

Business, Conflict, and Peacebuilding:

An Operational Framework

Pan Kanagaretnam and Susan Brown



CENTRE POUR LE MAINTIEN DE LA PAIX
PEARSON
PEACEKEEPING CENTRE

**Business, Conflict, and Peacebuilding:
An Operational Framework**

Pan Kanagarethnam
and
Susan Brown

Canadian Peacekeeping Press

August 2005

© Copyright 2006

Copyright – this material has been assembled through the collective efforts of peacebuilding donors and practitioners. It may be freely quoted with acknowledgement to the Pearson Peacekeeping Centre, CPR Network, author, and editor.

ISBN: 1-896551-62-9

Acknowledgments

This framework has been prepared as part of a collaborative effort of the Conflict Prevention and Post-Conflict Reconstruction (CPR) Network which is an informal network of bilateral donor countries and multilateral (UN) agencies involved in responding to complex emergencies and conflict situations. (www.cprnet.net) The CPR Network has established a working group as a focal point for the assembly of analytical frameworks and operational tools developed by peacebuilding practitioners for responding to conflict situations before, during, and after conflict. Frameworks and tools respond to various peacebuilding themes and sectors, and aim to guide programming activity through the lens of past lessons learned and good practice.

In 1998, the CPR working group tasked the CIDA Peacebuilding Unit to conduct the first round of surveys of the international peacebuilding community regarding useful analytical tools. This survey resulted in the *Compendium of Operational Frameworks for Peacebuilding and Donor Co-ordination*. The *Compendium* is a work in progress, and has been subsequently revised by subsequent rounds of surveys (www.cprnet.net/compendium).

The draft of this paper was distributed for international peer review, and our thanks go to those who commented including Canan Gunduz of International Alert, Markus Reisle of the Swiss Agency for Development and Cooperation, Steve Macdonald, and Frances Cosstick. I would also like to thank Sarah Noble and Irina Shmakova for their invaluable assistance in the production of the framework.

This paper, written by Pan Kanagaretnam and Susan Brown, aims to provide an overview of lessons learned and good practice in business, conflict, and peacebuilding, as they have emerged from actual experience. In this overview, key challenges are examined, and the paper also tries to anchor the issue within the wider peacebuilding spectrum. Consequently, it provides recommendations to donors and practitioners on how development co-operation can be used to support work in this area.

Susan Brown
Former Director of Peacebuilding Programs
Pearson Peacekeeping Centre

Table of Contents

| | |
|---|-----------|
| 1.0 Introduction..... | 1 |
| 2.0 Background | 2 |
| 2.1 Business and Conflict..... | 2 |
| 2.2 Business and Self-Interest | 3 |
| 2.3 Business and Long-Term Interests..... | 5 |
| 2.4 Businesses and Risk Assessment..... | 7 |
| 3.0 Business, Conflict, and the International Community | 7 |
| 3.1 International Community as Facilitators of Business Participation..... | 7 |
| 3.2 Peacebuilding and Development Policy of Donor Countries | 8 |
| 3.3 Peacebuilding and International Trade Policy of Donor Countries | 9 |
| 4.0 Governments and Businesses in Fragile States | 10 |
| 5.0 Conclusion | 15 |
| Business, Conflict, and Peacebuilding: An Operational Framework | 17 |
| Annex I..... | 27 |
| Annex II | 28 |
| Bibliography | 29 |

List of Acronyms

| | |
|-------------|--|
| CPR Network | Conflict Prevention and Post-Conflict Reconstruction Network of Peacebuilding Donors |
| CSR | Corporate Social Responsibility |
| DFID | Department for International Development (UK) |
| EU | European Union |
| KPCS | Kimberly Process Certification System |
| MNC | Multinational Corporation |
| NGO | Non-Government Organisation |
| ODA | Official Development Assistance |
| OECD | Organisation for Economic Cooperation and Development |
| USAID | U.S. Agency for International Development |

Business, Conflict, and Peacebuilding: An Operational Framework

1.0 Introduction

The outbreak of civil conflict leading to violence can be traced, in part, to the interaction of economic motives and opportunities with long-standing grievances over poor economic governance, inequitable distribution of economic resources, exclusionary and repressive political systems, inter-ethnic disputes, and the inability of states to provide internal and territorial security. However, recent history of several conflicts has shown that access to lucrative economic resources with the active participation of multinational corporations (MNCs) has played an important role in fomenting and sustaining conflicts. Lootable resources like diamonds and less lootable resources like oil and minerals have been, and continue to be, at the centre of several conflicts. The so-called “resource wars” in Angola, Sierra Leone, and the Democratic Republic of the Congo (DRC) were prolonged by the rebel exploitation of diamond resources with the active participation of international and national businesses.¹ In Liberia, the warlord, and later the President, Charles Taylor was able to secure economic partnerships with major MNCs in sustaining his rebellion during the initial stages while activities after his election as President were controlled by local commanders and individual businessmen.

Sharing of oil resources developed by MNCs is at the centre of ongoing civil conflicts in parts of Nigeria, Indonesia, and Sudan. The Colombian conflict which started as a contest over state power and socio-economic grievances between guerrilla groups and the central government was later sustained by the access to, and trading in, lucrative natural resources such as cocoa, poppy, and oil.² Also, the beginning of the conflict in Afghanistan in 1979 was marked by the development of a war-economy based on the opium trade involving private companies and businesses outside the country. Given the link between civil conflicts and private companies, participation of MNCs is vitally important to efforts aimed at resolving civil conflicts around the world.

The onset of globalization in the 1990s, coupled with the recent wave of economic liberalization and privatization of state-owned assets throughout the developing world, helped MNCs to expand rapidly into developing markets. MNCs are also attracted by the prospects of higher returns on investment in developing countries than in the more competitive developed countries. Rapid advances in telecom and internet communications, transportation, and the integration of global financial and insurance sectors have been, and continue to serve as, additional incentives for such expansion. As a result, Foreign Direct Investment (FDI) by MNCs in developing countries (DCs) has

¹ Karen Ballentine and Heiko Nitzschke, “Beyond Greed and Grievance: Policy Lessons from Studies in the Political Economy of Armed Conflict,” International Peace Academy, October 2003, p. 3.

² Ibid.

increased sharply in recent years to become the leading source of financing economic development. During the five-year period from 1998 to 2002, while Official Development Assistance (ODA) by the OECD (Organisation for Economic Cooperation and Development) countries averaged US\$53,935 million³ a year, the inward movement of FDI into developing countries during the same period averaged US\$207,642⁴ million a year, or almost four times the volume. Many governments, donor countries, and multilateral organizations are increasingly recognizing MNCs as partners in the process of economic, social, and human development in developing countries. Active participation by multinational and national companies is therefore indispensable for the success of peacebuilding efforts in countries afflicted by violent conflicts.

This framework is an effort to present various facets of business and conflict in the context of the need to reconcile differences between the basic objective of corporations and nation-states on the one hand, and the development objectives and promotion of peacebuilding efforts by the donor countries, multinational organizations and NGOs on the other.

2.0 Background

2.1 Business and Conflict

As Raymond Vernon notes, “nation-states and MNCs are two distinct regimes operating in one global economy. As such, their relationship is oft times acrimonious. The nation-state regime is built on the principle that people in a national jurisdiction try to maximize their well-being within that jurisdiction. MNCs, on the other hand, maximize the well-being of its shareholders without necessarily accepting any direct responsibility for the consequences of its action in individual national jurisdiction.”⁵ MNCs are primarily looking to access natural resources, strategic assets and larger markets to maximise their commercial interest.

In most cases, their investment decisions are taken either on the basis of narrowly focused risk analysis that does not adequately address the risk of a company fomenting or aggravating a conflict situation, or deliberately ignoring such factors. Active involvement of leading MNCs in trade in “conflict diamonds” in Central Africa, with the full knowledge that they were engaging in trade in illicit diamonds - consequently aiding and abetting the continuation of a deadly war - has been proved by a comparison of West African diamond export figures with Belgian imports. Whereas the recorded exports of the Government of Sierra Leone in 1998 shows only a total of 8,500 carats, Belgian records reveal a total of 770,000 carats. Also, while the annual diamond mining capacity

³ OECD, “Net Official Development Assistance from DAC Countries to Developing Countries and Multilateral Organizations,” October 2004, available at:
<<http://www.oecd.org/dataoecd/43/26/1894401.xls>>

⁴ UNCTAD, “Inward & Outward Flows,” World Investment Directory On-line, available at:
<<http://stats.unctad.org/restricted/eng/ReportFolders/Rfview/explorerp.asp>>

⁵ Raymond Vernon, “In the Hurricane’s Eye: The Troubled Prospects of Multinational Enterprises”, Cambridge: Harvard University Press (1999), p. 28.

of Liberia is estimated at between 100,000 and 150,000 carats, Belgian imports from Liberia between 1994 and 1998 show an average of over 6 million carats a year.⁶ This is an example of how corporate commitment to maximise profit at any cost could impact on civil conflicts with tragic consequences.

