- What could be regarded as PHARMAKINA's innovative solutions regarding the challenges?
- What are some of the key lessons that can be learnt?

It will be seen that some of the most important key lessons were:

- Without PHARMAKINAs both intensive and extensive community engagement PHARMAKINA probably wouldn't have survived in this conflict zone.
- As a company doing business in a conflict zone one must be prepared to try and maintain good relationships with all parties, even when some of them could be considered to be war criminals under normal circumstances.

The Global Compact principle that is most relevant in this context of conflict and extreme poverty is Principle 1: Business should support and respect the protection of internationally proclaimed human rights.

The case study is to be prepared under the broad theme: "Business and Community Engagement", one of four themes focussed on during the Regional Learning Forum Meeting of the United Nations Global Compact Regional Learning Forum, to be held in Accra, Ghana from November 22-24, 2006.

Company Profile

PHARMAKINA, originally called CONGOKINA, was founded in Bukavu, the capital of South Kivu province in the eastern part of DR Congo in 1942 by Belgian colonists.

Their aim was the industrial extraction of quinine, the anti-malaria agent, from the harvested bark of the quinquina tree (*Cinchona ledgeriana*) they intended to grow in this area. To this end plantations of this medium-sized tree, which belongs to the family of Rubiaceae and occurs naturally in Peru, were established along the western shore of Lake Kivu, where the microclimate is especially favourable for this tree species which demands a rather fertile soil.

In 1956 the factory was bought by a Belgian-German group, which sold the factory in its turn in 1961 to the German pharmaceutical company Boehringer Mannheim. In 1999 Boehringer Mannheim was taken over by the Swiss pharmaceutical company Hoffmann-la Roche. This company, not interested in the production of quinine and hence not in PHARMAKINA, sold PHARMAKINA in 1999 to then PHARMAKINAs Chief Financial Officer Étienne Erny and Chief Operational Officer Horst Gebbers.

During the war, which started full-scale in 1998, PHARMAKINA managers did not scale down production and did not wait for better times, a strategy which would have made good sense to other people. Instead, they pursued a very aggressive business strategy, even when that entailed the incurring of not insubstantial financial losses. This strategy resulted in cornering more than a third of the world market for quinine salts.

Today PHARMAKINA, is the biggest private employer in Bukavu, a town of more than 750 000 inhabitants (with another 250 000 people living in surrounding towns and villages). The company employs 736 people full-time and almost 1000 casual workers, has 31 *Cinchona* plantations (of which two in neighbouring Rwanda) totalling 1300 hectares, which produce 700 tons of bark yearly. From this bark and from the 2000 tons of bark the company buys yearly from private planters²³, the factory in Bukavu produces a total of 100 tons of quinine salts yearly.

²³ In both North and South Kivu provinces *Cinchona ledgeriana* is grown as a cash crop. The bark is harvested after 6 years and sold to PHARMAKINA or exported.

Through the recent acquisition of the necessary machinery from Europe, ready-to-use Malaria tablets, syrup and ampoules for injection are now being produced for the domestic market.

The company has also started, with the help of the German development agency GTZ and German NGO Action Medeor, to produce a relatively cheap antiretroviral Aids combination medicine for the local community in Bukavu and its surroundings²⁴.

"We make affordable medicines for poor people."

Mr. Michael Gebbers, Head of Department of Finances and Administration, PHARMAKINA

For reasons of further product diversification the company has recently started, with help from the German development agency GTZ, to plant African cherry trees (*Prunus africana*) on 600 ha of old, unproductive plantations of *Cinchona ledgeriana*. From the bark of *Prunus africana* a curative for benign prostate enlargement is being extracted for export to Europe.

An important aspect of the company profile is that nowadays it employs very few expatriates (less than 0.5% of the total of full-time employees).

As will be shown later, the company is engaged in many activities in the field of community engagement. It is through these activities in the field of community engagement that PHARMAKINA distinguishes itself from all the other firms, big and small, that were operating in the area. It can hardly be a coincidence that whereas these other firms mostly were forced to close down during the conflict (see annex 3), PHARMAKINA is still flourishing.

