



Ready to engage?

An introduction for civil society organisations and other stakeholders on the role of business in fragile and conflict-affected settings

November 2019



Colophon

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The Centre for Research on Multinational Corporations (SOMO) is a critical, independent, not-for-profit knowledge centre on multinationals.



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CSPPS is a global network of civil society actors, experts and academics from the South and the North who work together to support peacebuilding and statebuilding projects in fragile situations.



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Background

Oxfam Novib and the Centre for Research on Multinational Corporations (SOMO) commissioned this paper, as part of their Strategic Partnership programme *Building a Worldwide Influencing Network*. Funded by the Dutch Ministry of Foreign Affairs, the partnership programme is designed for civil society organisations in fragile and conflict-affected countries that are ready to engage with private sector actors in two ways: by addressing their (un)intended negative impact fuelling conflict, or by pushing them to play a more constructive role. In both ways, private sector actors have the potential to contribute to more peaceful societies.

The paper is written specifically for members of the Civil Society Platform for Peacebuilding and Statebuilding (CSPPS), of which Oxfam Novib is also a member. The goal is to enter the debate on the role that the private sector can play within the International Dialogue on Peacebuilding and Statebuilding (IDPS). It also provides practical guidance on what civil society's engagement with the private sector might look like, and what one needs to know practically before starting to engage with the private sector. In order to give a better understanding of the institutional context and relevance of this initiative, the paper also includes a short introduction to IDPS and CSPPS.

The **International Dialogue on Peacebuilding and Statebuilding (IDPS)** was launched in 2008 as an inclusive tripartite partnership between the governments of countries affected by conflict and fragility (G7+), the Organisation for Economic Co-operation and Development's committee on development assistance (OECD-DAC), the International Network on Conflict and Fragility (INCAF) and the **Civil Society Platform on Peacebuilding and Statebuilding (CSPPS)**. Its objective was to define a new framework for engagement in countries affected by conflict and fragility that puts country ownership and leadership first. The purpose of IDPS is to change the way international and national actors operate in fragile and conflict-affected settings.

This led to the adoption of the ground-breaking *New Deal* at the Busan High-Level Forum on Aid Effectiveness in 2011 by some 40 countries.¹ Members of the IDPS were subsequently instrumental in realising Sustainable Development Goal (SDG) 16, which focuses on peaceful, just and inclusive societies.² Since then, IDPS members have contributed to the development of other seminal policies and global events such as the United Nations (UN)'s Sustaining Peace Agenda and the World Bank-UN's *Pathways for Peace* report.³

Until recently, there has been limited engagement and involvement of the private sector within the IDPS. In 2015, SOMO wrote a brochure for IDPS providing an overview of the major international

1 g7+ website; <<http://g7plus.org/our-work/new-deal-implementation/>>, accessed on 15 August 2019.

2 SDG Knowledge platform website; <<https://sustainabledevelopment.un.org/sdg16>>, accessed on 15 August 2019.

3 Pathways for Peace website, <<https://www.pathwaysforpeace.org/>>, accessed on 15 August 2019.

guidelines available for companies operating in fragile and conflict-affected areas.⁴ More recently, in July 2019, the IDPS 2019-2021 *Peace Vision* was officially launched; one of the three thematic focus areas is supporting a peace-promoting private sector.⁵ Within the CSPPS it became clear that IDPS could be an interesting arena for sharing practical experiences and stimulating the debate about the role of the private sector in Fragile and Conflict-Affected Settings (FCAS). CSPPS has therefore committed itself to strengthening the capacities of g7+ country teams for its civil society members to engage constructively in critical dialogue around a peace-promoting private sector in ways that support engagement with their respective governments and development partners.

The purpose of this discussion paper is to make the current knowledge, insights and initiatives on the role of the private sector in FCAS available to civil society organisations (CSOs). The aim is to support and further stimulate their constructive private sector engagement in FCAS, as well as to support CSOs to embark in the ongoing debate on the role of private sector in peace-promoting business.

The report is based on a literature review as well as on insights generated over recent years on the role of the private sector in conflict and peace, and on corporate-community engagement by SOMO and Oxfam Novib – both of which have extensive experience in this field.

4 International Dialogue on Peacebuilding and Statebuilding, "International Standards for Responsible Business in Conflict-Affected and Fragile Environments – An Overview", 2015, <https://www.pbsbdialogue.org/media/filer_public/6f/96/6f96d1ad-45bb-48ae-8614-8d84d6f7b2e9/id-rbc.pdf>, accessed on 15 August 2019.

5 International Dialogue on Peacebuilding and Statebuilding, "IDPS 2019-2021 Peace Vision", 2018, <https://www.pbsbdialogue.org/media/filer_public/f8/5a/f85a6879-f10d-4c25-b776-6b65376fa0bd/final_idps_peace_vision_eng.pdf>, accessed on 15 August 2019.

1 Introduction

Fragility and instability have become the new normal for many countries around the world. In economic terms, this leads to significant cost to societies, governments and businesses.⁶ According to the Pathways for Peace report, the number of internal conflicts – conflicts within the boundaries of a state – has risen sharply. After a decline in the 1990s, this number has recently seen a sharp rise again.⁷ Because of the changing landscape of fragility and conflict in the world, there are an increasing number of businesses operating in Fragile and Conflict-Affected Settings (FCAS) – either because a conflict has broken out where they were already operating, or because they see opportunities for business in countries engaged in conflict or in a post-conflict reconstruction phase. Due to the changing nature and landscape of violence and conflict over the past few decades, businesses are operating in traditional conflict settings of inter- or intrastate war (such as Iraq, Afghanistan or the Democratic Republic of Congo – DRC), but also in situations of chronic violence or turbulent political transitions that are shaped by a different set of dynamics (such as in Mexico, India or Brazil).⁸

Box 1 What are Fragile and Conflict-Affected Settings?