The motivation of MNCs in increasing their investments in risky states such as Colombia, Indonesia, Algeria and the Philippines, despite the occurrence of violent conflicts in those countries, is attributed to the existence of natural resource-based assets and higher potential return. Also, increasing investments by MNCs in corrupt environments have been confirmed by studies leading to the conclusion that “multinationals are investing more than \$150 billion annually in nearly 50 countries which fall below the intermediate point in Transparency International’s Corruption Perception Index – in other words in countries which may be confidently described as fairly to very corrupt.”⁷

The cost to private companies doing business in conflict zones include: security services and other forms of risk management; material loss to private property and public infrastructure; opportunity and personnel costs; and cost of litigation and reputation damage when companies are identified with incidents that incite or exacerbate conflict. MNCs are also forced to seek military protection from governments, like for example, the Royal Dutch Shell in Nigeria, British Petroleum (BP) in Colombia, and Exxon Mobil in Indonesia. Such arrangements invariably exacerbate conflict and violence, resulting in human rights violations. *Time Asia*, in its August 6, 2001 issue, reported that in Aceh, Indonesia “people literally line up to tell stories of abuses and murders committed by the troops they call Exxon’s army.” This was followed by a lawsuit filed by an American NGO in the U.S. on behalf of eleven Acehnese people who claimed that they were victims of torture by Indonesian soldiers paid out of funds the company provides with the government’s agreement.⁸ Another lawsuit was filed in the U.S. against the Royal Dutch/Shell Company accusing the company of complicity with the former Nigerian military government in the execution of Ogoni leader Ken Saro-Wiwa and other members of the Ogoni movement in 1995.⁹

2.2 Business and Self-Interest

Faced with increasing public scrutiny, private companies are now being forced to review their traditional focus on maximising profits at any cost. According to Diana Rienstra, “traumatic experiences of multinationals such as Shell and British Petroleum in countries such as Nigeria, Angola, Sudan and Columbia have taught the international business community important lessons about the high price of unethical business practices.”¹⁰ Today companies are realising that damage control is a lot more expensive than avoiding

⁶ Ian Smille, Lansana Gberie and Ralph Hazelton, “The Heart of the Matter: Sierra Leone: Diamonds and Security,” Partnership Africa Canada, January 2000, p. 1-4.

⁷ Leah Berger, “Private Sector Risk Analysis and Conflict Impact Assessment: Measuring the Reverse Flow of Risk”, Carleton University, Ottawa, December 2002, p.3.

⁸ Mark Mitchell, *Time Asia*, Vol. 158, No.5, 6 August 2001.

⁹ Andrew Buncome, *The Independent*, 27 March 2001.

¹⁰ Dianna Rienstra, “The Approach of the Corporate World: How Conflict-Sensitive Is The Private Sector?” *The Hague, Netherlands Institute of International Relations ‘Clingendael’*, 8 and 9 June 2001.

unethical practices in the first place. Following the army take-over of a democratically-elected government in Burma and its efforts to use timber and other natural resources for the suppression of democratic norms, Levi Strauss & Co. was one of the first major companies to pull out of Burma in 1992 followed by Motorola, Eddie Bauer, Liz Claiborne and PepsiCo. All U.S. oil companies, with the exception of Unocal, also withdrew from Burma.

It was enlightened self-interest which motivated the diamond industry to adopt voluntarily a nine-point plan to establish a system of tracking diamonds from their sources through to international trading centres. The Kimberly Process Certification System (KPCS) which came into operation in July 2003 requires a certificate issued by a state member of KPCS confirming the origin and that the diamonds are genuine. Self-interest was also behind the signing on December 20, 2000 of a set of guidelines entitled “Voluntary Principles on Security and Human Rights” by BP-Amoco, Conoco, Chevron, Freeport McMoran, Rio Tinto and Shell, among others, committing themselves to sharing the common goal of promoting internationally recognized human rights in countries where they operate, resulting from a process initiated by the United States and the United Kingdom in conjunction with human rights organization and labour unions.¹¹

Sustainable Livelihood: The Business Connection

Several MNCs have demonstrated that it is in their best interest to show concern for the social environment in which they are operating. In 1992, Daimler Chrysler signed in as a partner of a programme initiated by the University of Para in Belem, Brazil, to provide farmers with alternatives to slash-and-burn subsistence farming by offering incentives to diversify their crops. This resulted in an increase of 15% in the income of 900 families and 5,500 people. The project model has since been implemented in South Africa.¹² In Mozambique, the Melbourne-based BHP Billion, major shareholder of Mozal Aluminium smelting complex, having realised the importance of having a local base of subcontractors, offered technical support and incentives to potential local contractors that resulted in doubling the number of contractors worth a total of \$80 million. In Colombia, in order to expand its sale of agricultural products, DuPont helped farmers with credit facilities to buy their seeds, fertilizers and pesticides, and provided technical advice that increased their yield which benefited both DuPont and the local people.¹³

Whether the private sector is motivated by economic concerns or social conscience, it is likely that pressure from consumers and public awareness campaigns will continue to be an important part of their deliberations on business practices in fragile states. In the example of the Kimberly process, consumer threats to boycott diamonds resulted in the diamond industry adopting a nine-point plan and making available a diamond fingerprinting technology. These examples, despite being motivated by self-interest, have demonstrated the possibility of MNCs engaging themselves in activities that address some of the root causes of civil conflicts such as poverty and the feeling of exclusion, and

¹¹ Gilles Carbonnier, “Corporate Responsibility and Humanitarian Action,” *IRRC*, Vol.83 No. 844, December 2001, p. 948.

¹²World Business Council for Sustainable Development “Sustainable Livelihood: The Business Connection”.

¹³ Ibid.

help prevent conflicts. Furthermore, such activities in a fragile state can impact positively on efforts at resolving conflicts, thereby improving the business environment.

2.3 Business and Long-Term Interests

It is in their business interests for private companies to go beyond reacting to events they are forced to confront in conflict-affected countries. Their investment modalities and related decisions need to be shaped on the basis of the long-term, as opposed to short-term, benefits. It should also be acknowledged that companies can also have short-term benefits while taking the long view. Long-term strategies are not often focussed on one country, rather on an internationally-linked market place, therefore, a long view, alone is not a guarantee for sustainable development and ‘pro-poor’ growth. Being part of an expanding market built on social and economic security and political stability is the key for long-term profit.

An estimated 78% of the world population (or 4.5 billion people), with incomes ranging from US\$1.00 to US\$2.00 per day, is classified as poor or low income.¹⁴ Long-term business growth and fair access to opportunity requires bringing this large number of people into the global economy and narrowing the income gap between rich and poor countries. This low income segment of the world population represents the potential market for industrial growth and business development of the future; however, widening income inequities and economic failures, and the resulting erosion of democracy and the rule of law are threatening the conditions required for a free market to develop. Alleviation of poverty and the promotion of economic, and social development, and political empowerment of the poor could not only help reduce violent conflicts, but could also open up new vistas for business. The abundance of untapped human and natural resources currently suffering from under-development has the highest potential for business growth.

Businesses, therefore, need to revise their traditional risk assessment tools which focus mainly on political and management risks and ignore the political and social environment in which they work. They need to recognize that the scope and content of current risk assessments are narrow, of limited use, and may be detrimental to their long-term business interests. There are a number of potential areas in which MNCs could contribute positively to conflict resolution and sustainable development while ensuring increasing profits and the safety of their capital.

Businesses could improve human capital investment and employment by:

- providing technical and other training and employing more local workers;
- adopting environmental and labour-friendly, universally-accepted standards;
- promoting fair, local procurement and encouraging local businesses to be their suppliers and sub-contractors; and

¹⁴ Netherlands Institute of International Relations, “Capacities for Conflict Prevention: Corporate Sector Fact Sheet”. Presented at the “Mainstreaming Conflict Prevention: Concept and Practice” Conference, held in the Hague, Netherlands Institute of International Relations ‘Clingendael’, 8 and 9 June 2001.

- stimulating social infrastructure for workers and the surrounding community.

Such measures could:

- generate income and reduction of poverty in the community;
- increase tax revenue and foreign exchange to the government;
- transfer technology and know-how and improve the quality of labour at large;
- increase the confidence level of potential foreign and local investors; and,
- strengthen the political, social and economic stability of the country.

Further, by employing people of different ethnic and religious groups and providing a neutral workplace for interaction, companies could contribute to communal and social harmony.¹⁵

While focussing on the impact of conflict on their business prospects, companies also need to ascertain the possible negative impacts their investments could have on the community. Such an evaluation can help avoid or minimize possible adverse impacts on their operations. For example, collaboration with a repressive or autocratic regime has the potential to exacerbate community tensions. Introduction of new technologies could adversely affect the traditional livelihood of the community as well as the collective resources and healthy environment commonly held by the people. Income disparity resulting from investment could also lead to domestic inequities leading to social unrest.¹⁶

In this regard, the potential for domestic businesses to engage in national peace processes as demonstrated in Northern Ireland and South Africa, needs to be highlighted.

In Northern Ireland, a coalition of businesses supported the peace process by consistently promoting the economic benefits to the country, while in South Africa a network organisation of senior business leaders, the Consultative Business Movement, played a vital role in facilitating negotiations between the African National Congress and the former National Party government.

Increased awareness, concern and responsibility for issues which include: “corrupt practices, respect for human rights, violence and security, conflict prevention, access to resources and services, distribution of wealth and benefits, and environmental damage”¹⁷ will contribute positively to management of conflicts and enhance relations between corporations and the community.

¹⁵ Ashley Campbell and David Carment, “Fuelling Conflict or Financing Peace Development? Linkages Between MNC Investment and Conflict: A Case Study Analysis of BP AMOCO’s Social Policies and Practices in Colombia,” Carleton University, Ottawa, Date of publication not indicated, Table 1.

¹⁶ Ibid.