Statement of the main problems

The recent war in eastern Congo, which broke out in full-scale fashion in 1998 and which has undoubtedly been Africa's worst conflict ever, has cost the lives of an estimated 4 million people. The Congolese army, local rebels, Interahamwe killers who fled to DR Congo after the genocide in 1994 from neighbouring Rwanda, and local militia like the notorious Mai-Mai, plus a number of unidentified militia, all stand accused of mass killing, mass rape, and other crimes against the indigenous population.

At the height of the conflict the armies of seven countries (DR Congo, Uganda, Rwanda, Burundi, Zimbabwe, Angola, Namibia) were involved in the hostilities. Although the foreign armies have now left, the UN peace keeping force MONUC (Mission de l'ONU en RD Congo), stationed in eastern Congo since 2000, is hardly able to contain the violence, let alone stop it.

To this day people are being killed randomly by rebels or government forces. Another grave problem is the use of rape to terrorize the population. As if this isn't enough two deadly diseases, Malaria and Aids, ravage the population. Especially the mortality rate due to Malaria is very high according to PHARMAKINA managers.

Because of rebel activity many people to this day cannot access their fields and therefore cannot grow crops. Due to security reasons many people have fled the countryside and

²⁴ No patent problem occurred because of the TRIPS (Trade-Related Aspects of Intellectual Property Rights) agreement, whereby LDC (Least Developed Countries) are allowed to make generic Aids medicine without regard to patent.

now reside in the towns. As a consequence, prices of basic goods, including that of staple foods like maize, manioc and plantains, continue to soar, and most households can now hardly afford a meal a day. As a result, where every employee of PHARMAKINA had to feed 10 mouths before the conflict broke out, he now has to feed up to 30 mouths, since orphaned, widowed and fugitive family members have to be taken care of.

Apart from the human suffering, the infrastructure, in neglected condition as it was during the reign of former dictator Mobutu Sese Seko, has suffered greatly. Roads are barely passable in the rainy season and the electricity supply is erratic at best.

The war forced many businesses, big and small, to close down in South Kivu province. As can be seen in Annex 3, PHARMAKINA is the biggest business (in number of employees) of the few that still survived in 2003.

During the war the border with Rwanda was often closed, preventing the necessary auxiliary materials from reaching the factory of PHARMAKINA in Bukavu and likewise preventing the export of their main product, quinine salts. Also air traffic to Kinshasa, the main market for the Malaria tablets, syrup and ampoules for injection, produced by PHARMAKINA, was often suspended.

Another problem for PHARMAKINA is that there has been a steady decline in the world demand for quinine salts, its main product, due to the appearance of chemically synthesised and ever more sophisticated drugs on the market.

This trying situation has been causing and still is causing serious challenges for PHARMAKINA staff.

Identification and role of key players

Identification and role of internal key players

Belonging to the internal key players are foremost Mr. Étienne Erny, Chief Executive Officer of PHARMAKINA and Mr. Horst Gebbers, Chief Operational Officer of PHARMAKINA.

They are both extraordinarily motivated to make PHARMAKINA a success and are not scared to run risks regarding their investments and their personal safety. The simple extraction of raw materials from DR Congo, which then are processed in more developed countries, is an immoral proposition, as far as they are concerned. This way DR Congo will always remain at the stage of development which it had in the colonial era and it will never make any progress, they say. They are also prepared to incur not insubstantial financial losses in order to stay in the market, because they believe this strategy will pay out in the long run.

At the time Hoffmann-la Roche was offering PHARMAKINA for sale, it was a profitable company. The two managers, having built up their existence (including their social life) in eastern Congo, and without foreseeable employment in Europe, saw this offer as an once-in-a-lifetime opportunity and, in their own words, didn't need two minutes to decide to take over the company.

After the take-over, the PHARMAKINA managers pursued a very aggressive business strategy, even when that entailed the incurring of not insubstantial financial losses. This strategy resulted in cornering 35-40% of the world market for quinine salts. Their next important step was to diversify into the production of ready-to-use medicines for the local market, which have a higher margin of profit than quinine salts. Their motive for

this expansion was mostly a quest for more profit, but a sense of commitment to the operation, its workers and the local community also played an important role.

It is important to note that Mr. Étienne Erny and Mr. Horst Gebbers have between them a work experience of more than five decades in the DR Congo and thus have been able to build up a vast network of contacts, some of them placed in Kinshasa, close to the government.