Fragile and Conflict-Affected Settings (also referred to as Fragile and Conflict-Affected Situations) (FCAS) is “a popular catch-all term many development and peacebuilding actors use to categorise regions where issues of development and conflict intersect”.⁹

Conflict-affected environments are defined as “countries or regions where there is a high risk of violent conflict breaking out; that are in the midst of violent conflict; or have recently emerged from it, including countries classified as ‘post-conflict’”.¹⁰

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- 6 World Economic Forum, “Responsible Investment in Fragile Contexts”, 2016, <http://www3.weforum.org/docs/GAC16_Responsible_Investment_Fragile_Context.pdf>, p. 6, accessed on 15 August 2019.
- 7 United Nations and World Bank, “Pathways for Peace: Inclusive Approaches to Preventing Violent Conflict”, 2018, p.13; <<https://openknowledge.worldbank.org/handle/10986/28337>>.
- 8 These dynamics include organised crime, urban violence, deep and rapid political change, violent conflict arising from deep, long-term divisions, based on longstanding issues such as land disputes and external stress factors such as the economic crisis or climate change. A. Wennmann, “20 Years of ‘an agenda for peace’: a new vision for conflict prevention?”, 2012, <http://www.gppplatform.ch/sites/default/files/PP%2005%20-%2020%20Years%20Agenda%20for%20Peace%20-%20Oct.%202012_0.pdf>, p. 18, accessed on 15 August 2019.
- 9 J. Miklian et al., “Business and Peacebuilding: Seven Ways to Maximize Positive Impact”, 2018, <<https://www.prio.org/Publications/Publication/?x=11008>>, p. 7, accessed on 15 August 2019.
- 10 DCED, “Private sector development in conflict-affected environments”, 2010, <https://www.enterprise-development.org/wp-content/uploads/PSDinCAE_KeyResourcesforPractitioners_Final.pdf>, p. 7, accessed on 15 August 2019.

As former UN Secretary General Kofi Annan stated in 2005, “businesses operating in conflict-affected and fragile environments run the risk of making the wrong decisions and perpetuate the tensions that originally sparked the conflict. But, if they make the right decisions, they can help a country turn its back on conflict, and move towards lasting peace.”¹¹ Increasingly, businesses are called to engage in more **conflict-sensitive business** in FCAS, to ensure they ‘do no harm’ and do not (un)intentionally fuel conflict. More recent, global actors and institutions like the World Bank, the UN and global Agenda 2030 framework comprising the Sustainable Development Goals (SDGs) call for a **peace-promoting private sector**.

Civil society organisations – grassroots, local, national and regional – often play an important role in building peace and mitigating and preventing conflict in FCAS. However, as of yet, most of them have had relatively little engagement with private sector actors in FCAS and have limited knowledge of the standards and policy frameworks companies need to obey when operating in FCAS. Their local knowledge, the interlocutor role they can potentially play between communities and companies, as well as their role as a watchdog, makes civil society a critical actor in ensuring businesses are conflict-sensitive and promoting a more pro-peace role for private sector actors in FCAS.

Box 2 IDPS' 2019-2021 Peace Vision

This Peace Vision articulates “how IDPS will build upon its past successes to address priority peacebuilding, statebuilding and conflict prevention challenges among its constituencies while accelerating progress towards SDG16+ in the period from 2019-21.”¹² In this process, IDPS members will focus on the following three thematic priorities in conflict-affected situations:

- enhancing national cohesion;
- advancing gender equality and the Women, Peace and Security (WPS) agenda;
- supporting a peace-promoting private sector.

With regards to the role of civil society, it is noted that efforts made towards advancing these priorities and commitments will seek to mainstream the protection and expansion of civil society’s operating space and will seek inclusive civil society participation in IDPS activities.¹³

11 Quoted from the Foreword to International Alert, “Conflict Sensitive Business Practices: Guidance for Extractive Industries”, 2005, <<https://www.international-alert.org/publications/conflict-sensitive-business-practice-guidance-extractive-industries-en#targetText=Conflict%2Dsensitive%20business%20practice%3A%20Guidance,relations%20and%20social%20performance%20departments>>, accessed on 15 August 2019.

12 International Dialogue on Peacebuilding and Statebuilding, “IDPS 2019-2021 Peace Vision”, 2018, p. 1.

13 International Dialogue on Peacebuilding and Statebuilding, “IDPS 2019-2021 Peace Vision”, 2018, p. 1-2.

This report provides an introduction for civil society organisations in FCAS to the current knowledge, insights and initiatives on conflict-sensitive business. It also gives an overview of the potential of a peace-promoting private sector in FCAS to inform and support civil society to define their engagement or influencing strategies towards the private sector or related national government policies in their contexts. It is particularly relevant for the member organisations of the Civil Society Platform for Peacebuilding and Statebuilding (CSPPS) – of which Oxfam Novib, which commissioned the study, is a member – but will also be valuable for other CSOs and stakeholders. In addition, the paper will be very useful to policymakers, researchers, practitioners, international non-governmental organisations (NGOs), investors and companies interested in engaging with or partnering with civil society on these topics.

As a tripartite member of the International Dialogue on Peacebuilding and Statebuilding (IDPS),¹⁴ CSPPS represents the civil society constituency. From 2019-2021, IDPS has a specific focus on supporting a peace-promoting private sector as well as providing a formal space for civil society to engage with governments and the private sector (see Box 2). This paper therefore functions as an attempt to create further interest within IDPS, and to increase civil society's participation in this debate.

To ensure the inclusion of the private sector by G7+ countries is conflict-sensitive and for companies to potentially play a peace-promoting role with their engagement in FCAS, civil society needs to be more closely involved and engaged with the private sector. Gaining insight and knowledge of existing guidelines, international frameworks and discourses of the role the private sector can play in exacerbating conflict or sustaining peace is required as a first step towards enabling civil society to better draw out its perspective and positioning on this subject in a given fragile context. That is the main reason for publishing this report.

