

The Business of Peace

The private sector as a partner in conflict prevention and resolution



EXECUTIVE SUMMARY

The private sector and security are linked in many ways, most obviously because thriving markets and human security go hand in hand. Global corporations can do more than simply endorse the virtues of the market, however. Their active support for better governance policies can help create environments in which both markets and human security flourish.

Kofi Annan, Secretary General,
United Nations, 1999

INTERNATIONAL ALERT



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Background

During the past decade the forces of political transformation and economic globalisation have created a world of new opportunities and hope for many, but increased instability and insecurity for others. As we approach the 21st century what had seemed a promising trend towards a world with fewer violent conflicts may have halted. This has important implications for the private sector, which has become an influential player in many conflict-prone or conflict-ridden countries.

The Business of Peace reviews these trends and provides a framework for understanding both the positive and negative roles that business can play in situations of violent conflict. The report outlines:

- Why the private sector can no longer afford to ignore the causes and costs of conflict;
- Some of the key factors that determine whether business plays a negative role by creating or exacerbating violent conflict, or a positive role by helping to tackle it; and
- The types of action that companies can undertake, with other actors, in preventing and resolving violent conflicts and some of the challenges associated with these actions.

Drawing on examples from over 30 countries and from a variety of industry sectors, the report concludes that both domestic and multinational companies have an increasingly important role to play in conflict prevention and resolution. In today's global economy they also have a growing business rationale for playing this role.

A framework for business engagement

The report begins by arguing the business case for engagement. It reviews both the changing context of business and the changing nature of conflict. After illustrating some of the major trends in both of these areas the report identifies key corporate costs of conflict and benefits of peace.

Costs include: security services and other forms of risk management; material losses to private property and public infrastructure; opportunity and personnel costs; and costs of litigation and reputation damage when companies are seen to 'get it wrong' by having investments in 'pariah' states or appearing responsible for incidents that incite or exacerbate conflict. Some of these costs are illustrated by examples from Colombia, Mozambique, Sri Lanka and Bosnia.