¹⁷ Leah Berger, “Private Sector Risk Analysis and Conflict Impact Assessment”, Carleton University, Ottawa, December 2002.

2.4 Businesses and Risk Assessment

Traditional business risk assessment looks at the possible risks to the business venture; however, the business venture will undoubtedly have an impact or ‘risk’ for the receiving community as well. Some of this effect may be unintended negative impacts on communities which, in turn, create a risk for the business. In this sense, risk assessment is a two-way street – the risk to the enterprise from the community, and the risk to the community from the business activities. A comprehensive conflict impact assessment and risk management tool could be useful to companies prior to investment as well as after the investment, so that revisions to the business model and management practices could be made on an ongoing basis. Such assessments could improve understanding of the situation on the ground, and help make more informed decisions. Analyses of this nature could also improve the understanding of donors, international organisations, NGOs and others interested in conflict resolution. A list of areas or tools for conflict impact assessment and risk management developed by a group of twenty eminent experts representing over fifteen international organisations and groups, for the UN Global Compact is in Annex I.

3.0 Business, Conflict, and the International Community

3.1 International Community as Facilitators of Business Participation

Civil conflicts can lead to the destruction of limited resources, economic infrastructure, institutions of political stability and governance, and ethnic and social fabric. The international community has recognised that humanitarian assistance cannot substitute for the broad participation by civil society in the management of its own political, economic and social development. At the same time, having recognized the increasing importance of MNCs and the private sector in developing untapped resources in developing countries, many donor countries, the UN, multinational organisations, NGOs and community groups now look to the private sector to ensure that they do not exacerbate the conflict, do not benefit from conflict, and at a minimum they will ‘do no harm’.

There is wide realisation that businesses are an inseparable part of society, and the two are interdependent. It is in their mutual interest to work together. This requires that businesses should shoulder certain social responsibilities which will contribute to market stability and sustainable profit. However, there is also a realisation that, given the complexity of the problems, most of the MNCs are not in a position to develop a business strategy on models suitable to a conflict-affected environment. Efforts are, therefore, being made by these organizations and groups to fill the void - to persuade the private sector to modify their corporate behaviour and mainstream conflict sensitivity into their operations. Corporate Social Responsibility (CSR) has now become a subject of extensive research, writing and discussion. International organizations and research scholars are pooling their knowledge and experience to develop strategies and management practices which could serve as guidelines for MNCs to develop conflict-sensitive policies.

One can argue that dealing with social and political issues, and the tensions that may arise, is the primary responsibility of governments and local authorities, and not the private sector; however shouldering certain social responsibilities depends on capacity and not just mandate. One can also argue that the shoulders of the private sector are often broader than those of local authorities, and that it is in everyone's interest – socially, economically and politically – to ensure that business practices do not enflame fragile communities, and may, in the best case, promote peace and stability.

There is no universal or standard definition of CSR, but it is generally agreed as a way of MNCs adopting an integrated approach to economic, social, and environmental imperatives to their activities. It deals with a company's acceptable behaviour, among other things, in regard to health and safety, human rights, environmental protection, human resource management, corporate governance, community development, consumer protection, business ethics and stakeholder rights. The concept of CSR is a challenge to companies to be more innovative and competitive, productive and profitable, and at the same time responsible.

Advocates of Corporate Social Responsibility are trying to impress on the business community that corporate responsibility is not only right but it also makes business sense.

Some of the major initiatives, focusing on enhancing MNCs' understanding of the importance and relevance of CSR and the positive contribution they could make to peacebuilding as well as major initiatives, focusing on enhancing MNCs' understanding of the importance and relevance of CSR, and the positive contribution they could make to peacebuilding are identified in Annex II.

3.2 Peacebuilding and Development Policy of Donor Countries

The European Commission states that "Development policy and other co-operation programmes provide, without doubt, the most powerful instruments at the Community's (EU) disposal for treating the root causes of conflict."¹⁸ However, despite increasing awareness and understanding of the benefits by governments, international organisations and NGOs, donor countries are yet to adopt mainstreaming conflict-sensitive approaches in development aid programmes. The (EU) Commission guidelines for the 2004 mid-term review of country strategy papers have acknowledged that, at present, "conflict prevention is an 'area not adequately addressed in the initial programming'."¹⁹ The importance of such a commitment by donor countries looms large in the context of their effort to get the MNCs and private companies to mainstream the principles of CSR in their investment and management policies.

¹⁸ European Commission, "Commission Communication on Conflict Prevention," Brussels, 2001, p.4.

¹⁹ Guggi Layrea, "Guidelines for Mid-Term Reviews Under the ACP-EC Partnership Agreement," ACP-EU Civil Society Information Network, Newsletter Issue 3, February 2004, p.4.

Fragile States:

- have populations with shorter life spans
- have 4 times the number of people living with HIV/AIDS
- have children who are less likely to go to school
- contain half the children who die before the age of 5 years
- are more likely to become unstable and fail
- are more likely to fall prey to criminality and terrorist networks
- have weak economic growth
- are likely to reduce the economic growth of neighbouring countries by 0.4% a year
- RECEIVED 1/5 THE AID OF NON-FRAGILE STATES

A recent study, carried out in 40 sub-Saharan African countries, found that a five percent drop in annual economic growth increases the likelihood of civil war by more than one-half.²⁰

3.3 Peacebuilding and International Trade Policy of Donor Countries

International trade policy is another area which needs to be looked at in the context of civil conflicts resulting from economic instability and poverty. “The links between economic underdevelopment and poverty have been long recognised, but successive attempts to deliver sustained growth and poverty reduction have generally failed to reduce global economic inequality and may have actually increased it.”²¹ “A growing body of research highlights that continuous economic decline contributes significantly to state collapse and conflict, and that economic shocks play an even more exacerbating role.”²²

Agriculture continues to be the economic backbone of most of the developing countries. However, agriculture continues to remain the only sector that is protected by the rich nations and kept beyond the scope of trade liberalisation that had been taking place since 1947. “Whilst liberalization has been aggressively enforced on developing countries by the developed world, the latter has retained protectionist policies to protect its own industries, particularly agriculture.”²³ As World Bank Chair, James Wolfenson notes, “it is inconsistent to preach the benefits of free trade and then maintain the highest subsidies and barriers for precisely those goods in which poor countries have a comparative advantage.”²⁴

²⁰ Saferworld and International Alert, “Strengthening Global Security Through Addressing Root Causes of Conflict,” Saferworld, International Alert, February 2004, p.22.

²¹ Saferworld and International Alert, “Strengthening Global Security Through Addressing Root Causes of Conflict: Priorities for the Irish and Dutch Presidencies in 2004,” Saferworld, International Alert, February 2004, p.21.

²² Nicholas Sambanis, “Do Ethnic and Non-Ethnic Civil Wars Have the Same Causes? A Theoretical and Empirical Inquiry (Part 1)” *Journal of Conflict Resolution*, Vol. 45, No. 3, 2001.

²³ Ibid.

²⁴ Ibid.

Two-thirds of the world's poor people depend on agriculture for their livelihood, which in Africa's case is 70 per cent of working adults. Yet, European agriculture is still

'It is inconsistent to preach the benefits of free trade and then maintain the highest subsidies and barriers for precisely those goods in which poor countries have a comparative advantage.'

James Wolfenson,
World Bank Chair

subsidised £30 billion a year through the Common Agricultural Policy (CAP). This creates vast surpluses that are dumped on poor countries, rendering their own products worthless. U.S. subsidies amount to \$19 billion a year.²⁵

Maintaining an international trade regime favouring the rich countries to the detriment of poverty and conflict-stricken developing countries undermines the efforts of donor countries and international organizations to persuade MNCs and private companies to streamline conflict resolution and sustainable development in their investment strategies. It demonstrates a significant lack of harmony between trade policies and development objectives. MNCs and their shareholders cannot be expected to change their traditional focus on maximising profits while working in an international environment that continues to be heavily-weighted against the poor countries for which they are not responsible. A more enlightened and comprehensive trade policy that would help the poor countries to deal with poverty and civil conflict leading to the emergence of an environment that would be conducive for private investment, could be the key to preventing, containing, and resolving national and international conflicts and violence around the world.

4.0 Governments and Businesses in Fragile States

Maximizing shareholder benefits is the major objective of private companies. Focusing on profits to the exclusion of other considerations has resulted in multinational and domestic businesses getting involved either directly or indirectly in fomenting or sustaining tensions or civil wars in several countries. Such a linkage can be seen in the conflicts in Afghanistan, DRC, Angola, Sierra Leone, Liberia, Indonesia, Colombia, Nigeria and the Sudan. However, MNCs and the private sector have the potential to be a key provider of economic opportunities, training and education, and offer to many a route out of poverty, which has been substantially proven to be a significant contributing factor to peace and stability.

For governments facing a revolt or civil disturbance, identifying and addressing linkages between insurgents and commercial interests is as important as addressing the root causes of the civil conflict. Given the power and influence of big businesses, affected governments or groups may not, by themselves, be able to deal with challenges arising from business connections from outside the country. Local authorities need to obtain the understanding and active support of the international community to deal with such situations.

²⁵ Oxfam, "EU CAP Reforms Spell Disaster for Developing Countries," Press Release, June 2003, p.27.

What is a Fragile State?

A fragile state is one where government cannot or will not deliver core functions to the majority of its people. Some states are fragile because of weak capacity or lack of political will – or both.²⁶

The business sector, however, is not necessarily the primary, responsible actor in fragile states or states affected by rising communal tensions or conflict. The fragile environment in which businesses often operate in developing countries is usually the result of a host of challenges and decisions taken by local governments, and the presence of multinational corporations in such countries can either prop up unpopular governments, or diminish the role of governments in difficult, transitional environments.

