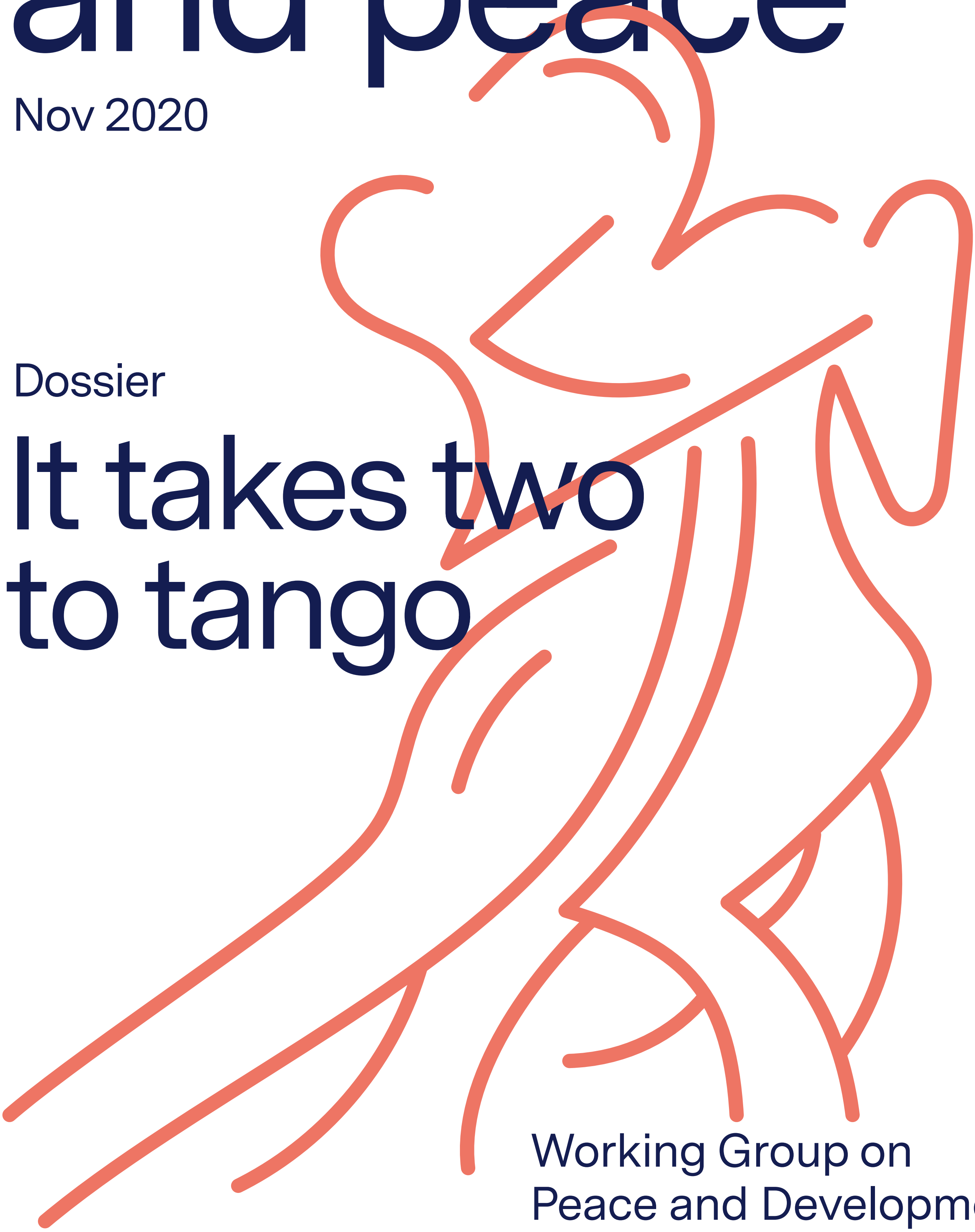
FriEnt

Business and peace

Nov 2020

Dossier

It takes two to tango



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Publisher
CDA Collaborative Learning
255 Main Street, 8th Floor
Cambridge, MA 02142
USA
feedback@cdacollaborative.org

FriEnt – Working Group on
Peace and Development
c/o GIZ
Friedrich-Ebert-Allee 36
53113 Bonn
Germany
info@frient.de

International Alert
346 Clapham Road
London
SW9 9AP
United Kingdom
info@international-alert.org

Authors
Markus Mayer (International Alert),
Ben Miller (CDA Collaborative Learning),
Kathryn Nwajiaku-Dahou (Overseas Development Institute),
with contribution from Johannes Schreuder (Peacenexus)

Editors
Caroline Kruckow, Sylvia Servaes,
Kirsten Jantke, Svenja Brunkhorst (FriEnt)

Responsible according to german press law
Natascha Zupan

Reader
Hillary Crowe

Design
Eps51, Berlin

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CDA PRACTICAL LEARNING for INTERNATIONAL ACTION

FriEnt Working Group on Peace and Developement

international alert

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Preface

by Dan Smith, Director of Stockholm International Peace Research Institute

As a basic proposition, the idea that if businesses can operate in an ordinary manner, that will help build peace, seems uncontentious to many. As a field for both research and policy it is about two decades old. There is increasing agreement among donor governments that strengthening the private sector strengthens the prospects for peace. Unfortunately, evidence to support the proposition is not very strong and, on the other side, there is just as much evidence of business activities contributing to the continuation of conflict. This paper is to be commended for setting out dispassionately to explore the issues and disentangle the different threads of evidence and argument.

The discussion has long been blighted by a lack of necessary distinctions. It is a strength of this paper that it begins with the heterogeneity of the private sector. What constitutes the private sector differs widely from one country to another and even within countries. There is a great diversity of actors. There are big divergences in the impact of different industries and, within the same commercial sector, different operating modes. Regulation of the private sector and respect for norms are also highly diverse.

In most conflict-affected and peacebuilding contexts, most private sector economic activity is carried out by small businesses not by big corporations. The extent to which they can individually influence prospects for peace is limited at best. Many see little or no interest in doing so. For some, that is because they see no mandate to act politically or work explicitly for peace. For others, it is because the risks they might take could be great – risks to their lives, not just to their turnovers. And for a third group, the fact is that they profit from the war economies in which they operate.

This suggests the focus should be on regulation of the private sector, ensuring that normal business operations do not damage the prospects for peace and making it possible for them actually to improve the prospects. The difficulty of course is that regulation is weakest where the need for it is greatest – in fragile and early peacebuilding contexts.

None of this means that private sector activities can have no good effect for peace. But great care needs to be taken in working out how they can be supported so as to have this effect. The alliances that could be made among businesses, as in Chambers of Commerce, and between businesses and other actors from civil society come strongly into focus here.

In the end, the historical evidence is clear that commerce is good for peace and peace is good for commerce. However, the path from a war economy to a peace economy is not usually easy or straightforward. This paper performs an extremely useful function in setting out the right questions, reviewing the evidence and drawing some clear policy conclusions on moving forward. It will be extremely useful for a readership interested and engaged in the work of developing the much-wanted positive relationship between business and peace.

Editorial

By Caroline Kruckow and Sylvia Servaes, FriEnt

Jobs, jobs, jobs – according to the 2011 World Bank/UN report “Pathways to Peace” and United Nations Secretary-General António Guterres’ “Sustaining Peace” Agenda – are central in responding to the needs of war-torn societies and fragile contexts. In line with this thinking, job creation through economic development and business involvement has an important stabilising impact in fragile and conflict settings and therefore the private sector has a key role to play in peacebuilding.

But is it really that simple? Do we just have to create jobs, boost economic development and support business actors to enable divided communities and conflict actors to live better and more peacefully as neighbours? Of course, it is not that simple: we have known for decades that businesses profit not only from peace but also, and in various dimensions, from violent conflict.

In recent years, the Working Group on Peace and Development/FriEnt has organised a series of events on “Business and Peace” which resulted in the FriEnt-Briefing “Business and peace – taking stock: building peace with a bulldozer?” published in December 2018.

One of the topics we identified for follow-up was “Winning over businesses to peace”. It poses a range of questions: under what conditions can businesses be persuaded to support peace – and what kind of companies are committed to “doing no harm”? How much responsibility do investors and banks bear as the providers of business finance? What criteria do companies have to fulfil in order to justify public sector funding for business development under (post-)conflict conditions? In order to tackle these questions, FriEnt organised an international expert consultation in October 2019, which focused on two topics: the development of indicators that identify, assess and monitor peace-promoting investments and products; and the challenge of communication between the peacebuilding community and economic actors.

We decided to take these insights to the next level in a joint paper, which sheds light on decades of work in the field of private sector engagement and peacebuilding.

We are very happy that Ben Miller, Principal at CDA Collaborative Learning, Boston/USA, Markus Mayer, Head of the Asia Programme at International Alert, London/UK and Kathryn Nwajiaku-Dahou, ODI Director of Programme – Politics and Governance, UK, agreed to accompany us on this journey and contributed their many years of experience to this new joint paper. Johannes Schreuder, Peace Nexus Foundation, CH, shared insights from the investment side.

This newly edited paper aims to raise awareness of the opportunities and prospects but also the risks and challenges associated with the business and peacebuilding nexus. We believe it is necessary to not forget that it always ‘takes two to tango’ – it is necessary to draw on the two dimensions’ respective strengths and weaknesses and identify their specific roles and options, so that all the opportunities for harmonisation are utilised, yet without creating excessively high expectations.

What questions does this paper answer and who is it for?

You are a:

- Policy-maker / donor or a
- Policy advisor or a
- Project officer in a development or peace building organisation

You think the relationship between business and peace / conflict is characterised by any of the following:

- The activities of the private sector in fragile and conflict-affected states (e.g. jobs) make those states more peaceful and less fragile.
- Businesses and investors are interested in risk reduction and therefore should also willing and able to engage in efforts to prevent violence and/or build peace.