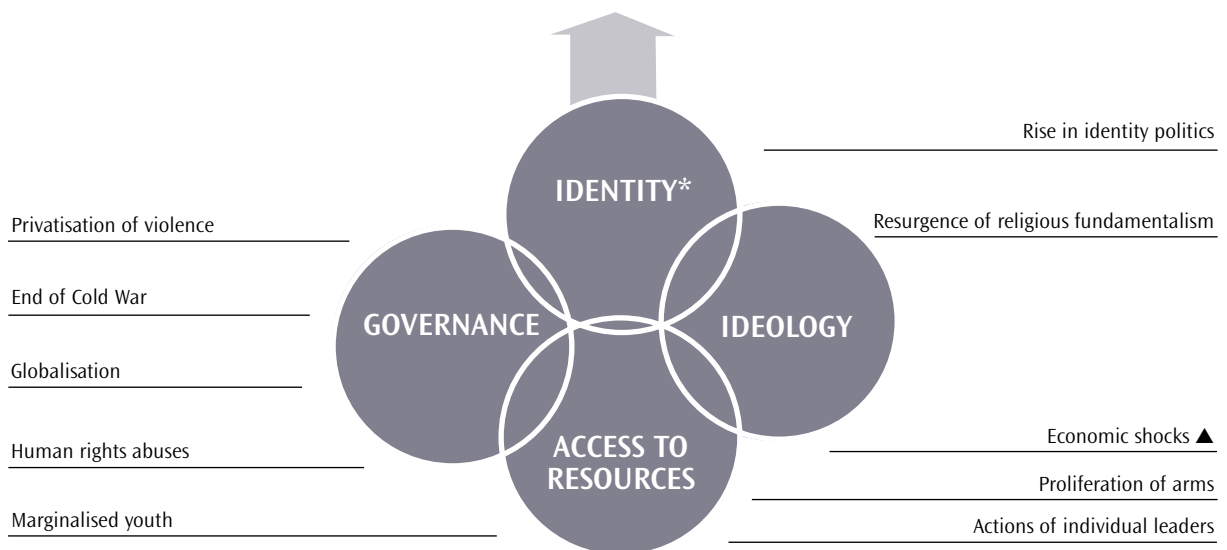
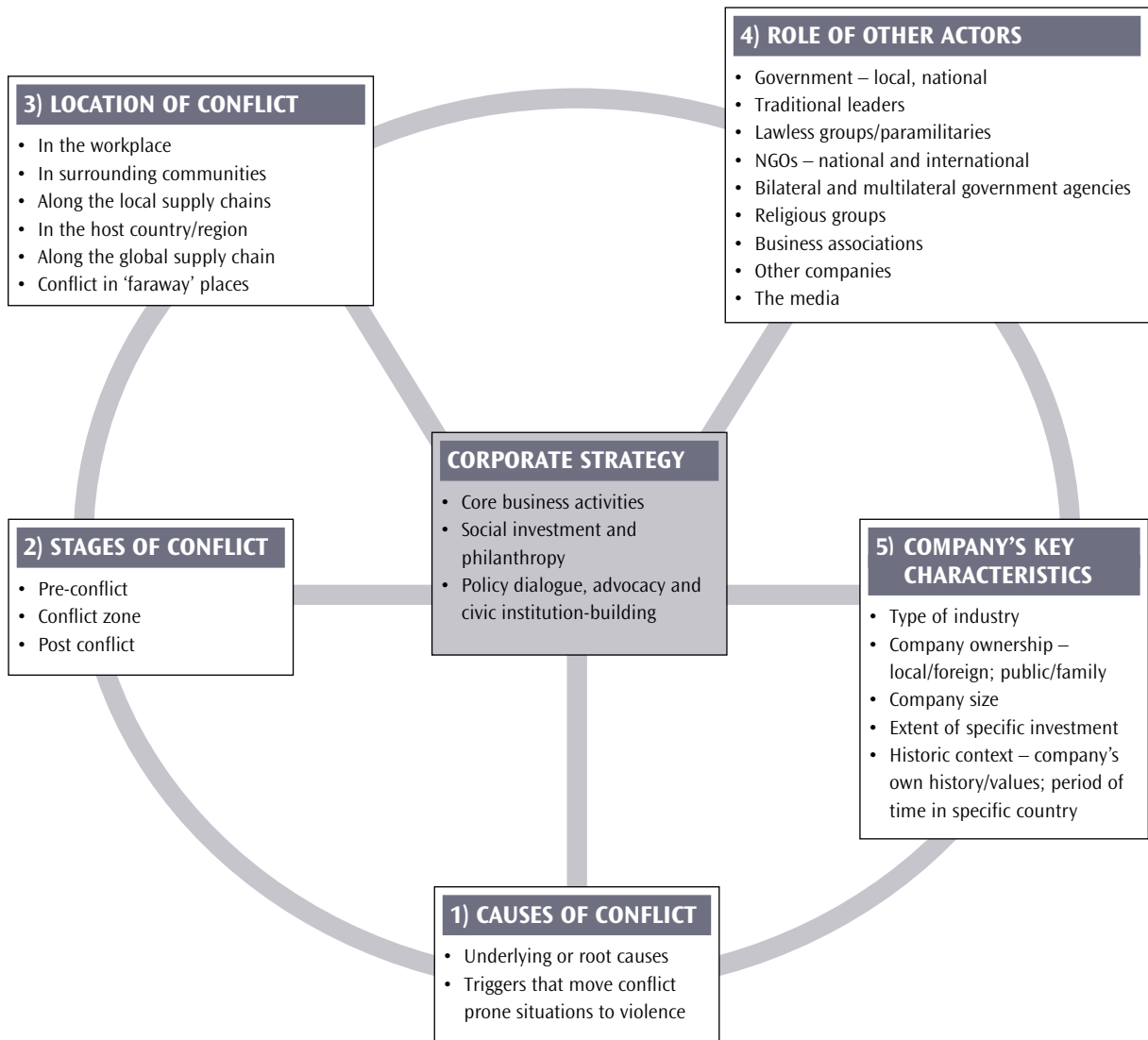
The two main sections of the report provide examples and analytical frameworks for assessing:

1. The factors that determine the **role of business in conflict** (both negative and positive); and
2. The ways in which business can make a positive **contribution to conflict prevention and resolution**.