The oft-stated view by corporations that social and political development are “not their business” needs to be reconsidered, given that the presence and actions of those very businesses in fragile communities, particularly the multi-national corporations, affects the way social and political development occur which, in turn, creates the stable or unstable environment in which the business has to operate. Decades of investment in the business, substantial infrastructure and potential future profits can be lost in one civil war, which should make the promotion of peace, security and stability a significant feature of business planning and corporate social responsibility.

Peace and security, derived from community trust and goodwill are an integral part of the successful business strategy. Business plans which ignore the social and political environment, or the effect that their business practices have on the social and political environment, do so at their own risk. The characteristics of fragile states should become an important part of business planning process, and objectives should include more than just profit if the commercial venture is to succeed in the long term. Analysis should consider not only the risk of the environment to business opportunities, but also the opportunity the business has to impact positively on this environment.

Lessons can be learned from donors facing the development challenges of engaging with fragile states and failed states which have developed strategies for more flexible and innovative, preventive responses. One model provides a template of indicative features of fragile states of capacity and willingness under categories of State authority for safety and security, effective political power, economic management, and administrative capacity to deliver services. According to this model, developing countries fall into four broad types:

²⁶ DFID, “Why We Need to Work More Effectively in Fragile States”, UK Department for International Development, January 2005, p 8.

DFID Typology of Fragile States

| | Capacity | Willingness |
|--------|---|--|
| Strong | <p>Strong-Weak</p> <p>Strong but Unresponsive states that may be repressive</p> | <p>Strong-Strong</p> <p>Good Performers with capacity and political will to sustain development</p> <p>“The Monterrey Countries”</p> |
| Weak | <p>Weak-Weak</p> <p>Weak political will and institutional capacity pose serious challenges to development</p> | <p>Weak-Strong</p> <p>Weak but willing states with limited capacity but good intentions</p> |
| | Weak | Strong |

Another strategy for engaging with fragile states uses the term to refer to a broad category of failing, failed and recovering states. It distinguishes between fragile states that are vulnerable from those that are already in crisis, and outlines a strategy specifically for engaging with those which are vulnerable (preventable) failures. Similar to the DFID model which uses ‘capacity’ as an indicator of instability, USAID refers to ‘effectiveness’. They add to this the second cornerstone of ‘legitimacy’.

“*Effectiveness* refers to the capability of the government to work with society to assure the provision of order and public goods and services. *Legitimacy* refers to the perception by important segments of society that the government is exercising state power in ways that are fair and in the interest of the nation as a whole.”²⁸

Conflict & State Failure

Instability associated with fragile states is the product of ineffective and illegitimate governance. Where both effectiveness and legitimacy are weak, conflict or state failure is likely to result.²⁷

Strategic priorities for engaging with fragile communities include:

- enhancing stability
- improving security
- encouraging reform
- developing the capacity of institutions

Lessons learned by development and peacebuilding practitioners for dealing with fragile states are relevant to the business community. Healthy socio-economic conditions create a more conducive environment for commerce, and successful business operations can

²⁷ USAID, “Fragile States Strategy, U.S. Agency for International Development, January 2005, p.3.

²⁸ Ibid.

contribute to the long-term development of the community. To their credit, many multinational corporations have established community outreach and development programs in their area of operations, but WHAT one contributes and HOW one engages is critical to such contributions being effective in promoting goodwill and stability. One lesson learned is that it is important to focus on the root causes of problems rather than on the symptoms. A new health clinic will have little impact if there is no capacity to provide doctors or medicine to operate it, or if the polluted environment creating health problems is not addressed.

Another lesson from the field is that communities must be involved in the dialogue and identification of priorities for their communities, and that well-meaning but top-down decision-making is often counter-productive. It should not be surprising to find that a school project implemented in a community without consultation when they would rather have had an irrigation project may not be well received. A contract to build an infrastructure project, which is not awarded in an open and transparent manner, may only increase the distrust between the community and their local government authorities or the well-intentioned benefactors. The flow of project benefits through cronyism or nepotism is likely to

A minimalist approach to corporate social responsibility also needs to include how business practices can promote stability and reduce hostilities. A more robust approach to these related socio-political issues will enhance the prospects of commercial success and sustainability. Companies need to review how their normal operating procedures and community outreach can tackle the challenges of weak capacity, unwillingness, and legitimacy. They also should address how they can contribute to enhancing stability and security, encouraging reform, and developing the capacity of institutions – all of which promote a more stable, therefore more business-friendly environment. Such an approach does not envisage the private sector taking over the proper role of government as the primary provider of social services to its citizens.

Specific attention also needs to be paid to prevent the involvement of international businesses in acquiring or using national resources for illicit trading that supports rebel movements. If MNCs are already involved, international pressure should be brought to bear to legitimize such trade, and to cut off the flow of illegal resources to rebel forces.

The international system, including the MNCs, plays a role in stabilising fragile states through a range of measures. The Extractive Industries Transparency Initiative (EITI) aims to ensure that income from diamonds, oil, and other resources, which have fuelled conflicts, are handled in a more transparent manner.

Extractive Industry Transparency

In 2004, the Azerbaijan government signed an agreement with oil and gas companies and civil society organisations which outlined how revenues from hydrocarbons would be received and reported. The revenue figures are collated by an independent auditor selected by all parties. This effort has gone a long way to establishing greater accountability and trust between government and its citizens.²⁹

Governments afflicted by conflict and looking to benefit from investments by international businesses need to recognize that many MNCs, besides profit, are concerned about the long-term security and safety of their investment, their reputation, and prospects of hostile litigation. Such companies are unlikely to invest in countries with unjust, autocratic and corrupt governments; therefore, interested countries need to adopt policies and programmes which would help strengthen their internal and external security, as well as political, economic and social institutions. They need to be inclusive of ethnic, linguistic, religious, and regional groups, and focus on promoting social harmony and understanding at a grass roots level. Their policies and programmes need to be designed to attract the attention and support of international donors and financial institutions, NGOs, and the business community at large. It may be easier for a government committed to democracy, pluralism, human rights, a free and open judicial system, free media, and sustainable economic development to secure such support and assistance.

In a situation where the prospects of peace have been restored through a ceasefire and negotiation, governments should focus on policies that would prevent the recurrence of conflict on the one hand, and promote reconstruction and development on the other. A comprehensive economic development plan, identifying natural and human resources, which attracts foreign investment, needs to be put in place. The plan, among other things, should focus on: rehabilitation and restoration of pre-war economic infrastructure; opening up of new employment opportunities; provision of gainful employment to disarmed combatants, and returning displaced people; involvement of more women in development; restoration and development of private businesses; and the protection of the environment.

Such policies need to be formulated, keeping in mind that MNCs and private companies are the main conduit for developing natural and human resources, technology transfer, technical skill development, adding value to local resources, including agricultural products and raw materials, and generating foreign exchange required for importing consumer essentials, industrial raw materials, etc.

²⁹ DFID, “Why We Need to Work More Effectively in Fragile States”, UK Department for International Development, January 2005, p 17.

Facilities, incentives, and guarantees offered to foreign investors should also provide for opportunities for local communities to become partners in building a sustainable economy; however, it would be in the best interest of governments to take into account the principle objective of private investors, and of lessons learned from countries affected by conflict. Some common ground between the corporate objective of maximizing shareholder value, and that of maximizing the benefits to the people needs to be identified and incorporated into the overall development strategy for the country. In addition, the fact that MNCs are always driven by their primary objective of getting access to more secure and profitable natural resources, with ready and assured markets outside, ignoring other potential areas of investment, has to be kept in view. Further, in the quest for profit, businesses could adopt management practices that could directly or indirectly force the government to compromise on security and democratic norms leading to fresh conflicts, and also loss of revenue.

Checking the foreign investment history and credentials of interested MNCs before finalising the selection could be very useful. Also, getting the selected company to commit to open, transparent, and internationally-accepted management practices, based on the principles of CSR, could help to minimise the potential impact of the risks involved. Furthermore, tax and other incentives could be used to attract investment in sectors that are less attractive to MNCs but more important to the country. Participation of MNCs in economic rehabilitation and rebuilding efforts along with the local companies should be promoted and encouraged through better tax and other business incentives. Facilitation of foreign and local joint ventures, technology transfer, and helping local companies to become contractors of local supplies to MNCs should also be part of the development strategy.

5.0 Conclusion

The involvement of private companies and MNCs in illicit trade with links to national conflicts is documented. At the same time, MNCs have replaced the industrial nations as the major source of foreign direct investment in developing countries. Private companies have the financial capacity, technical capability and the industrial experience to develop untapped natural as well as human resources. They can help alleviate global poverty and reduce economic inequalities, which are among the route causes of civil conflicts around the world. Motivated by self-interest and sustainable profits, and encouraged by the international community, private companies are increasingly recognizing the importance of the economic and social environment in which they are operating. The result is the appearance of new business norms and corporate codes of conduct projecting business corporations as partners in development efforts, actively assisted and promoted by donor countries, international institutions, NGOs and community groups, which go beyond trade and profit.