The reality is more complex:

- There is no clear evidence of an intrinsic link between business and investment, on the one hand, and peace, on the other hand. Routine business operations do not necessarily have positive impacts on factors influencing peace and conflict.

- Where businesses yield small, incremental, positive impacts, these impacts do not add up to society-level peace without coordinated, deliberate efforts to ensure that they do so.

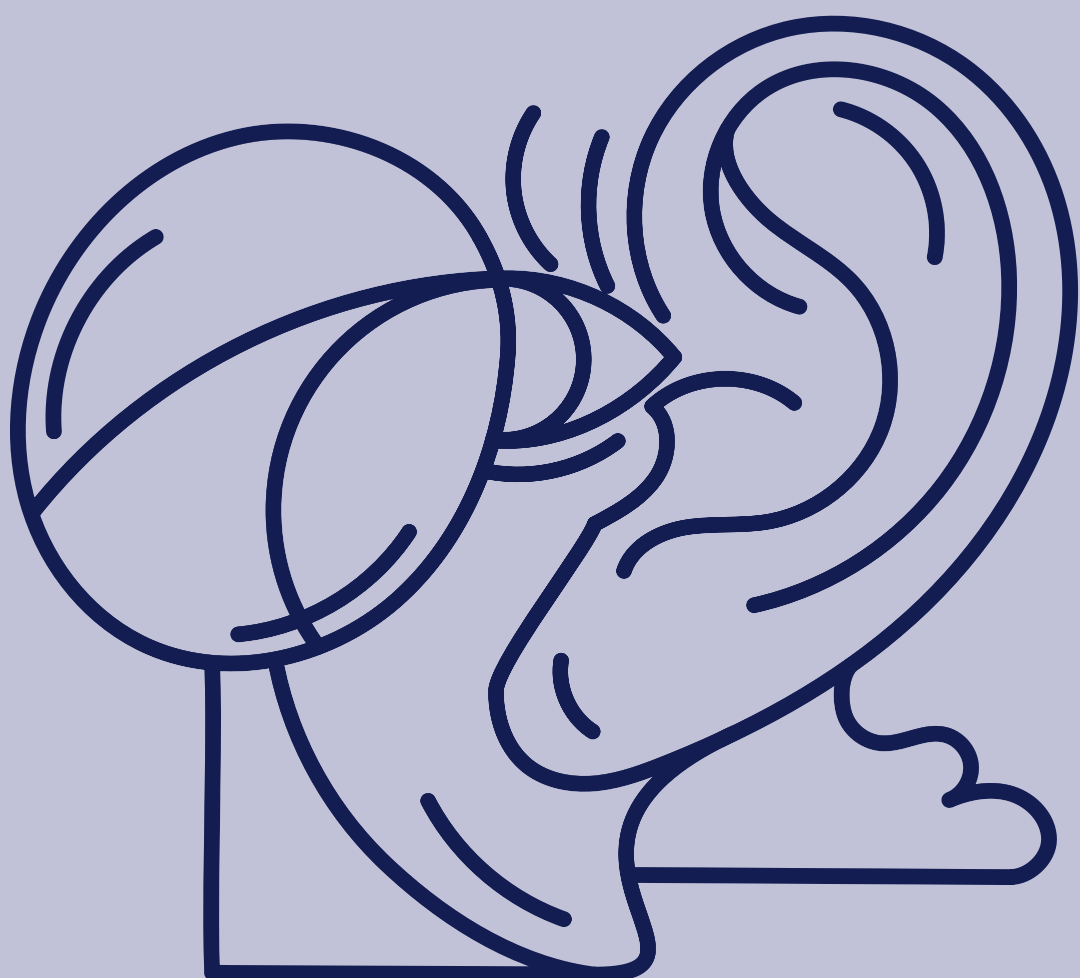
- In fragile contexts, 'business as usual' is highly likely to drive conflict; conflict sensitivity is as important for the private sector as it is for humanitarian and development initiatives.

- In contexts of conflict, the business contribution to peace does not flow from business operations such as hiring, community development or 'shared value' approaches, but from 'diplomatic' roles that businesses or business leaders may be able to play.

To find out more, read on.

Activities of companies are not intrinsically peace positive

Conceptual landscape



Over the last decade, there has been growing enthusiasm in policy circles about the private sector's potential to contribute positively to peace, driven by a group of academics, NGOs and international organisations. They are keen to see the private sector play a role in ending conflict and fragility in states affected by either or both. Typical of this turn is the UN Global Compact, which established the Business for Peace Platform in 2013 based on the premise that "businesses can make a positive long-lasting contribution to peace and development".[1]

Many of the current efforts to bring companies into line with the international agenda for fragile and conflict-affected states (FCS) appear to be searching for a 'magic bullet': a simple mechanism that would unlock the perceived potential of the private sector to transform FCS. Yet the enthusiasm of advocates of 'business and peace' has not facilitated a consensus, or even clarity, about what the 'peace potential' of the private sector is, how it can be realised, or what role the private sector does have, should have, or would willingly accept in fragile and conflict-affected states.

Conclusive, empirical evidence of cause and effect between investment or business activities, on the one hand, and peace, on the other hand, remains elusive.[2] Companies operating in FCS, for their part, have been and remain largely outside of and indifferent to the policy-level discussion, which has yet to trigger significant, widespread changes in companies' approaches to their business activities. For investors and policy-makers, the important questions remain unanswered: what kind of investments, if any, will change conditions on the ground and contribute to peace in FCS? What initiatives should policy-makers and bi- and multilateral agencies be funding as part of their private sector-related work? And how can investors and policy-makers be sure that their efforts are yielding the desired outcomes?

We argue:

It is important to understand the complexities of the issue and abandon 'magic bullet' thinking about the private sector's potential.

We first look at private sector actors operating in FCS in more detail to explore their potential to impact peace and conflict, and then consider some essential lessons from peacebuilding and conflict sensitivity that should be taken into account by policy-makers and private sector actors wishing to make a difference.

Diversity of the sector requires specificity of the strategy

The private sector is extremely heterogeneous, and the specific characteristics of individual private sector actors have a significant bearing on the potential that they may have to impact on peace and conflict for better or for worse. Policy, investment and engagement strategies that seek to impact on peace and conflict by working through the private sector will be most effective when they account for this specificity. Below, we suggest starting points for such thinking that also illustrate the implications of private sector diversity for strategy and policy development.

Different industries have different social impacts and risks

Different industries have different characteristic social impacts and risks because of the nature of the business activities in which companies in these industries engage. Mining, for instance, has impacts of a different nature, scale and duration on people living near a mine than, say, brewing and bottling have on communities living near to a brewery or bottling plant, or road construction has on communities located in a construction zone or near to a new road.

Different industries offer different entry points for efforts related to peace, and different, but equally specific strategies are required to mitigate their adverse impacts on conflict.

Scale matters in terms of the kind of strategy

All other things being equal, the size of a company matters, both as regards the scope and scale of its impacts on peace and conflict, but also in terms of the kind of strategy that might be effective in shaping that company's practices and hence the outcomes of its activities. American retailer Walmart, for instance, employs 2.2 million people. A change in Walmart's recruitment or compensation and benefits policies might have significant impacts on a regional economy and the quality of life of a large number of people. By the same token, because of the scale of Walmart's business activities, the sums of money involved and its elaborate internal governance, it might take more effort and different strategies for an individual investor or policy actor to provoke change in any Walmart policy, or even to convene a meeting with high-level decision-makers within the company.

Micro-, small and medium enterprises (MSMEs),[3] in contrast, hugely outnumber large companies in most contexts, especially in conflict-affected zones where larger companies may be comparatively reluctant to invest or establish a presence. MSMEs can be found even in the most difficult, remote, conflict-affected places and often provide vital goods and services to communities.

MSMEs thus offer a significant entry point for peacebuilding initiatives. While smaller enterprises might be easier to influence than larger ones, they also have much less influence as individual

companies on conditions in the societies in which they operate; meaningful impacts on peace will likely come from working with large numbers of MSMEs at a time.

Impacts through user and value chains

Conflict and peace impacts sometimes occur through user and value chains, not just via hiring, involuntary resettlements, spills and the like. A few well-known examples will suffice to make the point. Buddhist anti-Muslim groups in Rakhine, Myanmar, used Facebook (FB) to mobilise and incite widespread violence against Muslim Rohingya populations. In this case, FB contributed to the negative impact on conflict because it allowed FB users to organise ethnic violence. Similarly, manufacturers of consumer electronics such as tablets and mobile telephones utilise the mineral tantalite in LCD displays; tantalite mining is known to have financed illegal armed groups and utilised forced and child labour in the Democratic Republic of the Congo, and to date, only 20% of the tantalite used in new products is recycled. Actors developing private sector strategies to influence conflict and peace in FCS might reasonably seek to influence the policies of social media companies headquartered in the Global North, or finance start-ups that recycle tantalum in countries where large numbers of people tend to replace their consumer electronics on a regular basis. 'Business and peace' strategies adopted by donors, investors and NGOs will be ineffective unless they consider factors such as those mentioned above with regard to size, nature and location of businesses, among others. Efforts to encourage multinational extractive industry companies to manage their impacts more effectively, for instance, may require specific capacities, partnerships and technical approaches. However, these may not be at all relevant to micro-enterprises or to efforts by policy actors to reduce aggregate poverty and unemployment through large-scale micro-lending and management training. Different strategies may require fundamentally different entry points and partnerships, and, in any given context, one strategy may be significantly more effective than another as an approach to peace and conflict. Strong analysis and tailored support strategies, rather than broad-brush approaches, are therefore key.

How do business impacts on conflict and peace occur?