As well as entering into a dialogue with the private sector in a more political realm, it is important to be aware of the different options for civil society to embark practically on an engagement trajectory. This includes knowledge about what factors play a role, what engagement strategies and scenarios are available, and what options for engagement to choose. This could range from a more constructive approach towards a more critical engagement and how to manoeuvre between these. It is therefore important to be aware of the multiple roles that can be played by various actors in a consortium, such as the link between the watchdog role and accountability/transparency principles (as also included in the *New Deal* framework/principles).¹⁵

When referring to the private sector, the report focuses on large companies – both multinational and domestic, including privately owned and state-owned – because the impacts, both positive and negative, can be much more substantial than those of smaller enterprises. Although the report focuses on the private sector (which formally does not include state-owned enterprises), it is also relevant for state-owned enterprises as there are many similarities in how to engage with both privately held and state-owned companies. In FCAS, state-owned enterprises are often very important and thus will be considered within the scope of this paper as well. However, when dealing with

14 See <<https://www.pbsbdialogue.org/en/>> and the section 'Background'.

15 g7+ website; <<http://g7plus.org/our-work/new-deal-implementation/>>, accessed on 15 August 2019.

companies from outside the OECD, it is important to acknowledge the limitations on how to engage, as these companies cannot be held to account through the OECD Guidelines for Multinational Enterprises.¹⁶ New sets of guidelines are being developed to fill this gap, such as the Guidelines for Social Responsibility in Outbound Mining Investments of the China Chamber of Commerce of Metals, Minerals and Chemicals Importers and Exporters (CCCMC).¹⁷ In terms of economic sectors, it was decided not to choose a specific focus for this paper, as potentially any sector of the economy could play a positive or negative role in FCAS.

After first setting the scene on international policy frameworks and standards (Chapter 2), the report will elaborate in Chapter 3 on two contemporary avenues or schools of thought in the academic community, highlighting the potential in business-peace interactions and in an increased role of the private sector in FCAS (the so-called 'potentialists' or peace-promoting private sector) on the one hand; and taking a more critical view towards business-peace interactions and focusing on the negative impacts of companies in the context of FCAS (the so-called 'challengers') on the other. First, an analysis is provided of the current available knowledge, insights and initiatives on the role of the private sector in FCAS for each school of thought. For each category, three publications have been selected that are deemed to be influential or ground-breaking. These publications are briefly summarised, stating the take-away messages of the publication and why the paper represents interesting reading material for our target audience. In this way, readers will be able to dive deeper into the topic, depending on their specific interests and needs. Chapter 3 ends with some interesting initiatives in the field of private sector engagement in FCAS.

This is followed by an overview of the available guidance on conflict-sensitive and peace-promoting business (Chapter 4) and corporate-community engagement that can be very useful in terms of efforts to engage the private sector in operating in a conflict-sensitive and peace-conducive way (Chapter 5). In the final chapter, ideas are presented on the way forward for civil society organisations on this topic (Chapter 6). In Annex A, the definitions and concepts used in this paper are explained, and in Annex B, a list of references is provided of the reports and articles used in the report.

16 OECD, "OECD Guidelines for Multinational Enterprises - 2011 Update", (Paris: OECD, 2011) p.17, <<http://www.oecd.org/corporate/mne/>>, accessed on 15 August 2019.

17 China Chamber of Commerce of Metals, Minerals and Chemicals Importers and Exporters (CCCMC), "Guidelines for Social Responsibility in Outbound Mining Investments", 2015, <<https://www.emm-network.org/wp-content/uploads/2015/03/CSR-Guidelines-2nd-revision.pdf>>, accessed on 15 August 2019.

2 The role of business in international policy frameworks and standards

2.1 The global framework for business and human rights

“The actions of business enterprises can affect people’s enjoyment of their human rights either positively or negatively. Indeed, experience shows that enterprises can and do infringe human rights where they are not paying sufficient attention to this risk. They can have an impact – directly or indirectly – on virtually the entire spectrum of internationally recognized human rights.”

UN Guiding Principles Reporting Framework¹⁸

By way of introduction, it is important to consider the broader framework of business and human rights, and to look at the standards and principles developed over the last few decades. This has been the basis for the development of more specific guidance on conflict-sensitive and peace-promoting business. The **OECD Guidelines for Multinational Enterprises** were launched back in 1976. They “provide non-binding principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally recognised standards.”¹⁹ The standard applies to all sectors, all companies and all operations of businesses operating in or from adhering countries (all 34 OECD countries and 12 non-OECD countries).²⁰ The OECD Guidelines address all major areas of business ethics, including information disclosure, human rights, employment and labour, responsible supply chain, environment and anti-corruption.

Thirty-five years after the OECD Guidelines for Multinational Enterprises were launched, the **United Nations Guiding Principles on Business and Human Rights** were unanimously endorsed in 2011 by the UN Human Rights Council and have been adopted by businesses and governments worldwide.²¹ Considered as the most important global standard on business and human rights, they “apply to all states and to all business enterprises, both transnational and others, regardless of their size, sector, location, ownership and structure.”²² They stem from and help to implement the UN Protect, Respect and Remedy Framework based on three pillars:

18 UN Guiding Principles Reporting Framework website, <<https://www.ungpreporting.org/resources/the-ungps/>>, accessed on 15 August 2019.

19 OECD, “OECD Guidelines for Multinational Enterprises - 2011 Update”, (Paris: OECD, 2011) p.17, <<http://www.oecd.org/corporate/mne/>>, accessed on 15 August 2019.