These developments have highlighted the need for donor countries to review their current aid and trade strategies, which are basically rooted in an economic world view of the past. It is important to revise such policies and related management practices in view of the need to adopt development plans which focus on achieving sustainable progress. In

Business, Conflict, and Peacebuilding:
An Operational Framework

brief, the success of international efforts to eradicate poverty, resolve civil conflicts, and build peace now depends on the joint commitment of donor countries and MNCs to be in the forefront leading fragile states out of poverty and underdevelopment.

A coherent and consistent approach - both in strategies and actions – by both industrialised governments and the private sector is needed to level the playing field for businesses, and move this agenda forward.

Business, Conflict, and Peacebuilding: An Operational Framework

| ISSUE | INITIAL ACTION | TRANSFORMATION | FOSTERING PEACE | INDICATORS |
|------------------------------|--|--|--|---|
| Goal: | Cease conflict-promoting activities and minimise the negative impact of business on conflict tensions | Stabilise situation and start building infrastructure, and planning regulatory environment for pro-peace business practice | Promote a positive, ongoing, pro-peace contribution from business | Monitor and strengthen a stable, non-violent business environment |
| Security & Safety | | | | |
| Ex-Combatants | <ul style="list-style-type: none"> Support DDR programs – particularly Reintegration of ex-combatants - through documentation of skills and job training | <ul style="list-style-type: none"> Mobilise support of private companies as partners in reintegration and employment efforts | <ul style="list-style-type: none"> Include private sector input and support participation of businesses in employment offerings | <ul style="list-style-type: none"> Number of ex-combatants registered & returning home Number of former combatants employed |
| | <ul style="list-style-type: none"> Create comprehensive data base of ex-combatants, both rebels and soldiers, with their skills, qualifications and desires | <ul style="list-style-type: none"> Design and deliver suitable counselling, vocational/skill development training and programmes Provide micro-credit & revolving loan funds Offer technical assistance for small business and private entrepreneurs Support the granting of land titles | <ul style="list-style-type: none"> Support ongoing skills upgrading and labour-intensive income-generating projects Provide ongoing technical assistance for start-up businesses | <ul style="list-style-type: none"> National coverage of locations training/ counselling centres Number of participants documented Number of participants trained level of enrolment and participation |
| | <ul style="list-style-type: none"> Execute labour-intensive infrastructure, rehabilitation and reconstruction plans | <ul style="list-style-type: none"> Facilitate the employment of as many ex-combatants as possible | <ul style="list-style-type: none"> Share work with private companies through open tender/bidding system | <ul style="list-style-type: none"> The number of ex-combatants employed and the number looking for jobs |

Business, Conflict, and Peacebuilding:
An Operational Framework

| ISSUE | INITIAL ACTION | TRANSFORMATION | FOSTERING PEACE | INDICATORS |
|---|--|--|--|---|
| Special Combatants | <ul style="list-style-type: none"> Document details of vulnerable cases such as child soldiers, female combatants, elderly and the handicapped | <ul style="list-style-type: none"> Design and deliver programs to meet their special requirements, and arrange for financial and other assistance Provide basic literacy and numeracy training to youth geared to employment | <ul style="list-style-type: none"> Encourage participation of private sector, NGOs, and local and foreign community groups in employment-generating schemes | <ul style="list-style-type: none"> Number of people trained Number of people employed in trained skill area |
| Governance | | | | |
| Restoration of Stability | <ul style="list-style-type: none"> Ensure peace committees include private sector representatives Support programs which ensure free flow of goods | <ul style="list-style-type: none"> Restore essential services, transport and communications to allow resumption of normal business activities Help revive rural markets and business activities | <ul style="list-style-type: none"> Foster pro-business, pro-peace initiatives | <ul style="list-style-type: none"> peace plans included initiatives for business promotion business benefits from transition planning Businesses have access to basic infrastructure |
| Political and Economic Policy | <ul style="list-style-type: none"> Publish parliament/ legislature-approved declarations committing Government to democratic governance Open economy, transparent and corruption-free administration | <ul style="list-style-type: none"> Establish policy framework to offer pro-business incentives Take policy decisions to attract foreign and local investment | <ul style="list-style-type: none"> Publicise and promote to impress prospective investors the country is being opened to business | <ul style="list-style-type: none"> Activities of foreign & local business community, donors and international aid agencies Codes of Conduct created |
| Government as Partners in Business | <ul style="list-style-type: none"> Set up national advisory body on business both in urban and rural areas | <ul style="list-style-type: none"> Facilitate interaction of business & government Seek collective input to promote peace and economic performance | <ul style="list-style-type: none"> Encourage business participation in activities aimed at strengthening communal & ethnic harmony | <ul style="list-style-type: none"> Strengthened relationship between government & business community Increased contribution to peace from work-place |

| ISSUE | INITIAL ACTION | TRANSFORMATION | FOSTERING PEACE | INDICATORS |
|--|---|--|---|--|
| Community-Friendly Business Environment | <ul style="list-style-type: none"> Assist creation of Chambers of Commerce to include big, medium and small businesses | <ul style="list-style-type: none"> Assist business to develop standards for corruption-free, transparent and people-friendly business environment with effective enforcement mechanism | <ul style="list-style-type: none"> Encourage social groups, NGOs, community organisations, and the media to be vigilant and work closely with business and government support establishment of watch-dog monitoring body | <ul style="list-style-type: none"> Number and spread of Trade Chambers and membership Business environment with minimum or no public complaint of unfair or discriminatory business practices |
| Media | <ul style="list-style-type: none"> Facilitate the resumption or promote the establishment of independent newspapers, broadcasting and telecasting facilities | <ul style="list-style-type: none"> Strengthen media-business synergies Support skills building of media and good journalism Promote business through effective media Promote investment through responsible media | <ul style="list-style-type: none"> Eradicate perception of neglect and denial of state and business services Highlight economic progress, & direct/indirect peace dividends | <ul style="list-style-type: none"> Free flow of information on economic activities Constructive reporting on pro-peace business issues and activities Media presence as pro-business supported Well-informed community, capable of taking rational rather than emotion-based decisions |
| Conflict-Sensitive Donor Assistance | <ul style="list-style-type: none"> Review strategies and policies of donors from a business & trade perspective | <ul style="list-style-type: none"> Ascertain effectiveness of business & trade as instruments of pro-peace development Incorporate conflict-sensitive donor practice in country Incorporate conflict-sensitive business practice in country | <ul style="list-style-type: none"> Adjust strategy and policies to achieve economic growth & performance targets on a long-term basis Build capacity in business sector to operate in non-discriminatory and peace promoting manner | <ul style="list-style-type: none"> The extent of mainstreaming development sensibilities achieved in policies and management of development assistance |
| Donors and International Trade Policy | <ul style="list-style-type: none"> Review trade policies in light of inherent weakness of economy of aid recipient countries Cease counter-productive trade & investment practices of external actors Adopt sanctions or embargoes as required to prevent conflict-promoting trade practices | <ul style="list-style-type: none"> Ascertain areas requiring support and seek cooperation and coherence of donor engagement | <ul style="list-style-type: none"> Adjust/amend policies to help citizens maximize benefit from indigenous natural and human resources and raw materials | <ul style="list-style-type: none"> Accommodation of requests by DCs on issues such as agriculture Indications of more liberal application of the principle of trade reciprocity improvements in growth rate of DCs |

| ISSUE | INITIAL ACTION | TRANSFORMATION | FOSTERING PEACE | INDICATORS |
|----------------------------|---|--|---|--|
| Legal | | | | |
| Regulatory Measures | <ul style="list-style-type: none"> Promulgate legal codes/ statutes, provide protection to foreign and local investments | <ul style="list-style-type: none"> Attract investors through incentives and technical assistance Strengthen guarantees in related agreements Obtain support international financial institutions such as the World Bank and the IMF | <ul style="list-style-type: none"> Leave open the prospects of improving such laws as needed Provide technical assistance in business and trade matters | <ul style="list-style-type: none"> Comments and reaction by investors and international organisations Improved business performance and protection |
| Labour | <ul style="list-style-type: none"> Promulgate/update labour laws, including gender equity, workplace safety, minimum wage, union rights and child labour, and tribunals/mechanism for negotiation of wages and working condition | <ul style="list-style-type: none"> Avoid industrial unrest and ensure a peaceful work place environment Strengthen democratic norms and values | <ul style="list-style-type: none"> Review and update regulations in keeping with developments at international level, and for sharing development gains with workers | <ul style="list-style-type: none"> Frequency of Labour disputes Complaints from workers Work disruptions |
| Environment | <ul style="list-style-type: none"> Promulgate regulations based on internationally-accepted environmental guidelines | <ul style="list-style-type: none"> Ensure protection of the environment and facilitate sustainable development Ensure protection of natural resources for legitimate business and trade activities | <ul style="list-style-type: none"> Ensure regular review and updating of guidelines | <ul style="list-style-type: none"> Workplace and outside are free from unacceptable level of pollutants Proper use/maintenance of natural resources Regulatory framework(s) in place to protect natural resources |