The dynamics of conflict and fragility shape the outcomes of business activities

Some of the less critical contributions to discussions about business and peace leave fragility and conflict themselves unaddressed in their analyses. Business activity, entrepreneurship and investment are at times treated in the literature and policy discussions as though they were the same in Sweden as they are in Sudan. Yet in fragile and conflict-affected states, the dynamics of conflict and fragility shape the outcomes of business activities (and, indeed, any other intervention) fundamentally.

It is worth noting, as well, that state fragility and conflict often drive each other. Persistent conflict, even in sub-regions of a country (as in Nigeria, Myanmar, Mali and Uganda), often weakens state institutions; and weak governance institutions are rarely able to contain or resolve conflicts effectively or prevent them from escalating into sustained violence.

Multinational companies: In FCS, 'business as usual' tends to drive or enflame conflicts

Multinational companies (MNCs) and other large companies require effective governance for a range of purposes. These include clear and fair regulation, credible enforcement of property and contract law, security and political stability, the impartial arbitration of disputes, and some degree of public trust that state revenues will be expended in the public interest. Few FCS can deliver any of these, and the consequences can be significant. In the context of land acquisition for a corporate project in a FCS, for instance, people may be involuntarily relocated by unaccountable state agencies in ways that they perceive to be fundamentally unfair, or simply be pushed out for want of title deeds.

In many FCS, relevant regulatory frameworks may be out of date or entirely absent, and the state may not be capable of enforcing regulations. The perception that public officials are corruptible may undermine the credibility of regulation that is, in fact, effective. Affected populations may have no access to legal redress for the impacts of effluent discharge, a company's water consumption, noise, light, dust or chemical pollution, declining water quality, or yet more significant grievances.

MNCs in FCS may create new income generation opportunities that undermine historical sources of authority, or drive social ills such as alcoholism, prostitution, crime and influxes of strangers into small places. Few local authorities in FCS have the capacity to manage these challenges effectively. High levels of corruption in FCS may mean that corporate taxes and royalties do not yield tangible benefits among communities affected by business operations; or they may very conspicuously benefit residents of the capital city, or national or local elites, to the exclusion of others. In states that cannot provide security throughout their territories, armed groups may seek to operate in the presence of a company in the hope of extorting benefits from the company itself or its employees, imposing fear and a risk of violence on its neighbours. In FCS, the impacts of routine company operations, and much more besides, are far more likely to drive conflict than they are in other states.

— Businesses require governance infrastructure in order to avoid fuelling conflict through their everyday activities. In FCS, this infrastructure is by definition partly or wholly absent.

— In environments characterised by fragility, weak governance or conflict, business as usual is highly likely to drive or enflame conflict.

Micro-, small and medium enterprises: Conditions of fragility create risks and opportunities

Conditions of fragility and conflict create both risks and opportunities for micro-, small and medium enterprises. They respond to these risks and opportunities in a variety of ways, some of which directly contravene basic peacebuilding values, standards and practices. In many instances, they engage in such business practices in order to function and survive in the given context. To avoid antagonising armed groups and political actors, for instance, MSMEs may engage in corrupt practices such as bribery, exchanges of favours or nepotism. It may be impossible for MSMEs to function at all in a particular context without acquiescing to at least some demands of this nature. Some MSMEs may be coerced into supporting local armed groups or particular political actors by assisting with the importation of restricted or dangerous goods, acting as informants or providing resources and opportunities to conflict actors or favoured groups. Engaging in such activities can compromise an MSME's reputation, making it difficult for it to act credibly in ways that are calculated to support peace efforts.

Equally important, MSMEs' comparative visibility and accessibility may place them at greater risk if they are seen to be challenging the status quo or backing an idea that is antithetical to those of local political leaders or conflict actors. They may face community pressure to act in certain ways that erode peace, especially in contexts where there is strong anti-minority sentiment or specific local political agendas.

More worryingly, greater owner involvement, investment and physical presence at business premises personalise the business and proportionately increase the risks faced by business owners, their families and their employees if they are marked as potential troublemakers. It may not be possible or safe for them to hire employees across conflict fault lines, and some international standards of business conduct may not be feasible or even appropriate for them in some contexts.

The business case for conflict: Responses to risks and opportunities are often 'peace-negative'

It is important for peace actors to understand that some businesses have a vested interest in prolonging conflict. Some MSMEs are active, intentional and purposeful conflict entrepreneurs and profiteers. They see opportunities in conflict contexts, and take part in and profit from activities that enable the conflict. Shadow economy-related activities, illegal commerce and conflict-dependent livelihoods restrict the potential for such businesses to participate meaningfully in local peacebuilding efforts. This lack of involvement may not cause these peace efforts to fail, but the businesses concerned may deliberately seek to undermine and disrupt efforts that are aimed at peace.

Related to this, some MSMEs that do not profit from or actively support conflict may nevertheless have conflict-dependent business models because, for example, they rely on informal market structures or the absence of competitors (in places abandoned by people fleeing conflict), or are involved in supply chains that are linked to armed groups. Given the small(er) scale of MSMEs' operations, individual business transactions may be far more consequential for an MSME than a transaction of a similar monetary value would for a larger company. Unlike larger companies, they may see exits from conflict economies as potentially ruinous because they lack realistic alternatives.[4] In these situations, it is much harder to convince MSMEs to participate in local business for peace initiatives because the threats to their livelihoods (and lives) may be much greater in many instances.

Characteristics and dynamics of fragility and conflict expose MSMEs to a broad range of risks and opportunities. In many cases, their responses to those risks and opportunities are 'peace-negative', although positive examples exist.[5]

We argue:

The presence and activities of large corporations and MSMEs in FCS are not intrinsically 'peace-positive'. In many cases, they drive conflict.

Fragility and conflict themselves are critical factors that shape private sector actors' impacts on peace.

Understanding how conflict dynamics and the impact of interventions interact

Lessons from peacebuilding and conflict sensitivity are important for policy-makers and investors because 'business as usual' in situations of conflict and fragility is likely to enflame conflict. Some adaptation to conditions of conflict and fragility is necessary in order to avoid adverse impacts.[6] When an intervention, such as a large corporate investment or an effort to mobilise MSMEs, takes place in a context that is affected by conflict, local actors experience its positive and negative impacts – such as getting a job or being displaced and resettled – in light of the conflict. When a business, an investor or an actor pursuing private sector development undertakes an initiative in an FCS without understanding how local actors will experience that initiative, they almost always generate, drive or sustain conflict. Understanding the local actors' experience requires an understanding of the dynamics of the conflict, the impacts of the intervention and the interaction between the two.

Lesson 1 — Resources brought into a conflict environment become part of the conflict

"The introduction of new resources into a resource-scarce society that is also in conflict rarely (if ever) leads to people sharing these resources and living happily together. Rather, resources brought into a conflict environment always become a part of the conflict."[7]

When the context is also characterised by fragility, there is little to prevent competition for resources from escalating into violence.

Lesson 2 — Conflict sensitivity as a minimum

In FCS, actors such as companies may need to take extraordinary measures to minimise the negative impacts and maximise the positive impacts that their activities have on conflict.

Conflict sensitivity is an approach to adapting activities to local conditions of fragility and conflict so as to avoid worsening those conditions. Conflict-sensitive business operations entail:

- Understanding the context in which operations occur, particularly the actors and factors within the context that drive or sustain conflict and tensions and those that mitigate them; conflict and context analysis is key;
- Understanding the ways in which planned business activities are likely to impact on the contextual factors that drive or mitigate conflict; and
- Modifying those activities so that their negative impacts on conflict drivers are reduced and their positive impacts on these drivers are enhanced.

A suite of conflict sensitivity tools and guidance for companies and for development actors, all based on evidence derived from field-level experience, exists to support and inform deliberate efforts to manage impacts on conflict in the context of activities in FCS.[8]

Lesson 3 Conflict sensitivity is not the same as peacebuilding

Whilst conflict-sensitive practices can shape outcomes for the better, notably in terms of company-community relations and conflicts that are localised in the vicinity of the company, they do not necessarily lead to discernible, positive impacts on society-wide peace.[9] Peacebuilding, in contrast, "deals with why people fight and supports societies to resolve conflicts peacefully in order to prevent violent conflict and promote lasting and sustainable peace".[10] Effective peacebuilding efforts address key factors that drive conflict at the national level, or link in with efforts to address those factors.[11]

Factors that drive conflict at a society-wide level are not always the same as those that drive conflict at a local level, where much of the impact of an individual project often occurs.[12] Efforts that are effective locally often have no impact on society-wide peace and conflict.

Lesson 4 Small impacts do not add up to society level

In conflict settings, small, incremental, positive impacts do not add up to society-level peace without coordinated, deliberate efforts to ensure that they do so.[13] Most effective efforts to impact on society-wide peace and conflict involve multiple actors (within or across sectors) working simultaneously, in a coordinated fashion, on complementary issues.

Lesson 5 Work in networks is imperative, especially where MSMEs are involved

Much recent work suggests that peace efforts involving companies – whether they are MNCs, MSMEs, or something in between – are most effective when they are based on networks, partnerships or associations rather than when different actors work in isolation from one another. Case studies developed by CDA, ACDS and PRIO indicate that the efforts of large corporations have been most effective when the company collaborated with other actors such as government agencies at all levels, civil society groups, activist organisations and, in some cases, armed non-state actors and public security forces. When MSMEs are involved, it may be necessary for a third party such as an NGO to create an appropriate network or association.

In this respect, chambers of commerce may be a good entry point as they often exist at very local levels and even sometimes in very volatile regions (although they are often relatively weak and under-resourced as institutions). Peace efforts with such business entities could include helping them leverage more protection within the group against external, conflict-related shocks, establishing access to value chains that extend beyond their immediate neighbourhoods or to national-level businesses and actors, and enabling MSMEs that are committed to peace efforts to gain greater traction in their local communities through positive recognition of their values. This, in turn, may mean working with community leaders who demonstrate a willingness to endorse peace-supportive values.