20 See here for a list of OECD countries: <http://www.oecd.org/about/members-and-partners/>, accessed on 15 August 2019.

21 UN Working Group on Business and Human Rights, “The UN Guiding Principles on Business and Human Rights: an introduction”, 2013, p.1; <https://www.ohchr.org/Documents/Issues/Business/Intro_Guiding_PrinciplesBusinessHR.pdf>.

22 United Nations, “Guiding Principles on Business and Human Rights: Implementing the United Nations, “Protect, Respect and Remedy” Framework”, 2011, <http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf>, accessed on 15 August 2019.

1. The state duty to protect against human rights abuses by third parties;
2. The corporate responsibility to respect human rights;
3. The need for rights and obligations to be matched with appropriate and effective remedies for victims of human rights abuses, both judicial and non-judicial, when breached.

In the words of John Ruggie, the former UN Special Representative on human rights and transnational corporations, “the most egregious business-related human rights abuses take place in conflict-affected areas and other situations of widespread violence. Human rights abuses may spark or intensify conflict, and conflict may in turn lead to further human rights abuses.”²³ The UN Global Compact has produced specific guidance on responsible business in conflict-affected and high-risk areas.²⁴ In addition, in 2018, the UN Working Group on Business and Human Rights launched a project that aims to clarify the practical steps that companies, investors and States should take to implement the UN Guiding Principles in conflict and post-conflict contexts.²⁵

Another key standard for corporate responsibility is the **International Finance Corporation (IFC) Performance Standards on Environmental and Social Sustainability**.²⁶ All clients of the IFC and of the **Multilateral Investment Guarantee Agency (MIGA)** must comply with the Performance Standards. The objective of the eight Performance Standards is to ensure that clients avoid, mitigate or manage the social and environmental risks and impacts of their projects financed by IFC/MIGA. The ‘Equator Principles’ are a set of standards based on the IFC’s Performance Standards, which have been adopted by the majority of the world’s leading investment banks in developed and developing countries.²⁷ The Equator Principles are estimated to cover nearly 90 per cent of project financing in emerging markets.

2.2 The New Deal and Sustainable Development Goals (SDGs)

“We are determined to foster peaceful, just and inclusive societies, which are free from fear and violence. There can be no sustainable development without peace and no peace without sustainable development.”

Preamble to the Sustainable Development Goals²⁸

The New Deal for Engagement in Fragile States is “a key agreement between fragile and conflict-affected states, development partners and civil society to improve the current development policy

23 United Nations, “Report of the Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises, John Ruggie. Business and human rights in conflict-affected regions: challenges and options towards State responses”, 2011; <<https://www.business-humanrights.org/sites/default/files/media/documents/ruggie/report-business-human-rights-in-conflict-affected-regions-27-may-2011.pdf>>.

24 See <https://www.unglobalcompact.org/docs/issues_doc/Peace_and_Business/Guidance_RB.pdf>, accessed on 15 August 2019.

25 See <<https://www.ohchr.org/EN/Issues/Business/Pages/ConflictPostConflict.aspx>>, accessed on 15 August 2019.

26 See <https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/performance-standards>, accessed on 15 August 2019.

27 See <<https://equator-principles.com/>>.

28 Preamble to the SDGs: <<https://sdg.guide/chapter-1-getting-to-know-the-sustainable-development-goals-e05b9d17801>>, accessed on 15 August 2019.

and practice in FCAS.”²⁹ It was signed by more than 40 countries and organisations at the 4th High Level Forum on Aid Effectiveness in 2011 at Busan, Korea. The main stakeholders are the countries of the g7+ group, a group of fragile states, and their development partners. Through the New Deal, “development partners committed to supporting nationally-owned and nationally-led development plans and greater aid effectiveness in fragile situations (**the TRUST principles**). In addition, g7+ governments committed to inclusive planning processes, grounded in context (**the FOCUS principles**). Both parties committed to pursuing the five **Peacebuilding and Statebuilding Goals (PSGs)**: legitimate politics, justice, security, revenue and services and economic foundations.”³⁰ The TRUST principles and the FOCUS principles, together with the PSGs, apply across the tripartite partnership of states, development partners and civil society (see Annex A for more details).

One of the New Deal’s PSGs – building economic foundations for peace – has a strong connection to the private sector that needs to be further explored. It is also recognised in the New Deal that responsible business and investment are vital to achieving all the other PSGs. Since 2013, the International Dialogue on Peacebuilding and Statebuilding has been struggling with the question of how to include the private sector in its work. In 2015, an IDPS New Deal for the Private Sector Strategy was created. Its aim was to promote more and better business in FCAS. The strategy consisted of three priority areas of work:³¹

1. Country-based work to promote more and better business and investment;
2. Global advocacy on development finance: To ensure that the use of official development assistance (ODA) to leverage additional sources of development finance supports conflict-sensitive investment in FCAS;
3. Distilling and disseminating guidance on responsible business of relevance to FCAS for IDPS and private sector stakeholders.

In relation to the private sector, the g7+ has called for “more systematic international support for private sector development that is well adapted to conditions in fragile states, rather than driven by standard models, and that is designed to have impact on a large scale.”³²

The Sustainable Development Goals (SDGs) form a cohesive and integrated package of global aspirations the world has committed to achieving by 2030. In September 2015, “heads of states and governments agreed to set the world on a path towards sustainable development through the adoption of the 2030 Agenda for Sustainable Development. This agenda includes 17 SDGs, which set out quantitative objectives across the social, economic and environmental dimensions

29 See <<https://www.pbsbdialogue.org/en/new-deal/about-new-deal/>>, accessed on 15 August 2019.

30 See <<https://www.pbsbdialogue.org/en/new-deal/about-new-deal/>>, accessed on 15 August 2019.

31 International Dialogue on Peacebuilding and Statebuilding, “Making a case for Responsible Investment in Fragile and Conflict-Affected situations (FCS): A Multi-Stakeholder task”, 2017, <https://www.pbsbdialogue.org/media/filer_public/ba/85/ba85ed3c-9a0f-4f62-80b5-18eba9872e59/rd_5_-_making_a_case_for_responsible_investment_in_fragile_and.pdf>, accessed on 15 August 2019.