The two sons of Mr. Horst Gebbers, Mr. Michael Gebbers (Head of Department of Finances and Administration) and Mr. Dirk Gebbers (Head of Department of Agronomy and Production), are also key internal players, because they will inherit the business. They are both confident about PHARMAKINA's future.

Another key player is Mr. Pierre Kafua (Head of Department of Human Resources), who is a very close advisor to Mr. Erny and Mr. Gebbers, while he has good contacts and is a well-known person in Bukavu.

It is important to note here that PHARMAKINA is a very closely knit organisation, which is run as a family business. Without exception, the managers all share the same point of view regarding company strategy, outlook, etc. so that no multiple points of view could be observed with regard to any important issue.

Identification and role of external key players

External key players are identified here for reasons of background information.

- The national government in Kinshasa has until now not been able to pacify the eastern part of DR Congo or to improve the infrastructure. There is not much hope this will change much in the foreseeable future.
- The national government of Rwanda is also an external key player in that it can close the nearby border (as it has done frequently during the war) and thus cut off the line of supply of auxiliary materials and of export for PHARMAKINA. Although at present the border is consistently open no one can predict whether this will remain so.
- Local and provincial authorities. Although their influence has waned since the outbreak of the war, they are still in a position to act upon PHARMAKINA, e.g. by trying to exert bribes.
- National army, deserters under General Laurent Nkunda and rebels (Congolese Rally for Democracy, Interahamwe, Mai-Mai and other unidentified groups). One of these groups has not only attacked the PHARMAKINA factory once in 1996, resulting in the loss of equipment and fuel, and the interruption of production, they also at present still pose a threat to the line of supply of raw material from the plantations of quinquina trees, which unfortunately are rather far-flung in some cases. Two plantations are still inaccessible due to rebel activity.
- The UN peace keeping force MONUC (Mission de l'ONU en RD Congo) has only a limited sphere of influence, mostly only in the vicinity of their bases, e.g. Bukavu. They have until now only had limited success in their fight against the rebels. Their mandate doesn't include the disarming of armed factions.
- National unions. There are three national unions active on the premises of PHARMAKINA: UNTC (Union Nationale des Travailleurs Congolais), CSC (Confédération des Syndicats Congolais), and SLCC (Syndicat Libre Chrétien du Congo). Trimestrial meetings are held between staff and union representatives.
- Communities in Bukavu and surroundings, in the villages surrounding the plantations and in the territory of Nyangezi where PHARMAKINA is operating a model farm, developing an ecologically oriented agricultural system on a pilot basis.

- Foreign suppliers of auxiliary materials are only external key players in a theoretical sense.

Identification of challenges faced by internal key players

Challenge #1. How to run a business successfully in a conflict zone like the eastern part of the DRC

Aspect 1: maintaining good relations

Maintaining good relations with different parties is, without doubt, of utmost importance while surviving as a business in a war zone.

- ***Maintaining good relations with local communities***

The concept of communication is very important in Africa, where the verbal culture is highly developed. PHARMAKINA managers have taken care that communication between the company and various local communities is excellent. Representatives of churches, local NGOs and sport associations often discuss various issues with PHARMAKINA managers. About issues in the rural areas tribal authorities are regularly consulted. The many activities undertaken by PHARMAKINA in the field of community engagement have, evidently, also contributed to having good relations with the local communities. The specifics of these activities will be examined further on, but all community representatives interviewed in the course of this business case study were impressed with PHARMAKINA's track record in this area.

- ***Maintaining good relations with national, provincial and local authorities***

The problem for companies operating in the DRC is that there is no legal redress in case some authority finds fault with a company. In that case only tactics like prolonged haggling, playing different authorities out against each other etc. can solve the problem. Understandably, in this context, sometimes PHARMAKINA managers can't avoid providing unpaid services to the provincial governor, the Chief of police, etc., to maintain good relations with them. In the context of a conflict zone some UNGC Principles, in this case Principle 10, might be considered as somewhat unrealistic and not always totally feasible. PHARMAKINA managers try to keep these practices to an absolute minimum, however.

- ***Maintaining good relations with warlords (rebels, deserters)***

In any conflict zone in Africa, war lords are a fact of life. Trying to maintain good relations with them is unfortunately necessary to survive as a business. Socializing with warlords or their minions has been initialized several times by managers of PHARMAKINA in order to stop them from attacking the factory or the plantations.