The core parameters of these frameworks are illustrated over the page. It is the dynamic interaction between these parameters that will determine the role that a company or industry sector is likely to play in preventing, creating, exacerbating or resolving violent conflict. There is no blueprint. Each situation is likely to be different. The purpose of the frameworks is not to provide 'checklists of easy answers'. In most conflict-prone or war-ridden situations 'easy answers' simply don't exist. This is especially so when it comes to tackling some of the structural causes of conflict, which are increasingly necessary for business to address. Instead, the purpose of the frameworks is to offer a set of questions and parameters against which a company can assess its specific situation, its likely impacts and its possible responses.

The report provides examples of 'conflict sensitivity profiles' for key industry sectors, including: oil, gas and mining; infrastructure; travel and tourism; financial institutions; consumer goods; and information technology. These profiles are based on factors such as: the industry's potential as a source of conflict; likely business costs of conflict; and flexibility of withdrawal from a conflict situation.

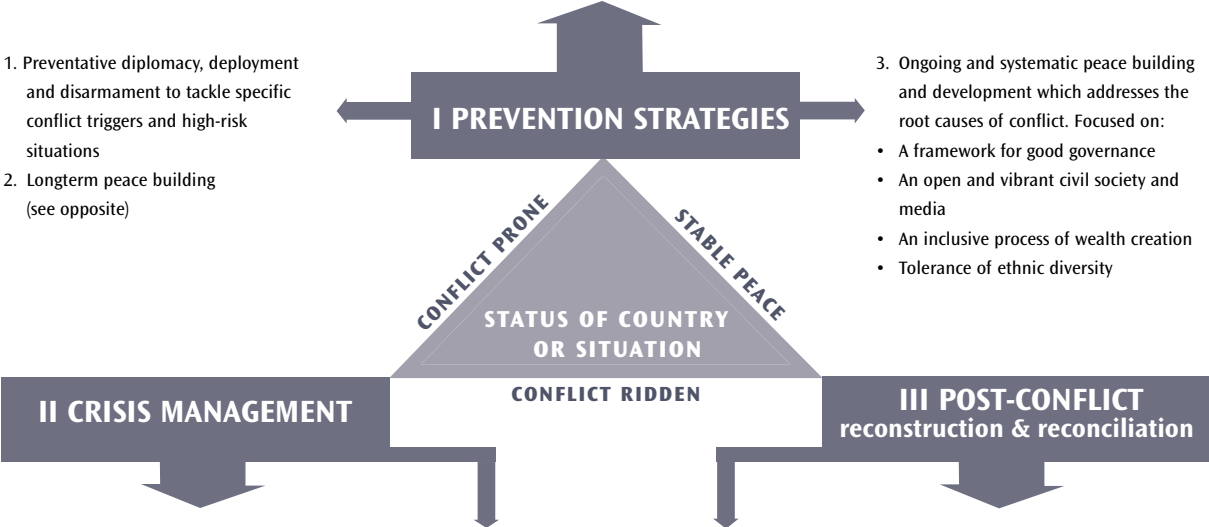
The factors that determine the role of business in conflict



root causes *

triggers ▲

The ways in which business can make a positive contribution to conflict prevention and resolution



What can business do specifically?