32 International Dialogue on Peacebuilding and Statebuilding, “How to Scale up Responsible Investment and Promote Sustainable Peace in Fragile Environments, Draft Report”, 2018, <https://www.pbsbdialogue.org/media/filer_public/8b/27/8b27b529-8fcc-4a2c-8d7b-87aabc55f7f3/final_privatesectorreport.pdf>, accessed on 15 August 2019.

of sustainable development.”³³ In this agenda, businesses are playing an integral role in achieving sustainable development on the ground. Through business activities, asset allocation and investment decisions – as well as by contributing skills, knowledge, resources and transparent reporting – the private sector may play a key role for SDG implementation.³⁴

As an international platform whose mission focuses on peacebuilding and statebuilding, CSPPS tackles the 2030 Agenda through the prism of SDG16. SDG 16 relates to peace, justice and strong institutions. However, SDG16 is closely interrelated with a number of other goals, including for instance SDG5 (gender equality), SDG8 (decent work and economic growth), SDG10 (reduced inequalities) and SDG13 (climate action). This interrelation of goals is captured under the overarching term “SDG16+”.

The New Deal Principles guide the actions of CSPPS members on SDG16+. A recent report by the SDG Fund noted that private sector actors mainly see SDG 16 as the government’s domain. This is overlooking the fact that the private sector has an important role to play in related areas such as the promotion of diversity and gender equality, free information flows and support to justice initiatives, which are covered by other SDGs.³⁵ In conclusion, there is scope for an increased role for the private sector in achieving all SDGs that contribute to peace and stability.

33 Source: <<https://sdg.guide/chapter-1-getting-to-know-the-sustainable-development-goals-e05b9d17801>>, accessed on 15 August 2019.

34 B. Keppner et al., “Beyond Rhetoric: Why Foreign Policy Needs To Foster Private Sector SDG Implementation”, 2019, <<https://www.climate-diplomacy.org/publications/beyond-rhetoric-why-foreign-policy-needs-foster-private-sector-sdg-implementation>>, accessed on 15 August 2019.

35 SDG Fund, Business and SDG 16 Contributing to Peaceful, Just and Inclusive Societies, 2017, <https://www.sdgfund.org/sites/default/files/Report_Business_And_SDG16.pdf>, accessed on 15 August 2019.

3 Is there a role for business in building peace?

3.1 Knowledge and insights from existing literature

“(There is a) marked transformation over the past decade in the discourse on companies’ roles in conflict environments. Understanding of the management of social impacts has grown as consensus builds that companies must avoid negative societal impacts as a matter of both risk management and responsible corporate citizenship.”

Miller et al., 2019³⁶

To provide an accessible introduction to the topic, a literature review was carried out of the debate about the role of the private sector in in fragile and conflict-affected settings. This debate has been ongoing for several decades, starting with the innovative work of Nelson (2000), Banfield (2003) and Bais and Huijser (2003), among others.³⁷ The guidance on conflict-sensitive business practice by International Alert, published in 2005, was an important first step towards defining the potential role of business in preventing conflicts and building peace.³⁸ Since then, this field has developed at a rapid pace and has become an important theme at all policy levels.

Many authors look into the potential role that companies can play in making a more proactive contribution to peace, security and stability, in addition to operating in a conflict-sensitive way. It is concluded by some that potentially, the private sector can play an important role in preventing conflicts and promoting peace. At the same time, the very presence of businesses operating in fragile and conflict-affected states makes them part of the conflict dynamics. There are other, more critical voices that are calling for caution regarding this increased focus on the role of the private sector in fostering peace. As observed by Bailey et al. (2015) companies have limited influence

36 B. Miller, B. Ganson, S. Cechvala and J. Miklian, “A seat at the table: capacities and limitations of private sector peace-building”, 2019, <https://www.cdacollaborative.org/wp-content/uploads/2019/01/A-Seat-at-the-Table_FINAL-010819-Web.pdf>, p. 5, accessed on 15 August 2019.

37 J. Nelson, “The Business of Peace: The Private Sector as a Partner in Conflict Prevention and Resolution”, 2000, <<https://www.international-alert.org/sites/default/files/publications/The%20Business%20of%20Peace.pdf>>; J. Banfield et al., “Transnational Corporations in Conflict Prone Zones – Public Policy Responses and a Framework for Action”, 2003, <<https://www.international-alert.org/publications/transnational-corporations-conflict-prone-zones>>; K. Bais and M. Huijser, “The Profit of Peace – Corporate Responsibility in Conflict Regions”, 2003, <<https://www.routledge.com/The-Profit-of-Peace-Corporate-Responsibility-in-Conflict-Regions-1st/Bais-Huijser-Cammaert/p/book/9781351280686>>, all accessed on 15 August 2019.