Aspect 2: overcoming logistical problems, caused by the conflict

One major aspect of running a business successfully in a conflict zone is overcoming the extraordinary logistical problems a conflict brings with it. For PHARMAKINA this means:

- ***Dealing with a ruined infrastructure (roads, electricity)***

The main roads are in terrible condition after the war, due to a total lack of maintenance and repair. Supplying the factory with electricity is a major problem too, since the local electricity supply is erratic and diesel for the factory generators has to be brought in from Mombasa, Kenya.

- ***Getting auxiliary materials to the factory***

When the border was closed during the war, sometimes the auxiliary materials needed in the factory had to be transported from Kenya to Bukavu via Uganda or Burundi. But even when the border is open, as it is now, it is sometimes difficult

to get suppliers in Mombasa or Dar es Salam to send trucks with auxiliary materials to the factory in Bukavu.

- **Getting the bark to the factory**
In areas with rebel activity, sometimes the only option is to ask the casual workers employed by PHARMAKINA to carry the harvested bark on their back to the next main road, where it is picked up by trucks. They are then being paid in kind (food, clothing), so they can't be robbed of cash.
- **Getting the quinine salts out of the country**
This too often presents problems: for logistical reasons the airport in Kigali in neighbouring Rwanda has to be used, but often it is a bureaucratic hassle to get the export papers signed. When the border was closed, alternative routes had to be sought (Burundi or Uganda).
- **Getting the Malaria tablets, syrup and ampoules for injection to Kinshasa**
This played a role when air traffic to Kinshasa was suspended during the war. The tablets, syrup and ampoules for injection had to be flown to Kinshasa via Europe or Kenya.

Aspect 3: dealing with security issues

Dealing with security issues is, of course, an important aspect of running a business in a conflict zone. For PHARMAKINA this means in particular:

- **Security of the factory.**
Several times, PHARMAKINA managers had to engage in the unpleasant task of meeting with rebels and deserters to try to prevent them from carrying out attacks against the factory. Decisions to engage in these discussions were made on an *ad hoc* basis. Ethical implications, let alone the wish to adhere to the possibly unrealistic UNGC expectations, were not considered by PHARMAKINA managers. They were only interested in survival of their company. They wish to stress, however, that no money changed hands during these negotiations.
- **Staff and employees at home and commuting to the factory**
Staff have been threatened at home. On the streets of Bukavu armed robbery takes place frequently. Employees are threatened at the end of the month when salaries have been paid.
- **Staff visiting plantations and workers working on plantations**
Due to insecurity some of the plantations cannot be visited or worked on.
- **Trucks transporting bark to factory**
Trucks, that are transporting bark to the factory, are targeted by government forces, deserters and rebels. Bribes are exerted routinely from truck drivers.
- **Casual workers harvesting bark and transporting bark on their back**
Casual workers are still attacked, because even if they are being paid in kind, the attackers believe they must have been paid by PHARMAKINA. Their families aren't safe either. Especially rape is a widespread problem in the area.

*"From the beginning PHARMAKINA was a company
with a social character."*

Mr. Aaron Musombwa, Community Representative

Challenge #2. How to uphold (as much as is practicable) good corporate citizenship ideals – such as the UNGC principles – in a conflict area where many people live in extreme poverty

Aspect 1: taking care of employees

The first priority of a company like PHARMAKINA, that wants to uphold good corporate ideals, is taking care of its employees. For PHARMAKINA this means:

- ***Paying decent salaries***
PHARMAKINA pays its employees decent salaries which can be compared to those of the local brewery and local banks.
- ***Providing health care system for employees and their families***
As required by Congolese law, PHARMAKINA has a health system in place for its employees and their direct families (one wife and their children).
- ***Providing Malaria and Aids medicines***
The Malaria and Aids medicines that are now being produced by PHARMAKINA are provided to its employees and their direct family members free of cost. The demand for the Aids medicine among the employees is, remarkably, not very high. This is because a) possibly the Aids epidemic is not so rampant in this particular region, b) it occurs in this region more in rural areas than in urban areas, where people are better informed about the risk of unprotected sex and c) rape is a bigger problem in rural areas. The demand for the Malaria medicine is much higher. According to PHARMAKINA managers, many more people die of Malaria than of Aids in this area.