Lesson 6 Companies play certain roles and positive impacts do not occur incidentally

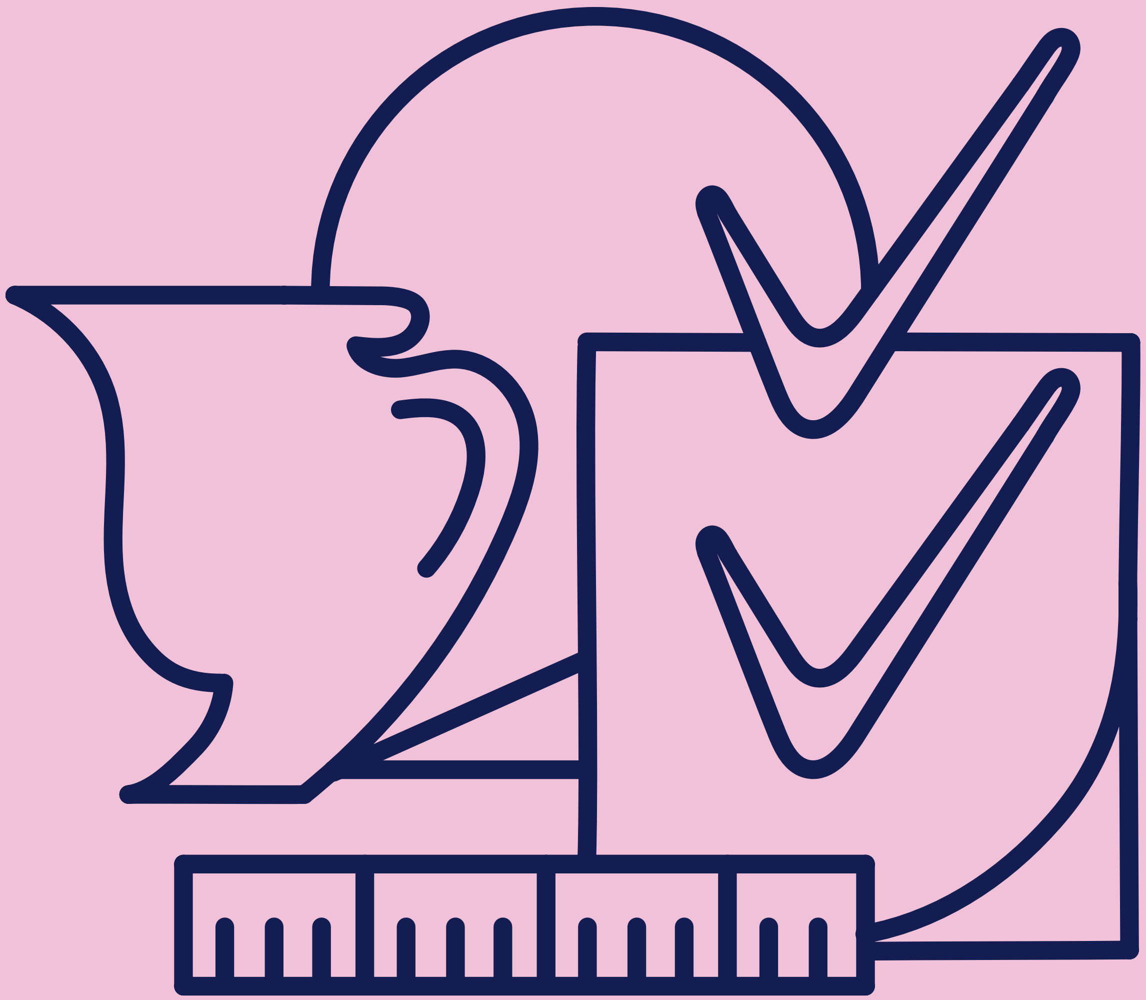
With respect to larger companies, the CDA, PRIO and ACDS case studies demonstrate that companies may be able to impact peace by acting as:

- *catalysts* for positive change in the relationships between actors in a given context,
- *facilitators* of constructive activities by other actors that have an interest in peace, or
- *influencers* of other actors who can say yes or no to peace by virtue of their official position or informal authority and legitimacy.

The case studies also note that companies play none of these roles without deliberation and intention – their positive impacts in these roles do not occur incidentally. Miklian et al. (2018)[14] argue that local business leaders are often much better placed to contribute in a positive way to peace.

A checklist process is not an option

Practical landscape



What efforts to influence company behaviour already exist? What do we know about their relevance to peace and conflict?

There are a broad range of practices and initiatives calculated to shape the impacts of companies by influencing their conduct. Some – such as the articulation and broad acceptance of companies' human rights responsibilities – are mature enough that it is possible to talk about their achievements and shortcomings. Some of these efforts are worth examining because they remain central to discussions of business and peace.

International standards of responsible business

There are a multitude of normative standards that inform responsible business operations, including:

- standards that apply universally, across industries;
- standards and principles for specific aspects of operations, such as supply chains, sourcing, revenue reporting and management, or managing security providers;
- standards that are specific to particular industries, such as the extractive or garment industries;
- guidance for operating in areas of conflict and fragility;
- standards and guidance that target specific social ills, such as bribery and corruption or forced labour;
- good practice benchmarks and reporting standards.

The standards are too numerous to address individually here; we discuss them instead in a general manner.

Challenges: Standards are limited in their actual impact on business activities

All of the widely applied standards are limited in three ways: their implementation and assurance are not straightforward, especially in FCS; they are crafted with the intention of minimising the harms of business activity, but not for delivering social or political good; and the scope of the responsibilities that they assign to companies is limited to the activities and business relationships of companies themselves; they do not relate more broadly to the societies in which those companies operate. Below, we explore each of these in turn.

The implementation of standards is extremely difficult in FCS

It is only a relatively small number of (mostly) multinational companies that attempt to implement the major international standards for business. One individual associated with the UN Working Group on Business and Human Rights (UNWG) lamented that "it is always the same 100 companies that come to events [like the UN Forum on Business and Human Rights]".[15] As this paper was being drafted, the UNWG announced the launch of an initiative to develop a "vision and roadmap for implementing the UN Guiding Principles on Business & Human Rights (UNGPs) more widely and more broadly in the next ten years",[16] explicitly recognising the relatively narrow range of companies currently implementing the UNGPs.

Among companies that establish policies aligned with the standards, many report substantial challenges with implementation, particularly in FCS. Nine years after the unanimous adoption of the UNGPs by the UN Human Rights Council, the UNWG observed that "the worst forms of business-related human rights abuse tend to happen in conflict-affected contexts", noting that "a better understanding of the practical measures that all actors should take to prevent and address business-related human rights abuse is still needed".[17] The difficulties of implementing the standards are themselves the rationale for a number of multi-stakeholder initiatives, fora, tools and guidance documents aimed at supporting implementation, which would themselves be unnecessary if implementation in FCS were straightforward.[18]

The overwhelming majority of companies, particularly MSMEs, do not attempt to implement international standards of good practice in their operations. Many may be entirely unaware of them; others may consider them to be immaterial to their operations, too burdensome, or inappropriate for their cultural contexts. Even some prominent multinationals implement the standards in only some parts of their operations, omitting others.

The challenges of assurances

Global standards of business responsibility do not carry the force of law. The Voluntary Principles on Security and Human Rights (VPSHR), for example, are, as their name suggests, voluntary, even for companies that are members of the multi-stakeholder Voluntary Principles Initiative (VPI), created to drive VPSHR implementation. The VPI's governance rules do not include provisions that would allow for the expulsion of a company that does not adequately adhere to the standards. Similarly, the VPI does not systematically monitor VPSHR implementation among VPI member companies, or the impacts of implementation on the stakeholders of member companies. The UNGPs, although unanimously adopted by the UN Human Rights Council, also do not have the status of enforceable law unless a state legislates this status into existence in its own jurisdiction.

Effective implementation of any standard requires that companies put in place internal structures and processes to facilitate continued adherence to the standards in the course of ongoing business activity. Within multinational corporations, this is a challenge that relates to the relationship between global headquarters and country-level assets or operating companies (OpCos). Lawyers in multinational companies would be quick to point out, and HQ staff responsible for sustainability quick to lament, that assets and OpCos are in fact different companies than their global parents. The role of staff at the global corporate headquarters is to "persuade" (as one executive of a multinational oil company told us) asset-level or OpCo staff to fully implement the standards in a way that Group headquarters finds acceptable.

Minimising the harms of business activity, but not delivering social or political good

Most reporting frameworks measure company activity against a specific set of standards but do not attempt to capture the broader outcomes of that activity within the larger context. To identify the impact that the implementation of a standard has on peace, however, it is necessary to understand the effects that implementation within the company has on actors and practices that exist entirely outside of the company. To illustrate, the adoption of a strong anti-corruption policy, with robust training and accountability mechanisms, could ensure that a company and its contractors avoid sustaining or deepening corruption in the host society. To understand whether this has peace effects, however, one would need to understand how the company's efforts influence the prevalence of corruption, and to know whether and how corruption is a driver of conflict in that setting.[19]

Scope of responsibilities: None of the widely used standards is designed to address the impacts of business on conflict

In general, the standards, including human rights standards, define society's expectations of businesses as ***harm avoidance***. Some standards (notably the UNGPs) allow that harms will occur despite companies' best efforts, specifying that responsible companies remedy the harms that they can neither prevent nor mitigate. Companies also have a duty to use whatever leverage they have to influence the conduct of their business associates (such as contractors) in the context of their work on behalf of the company. While not abusing human rights is a reasonable objective, there is no reason to think that, by achieving it, a company might also mitigate conflict issues in the host state. Indeed, the human rights standards articulate no responsibility for adverse human rights impacts caused by actors that have no association with the company, nor any corporate responsibility towards the protection of human rights by host states.