38 International Alert, “Conflict Sensitive Business Practices: Guidance for Extractive Industries”, 2005, <<https://www.international-alert.org/publications/conflict-sensitive-business-practice-guidance-extractive-industries-en#targetText=Conflict%2Dsensitive%20business%20practice%3A%20Guidance,relations%20and%20social%20performance%20departments>>, accessed on 15 August 2019.

over peace and conflict dynamics.³⁹ And more recent research by Miller et al. (2019) concludes that businesses in fragile and conflict-affected contexts are neither intrinsically peace-positive nor intrinsically peace-negative. The impacts on peace are dependent on how a company operates and how it engages with other actors.⁴⁰

Indeed, it is increasingly recognized by companies that they never operate in isolation from the context, and that there are serious risks and challenges involved when operating in fragile and conflict-affected areas.⁴¹ Miller et al. (2019) suggest that it is not only possible but also necessary to involve the private sector in peacebuilding efforts. This is first and foremost to ensure that companies do not fuel the conflict but instead operate in a conflict-sensitive way and ‘do no harm’, and secondly because they can potentially contribute to peace and stability by actively monitoring and managing its impacts, especially on drivers of conflict and peace.⁴²

Over the past decade, there has been a boom in publications on this topic. Comprehensive overviews of the academic literature have been provided by Miklian (2016)⁴³ and Lenfant (2016).⁴⁴ Miklian identifies three main actors engaging in the discussions around business and peace: the business community, international organisations (including the United Nations, the World Bank and NGOs) and academics.⁴⁵ As for the business community, this includes companies at different levels, ranging from local SMEs (small- and medium-sized enterprises) to multinational companies, with headquarters in both the global North and in the global South. Most international organisations agree about the value of engaging businesses as peace partners, although there is a lack of consensus about what their contribution should be, or what the comparative advantages would be. Finally, the least consensus can be found in the academic community, where researchers from many different disciplines have been doing research on business-peace interactions over centuries.⁴⁶

Miklian distinguishes between two contemporary avenues: those who see potential in business-peace interactions (coined here as ‘**potentialists**’), and those who are critical of the wisdom of the entire venture and focusing on the negative impacts of companies in FCAS (the so-called

39 R. Bailey, J. Ford, O. Brown and S. Bradley, 2015, “Investing in Stability – Can Extractive-Sector Development Help Build Peace?”, London: The Royal Institute of International Affairs/Chatham House, p. 45, <https://www.chathamhouse.org/sites/files/chathamhouse/field/field_document/20150619InvestingInStabilityBaileyFordBrownBradley.pdf>, accessed on 15 August 2019.

40 B. Miller, B. Ganson, S. Cechvala and J. Miklian, 2019, p. 5.

41 M. van Dorp, “Review Essay: Should companies be involved in peacemaking or mind their own business?” *Global Change, Peace and Security* Volume 29, 2017 - Issue 1, <<https://www.tandfonline.com/doi/abs/10.1080/14781158.2016.1256278?journalCode=cpar20>>, accessed on 15 August 2019.

42 B. Miller, B. Ganson, S. Cechvala and J. Miklian, 2019, p. 5.

43 J. Miklian, “Mapping Business-Peace Interactions: Five Assertions for How Businesses Create Peace”, 2016, <<https://www.cdacollaborative.org/publication/mapping-business-peace-interactions-five-assertions-businesses-create-peace/>>, accessed on 15 August 2019.

44 F. Lenfant, “On business, conflict and peace: Interaction and collaboration in Central Africa, PhD dissertation”, 2016, <<http://abs.uva.nl/binaries/content/assets/subsites/amsterdam-business-school/research/dissertations/dissertation-francois-lenfant.pdf?2963091368192>>, accessed on 15 August 2019.

45 J. Miklian, 2016, p. 4

46 J. Miklian, 2016, p. 4-5

'challengers').⁴⁷ In a similar vein, Ganson and Wennmann (2016) have observed two prevailing discourses or schools of thought, occurring largely in parallel universes:⁴⁸

1. **The business & peace discourse:** Business as a foundation for peaceful development, where companies work towards greater stability in fragile states out of enlightened self-interest and/or proactively engage in peacebuilding.
2. **The business & conflict discourse:** Business as a cause of conflict and violence in fragile states, where predatory multinational companies violate human rights in already fragile settings or where they directly benefit from the war economy, thus exacerbating existing conflict or creating new conflicts.

For each of these discourses, a general overview is provided, followed by three key publications that are deemed to be influential or ground-breaking. These publications are briefly summarised, stating the take-away messages of the publication and why the paper is interesting reading for our target audience. In this way, readers will be able to dive deeper into the topic, depending on their specific interests and needs.

3.2 The business and peace discourse

The business & peace discourse focuses on the potential of business-peace interactions and on the increased role of the private sector in FCAS. In this discourse, private sector development is seen as a powerful vehicle for economic reconstruction and peace, promoted among others by the World Bank and IFC, which are increasing their investments in fragile and conflict-affected areas. There are also growing investments in FCAS from BRICSAM countries.⁴⁹ In many post-conflict economies, expectations are high of the private sector's contribution and national governments are opening the doors to foreign investors based on the assumption that their presence will lead to job creation, boosting of local markets and the generation of domestic tax revenues as well as profit share from extractives.

In the World Bank's view, in post-conflict settings, the private sector can potentially play a larger role than just providing jobs and generating income.⁵⁰ This includes helping to lend legitimacy to the state, delivering tangible dividends to the wider population through the provision of basic services, introducing innovative approaches to development, and generating tax revenues for reconstruction efforts.⁵¹

47 J. Miklian, 2016, p. 5.

48 B. Ganson and A. Wennmann, "Business and Conflict in Fragile States: the case for pragmatic solutions", (London: International Institute for Strategic Studies, 2016), p. 94-95.

49 Brazil, Russia, India, China, South Africa and Mexico.

50 M.P. Porter Peschka, "The role of the private sector in fragile and conflict-affected states. Background paper to the World Development Report 2011", 2011, <http://web.worldbank.org/archive/website01306/web/pdf/wdr_background_paper_peschka_0.pdf>, p. 8, accessed on 15 August 2019.