Aspect 2: taking care of former employees

Almost as important as taking care of its employees is taking care of its former employees, as far as PHARMAKINA is concerned. PHARMAKINA managers say the motive here is to maintain "social peace" in the region. There is no working social security system in the DRC. Although every month for every employee PHARMAKINA pays a legal tax to the INSS (Institut National de la Sécurité Sociale), no ex-employee ever gets any unemployment payment or pension. Therefore PHARMAKINA feels responsible for its former employees. Taking care of former employees is achieved by

- ***Providing alternative sources of income in case of lay-offs.***
In 1999, at the time of the take-over by the managers Erny and Gebbers, half of the workforce, i.e. 500 people, had to be laid off, because the main product quinine salts now had to be sold on the open market. For the laid off workers PHARMAKINA started the cooperative ACAP (Association Coopérative pour l'Appui à la Population) and donated some of its land to this cooperative. It provided an agricultural engineer as project leader to the cooperative. The cooperative proved to be only partly successful, because out of former four regions, with 700 families participating, activities are now only undertaken in two regions due to security reasons. Furthermore, the initial idea of the families taking produce to the market for cash proved to be illusory – the produce was eaten by the families because they were hungry. Apart from ACAP, at the model farm ALIMENKINA, 25km south of Bukavu, a considerable number of former PHARMAKINA employees have found a new job.

"Hopefully ALIMENKINA keeps going, because it creates a lot of jobs in this area."
Mr. Dieudonné Bagaloi, worker at ALIMENKINA, formerly employed by PHARMAKINA

- **Creation of hardship fund**

Also in 1999, a hardship fund was created for medical and social care of former employees and their direct families. Out of the hardship fund the cooperative ACOSYF (Association Coopérative en Synergie Féminine) is being financed too. ACOSYF is engaged in supplying micro credits (after schooling) to individuals active in the fields of agriculture, animal husbandry, apiculture, small commerce, tailoring etc. They are also marketing agricultural products of their members like onions, potatoes, rice, honey and meat in a shop in Bukavu.

Aspect 3: taking care of local communities through community engagement

In the case of PHARMAKINA, this engagement was motivated partly by philanthropic reasons. Most people are extremely poor in this region. Public health care is virtually non-existent in Bukavu and its surroundings. Despite the presence of hundreds of NGOs in Bukavu, many of which are engaged in health care activities, many people are not reached, so the managers felt they had a moral obligation to help the local population.

However, even more importantly, it was at an early stage realized by PHARMAKINA managers that in order to run their business successfully in a conflict zone they would have to extensively engage the different local communities. They felt that if they were backed by the local communities it would be easier to negotiate with the different rebel groups. This was an instinctive, unprovable theory of PHARMAKINA managers and was based on their belief that in this area everybody is somehow connected with everybody else, by family or other ties. As a strategy it seems to have worked, since after the initial attack in 1996 the factory was never attacked again.

Also by this community engagement they thought that the population would be less envious of a prosperous company in their midst and therefore less prone to plunder the company.

When the managers decided to make a major turnaround in company policy and start producing ready-to-use end products like Malaria medicines and Aids medicine for the local market instead of only exporting semi-raw materials like quinine salts, there were, in the eyes of the PHARMAKINA managers, several advantages connected with this decision, even if it required a substantial investment under highly unstable conditions:

- The production of only quinine salts was too small a basis for PHARMAKINA to expand its business, especially since the profit margin is relatively small with regard to this product, and besides, the demand for quinine salts was falling worldwide
- The production of ready-to-use end products like Malaria medicines and Aids medicine involves a higher profit margin
- Providing the local population with access to these ready-to-use medicines²⁵ was seen by the managers as an important form of community engagement. This move could, they thought, improve their standing with the local community enormously, and thus contribute to the survival of the company in the time of conflict. Again, this was an instinctive feeling of PHARMAKINA managers and cannot be backed by evidence. However, the factory was never plundered by the population and in interviews all local representatives from the provincial governor on down spoke highly of PHARMAKINA.

²⁵ At 22 US Dollar a month for the treatment the PHARMAKINA Aids medicine is cheaper by far than normal Aids medicines but unfortunately still unaffordable for most people in this extremely poor region, considering also that the Aids medicine represents only roughly 25% of total treatment costs. For the 100 patients that use the medicine so far, the NGO Action Medeor has stepped in to pay for the treatment.