Most importantly, none of the widely used standards or tools of responsible business is designed or scoped in such a way as to address the impacts of business on conflict per se. The standards and common assessment methodologies (such as Environmental and Social Impact Assessments and Human Rights Impact Assessments) for the most part frame 'impacts' as discrete ***harms to individuals or social groups*** that occur as a consequence of actions committed or omitted by the company. Impacts on peace and conflict, however, are impacts on ***the relations among individuals or social groups,*** or between groups. None of the widely utilised standards or practices is designed to identify or manage those impacts.

For all of the foregoing reasons, it cannot be assumed:

- that policies and commitments that companies make at HQ level reflect actual practices and impacts at asset level;
- or that good practices at the asset level of a company are indicative of an improving situation for local actors in the host state, or even for the company's own stakeholders;
- or that good policies at headquarters and good practices in the field, as per the standards, act as a brake on conflict.

Risk management: It's mostly down to the companies

Most risk analyses are limited to risks that the external environment poses to the company and its success. Risks to the company's external stakeholders or to the host society are, more often than not, outside the scope of corporate risk analyses, especially if they cannot be shown to be critical to the company's success. Furthermore, most risk analyses rarely consider the dynamic interaction between the company's actions and impacts, on the one hand, and the risks that the operating environment poses to the company, on the other hand.

Practical Challenges: To most companies, 'risk' means 'risk to us'

It is not realistic to think that all companies will respond in the same way to the same risks. Companies differ in the way they identify risks, in their tolerance for risk and in what they construe to be appropriate and effective responses to risks. CDA has seen cases in which, in the same conflict-affected operating context, one company identified local communities as a security risk and sought to minimise contact with them, while a second company identified the very same communities as key partners whose goodwill was essential to company security and sought to engage them robustly.

Risk analyses tend to be standard practice among large companies, but are much less common among smaller enterprises. When encouraging MSMEs to participate in peacebuilding, however, close attention should be paid to the risks and vulnerabilities that MSMEs face as a result of – advertently or inadvertently – challenging the conflict agenda. It is important that these risks and vulnerabilities be identified, acknowledged and discussed, that mitigation strategies be jointly planned, and that protection and action plans be

discussed for those members who directly experience threats, violence and intimidation. Becoming an active peace promoter attracts attention, as do any explicit coalition-building efforts and overt networking. Even subtle acts that promote peace can result in pushback from conflict actors and those who are invested in maintaining the status quo. Furthermore, leadership efforts to form alliances may cause jealousies and lead to extortion, intimidation and additional demands and requests for favours from community members. Some MSMEs may therefore prefer to vary the extent to which they engage with the peacebuilding process.[20]

— While companies are well aware that conflict and violence in the external environment create various risks for them, it does not follow that companies see peacebuilding activities (by that name or any other) as a path that they might take to address those risks. Available evidence suggests that companies that mitigate conflict risks through deliberate efforts to address or resolve underlying causes of conflict are vanishingly rare.

— Instead, they see peacebuilding as a political activity that is beyond their capacities and outside of their corporate mandates. They mitigate conflict risks in ways that are within their capacities and mandates: physical security measures, political risk analysis, journey management, insurance, memoranda of understanding with the police or the army, crisis management and contingency planning, and so on.

— Where their role as peacebuilders is encouraged, MSMEs need help negotiating and dealing with the additional challenges that peacebuilding entails.

De-risking: There is a belief that businesses that are committed to standards have positive impacts upon conflict and fragility

'De-risking' means mitigating the risks of doing business in high-risk environments through concessionary finance or investment guarantees. Risk-free capital might make it possible for companies to undertake projects that they might otherwise deem to be too risky. The absence of any stipulations or qualifiers about impact management in many de-risking strategies suggests that the approach is firmly rooted in the belief that businesses that are committed to standards of responsibility intrinsically and inevitably have positive impacts, and no negative impacts, on conflict and fragility. The World Bank Group and OECD DAC donors have been particularly forthright in advocating a 'de-risking' agenda, with blended finance being deemed an appropriate tool for driving the growth of private sector markets in high-risk contexts.

Challenges: Companies tend to improve their approaches when risks are realised and cut into their returns

Civil society actors have been particularly critical of this approach to business facilitation as essentially the return of 'tied aid' through the back door, and they object to the use of public development assistance to subsidise private business interests. Moreover, while companies' ability to avoid absorbing the costs and risks they pose to others contributes to high returns on investment in fragile states, it is also well-established as a contributor to chronic conflict.

It is worth noting as well that, historically, exposure to risk has been a driver of improvements in corporate practice: there is a marked tendency among companies to change their approaches when risks are realised and cut into their returns. For example, companies' exposure to the financial costs of remediating environmental damage and to lawsuits to compensate affected people for that damage has been a driver of improvements in corporate environmental performance. The risk of project shutdowns by disgruntled community members is a rationale for a company to seek a 'social licence to operate' or to obtain communities' sustained consent for the project. Insulating companies from the financial consequences of these risks is unlikely to encourage responsible operations.

Evidence suggests that companies that have sought to address conflict issues directly are likely to focus these efforts on solving business problems relating to financial and reputational risk,[21] rather than on building peace. Without exposure to these risks, companies would be less likely to undertake activities intended to mitigate them.

Influencing via investment: Obligation to comply with international standards

One particular cluster of approaches to influencing businesses is based on investment in the companies one is seeking to influence. The thinking is that when a shareholder suggests that a company adopt a conflict-sensitive approach or sign up to the VPSHR, the company concerned will, at a minimum, take the suggestion seriously, and may change its practices as a result.

The most effective and recognised of such efforts centres on the Performance Standards on Environmental and Social Sustainability (PS) of the International Finance Corporation (IFC). All projects that receive IFC financing are required to implement the PS.[22] The IFC does not itself provide especially large amounts of financing for corporate projects, but many banks see IFC investment as an indication that sufficient due diligence has been performed and that the social and environmental risks of a project have been or will be contained. A green light from the IFC may thus 'unlock' substantial capital for a project. The Performance Standards have also been incorporated wholesale into the Equator Principles promulgated by the Equator Banks. It is estimated that between the IFC and the Equator Banks, the Performance Standards are applied to 70% of project finance globally.

Practical challenges: Understanding a company's performance against a specific standard is not a reliable basis for understanding that company's impact on peace and conflict

The IFC's ability to drive companies' use of the Performance Standards in their operations is predicated on the quantity of capital to which the IFC acts as a gatekeeper. It is difficult to imagine any other investor being as successful with this approach as the IFC has been – most investors, even large institutions, do not have the credibility that the IFC has among other financial institutions, and therefore cannot facilitate access to the same quantities of capital as the IFC. It is also unlikely that they would be able to exercise the same degree of influence. Indeed, non-operating companies in joint ventures often complain that their operating partners do not have high enough standards of social performance; they may own as much as 30% or 40% of the asset and routinely sit in on meetings with the operating company, yet their influence is often insufficient to change the operator's behaviour.

A second challenge associated with this approach is that the companies that are expected to align their operations with an investor's requirements in some cases lack the technical skills and internal organisational processes required for this purpose. The IFC itself recognises this challenge and addresses it by providing guidance and technical advice to companies that are obliged to implement the Performance Standards. A related approach is applied by the Cadmos Peace Investment Fund.[23] This fund is a liquid listed equity engagement fund that invests in companies present in fragile states with a net positive contribution to peacebuilding, according to the Peacebuilding Business Index developed by PeaceNexus. Though structured engagement with portfolio companies, PeaceNexus encourages these companies to implement more conflict-sensitive business practices in fragile states.

Capital-intensive projects can fail for a range of reasons, and in some cases neither the companies nor the investors have clear exit strategies. In such cases, the situation on the ground often deteriorates, and frustration, stigmatisation, poverty, unfulfilled promises and lost jobs have an impact on conflict and social relations. Local people have to bear the risk, as risk funds and compensation measures are often not planned beforehand and are therefore non-existent in many instances. Complaint or grievance mechanisms, if ever established by the company, donor, development bank or investor, are often no longer available after termination of the contracts between private actor and financier. Those who have to cope with the negative impacts of failed projects often have no opportunity to use grievance mechanisms afterwards, which contradicts the 'do no harm' policy applied by development actors that support private sector engagement and their responsibility for the unintended consequences of their own interventions, activities and failed projects.[24]

Investors commonly report challenges in knowing what is happening at the 'other end' of their investments, i.e. in the operations of their investee companies. Most investors have little choice but to rely on company self-reporting. Reporting standards such as the Global Reporting Initiative require companies to report on their own implementation of standards, but not on conditions among company stakeholders or the public at large in the host state. As noted above, measuring a company's performance against a specific standard is not a reliable basis for understanding its impact on peace and conflict.

In the case of multinational companies, there may be no mechanism other than project finance that would allow investment in specific assets or OpCos, as opposed to the company as a whole. Yet, as noted above in the discussion of responsible business standards, different assets and OpCos are operated with varying levels of responsibility and their impacts on conflict may also vary significantly across countries. It is very difficult to guarantee to would-be shareholders or investors that all of a company's asset or OpCos consistently meet any given standard of performance.

Certification schemes may be a reasonable approach

Certification schemes operate through the establishment of a normative standard against which different entities can be evaluated by a third party through a uniform process or set of criteria. The certification body, in essence, provides disinterested, credible assurance that the entities that it certifies consistently meet the normative standard. Based on the global success of the Fairtrade logo, current discussions of certification as a peace initiative are based on the idea that recognising companies, products and/or services for their contribution to peace will both educate and motivate the public to support peacebuilding companies. Certification schemes may provide an aspirational goal for local, national and international businesses to integrate peace efforts or conflict sensitivity into their operations, benefiting these companies through improved sales, enhanced reputation and, where investors are involved, access to capital. However, a successful certification strategy would have to surmount the challenges described below.