51 M.P. Porter Peschka, 2011.

According to another World Bank study on job creation in FCAS, providing employment opportunities can help to take away the incentives for ex-combatants and potential insurgents to take up arms again. Jobs can also contribute to building social cohesion in fractured communities, consisting of individuals with different ethnic, political and social identities.⁵² It is also argued by potentialists that business needs to take an active role to make these contributions rather than delegate them to government. Issues such as the rule of law, human rights and economic development are shared values to be pursued by multiple sectors.⁵³ This is reflected in the discussions around the SDGs. In order to achieve the SDGs, an important role is assigned to the private sector, including to SDG 16 (see Chapter 2.2).⁵⁴

A small but influential group of academics, international institutions and NGOs are proponents of the potential role of the private sector in peacebuilding. This includes the UN Global Compact, which established the Business for Peace Platform in 2013. According to the UN Global Compact, "businesses can make a positive long-lasting contribution to peace and development."⁵⁵ One of the goals of the platform is "to support business actions that positively contribute to peace (beyond a 'do no harm' approach), recognising there are numerous environments where businesses can have a positive impact."⁵⁶

Within the business & peace discourse, Fort (2015)⁵⁷ and Oetzel et al. (2009)⁵⁸ provide the following potential contributions of business to peace:

- **Fostering economic development:** positive economic spillovers (providing jobs, promoting local investment), positive operational spillovers (technology transfer, knowledge diffusion, management practices), strategically promoting development through investment.
- **Supporting rule of law principles:** avoiding corruption, supporting democratic processes.
- **Acting as a community:**
 - Externally as good citizens, by adopting international codes of conduct regarding labour practices, supply chain responsibility, environmental standards, etc.
 - Internally by respecting human rights, gender equity, voice/democracy and creating mediating institutions within companies.

52 L. Ralston, "Job Creation in Fragile and Conflict-Affected Situations", Policy Research Working Paper 7078, World Bank Group, 2014, <<http://documents.worldbank.org/curated/en/912891468182328727/Job-creation-in-fragile-and-conflict-affected-situations>>, p. 2, accessed on 15 August 2019.

53 T. Fort, "The diplomat in the corner office – Corporate Foreign Policy", (Stanford, California: Stanford Business Books, 2015), p. 110.

54 International Peace Institute, SDG Fund and Concordia, "A new way of doing business: partnering for peace and sustainable development", 2017, <<https://www.ipinst.org/2017/09/partnering-for-sustainable-development-peace>>, accessed on 15 August 2019.

55 UN Global Compact & PRI, "Guidance on Responsible Business in Conflict-Affected and High-Risk Areas", 2010, <<https://www.unglobalcompact.org/library/281>>, p. 2, accessed on 15 August 2019.

56 N. Ralph, "Peacemaking and the extractive industries – Towards a framework for corporate peace", (Sheffield: Greenleaf Publishing, 2015), p. 59.

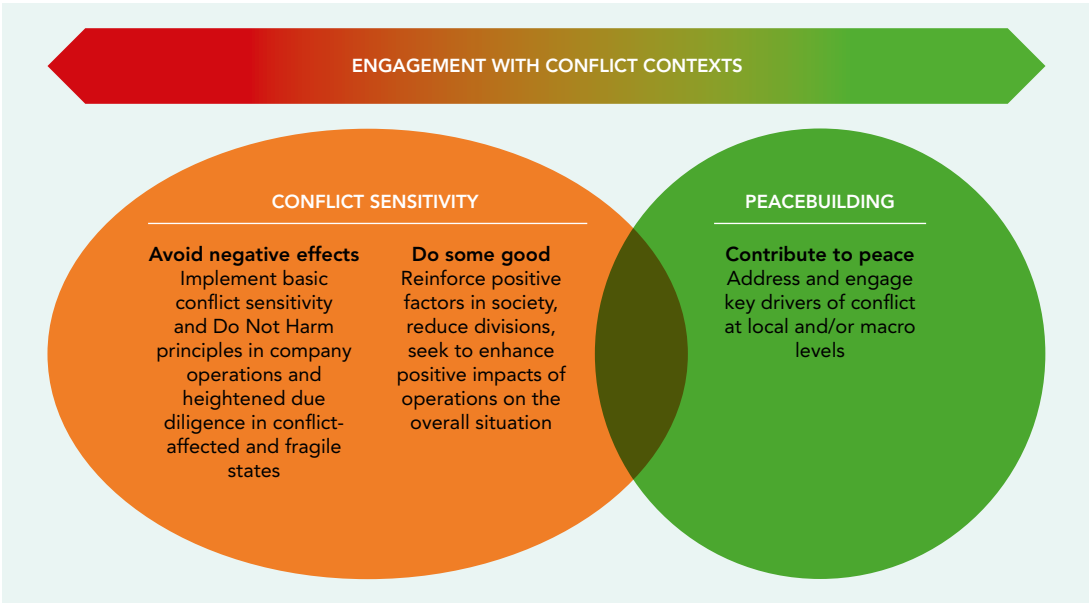
57 T. Fort, 2015, p. 109.

58 J. Oetzel et al., "Business and Peace: Sketching the Terrain", Journal of Business Ethics, 2009, Vol. 89, Supplement 4: Peace through commerce: A multisectoral approach, pp. 351-373, <https://www.researchgate.net/publication/226811976_Business_and_Peace_Sketching_the_Terrain>, accessed on 15 August 2019.

- **Participating in multitrack diplomacy:** undertaking shuttle diplomacy (conveying messages to warring parties), providing 'good offices' (to facilitate dialogue) and access to armed groups.

The continuum of corporate engagement with conflict contexts is visualised in Figure 1. When companies encounter a conflict situation in their operating environment, their response falls along a spectrum: from avoiding negative effects to contributing to positive changes in the context, to more directly addressing key drivers of conflict and violence and therefore potentially contributing to peace.⁵⁹

Figure 1 Engagement of private sector actors with conflict contexts



Source: Bardouille et al., 2014, p. 6.