"I have heard PHARMAKINA is taking care of people with Aids on an anonymous basis. It is a good thing."
Mr. Deogracias Buhamba Hamba, Governor of South Kivu Province

Furthermore, a health care center for PHARMAKINA workers and the local community of Bukavu was established in order to overcome the lack of health care in Bukavu.

Apart from providing medicines to the population and the establishment of a health center PHARMAKINA is also carrying out other activities in the field of community engagement. These activities are mainly geared towards improving the agricultural production in the region, namely

- **Development of a micro credit system, mainly for small farmers**
This micro credit system was financed out of the hardship fund, created in 1999.
- **Creation of a model farm, where an ecologically oriented agricultural system on a pilot basis is being developed**
This pilot project is now a stand-alone company named ALIMENKINA, and is located 25km south of Bukavu. Here, yearly, more than 10 tons of Tilapia in 5ha of fish ponds, 10 tons of pork, 400 piglets and 30 ton rice are produced for the local and domestic market. Many former PHARMAKINA workers are now employed here. The local population is encouraged to also grow rice instead of their staple food manioc, since manioc exhausts the soil after only a couple of rotations and a new piece of land has to be sought. Besides, health problems are associated with manioc as a staple food. Especially Mr. Dirk Gebbers has invested a lot of time in ALIMENKINA.
- **Creation of the cooperative ACAP**
As stated above, this cooperative was created as an instrument to create alternative sources of income for former employees.

In the eyes of the PHARMAKINA managers and people benefiting from these activities, these activities have been successful, on the whole. Only the cooperative ACAP can be seen as a partial failure. According to Mr. Michael Gebbers this may be caused by a lack of time invested by PHARMAKINA managers into the time-consuming project, or the ex-workers concerned not being able to manage their fate themselves. Also the first micro-credit approach nearly failed totally, according to Mr. Gebbers: the workers considered the credit simply as a hand-out and never thought about repaying the credit. This may also have to do with the fact that there are so many UNGs in the area and people have become used to hand-outs. Now micro-credits are given to groups of people, who can be held more accountable, and only after training.

It is worth mentioning that in 1999 PHARMAKINA engaged in an extensive road repair project, so that local communities could get access to markets.

Furthermore, on a case-to-case basis, PHARMAKINA has made donations to the hospital in Bukavu, local schools etc.

Outputs/Impacts

Outputs/impacts can be quantifiable or non-quantifiable.

Quantifiable outputs/impacts of PHARMAKINA and ALIMENKINA

- *Jobs*
Both directly in PHARMAKINA and ALIMENKINA operations and indirectly at the local supply firms PHARMAKINA uses, jobs have been created.
- *Access to market*
Through the road repair project in 1999 access to the market has been improved for local communities. The roads leading to the PHARMAKINA plantations are maintained regularly by PHARMAKINA, which also benefits the concerned communities, in that their access to markets is improved.
- *Alternative sources of income for former employees*
Alternative sources of income have been provided to former employees through the establishment of the cooperative ACAP and the employment of former PHARMAKINA workers by ALIMENKINA.
- *Improved health care*
Through the production of the cheap Malaria medicines and the relatively cheap Aids medicine and the establishment of a health care center the health care situation of local communities has been improved. Especially the quinine tablets, syrup and ampoules for injection produced by PHARMAKINA have proven to be a big hit with the population of Kivu South province. Even crude imitations of the Malaria tablets, made of pressed manioc meal (!), have been sighted on the market. However, the Aids medicine is, at 22 US Dollars a month, still too expensive for most people. If the complete production capacity of PHARMAKINA was to be utilized, the price could fall significantly, but for that to happen the demand would have to be far greater.
- *Improved agricultural production*
Through the introduction of a micro credit system and the creation of a model farm (ALIMENKINA), where an ecological agricultural system on a pilot basis is being developed, the agricultural production in the region has been augmented.
- *Tax income for the state*
All necessary taxes are paid on time by PHARMAKINA. As the only bigger company left in the area the local state apparatus depends largely on PHARMAKINA.

“Through payment of all due taxes PHARMAKINA keeps the state apparatus in South Kivu alive.”