| ISSUE | INITIAL ACTION | TRANSFORMATION | FOSTERING PEACE | INDICATORS |
|--|--|---|--|---|
| Economy | | | | |
| Management of Conflict Tensions | <ul style="list-style-type: none"> Secure borders, natural and industrial resources to prevent illegal trade Support efforts to prevent benefits from illegal trade Consider imposing sanctions or trade restrictions | <ul style="list-style-type: none"> Secure the support of domestic, regional, and international business to employ conflict-reducing business practices Support consensus building and develop codes of conduct for domestic and international business operating in-country | <ul style="list-style-type: none"> Support efforts to build capacity for government authorities to manage and control natural resources and revenues Support the establishment of Chambers of Commerce and support private sector activities | <ul style="list-style-type: none"> Absence of funds entering illegally Absence of access by rebel groups to lootable resources Greater revenues flowing into official coffers |
| Illegal Trade by Business | <ul style="list-style-type: none"> Identify the companies involved in illegal trade tracing the route from point of sale | <ul style="list-style-type: none"> Focus on resolving problem by direct contact with the companies or through multilateral efforts | <ul style="list-style-type: none"> Persuade businesses to route trade through legal channels | <ul style="list-style-type: none"> Official record of trade, and foreign exchange earnings generated. |
| Status of Economy | <ul style="list-style-type: none"> Mobilise expertise from international institutions and local business to assess economy and potential resources | <ul style="list-style-type: none"> Ascertain immediate and long-term action required Determine areas for state, local and foreign business investments and development | <ul style="list-style-type: none"> Identify untapped or underutilized resources requiring foreign investment & technology for development | <ul style="list-style-type: none"> Economic assessment report Comprehensive nature of information collected and various resources identified |
| Special Investment Incentives | <ul style="list-style-type: none"> Offer special incentives for: upgrading/adding value to local products and raw materials; production of new exports; Develop local resources for procurement and sub-contracting Invest in technical training and skills development | <ul style="list-style-type: none"> Promote economic diversification Increase export earnings Develop local businesses increase technical and skilled workers generate more jobs | <ul style="list-style-type: none"> Offer incentives and help local businesses to collaborate with foreign investors in joint ventures, technology transfer, and for production of import substitutes and new exports | <ul style="list-style-type: none"> Increased number of new products value of export earnings Number of sub-contractors, exporters and distributors, skilled and technical workers, and new/additional jobs created Cooperation/investment of interested parties and external actors |

Business, Conflict, and Peacebuilding:
An Operational Framework

| ISSUE | INITIAL ACTION | TRANSFORMATION | FOSTERING PEACE | INDICATORS |
|---------------------------------------|---|---|--|---|
| Foreign Investment | <ul style="list-style-type: none"> • Prepare detailed promotional materials on foreign investments, incorporating all available incentives | <ul style="list-style-type: none"> • Publicize and educate foreign companies on resources and potential and business opportunities available for investment | <ul style="list-style-type: none"> • Promote foreign and local private investment • Structure tax/ incentives favouring investments in long-term, labour-intensive industries including tourism | <ul style="list-style-type: none"> • Level of response from prospective investors • The number of investment agreements concluded |
| Selection of Foreign Investors | <ul style="list-style-type: none"> • Obtain history of investment by prospective investors in developing countries | <ul style="list-style-type: none"> • Check credentials from independent sources and identify MNCs involved in civil conflicts and other malpractices • Identify companies with good track record of corporate social responsibility | <ul style="list-style-type: none"> • Ensure that companies selected have a clean record or have lately demonstrated commitment to open and transparent business practices • Establish mentoring partnerships in the private sector | <ul style="list-style-type: none"> • Open commitment to principles of Corporate Social Responsibility • Corporate guidelines being promoted by UN and international organisations, NGOs and community groups • Commitment for open and acceptable management practices in project agreements |
| International Trade | <ul style="list-style-type: none"> • Prepare detailed report on status of traditional exports, and identify potential new exports | <ul style="list-style-type: none"> • Assist quick impact projects for business rehabilitation and increase of known exports and development of new exports | <ul style="list-style-type: none"> • Focus on adding value to local raw materials and products • Seek foreign investment and markets | <ul style="list-style-type: none"> • Performance of exports including new exports |
| Tariff Regime | <ul style="list-style-type: none"> • Prepare list of essential imports, including machinery, industrial raw materials and other consumer items | <ul style="list-style-type: none"> • Develop a tariff regime to protect and promote local economy, generate revenue and comply with global / WTO requirements | <ul style="list-style-type: none"> • Design and open new production lines and expand existing facilities | <ul style="list-style-type: none"> • Increased use of imported inputs in expanding economic activities • Availability of essential items at reasonable prices |
| Trade and Investment Promotion | <ul style="list-style-type: none"> • Seek international expertise and assistance from agencies like International Trade Centre and World Trade Organization • Set out trade and economic promotional strategies | <ul style="list-style-type: none"> • Train officials to promote trade, investment, tourism in world markets • Secure assistance of donors, international organisations & NGOs | <ul style="list-style-type: none"> • Expose local business professionals to modern industries, technologies and foreign markets • Promote innovative business ideas and promotional strategies | <ul style="list-style-type: none"> • Level and performance of foreign investments • Assistance received by businesses looking for foreign partners and markets • Increase in export earnings |

| ISSUE | INITIAL ACTION | TRANSFORMATION | FOSTERING PEACE | INDICATORS |
|------------------------------|---|--|--|---|
| Sea and Air Transport | <ul style="list-style-type: none"> • Draw up short and long-term plan for the development of sea and air ports, and the tourist industry | <ul style="list-style-type: none"> • Facilitate smooth flow of exports and imports and the development of tourism | <ul style="list-style-type: none"> • Develop transit facilities for cargo movement and target markets for tourist promotion | <ul style="list-style-type: none"> • Smooth flow of freight and passenger traffic • Increasing tourist arrivals |
| Banking and Finance | <ul style="list-style-type: none"> • Strengthen Central Banking and promote expansion of commercial banks with a regulatory system acceptable to the world community | <ul style="list-style-type: none"> • Facilitate the smooth flow of foreign capital, guarantee transparency • Make available financing and loan facilities for businesses and the public at large | <ul style="list-style-type: none"> • Create conditions necessary to start a capital market • Encourage easy financing for small businesses and co-operatives | <ul style="list-style-type: none"> • Complaint-free foreign transactions • Ease with which companies, co-operatives, and individuals are able to access business facilities |

Business Risk Assessment

| GOAL | IDENTIFY RISK FACTORS | ASCERTAIN LEVEL OF RISK | ENSURE SAFETY AND SECURITY | MONITOR, AND STRENGTHEN OPERATIONAL STRATEGY |
|----------------------------|---|---|---|---|
| Security and Safety | <ul style="list-style-type: none"> Review history of region and country | <ul style="list-style-type: none"> Look for incidence of civil and/or border conflicts or disputes | <ul style="list-style-type: none"> Identify parties, groups or countries involved & ascertain current position | <ul style="list-style-type: none"> Absence of or ongoing disputes with no violence |
| | <ul style="list-style-type: none"> Review reasons or areas of conflict and/or dispute | <ul style="list-style-type: none"> Ascertain dispute result of ethnic and/or religious discrimination or claim on natural resources or border problem | <ul style="list-style-type: none"> Look at actions by government to address the problems, and ascertain effectiveness | <ul style="list-style-type: none"> Interaction of different groups and community leaders, their reaction to ongoing peace efforts Level of official interaction with the country involved in dispute. |
| | <ul style="list-style-type: none"> Identify the location of resources of interest | <ul style="list-style-type: none"> Assess security and safety of environment Ascertain likely positive and negative impacts the proposed investment could have on the community, their livelihood and environment | <ul style="list-style-type: none"> Review results in the light of investment strategy, business model, social commitment and long-term benefits | <ul style="list-style-type: none"> Compare results with experience in dealing with problems in similar situations in other countries Ascertain whether the company has the required knowledge, technology, expertise and commitment to deal with inherent challenges |
| Governance | <ul style="list-style-type: none"> Review the situation of human rights, particularly in the business sector | <ul style="list-style-type: none"> Assess level of protection citizens/ foreigners and business people enjoy, government accountability, and transparency | <ul style="list-style-type: none"> Ascertain the existence of any forms of human rights abuses Review level of participation by the people in governance, and in choosing their rulers. | <ul style="list-style-type: none"> Complaints of human rights violations and response by community groups Frequency of free and fair elections Free and open discussion of policies and issues Number of cases relating to violation of human rights; and the existence of a free media |

| GOAL | IDENTIFY RISK FACTORS | ASCERTAIN LEVEL OF RISK | ENSURE SAFETY AND SECURITY | MONITOR, AND STRENGTHEN OPERATIONAL STRATEGY |
|------------------|---|--|---|--|
| | <ul style="list-style-type: none"> Review the existing judicial system and the legal framework | <ul style="list-style-type: none"> Assess the neutrality, independence, and efficiency of the judicial system | <ul style="list-style-type: none"> Ascertain whether the system is open and within reach of all citizens and non-citizens to seek and receive timely redress for complaints and grievances | <ul style="list-style-type: none"> Existence of an open judicial process with different levels with access to all residents, and freely functioning legal profession |
| | <ul style="list-style-type: none"> Study forms of corruption, if any, among politicians and officials | <ul style="list-style-type: none"> Assess what levels of government are afflicted with corruption | <ul style="list-style-type: none"> Ascertain the impact of corruption in terms of time, money, and in dealing with the government on a day-to-day basis | <ul style="list-style-type: none"> Experience of business people and community groups, and the Corruption Perception Index of Transparency International |
| Economics | <ul style="list-style-type: none"> Learn about illegal trading, if any, its route and beneficiaries | <ul style="list-style-type: none"> Assess its impact on the economy, and identify its links, if any, with foreign businesses, rebel groups or groups | <ul style="list-style-type: none"> Ascertain any policy in place to address the issue, and, if so, its effectiveness and chances of legalising such trade | <ul style="list-style-type: none"> Production/processing and trading of same or similar products in the world market as well as markets in neighbouring countries, with known sources of origin and trade route |
| | <ul style="list-style-type: none"> Take note of disputes among different levels of governments in sharing and use of revenue | <ul style="list-style-type: none"> Learn about the nature of disputes and impact on relationship of different levels of governments and the community | <ul style="list-style-type: none"> Ascertain the dispute resolution mechanisms in place and their effectiveness in resolving disputes | <ul style="list-style-type: none"> Publicity in the media of such disputes and settlement Views and opinion publicly aired by political parties and community groups |
| | <ul style="list-style-type: none"> Identify social inequalities arising from an inherent inequality in wealth distribution or social exclusion | <ul style="list-style-type: none"> Assess impact of such inequities on the political, social and economic fabric of the community | <ul style="list-style-type: none"> Ascertain the seriousness of underlying grievances, their short-term and long-term implications to the stability of the country Assess effectiveness of government measures to address such problems | <ul style="list-style-type: none"> Income level of different segments and groups of people Ethnic, religious or regional variations Access to education, technical training and government jobs |