CORE BUSINESS ACTIVITIES

1. Supply relief services on a commercial basis in areas such as:
 - Water and sanitation
 - Shelter and site planning
 - Food, nutrition and health services
2. In doing so, follow Red Cross guidelines for humanitarian assistance
3. Ensure integrity of the company's own security arrangements when operating in a conflict zone

SOCIAL INVESTMENT

1. Partner with NGOs and governments on product donations
2. Support work of humanitarian and development NGOs in other ways

POLICY DIALOGUE (collective action)

1. Put pressure on politicians to negotiate
2. Provide secretariat services and other support for peace negotiations
3. Engage directly in peace negotiations (although this can be highly sensitive and at times inappropriate)

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| <ol style="list-style-type: none"> 1. Emergency humanitarian relief 2. Security arrangements 3. Peace negotiations 4. On-going efforts at long-term development projects | <ol style="list-style-type: none"> 1. Jump-start the economy via new investment and financing arrangements 2. Re-establish the framework of governance and undertake institutional reforms 3. Repair physical infrastructure 4. Rebuild social and human capital 5. Undertake de-mining and disarmament activities 6. Demobilise and retrain ex-combatants 7. Target support at most affected communities, displaced populations and vulnerable groups |
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SOURCE: WORLD BANK

What can business do specifically?

CORE BUSINESS ACTIVITIES

1. Provide commercial support in rebuilding infrastructure and investing in productive sectors
2. Do so in a way that builds local human capital and business capacity, especially for small-scale businesses
3. Take into account points 1-5 at the top of the page

SOCIAL INVESTMENT

1. Focus on projects that target affected populations and ex-combatants, taking into account points 1-4 at top of the page
2. Support NGOs active in reconciliation efforts, voter education etc.

POLICY DIALOGUE

1. Play a role in truth and reconciliation commissions
2. Engage with government and other stakeholders on remaining areas of contention and mistrust which may cause a return to conflict

Challenges

A section of the report focuses on some key challenges companies face when operating in conflict prone or war-ridden societies. These include both structural challenges at the macro level and management challenges at the micro-level or individual enterprise level. They often link closely to each other and include the following:

- Dealing with repressive or corrupt regimes
- Benefiting from 'war economies'
- Facilitating illegal or illicit activities (sometimes inadvertently)
- Exploiting strategic resources
- Managing security arrangements
- Creating a 'honeypot' effect through large-scale investments
- Promoting responsible distribution of public revenues generated by business operations
- Deciding on withdrawal vs. 'constructive engagement'

- Engaging in the role of 'diplomat' or political player
- Undertaking collective corporate action vs. individual activities
- Measuring and accounting for responsible wealth creation
- Managing company reputation: bridging the gap between public perception and reality
- Establishing the limits of effective business engagement in social investment and conflict prevention.

The report closes by offering key principles required for addressing management and structural challenges when operating in areas of potential or existing conflict. These principles are interdependent and represent a process that can help companies become more engaged in the prevention and resolution of violent conflict. They are summarised below:

Principles of corporate engagement in conflict prevention and resolution

- 1. Strategic commitment** – chief executive and board leadership, policies and operating standards which make specific mention of conflict or human rights where appropriate, commitment to changing corporate culture where necessary, integration of these issues into core business activities, social investment programmes and policy dialogue.
- 2. Preparation** – skills development and training, use of in-house and external specialists and advisors, adoption of company and/or industry guidelines, development of methodologies for objective analysis on the causes of conflict and the impact of business activity on conflict.
- 3. Dialogue and consultation** – internal and external communications with different stakeholder groups on a systematic and consultative basis, taking into account different capacities and power structures and the need to facilitate genuine participation.
- 4. Implementation partnerships** – understanding what is needed and then leveraging different resources, skills and capacities to carry this out. Working collectively with other companies and developing partnerships with civil society organisations and government bodies where appropriate.
- 5. Evaluation and accountability** – ongoing measurement, analysis, reporting and verification. This includes the challenge of accounting for tangibles and intangibles i.e. physical, financial and managerial inputs and outputs, as well as processes, which is especially difficult in periods of rapid change and instability.
- 6. Enabling frameworks** – working with other companies, governments, civil society organisations, academia and the media to develop enabling frameworks, especially for addressing the structural challenges that face those working and living in regions of violent conflict. These can include: the development of voluntary codes; fiscal incentives; regulatory structures; recognition systems for good practice; innovative public-private financing mechanisms; training and measurement methodologies; and advocacy for good governance and anti-corruption measures.

To order copies of the full report contact:

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The full report will be published on a website in early 2000.

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