Mr. Pierre Kafua, Head of Department of Human Resources, PHARMAKINA

Non-quantifiable outputs/impacts

- *Community support through community engagement*
Through its many activities in the field of community engagement PHARMAKINA has been able to attain considerable community support, both in Bukavu and in the rural areas where the plantations and ALIMENKINA are located. PHARMAKINA managers are convinced (although this cannot be substantiated) that through this community support it was easier to a) prevent plundering of the company by the local population and b) negotiate with the different rebel and deserter groups.
- *Beacon of stability in a sea of unrest*
It is the opinion of PHARMAKINA manager Mr. Michael Gebbers that there is a discernible impact of PHARMAKINA on the conflict, even if it is indirect and of a psychological nature. That this company has carried on, where so many bigger and smaller firms have closed down (see Annex 3), has given the local community a real sense of hope and continuity, in his view. Also, the continued presence of the company could persuade other foreign investors to come to the DRC.
- *Destigmatizing of Aids patients*
Before the war there was no treatment for Aids patients. Having Aids was a terrible stigma. Now that there is a treatment for Aids more and more people are willing to be tested, because now there are still perspectives for them if they have the disease. People having Aids can now again work, lead a social life, and are less stigmatized as a consequence.

Non-quantifiable, unexpected outputs/impacts

- *Significantly increased expectations by the population*
When a company like PHARMAKINA undertakes many activities in the field of community engagement, there is a danger it is perceived by the population as just another NGO (there are hundreds of them present in Bukavu) with, as a consequence, more and more demands for free services. In the case of PHARMAKINA people at first expected the Aids medicine to be free of charge. When PHARMAKINA pointed out this wasn't so, people complained it was too expensive. A solution was found when the NGO Action Medeor offered to pay for the medicine. Whether this is a viable solution for the future, when demand is expected to rise, is debatable.

Innovative solutions

Regarding the challenge of running a business successfully in a conflict area, including security issues:

- The initial innovative solution of the PHARMAKINA managers was the pursuit of a very aggressive business strategy during the war, even when that entailed the incurring of not insubstantial financial losses. This strategy resulted in cornering 35-40% of the world market for quinine salts.

- Another major innovative solution of the PHARMAKINA managers was to start producing ready-to-use end products like Malaria medicines and Aids medicine for the domestic market instead of only exporting semi-raw materials like quinine salts, which required a substantial investment under highly unstable conditions. This was not only a profitable move on the part of PHARMAKINA but at the same time it can be considered as community engagement, since it constitutes an important benefit for the local community.
- The many other activities undertaken by PHARMAKINA in the field of community engagement that lead to having good relations with the local communities, also constitutes an innovative solution.
- Another important innovative solution was organizing meetings with rebels and deserters to try to prevent them from carrying out attacks against the factory.

Regarding the challenge of upholding (as much as is practicable) good corporate citizenship ideals – such as the UNGC principles:

- Here, an innovative solution, which also constitutes a form of community engagement, was the creation of alternative income sources for employees who had to be laid off due to a shrinking demand for quinine salts on the world market.
- The establishment of a health care center, a prime example of community engagement, is another innovative solution in this respect
- The creation of the model farm ALIMENKINA with its many aspects of community engagement, also constitutes an innovative solution.

Conclusion

By vastly increasing production during the war, PHARMAKINA managers doubled their profit, which enabled them to increase the number of employees, to provide a better health system for their employees, to create alternative sources of income for former employees, to start the production of affordable Malaria medicines and a relatively cheap Aids medicine for the local community and to provide a whole range of other services in the field of community engagement. In this way they were able to meet the two seemingly incompatible challenges of running a successful business in a conflict zone and upholding good corporate citizenship ideals simultaneously, without major trade-offs.

Key Lessons

The key lessons learnt, as described by PHARMAKINA managers, were:

- Without PHARMAKINAs both intensive and extensive community engagement PHARMAKINA probably wouldn't have survived in this conflict zone.

- As a company doing business in a conflict zone one must be prepared to try and maintain good relationships with all parties, even when some of them could be considered to be war criminals under normal circumstances.
- Despite war conditions running a business successfully is possible, even when the business in question doesn't involve arms, drugs or alcohol.
- Community engagement is very time consuming; possibly more would have been attainable in this field if more time had been available to the managers of PHARMAKINA.
- When a company like PHARMAKINA does a lot in the field of community engagement, there is a danger it is perceived by the population as just another NGO (there are hundreds of them present in Bukavu) with, as a consequence, more and more demands for free services. In the case of PHARMAKINA people at first expected the Aids medicine to be free of charge.