Business, Conflict, and Peacebuilding:
An Operational Framework

| GOAL | IDENTIFY RISK FACTORS | ASCERTAIN LEVEL OF RISK | ENSURE SAFETY AND SECURITY | MONITOR, AND STRENGTHEN OPERATIONAL STRATEGY |
|--|---|---|--|---|
| Labour | <ul style="list-style-type: none"> Study level of unemployment & underemployment by age and sex | <ul style="list-style-type: none"> Assess the structure and nature of labour force | <ul style="list-style-type: none"> Ascertain the skill level, and potential for training and upgrading of technical and other standard | <ul style="list-style-type: none"> Availability of technical training & skill development facilities The extent to which such facilities are open without age, ethnic or gender discriminations |
| | <ul style="list-style-type: none"> Labour Laws | <ul style="list-style-type: none"> Assess the protection available to labour in terms of tenure of employment, wages and benefits, and facilities and opportunities for career development | <ul style="list-style-type: none"> Ascertain how effectively such laws are enforced Determine mechanisms, if any, of employer/employee groups/unions for resolving disputes amicably, and level of peace at work place | <ul style="list-style-type: none"> The number of reported labour disputes and strikes at work place |
| Corporate Social Responsibility | <ul style="list-style-type: none"> Review business strategies and management practices developed by international organizations, donor countries, NGOs Research scholars and community groups focusing on Corporate Social Responsibility (CSR) | <ul style="list-style-type: none"> Assess usefulness or effectiveness of principles of CSR in dealing with the level of risk identified | <ul style="list-style-type: none"> Ascertain how the suggested strategies and management practices could be adapted | <ul style="list-style-type: none"> The level of company's commitment to various principles of CSR Willingness to mainstream conflict sensibilities into their management practices |

Annex I

The areas or tools of conflict impact assessment and risk management private companies could focus on include:³⁰

1. **Governance:** In terms of government's accountability, responsiveness and transparency; the level of human rights violation or protection; level of corruption; functioning legal framework; and provision of basic services.
2. **Economy:** A review of the economy needs to take into consideration the distribution of wealth, existence, if any, of gross inequities and social exclusion; claims to land rights and natural resources; on-going disputes or potential for disputes among central, regional and local governments over resources and revenue; and the existence, if any, of illegitimate markets/networks that provide funding for arms/supplies to rebel groups.
3. **Labour:** The study should look at the level of unemployment/under employment by age and gender; the structure of education, skill development and the skill level of the work force, and the nature of violations, if any, of core labour rights.
4. **Human Rights:** Efforts should be made to ascertain the degree, condition, and type of human rights abuses, if any, in the country, with special focus on abuse of minorities, land treaty rights, displacement etc.
5. **Security:** Issues that need to be looked at include the history, if any, of armed resistance and insurgency in the region against governments, and the history, if any, of violent crime and/or widespread use of private security firms or unaccountable security forces.
6. **Environment:** An examination of the environment and the community needs to ascertain whether or not environmental degradation in the area affects the traditional livelihood of the community, and what has been the experience, if any, of the community's past experience with the environmental damage attributed to private sector activities.
7. **Humanitarian Crisis:** Efforts also should be made to ascertain whether or not the conflict has led to humanitarian crisis in the region, and as to whether there have been any violations of International Law resulting from such crises.

³⁰ "Impact Assessment and Risk Management Guide," in Global Compact Business Guide for Conflict Impact Assessment and Risk Management, June 2002, developed by a working group for the UN Global Compact and presented at the meeting of Dialogue Group held on 17-18 April, 2002 at UN Headquarters, New York.

Annex II

Major initiatives by the international community, focusing on enhancing the understanding of importance and relevance of CSR of the private corporations, and the potential contribution they could make towards conflict prevention and peacebuilding include:

1. Global Compact “Dialogue on Business in Conflict Zones,” jointly developed by UN-led involving UNEP, UNDP, UNCHR, and ILO.
2. OECD Supplement to the DAC Guidelines on Conflict, Peace and Development section on Business and Conflict, and the Guidelines for Multinational Enterprises.
3. Global Compact Business Guide for Conflict Impact Assessment and Risk Management developed by a group of experts for the UN Global Compact Organisation Global Reporting Initiative by UNEP.
4. Tripartite Declaration of Principles Concerning Multinationals and Social Policy, developed by the ILO.
5. Global Sullivan Principles of Social Accountability by Global Sullivan Principles.
6. Human Rights Guidelines for Companies by Amnesty International.
7. Good Company Guidelines by the Canadian Business for Social Responsibility.
8. Ethical Trading Initiative developed by an alliance of companies.
9. NGOs and trade unions.
10. US-UK Voluntary Principles on Human Rights and Security.

Also, a number of research papers with useful suggestions and advice to companies, governments, donor countries and concerned NGOs have been, and continue to be published by several organisations including:

- International Alert
- International Institute for Sustainable Development
- World Bank, the IMF
- Netherlands Institute of International Relations
- World Business Council for Sustainable Development
- World Vision International, Forum for Early Warning and Early Response
- Amnesty International, the International Committee of the Red Cross
- International Labour Organisation
- Saferworld International Alert
- Conflict Prevention and Post-Conflict Reconstruction Network, an organisation representing 24 groups/organizations including, among others, the international development agencies of all OECD countries, the UN, World Bank and the IMF.

Bibliography

- Alderson, K. *Canadian Firms, Canadian Values: Foreign Policy Implications of Canadian Commercial Activities in Risky States*. Vancouver: Canadian Business for Social Responsibility, May 2000.
- Amnesty International. *Human Rights Principles for Companies*. AI Index: ACT 70/01/98. London: Amnesty International, January 1998
<<http://web.amnesty.org/library/index/engACT700011998?open&of=eng-398>>
- Amnesty International. *The UN Human Rights Norms for Business: Towards Legal Accountability*. London: Amnesty International, 2004.
- Ballentine, Karen and Heiko Nitzschke. "Beyond Greed and Grievance: Policy Lessons from Studies in the Political Economy of Armed Conflict." *International Peace Academy*, October 2003.
- Banfield, Jessica, Virginia Haufler, and Damian Lilly. *Transnational Corporations in Conflict Prone Zones: Public Policy Responses and a Framework for Action (Executive Summary)*. International Alert, September 2003.
- Berger, Leah. *Private Sector Risk Analysis and Conflict Impact Assessment: Measuring the Reverse Flow of Risk*. Ottawa: Carleton University, December 2002.
- Berman, J. "Boardrooms and Bombs: Strategies of Multinational Corporations in Conflict Areas." *Harvard International Review* 22 (2000): 28-32.
- Buncome, Andrew. *The Independent*, 27 March 2001.
- Bush, K. *A Measure of Peace: Peace and Conflict Impact Assessment (PCIA) of Development Projects in Conflict Zones (Working Paper No. 1)*. Ottawa: International Development Research Centre, 1998.
- Campbell, Ashley and David Carment. *Fuelling Conflict or Financing Peace Development? Linkages Between MNC Investment and Conflict: A Case Study Analysis of BP AMOCO's Social Policies and Practices in Colombia*. Table 1. Ottawa: Carleton University, date of publication not indicated.
- Campbell, Ashley. *The Private Sector and Conflict Prevention Mainstreaming: Risk Analysis and Conflict Impact Assessment Tools for Multinational Corporations*. Ottawa: Carleton University, May 2002.
- Canadian International Development Agency (CIDA) and the Conflict Prevention and Post-Conflict Reconstruction Network (CPR). *Children in Armed Conflict and Peacebuilding: Operational Framework*.

_____ . *Education*. Operational Framework.

_____ . *Gender Equality and Peacebuilding*. Operational Framework.

_____ . *Media*. Operational Framework.

_____ . *Micro-Disarmament*. Operational Framework.

_____ . *The Private Sector and Peacebuilding*. Operational Framework.

_____ . *Truth and Reconciliation Commissions*. Operational Framework.

Capacities for Conflict Prevention: Corporate Sector Fact Sheet. Presented at the “Mainstreaming Conflict Prevention: Concept and Practice” Conference, held in the Hague, Netherlands Institute of International Relations ‘Clingendael’, 8 and 9 June 2001.

Carbonnier, Gilles. “Corporate Responsibility and Humanitarian Action.” *IRRC* 83 (December 2001): 947-968.

Center for Strategic and International Studies (CSIS) and the Association of the United States Army (AUSA). *Post-Conflict Reconstruction Task Force Framework*. May 2002.