Practical challenges: Peace- or conflict-related certification should embody a narrative that is meaningful and appealing to people

Large multinationals typically appoint project staff and build organisational structures only after project finance has been irreversibly committed, making it difficult for an investor or a third party to validate prior to investment that a company's capacities, internal structures and processes will support conflict-sensitive operations.

With respect to peace and peacebuilding, there are major methodological challenges to the establishment of objective metrics and benchmarks:

> Conflict dynamics are context-specific. Because of the diversity of conflict contexts, there is no uniform approach to business operations that will always yield the same results in all FCS.

Indeed, the OECD DAC Guidance on Peacebuilding Evaluation suggests that evaluations of effectiveness should not rely on any standardised set of indicators, but (simplifying greatly) should be based on analysis of the extent to which an initiative's theory of change and programme design are appropriate in a given context.

With some alterations, the same challenge is relevant to efforts involving MSMEs. The substantial diversity of conflict-affected zones makes it difficult to define how the global standards apply to the specificities of different contexts, especially in a way that resonates with local businesses or the public. In its work with MSMEs,

> International Alert found that, for peace- or conflict-related certification to have value in a given context, it should embody a narrative that is meaningful and appealing to people who are experiencing the local dynamics of conflict.

This requires the development, from the ground up, of narratives that can be ascribed to the certified companies and products, which, in turn, requires conflict-sensitive standards and conduct that have appeal and value to local communities.

> Research that supports certification schemes should therefore focus on both aspects: suitable criteria for peace-supportive certification, and locally meaningful narratives. It is worth noting that this challenge applies equally to a company's products and to its operational practices.

A final challenge relates to risks that context-specific certification schemes may present for MSMEs that are certified under those schemes. Because of changing political agendas (driven by elections, for example) and conflict cycles, businesses may suddenly or unexpectedly find themselves identified or associated with failed or maligned peace settlements or processes and, on this basis, are at risk of antagonising other local actors.

It may therefore be important to plan for changes to the context and for companies to be able to respond to these changes in a conflict-sensitive way without damaging their business prospects unduly or unfairly.

Rationales for adoption: Effective peacebuilding and conflict sensitivity require a high degree of responsiveness to dynamic external environments

Businesses, particularly MNCs, do not see themselves as peace actors and are, as a group, likely to have only a passing interest in 'peacebuilding certification' for its intrinsic value,[25] particularly if the standard requires them to change their existing practices.

The most obvious way in which adoption of and compliance with certification standards might offer value to an MNC is by providing access to more capital, cheaper capital, or both. This is the major rationale for companies' interest in or adoption of the IFC PS and similar standards of practice or reporting. Here, the experience of the IFC and the Cadmos Peace Investment Fund is again relevant insofar as it suggests that influence is in some proportion to the amount of capital at stake. The quantity of capital at stake through certification would have to be comparable to that available through other channels; otherwise, a company would simply use those channels. To pool such a quantity of capital would require either the involvement of a gatekeeper actor with a high level of credibility amongst banks and financial institutions (such as the IFC), or substantial engagement with and buy-in from investors before the scheme can be established. This may not be impossible to achieve, but it would be a very significant project in its own right, and would require an implementer with a great deal of expertise in key technical areas and credibility across significant actor groups.

For MSMEs, as well, it is important that the advantages of achieving certification justify the process involved in being certified. It is often surprisingly complex to balance these costs and benefits in appealing ways. Although it is possible to set up national or international partnerships, collaboration and markets linked to the achievement of certification, the logistical challenges and instability of conflict-affected contexts may inhibit potential investors from making the substantial investment needed to bring the goods from production sites to the intended market. Moreover, because these links often yield highly lucrative business opportunities, such partnerships could attract conflict actors and profiteers. This is likely to pose additional challenges, as they may make extortion demands on profits or income garnered through the new opportunities enabled by certification. Furthermore, the certification status may be compromised if customs regulations in certain places rely on corruption in order to export the goods to target markets.

The second rationale for signing up to a certification scheme is that it might facilitate communication about the company's risk exposure and social performance to a range of audiences (investors, customers, shareholders) using an objective or widely recognised set of metrics or benchmarks. This might protect or enhance a company's reputation or reassure investors and customers that the company meets certain expectations.

With all the challenges already noted and intrinsic to conflict situations, a checklist process, unfortunately, would not be an option. Effective peacebuilding and conflict sensitivity require, above all, adaptive management processes and a high degree of responsiveness to dynamic or even volatile external environments.

Several current efforts may have meaningful impacts in their own right and may be useful to learn from as they unfold. The Cadmos Peace Investment Fund[26] is only a few years old at present; it, or the model that it represents, may have substantial influence over time in ways that cannot yet be foreseen. The United States, Japan and Australia have established a partnership for developing their own certification scheme for infrastructure projects, the Blue Dot Initiative,[27] designed as a counterweight to China's Belt and Road Initiative. The exact terms and scope of the scheme have yet to be determined, but its architects have communicated an interest in incorporating a peace and conflict dimension.

Reporting initiatives for private sector contributions to SDG 16 – standards are lacking

Some multinational companies indicate an interest in better understanding how they can contribute to SDG 16 (Peace, Justice and Strong Institutions) and how to report on their contribution toward this goal. The absence of internationally accepted business standards on SDG 16 is an obstacle in this regard. To address this, the PeaceNexus Foundation partnered with the United Nations Global Compact to advance the Action Platform on Peace, Justice and Strong Institutions. This Action Platform aims to provide global business standards for understanding, implementing and reporting on businesses' contribution to SDG 16. In 2019, PeaceNexus and UN Global Compact commissioned a study to take stock of existing SDG 16 business reporting initiatives. By engaging with companies, investors and standard setting agencies, this study – once published – will contribute to identifying workable reporting standards for SDG 16 and relevant indicators that multinationals can refer to.

Learning from success

Good outcomes from peace interventions by the private sector require the participation of actors from outside the private sector. Case studies and field-level experiences that identify empirical connections between company activities and peace outcomes propose several points of practical relevance:

Lesson 1

Sustained, positive outcomes are not easier (or harder) to achieve with private sector contributions than without them. At the same time, large and small companies' potential to attract private investment may indeed provide a channel through which new sources of financing become available to support peace efforts. The challenges and complexities of channelling private finance in this manner while operationalising initiatives that yield demonstrable, positive outcomes are significant, however.

Lesson 2

Good outcomes from peace interventions involving the private sector appear to require the participation of actors situated outside of the private sector. Ten of the eleven case studies developed by PRIO, ACDS and CDA[28] include some combination of government agencies, public officials, NGOs, multilateral agencies, religious institutions, peace committees and the conflict actors themselves, all playing critical roles.

Lesson 3

Good outcomes involving large companies come from processes that bring conflict actors into dialogue with one another for the purpose of resolving their conflicts.

Lesson 4

International Alert's experience working with MSMEs indicates that effective approaches require analysis, coordination, training, facilitation and network development that MSMEs themselves are unlikely to accomplish without expert, third-party support.[29]

Lesson 5

Good outcomes may also mean helping MSMEs to reduce or manage their own vulnerability to conflict actors.

Recognising the special role of MSMEs in peace initiatives

Over the years, business for peace movements such as Sri Lanka First and the Business for Peace Alliance (BPA), the Nepal Business Initiative (NBI) or (the more informal) business for peace networks in the Philippines have amassed key insights and learned lessons about these processes. The most promising approaches included promoting conflict-sensitive business practices and peace-oriented or highly inclusive corporate social responsibility activities, coupled with building alliances across conflict fault lines at regional and national levels.[30]

Lesson 6

It helps to have larger networks and alliances inclusive of diverse political affiliations and demographic backgrounds, and to ensure that these networks run across geographical regions and constituencies.