Unanswered questions

Apart from the obvious question what will happen when war breaks out again, the main unanswered questions are:

- How much would PHARMAKINA have spent on community engagement when there hadn't been a war? PHARMAKINA managers were unable to answer this question.
- Is it ethical to treat war criminals as discussion partners? The company only sees the practical side of dealing with rebels and deserters but doesn't consider the ethical side.

Annexes

Annex 1 Persons interviewed and their function

At PHARMAKINA:

- Mr. Étienne Erny, Chief Executive Officer²⁶
- Mr. Horst Gebbers, Chief Operational Officer
- Mr. Michael Gebbers, Head of Department of Finances and Administration
- Mr. Dirk Gebbers, Head of Department of Agronomy and Production²⁷
- Mr. Pierre Kafua, Head of Department of Human Resources
- Mr. Elysée Mudwanga, Director of Department of Agronomy
- Mr. Pontien Kizito, mechanic, Representative of Union SLCC

At ALIMENKINA:

- Mr. Gauthier Mpasi, Assistant to Managing Director
- Mr. Mihigo Mahazi, worker, formerly employed by PHARMAKINA
- Mr. Dieudonné Bagaloi, worker, formerly employed by PHARMAKINA

Others :

- Ms. Félicité Kabonwa, Coordinator ACOSYF (Association Coopérative en Synergie Féminine)
- Mr. Deogracias Buhamba Hamba, Governor of South Kivu Province²⁸
- Mr. Karl Schuler, Program Leader PBF (Programme Biodiversité et Forêts), PNKB (Parc National de Kahuzi-Biega), GTZ
- Mr. Aaron Musombwa, Chief Logistics at CEI (Commission Electorale Indépendante), Community Representative

²⁶ by e-mail

²⁷ by telephone

²⁸ The governor was met shortly during a unexpected visit to PHARMAKINA.

Annex 2
The actual land holding of PHARMAKINA in South Kivu province, under a 25 year renewable lease agreement, is as follows:

Surface (ha)	Land use
1.300	Plantations of <i>Cinchona ledgeriana</i>
600	Plantations of <i>Prunus africana</i>
700	Plantations of <i>Eucalyptus spp.</i> for firewood supply of factory in Bukavu
200	Agricultural production for local market
300	Natural forest, not used, reserve for medicinal plants
2.200	Eroded areas, hangs, roads, areas planted with leguminoses; includes 1000ha where <i>Cinchona ledgeriana</i> could be planted

Annex 3
Economic situation in South Kivu province – before the war in 1996 and after the war in 2003.

Table prepared by FEC (Fédération d'Entreprises Congolaises)

Company name	Activity	Personnel in 1996	Personnel in 2003	Comments
BRALIMA	<i>Brewery</i>	450	250	Est. 2003
CHIBEKE	<i>Quinquina plantation</i>	1200	37	Est. 2003
Farmers Plantation	<i>Tea, coffee, etc.</i>	127	-	Closed
GOMBO	<i>Tea, quinquina plantation</i>	332	-	Closed
KATANA	<i>Cement works</i>	-	-	Closed
KILIBA	<i>Sugar refinery</i>	3400	-	Closed
KIRINGWE	<i>Rice, palm oil press</i>	186	-	Closed
LEMERA	<i>Tea, quinquina plantation</i>	-	-	Closed
MBAYO	<i>Tea, quinquina plantation</i>	430	120	Est. 2003
NYAMULINDUKA	<i>Quinquina plantation</i>	600	-	Closed
OLIVE	<i>Coffee, quinquina plantation</i>	1000	400	
PHARMAKINA	<i>Pharmaceutical company</i>	2182	1800	475 in 1999
SIPEF	<i>Coffee, quinquina plantation</i>	638	50	Est. 2003
SOMINKI	<i>Mining company</i>	10000	-	Closed
TOLINKI	<i>Roofing industry</i>	100	35	
UZABUCO	<i>Tobacco industry</i>	170	-	Closed
TOTAL		20815	2692	