Chesterman, Simon & Beatrice Pouligny. *The Politics of Sanctions: Policy Brief*. International Peace Academy, Center for International Studies and Research (CERI), and The Royal Institute of International Affairs, May 2002.

Conflict Prevention and Post-Conflict Reconstruction (CPR) Network. *Early Warning and Early Response Handbook*. January 2003.

Corporate Social Responsibility: Human Rights for All People for All Times. A web report, adapted from a speech by Irene Khan, Secretary General, Amnesty International at the Novartis Conference, Basle, Nov 27, 2003
<<http://www.web.amnesty.org/mavp/av.nsf/pages/csr/>>

Cragg, W. *Prosperity and Business Ethics: The Case for Corporate Social Responsibility in the Americas*. Ottawa: Canadian Foundation for the Americas, April 2001.

Davies, R. *Conflict Prevention and Post-Conflict Reconstruction: Conflict and the Private Sector*. British Parliamentary Select Committee on International Development, 6th Report, 1998.

Department for International Development (DFID). *Building Institutions for Marketing*. U.K: The Department for International Development (DFID).

_____. *DFID and Corporate Social Responsibility: Could Corporate Social Responsibility Disadvantage the Poor?* U.K: The Department for International Development (DFID), 2003.

Dietrich, Christian. *Hard Currency: The Criminalized Diamond Economy of the Democratic Republic of the Congo and its Neighbours*. Occasional Papers #4, Ottawa: Partnership Africa Canada, June 2002.

European Commission. *Checklist for Root Causes of Conflict*. 2002.

_____. *Communication from the Commission on Conflict Prevention*. Brussels, 2001.

Global Compact Business Guide for Conflict Impact Assessment and Risk Management. Developed by a working group for the UN Global Compact and presented at the meeting of Dialogue Group held on 17-18 April, 2002 at UN Headquarters, New York, <<http://www.undp.kz/img/docs/en/544.pdf>>

Goulbourne, Tricia. *Corporate Social Responsibility: The Business Case. Risk Analysis and Conflict Impact Assessment Tools for Multinational Corporations*. Ottawa: Carleton University, September 2003.

International Alert. *Supporting & Enhancing the Business Sector's Role in Peacebuilding*. Global Issue Policy Notes No.3. London: International Alert, November 2002.

_____. *The Business of Peace: The Private Sector as a Partner in Conflict Prevention and Resolution (Executive Summary)*. The Prince of Wales Business Leaders Forum. London: International Alert, 1999.

International Labour Organisation. *Guidelines for Employment and Skill Training in Conflict-Affected Countries*. Geneva: Training Policies and Systems Branch, International Labour Office (ILO), January 1998.

_____. *Manual on Training and Employment Options for Ex-Combatants*. Geneva: International Labour Office, 1997.

_____. *Crisis Response in Africa, At a Glance*. IFP/CRISIS HIGHLIGHTS. Geneva: ILO, 1999-2004.

International Organization for Migration. *Demobilized Former Combatants: Return and Reintegration*. Geneva: IOM, 2003.

Business, Conflict, and Peacebuilding:
An Operational Framework

Johnston, Michael and Sahr J. Kpundeh. *Building a Clean Machine Anti-Corruption Coalition and Sustainable Reforms*. World Bank Institute, 2002.

Kaanan, Ramzi et al. *Conflict Timber: Dimensions of the Problem in Asia and Africa*. USAID: Associates in Rural Development, Inc., 2003.

Laprise, Anne-Marie. *Programming for Results in Peacebuilding- Objectives "Tree" & Performance Indicators*. Hull: Canadian International Development Agency (CIDA), 1998.

Layrea, Guggi. "Guidelines for Mid-Term Reviews under the ACP-EC Partnership Agreement." *ACP-EU Civil Society Information Network 3*, Newsletter (February 2004).

Lund, M. and A. Mehler. *Peace-building and Conflict Prevention in Developing Countries: A Practical Guide*. Berlin: Stiftung Wissenschaft und Politik & Conflict Prevention Network, June 1999.

Mack, A. The Private Sector and Conflict: Global Compact Policy Dialogue. Harvard Program on Humanitarian Policy and Conflict Research, 2001. Retrieved 26 February 2002, at
<www.unglobalcompact.com/un/gc/unweb.nsf/content/privateSector.html>

Manby, B. *The Price of Oil: Corporate Responsibility and Human Rights Violations in Nigeria's Oil Producing Communities*. New York: Human Rights Watch, 1999.

Mitchell, Mark *Time Asia*, Vol. 158, No.5, 6 August 2001.

Nelson, J. *The Business of Peace: The Private Sector as a Partner in Conflict Prevention and Resolution*. London: The Prince of Wales Business Leaders Forum & International Alert, 2000.

Nicol, Alan, Yacob Arsano and Joanne Raisin. *Prevention of Violent Conflict and the Coherence of EU Policies Towards the Horn of Africa: EU Policies and the Risk of Conflict in Ethiopia's Awash Valley*. Report. London: Saferworld, October 2000.

Organization for Economic Co-operation and Development, Development Assistance Committee (OECD/DAC). Policy Statement "Conflict, Peace and Development Co-operation on the Threshold of the 21st Century." Paris: OECD, 1997.

_____. *Integrating the Conflict Dimension in the Private Sector Development Strategy*. Paris: OECD.

- _____. *Net Official Development Assistance from DAC Countries to Developing Countries and Multilateral Organizations*. Paris: OECD, October 2004, at <<http://www.oecd.org/dataoecd/43/26/1894401.xls>>
- _____. *OECD Guidelines for Multinational Enterprises: General Policies II*. Paris: OECD, 2000.
- _____. *The OECD Guidelines for Multinational Enterprises*. Paris: OECD, 2000.
- Oxfam. *EU CAP Reforms Spell Disaster for Developing Countries*. Press Release. Oxfam, June 2003.
- Partnership Africa Canada. *Other Facets*. A periodic Newsletter, Human Security Project, Partnership Africa Canada, Ottawa.
- Project Ploughshares. *Armed Conflict Report 2002*, Institute of Peace and Conflict Studies, Conard Grebel University College, Waterloo, Canada.
- Rienstra, Dianna. "The Approach of the Corporate World: How Conflict-Sensitive Is The Private Sector?" *The Hague, Netherlands Institute of International Relations 'Clingendael'* (June 2001).
- Rodrik, D. "Globalisation, Social Conflict and Economic Growth." *The World Economy* 21(1998): 143-159.
- Russel, H. *An Analysis of Corporate Involvement in the Conflict Prevention Industry*. London: Forum on Early Warning and Early Response (FEWER), March 2001.
- Saferworld and International Alert. *Strengthening Global Security Through Addressing Root Causes of Conflict: Priorities for the Irish and Dutch Presidencies in 2004*. Saferworld and International Alert, February 2004.
- Sambanis, Nicholas. "Do Ethnic and Non-Ethnic Civil Wars Have the Same Causes? A Theoretical and Empirical Inquiry (Part 1)." *Journal of Conflict Resolution* 45 (2001).
- Saravanamutto, N. *Foreign Direct Investment and Poverty Reduction in Developing Countries*. Ottawa: TurnCourse Solutions, 1999.
- Schwartz, P. and B. Gibb. *When Good Companies Do Bad Things: Responsibility and Risk in an Age of Globalization*. New York: John Wiley & Sons, 1999.
- Smille, Ian Lansana Gberie and Ralph Hazelton. "The Heart of the Matter: Sierra Leone: Diamonds and Security". *Partnership Africa Canada* (January 2000): 1-4.
- Stiftung Wissenschaft und Politik. *Conflict Impact Assessment: A Practical Tool for*

- Prioritising Development Assistance in Unstable Situations, CPN Guide.* Brussels: SWP-CPN, October 1999.
- Sutherland, P. *The Role of the Business Sector in the Development and Protection of Human Rights.* Address to Amnesty International, Dublin, 1997. Retrieved June 23, 2002, at:
<[http://web.amnesty.org/aidoc/aidocpdf.nsf/index//ACT300221997ENGLISH/\\$File/ACT3002297.pdf](http://web.amnesty.org/aidoc/aidocpdf.nsf/index//ACT300221997ENGLISH/$File/ACT3002297.pdf)>
- The Economist. "War and Money: The Business of Conflict." *The Economist* 354 (2002): 46-48.
- The Role of the Private Sector in Conflict Prevention (Meeting Minutes).* Hosted by DFID and facilitated by International Alert, London, 22nd July.
- UNCTAD. *Inward & Outward Flows.* UNCTAD, World Investment Directory on-line, at
<<http://stats.unctad.org/restricted/eng/ReportFolders/Rfview/explorerp.asp>>
- Vandergrift, Kathy. *Civil Society Response to Commerce and Conflict.* World Vision Canada.
- Vernon, Raymond. *In the Hurricane's Eye: The Troubled Prospects of Multinational Enterprises.* Cambridge: Harvard University Press, 1999.
- World Bank. *Building Institutions for Markets (Summary Extract).* World Development Report, 2002.
- World Bank Institute. *New Empirical Tools for Anti-Corruption and Institutional Reform: A Step-by-Step Guide to Their Implementation.* World Bank Institute and Europe and Central Asia Public Sector Group, Washington, 1999.
- World Business Council for Sustainable Development. *Corporate Social Responsibility: The WBCSD's Journey,* January 2002.
- _____. *Sustainable Livelihood: The Business Connection. The WBCSD's Journey.*