Lesson 7

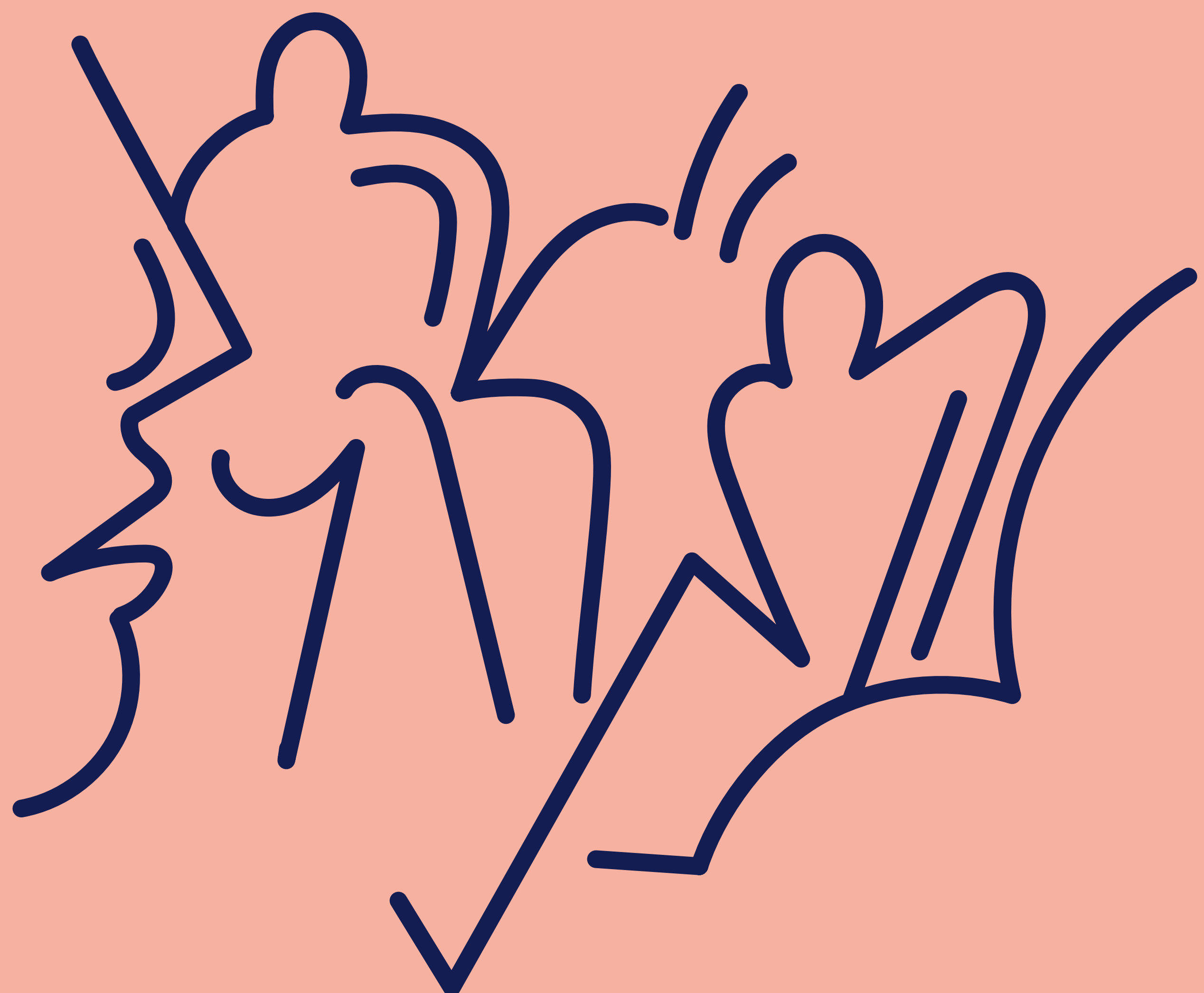
Time and effort are needed for movement-building activities such as awareness-raising, dialogue to plan coordinated action, and accompaniment and advice about unforeseen or problematic situations. For these purposes, it is important to forge larger alliances that connect business leaders and their networks with other civil society organisations, movements and/or local or national government stakeholders. Maintaining these processes – from setting up to capacitating a business for peace movement – and supporting further growth of such networks (often also across conflict divides) requires experienced and committed facilitation which sits more comfortably with specialist peacebuilding organisations (local, national and international) to guide business for peace efforts.

Lesson 8

Less recognised but still important is the role of political advocacy. Business leaders may be able to influence peace-supportive political settlements through personal advocacy and lobbying efforts.[31] As a result of an extensive research and publication on business as an agent for peace in 2006, International Alert launched a series of business for peace projects and initiatives in the Caucasus, Colombia, Nepal, Myanmar, Philippines, Sri Lanka and Uganda.

Caution, circumspection and expertise are urgently needed

Conclusion



The literature and discourses on business and peace are currently far ahead of business and peace as a field of intentional practice. It is plausible that much of the current thinking as presented in the published and grey literature will be jettisoned as the field of practice matures. In particular, it is difficult to find unequivocal evidence supporting the contention that private sector development has any intrinsic, causal relationship with peace outcomes.[32] Certain celebrated anecdotal instances of businesses working successfully for peace in fact have less to do with business or company employee activity, and more to do with individuals or community organisers backed by a company but operating entirely outside of it. Ganson's work on the Consultative Business Movement in South Africa and the discussion of the Kenya Private Sector Alliance by Austin and Wennmann are instructive in this regard.[33]

Activities in the broadly defined domain of 'business and peace' should therefore be understood to be experimental. As such activities necessarily take place in contexts that are affected by conflict, they should be undertaken with caution, circumspection and the advice of conflict experts. That said, there is a broad range of potentially productive courses of action that might reward investment.

There is a lack of research, pilot projects and practical learning

In a review of the growing body of literature in the field of business and peace, the One Earth Future Foundation[34] found that much of it was based on a surprisingly small number of original research projects and cases in which good outcomes were demonstrable.

More primary-source, original research using the OECD guidance to assess peace impacts is needed.

Donors and multilaterals should consider commissioning and supporting research projects that are designed to develop robust evidence of effective and feasible practices, while also enhancing the evidence-gathering and learning components of projects in this area.

With regard to finance, there is a need to develop and pilot experimental approaches to test the hypothesis that it is possible to profit from investment in financial vehicles such as 'peace bonds' (which are currently being considered as potentially relevant for peace initiatives).

The most promising of these efforts involve peacebuilding organisations, the private sector, conflict experts and investors working in small-scale partnerships to advance experimental initiatives in FCS.

Exit strategies for potential failures, compensation measures and well-functioning and accessible grievance mechanisms should be tested and refined on the basis of these trials.

Tools, expertise and dialogue are required

Despite a robust body of existing knowledge of conflict sensitivity and peacebuilding and how they work, very few tools are designed specifically for companies, focused on specific industries and simple to use in conjunction with existing standards.[35]

Support for processes to develop additional practical tools of this nature is needed.

There is currently a trickle of cross-disciplinary expert consultations and dialogues that bring together peacebuilders, business and conflict experts, business and human rights experts, companies and financial institutions (such as the one that yielded this paper). Dialogue across these stakeholder groups is important for identifying barriers to collaboration and information-sharing across fields of practice, sharing good practices and current research and initiatives, and building a shared understanding of the functions and limitations of nested and overlapping institutions that affect the outcomes of business and investment on the ground.

Small pools of funding for convening experts and practitioners to define and advance work agendas could yield cost-effective contributions to the field of business, peace and conflict.

Support for advocacy is needed

Among MNCs and MSMEs alike, there is a need for wider uptake and better and more consistent implementation of the UNGPs. There is also a need for a better understanding and awareness among companies of conflict-sensitive business practices and conflict sensitivity tools and guidance. Support for advocacy, dissemination and other publicity efforts might be beneficial in this regard. We note that the German Government is supporting a new initiative by the UNWG, starting in 2021, to drive wider uptake of the UNGPs within the private sector. The Voluntary Principles Initiative currently has a project on conflict management and prevention that may deliver a conflict analysis tool specifically for extractive industry companies. These and similar initiatives merit the support of donor organisations.

Building and sustaining multi-actor platforms would help individual companies

In the context of both MNE and MSME activities, there is a need for long-term project funding to support expert and NGO initiatives to build and sustain multi-actor platforms that help individual companies to engage constructively with other actors within their operational environments. In many of these cases, including situations involving MNEs, there is a need for participation by actors that are independent of local conflict dynamics and of companies themselves. In many cases, accepting funding from companies would compromise the perceived independence of an intervention and nullify its ability to play essential roles within multi-actor processes. Conventional donor funding vehicles are not well-suited to such initiatives.

Preliminary findings[36] emerging from such projects suggest that funding mechanisms need to allow for significant periods of trust- and relationship-building with only minimal technical activities at the outset, followed by multiple years of funding for technical activities and ad hoc, urgent responses to unforeseen circumstances that might be difficult to capture in a logframe or a sequentially organised project plan.

Exploring MSMEs' peacebuilding potential in more depth makes sense

MSMEs tend to have good local knowledge and be attuned to the dynamics of peace and conflict in the setting in which they operate. They are also likely to have varied networks, good links to communities and an overview of the various players in the local conflict, including armed groups and shadow authorities. However, in order to support the day-to-day functioning of their business, they are often positioned in relation to conflict actors and issues in ways that are clear to their neighbours, employees, customers and other businesses but are not immediately obvious to external actors or investors. Their business activities and services may be highly valued and perhaps even vital at the local level. More importantly, MSMEs have already demonstrated the ability to navigate difficult political environments, deal with different actors and dynamics, and ensure the continuity of their business operations.

In principle, these elements would appear to place MSMEs in a good position to support local capacities for peace and to negotiate efforts to reduce tensions. There is a real need for accompaniment and resource support to facilitate network-building, risk assessment, do no harm analysis and advocacy to strengthen the voice and visibility of peace-supportive MSMEs.

Dealing with grey areas is crucial

All peace actors, including donors, partners and MSMEs, may therefore need to discuss what may constitute 'good enough' levels of peace-supportive business practice, and determine these levels in accordance with the specifics of each situation and standards of conflict-sensitive business conduct. It is important for peace actors to articulate these decision-making processes explicitly, and to acknowledge the grey areas that exist in complex contexts. This is especially needed for working with micro-enterprises, which may experience comparatively high vulnerability. In some contexts, the levels of visible MSME peacebuilding efforts may fluctuate as the levels of risk change in response to political circumstances. Equally, MSMEs may choose – or find it necessary – to compromise on some aspects of the international peacebuilding standards of business conduct and compliance in order to manage risk and vulnerability and to survive and operate as needed. Carefully designed interventions can support the transformation of certain parts of the shadow economy into more legal/ formal structures. However, this requires acceptance from key stakeholders, including state actors. External, civil society-led dialogue support for negotiating the acceptance of such 'grey areas' during transition periods are crucial here.

Donors and development partners will need to establish protocols for dealing with such situations sensitively and productively. This will require further empirical investigations as well as dialogue with development partners about acceptable modes of support.

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Endnotes

[1] For a full, accessible literature review, see Mark van Dorp (2019), *Ready to Engage: An introduction for Civil Society Organisations and other stakeholders on the role of business in fragile and conflict-affected settings.*

[2] See, for instance, Holmes et al. (2013), *What is the Evidence on the Impact of Employment Creation on Stability and Poverty Reduction in Fragile States?* Based on an exhaustive review of published studies, the study finds that there is no meaningful evidence that employment creation has positive impacts on stability.

[3] MSMEs are independent firms categorised by the number of employees they have or in some cases by the amount of revenue they earn annually. Specific definitions differ by country, but one standard classification stipulates that medium enterprises employ less than 250, small companies less than 50 and micro-enterprises have at most 10 workers (OECD).

[4] See Olawale Ismail and Rabia Nusrat (2014), *Exploring the Potential of the Private Sector to Contribute to Peacebuilding in Pakistan* and Rabia Nusrat (2018), *Strengthening the capacity of business to contribute to building peace in Afghanistan.*

[5] See Jessica Banfield et al. (2006), *Local Business, Local Peace: the Peacebuilding Potential of the Domestic Private Sector;* Radhika Hettiariachchi et al. (2009), *Sustaining Business and Peace: A Resource Pack on Corporate Responsibility for Small and Medium Enterprises;* as well as Olawale Ismail and Rabia Nusrat (2014), *Exploring the Potential of the Private Sector to Contribute to Peacebuilding in Pakistan.*

[6] The UN Working Group on Business and Human Rights reaches the same conclusion in its recently published report to the General Assembly about human rights abuses associated with business in conflict and post-conflict settings, see United Nations Working Group on Business and Human Rights (2020), *Report of the Working Group on issue of human rights and transnational corporations and other business enterprises. Business, human rights and conflict-affected regions: towards heightened action.*

[7] Mary B. Anderson (2008), False Promises and Premises? The Challenges of Peace Building for Companies.

[8] See, for instance, Yadaira Orsini and Roper Cleland (2018), *Human Rights Due Diligence in Conflict-Affected Settings. Guidance for Extractive Industries;* Mary B. Anderson and Luc Zandvliet (2009), *Getting It Right: Making Corporate-Community Relations Work,* or CDA (2012), *Preventing Conflict in Exploration.* See also Orsini / Cleland (2016), *Why Conflict Sensitivity Matters for Business and Human Rights* and Elke Grawert et al. (2017), *Is Conflict Sensitivity Applicable to Employment? Business in fragile and conflict-affected settings.*

[9] OECD (2012), *Evaluating Peacebuilding Activities in Settings of Conflict and Fragility: Improving Learning for Results. DAC Guidelines and References Series,* p. 9.

[10] Harriet Lamb (2018), *Spreading the word: putting 'peacebuilding' in the dictionary,* available at https://www.international-alert.org/blogs/spreading-word-putting-peacebuilding-dictionary, accessed October 15, 2020.

[11] See, for instance, Anita Ernstorfer et al. (2015), From Little to Large: When Does Peacebuilding 'Add Up'?

[12] See note no. 9.

[13] See note no. 9, p. 25.

[14] Miklian et al. (2018), *Business and Peacebuilding. Seven Ways to Maximize Positive Impact,* S. 36.

[15] Gerald Pachoud, personal communication.

[16] United Nations Working Group on Business and Human Rights (2020), *UN Guiding Principles on Business and Human Rights at 10. "Business and human rights. Towards a decade of global implementation, Concept note.*

[17] Italics in original. United Nations Working Group on Business and Human Rights, *Project on Business in Conflict and Post-Conflict Contexts,* available at https://www.ohchr.org/EN/Issues/Business/Pages/ConflictPostConflict.aspx, accessed May 17, 2020.

[18] See note no. 6.

[19] Anita Ernstorfer et al. (2015), *Advancing the Sustainable Development Goals by Supporting Peace. How Business Can Contribute,* p. 29.

[20] See Radhika Hettiarachchi (2011), *Reflections: Lessons learnt from business and peacebuilding work in Sri Lanka* as well as Rabia Nusrat (2018), *Strengthening the capacity of business to contribute to building peace in Afghanistan.*

[21] See International Dialogue on Peacebuilding and Statebuilding (2016), *How to Scale up Responsible Investment and Promote Sustainable Peace in Fragile Environments. Draft Report.*

[22] While the IFC PS are not in themselves conflict-sensitive, the IFC has begun to make recognize the need for expertise on conflict sensitivity for companies operating in high-risk areas.

[23] Please see PeaceNexus, *Peace Investment Fund,* available at https://peacenexus.org/peace-investment-fund/, accessed October 15, 2020.

[24] See the following studies by Brot für die Welt / Bread for all and Swedwatch: Peter Lanzet (2016), *The Weakest Should not Bear the Risk. Holding the Development Finance Institutions responsible when private sector projects fall. The case of Addax Bioethanol in Sierra Leone* and Malena Wåhlin (2017), *No Business, no Rights. Human rights impacts when land investments fail to include responsible exit strategies. The case of Addax Bioenergy in Sierra Leone.*

[25] For a useful discussion of the way businesses see themselves in relation to peace and peacebuilding, see Luc Zandvliet (2011), Opportunities for Synergy: Conflict Transformation and the Corporate Agenda, in Beatrix Austin et al. (eds.), *Advancing Conflict Transformation, The Berghof Handbook II.*

[26] See note no. 22.

[27] US Department of State, *Blue Dot Network,* available at https://www.state.gov/blue-dot-network/, accessed October 15, 2020.

[28] Ben Miller et al. (2019), *A Seat at the Table: Capacities and Limitations of Private Sector Peacebuilding.*

[29] Jessica Banfield et al. (2006), *Local Business, Local Peace: the Peacebuilding Potential of the Domestic Private Sector.*

[30] See note no. 29, as well as Radhika Hettiarachchi (2011), *Reflections: Lessons learnt from business and peacebuilding work in Sri Lanka* and various unpublished Alert project reports and evaluations.

[31] See note no. 29.

[32] See note no. 2, p. vi.

[33] See, respectively, Brian Ganson (2017), *Business in the Transition to Democracy in South Africa: Historical and Contemporary Perspectives,* as well as Jonathan Luke Austin and Achim Wennmann (2017), *The Private Sector and Violence Prevention in Kenya, 2007-2013.*

[34] Conor Seyle, personal communication.

[35] A notable exception is the Preventing Conflict in Exploration Tool, designed for and with the participation of the mineral exploration industry by CDA Collaborative Learning Projects, Prospectors and Developers Association of Canada, and World Vision Canada. It is available in two parts: *Preventing Conflict in Exploration Tool (2012),* available at https://www.cdacollaborative.org/wp-content/uploads/2016/01/Preventing-Conflict-in-Exploration-A-Toolkit-for-Explorers-and-Developers.pdf, accessed October 15, 2020.; as well as Preventing Conflict in Exploration; a Toolkit for Explorers and Developers (2012), available at https://www.cdacollaborative.org/wp-content/uploads/2016/01/Preventing-Conflict-in-Exploration-Tool.pdf, accessed October 15, 2020. See also Yadaira Orsini and Roper Cleland (2018), *Human rights due diligence in conflict-affected settings Guidance for extractives industries,* which builds on International Alert (2005), *Conflict Sensitive Business Practice for the Extractive Industries.*

[36] CDA and International Alert are currently refining lessons learned from a joint project involving the Tullow Kenya Business Venture.

Our contributors

Dr. Markus Mayer is International Alert's Asia Director with over 20 years' experience covering work in Afghanistan, Kyrgyzstan, Myanmar, Nepal, Pakistan, Philippines, Tajikistan and Sri Lanka. He is specialised on issues related to socio-economic dimensions of conflict, with a focus on social integration policies, youth employment in fragile settings, conflict sensitive development programming, peace process management and business for peace interventions. He has an extensive background as researcher and trainer on local development planning, conflict sensitivity, and responsible business practice. He holds an PhD from Heidelberg University on the topic of youth conflict and development planning.

Ben Miller is a Principal at CDA Collaborative Learning, a US-based NGO. Ben leads CDA's work on responsible business, including learning projects on corporate operations in contexts of fragility and conflict and engagements around the world with individual companies in complex operating environments. Ben has worked with companies in the oil and gas, mining, energy, construction, agriculture, and food and beverage industries, including multi-nationals such as Total, Royal Dutch Shell, and Heineken, and a number of host-state enterprises. Ben's expertise is in conflict sensitive business practices, business operations in conflict-affected and fragile states, "business and peace", and civil society engagement with the private sector.

Dr. Kathryn Nwajiaku-Dahou is the Director of the Politics and Governance at the Overseas Development Institute (ODI). Kathryn has built up over 20 years' experience and expertise as an academic, policy advisor and practitioner on International Development, notably in Africa. Before joining ODI, she was head of Secretariat at the OECD of the International Dialogue on Peacebuilding and Statebuilding. In this role she spearheaded collaborations with institutional investors and asset managers to promote responsible private investment for peacebuilding in conflict affected and fragile environments. Kathryn holds as a PhD in Politics and International Relations from Nuffield College, University of Oxford and has written extensively on oil, extractives and conflict in Nigeria. She currently chairs the Expert Working Group of the Bayelsa State Oil and Environmental Commission.

Johannes Schreuder leads the private sector engagement activities of PeaceNexus, helping companies to have a greater positive impact when working in conflict-affected countries. His responsibilities include oversight of company assessment and engagement for the Peace Investment Fund. Johannes has experience in both the private and public sector. Before PeaceNexus he was with the UN Peacebuilding Support Office, working on identifying innovative financing options for peacebuilding and managing the portfolio of Peacebuilding Fund investments in Liberia, South Sudan and the Philippines. Before that, he worked as management consultant for the Boston Consulting Group (BCG) and Investment Officer for Oikocredit.

Dan Smith is the Director of the Stockholm International Peace Research Institute (SIPRI). He has a long record of research and publication on a wide range of conflict and peace issues. Among other issues, he has studied and written on the relationship between climate change and insecurity, peace and security issues in the Middle East, peacebuilding, the ethics of forcible intervention in conflicts, gender and conflict, nuclear arms control and strategy, and global conflict drivers, dynamics and trends. He served four years in the UN Peacebuilding Fund Advisory group, two of which (2010–2011) were as Chair. He was part-time Professor of Peace and Conflict at the University of Manchester, attached to the Humanitarian and Conflict Response Institute from 2014 to 2017.

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