59 D. Bardouille, C. Berwind-Dart, S. Cechvala and A. Ernstorfer, "Business for Peace: Understanding and Assessing Corporate Contributions to Peace", Discussion Paper, Cambridge, MA: CDA Collaborative Learning Projects, 2014, p. 6, <<http://cdacollaborative.org/publication/business-for-peace-understanding-and-assessing-corporate-contributions-to-peace/>>, accessed on 15 August 2019.

Three key publications highlighting the business and peace discourse are briefly described below.

Authors and title	J. Oetzel et al., "Business and Peace: Sketching the Terrain", <i>Journal of Business Ethics</i> , 2009, Vol. 89, Supplement 4: Peace through commerce: A multisectoral approach, pp. 351-373, < https://www.researchgate.net/publication/226811976_Business_and_Peace_Sketching_the_Terrain >
Main take-away messages	In this article, the ideas and arguments behind the 'peace through commerce' literature are provided. It highlights the rationale and motivation for business to engage in conflict resolution and to act in ways that promote peace. The authors emphasize the importance of acknowledging the reciprocal relationship between business and peace. For businesses, it is more difficult to operate in areas where there is conflict and violence. Instead, businesses benefit from a peaceful environment with stable and efficient institutions, functioning markets, stable regulatory systems, and effective courts that enforce property rights.
Why the paper is interesting reading material	This article is considered as one of the first concise but comprehensive overviews of the business for peace literature. Also, the authors provide a summary of the contributions that business can make to foster peace.
Authors and title	J. Miklian, "Mapping Business-Peace Interactions: Five Assertions for How Businesses Create Peace", 2016, < https://www.cdacollaborative.org/publication/mapping-business-peace-interactions-five-assertions-businesses-create-peace/ >
Main take-away messages	Based on findings from academic research and practitioners' experiences, this article maps five assertions about how businesses impact upon peace. The five assertions are as follows: 1) economic engagement facilitates a peace dividend; 2) encouraging local development facilitates local capacities for peace; 3) importing international norms improves democratic accountability; 4) firms can constrain the drivers or root causes of conflict; and 5) undertaking direct diplomatic efforts with conflict actors builds and/or makes peace. These assertions provide a framework for categorising and testing the main arguments used in the business for peace discourse, both positive and negative.
Why the paper is interesting reading material	This article provides a clear theoretical framework for business and peace, based on cutting-edge research and highlighting the most urgent knowledge gaps to fill.

Authors and title B. Miller, B. Ganson, S. Cechvala and J. Miklian, "A seat at the table: capacities and limitations of private sector peacebuilding," 2019, CDA/Africa Centre for Dispute Settlement/PRIO, <https://www.cdacollaborative.org/wp-content/uploads/2019/01/A-Seat-at-the-Table_FINAL-010819-Web.pdf>

Main take-away messages The report presents the key results of a two-year learning project to identify effective, peace-positive roles for the private sector in fragile and conflict-affected environments. It is highlighted that the discourse on companies' roles in conflict environments has changed over the last decade. This includes an increased consensus that companies must avoid negative societal impacts in FCAS as a matter of both risk management and responsible corporate citizenship. Based on the findings of the project, a number of key lessons are drawn, including the following:

- Peace-positive impacts are most likely to arise when businesses create the conditions under which they – together with other actors – can more constructively address issues that drive conflict.
- Businesses that create positive impacts on peace and conflict demonstrate both exceptional abilities and exceptional willingness.
- Businesses are more likely to act when their operations are directly affected by the presence of conflict or the absence of peace.
- There appear to be limitations on the scope of impact of an individual company; hence the need for collaborative initiatives.
- Company efforts to build peace suffer from the same challenges and shortcomings as those of other peacebuilding actors.

Why the paper is interesting reading material An interesting finding for peacebuilding CSOs is that it is recommended for peacebuilders to deal with companies as they would with any other actor in a conflict environment. This means that CSOs should engage realistically based on the perceptions, interests and incentives of a particular company within its context today while working towards a more peace-positive mindset and role for the future. This is facilitated by understanding the distinctive comparative advantages of companies as peacebuilding allies, including as access points to key people, conveners and actors able to help increase the voice and legitimacy of disenfranchised parties. In addition, it is important to understand a company as a heterogeneous entity in which different levels, functions and leaders can have different interests in, and appetite for, peacebuilding action.

3.3 The business and conflict discourse

The business & conflict discourse, which takes a more critical view towards business-peace interactions, focuses on the negative impacts of companies operating in FCAS. This discourse is built on a more solid evidence base and many case studies have been published of companies that are negatively affecting peace and fuelling conflict through their operations.⁶⁰ According to Hoffmann (2014), “the current enthusiasm for the private sector’s contribution to peace is based more on [an] eagerness to do things differently than on a strong evidence base of success stories”.⁶¹ As clarified in the UN Guiding Principles on Business and Human Rights, some of the most serious human rights violations take place in conflict-affected areas, often involving multinational companies. In fact, the origin of the UN Guiding Principles lies in the involvement of business in conflicts around natural resources, e.g. blood diamonds in Sierra Leone, blood timber in Liberia and conflict minerals in DRC. According to Miklian and Schouten (2014), it appears that business is often enabling conflict, either through complicity or through intentional exploitation of conflict for profit. Based on case evidence from Afghanistan, Nigeria and Colombia, it appears that multinational corporations in volatile environments may even prolong or exacerbate conflict, despite their ambitions to deliver a “peace dividend” to the population.⁶²

There are many critical voices that call for caution on this increased focus on the role of the private sector in fostering peace. Various scholars and NGOs have warned about an over-simplistic assumption that “development brings peace”. According to Ford (2016), “there is probably no necessary connection between facilitating greater commercial interest and activity, and building sustainable peace”.⁶³ Even though conflict and fragility have many other causes as well, it is recognised that businesses – especially large companies in the energy, mining or agribusiness sectors – are often a cause of conflict and violence in fragile situations. This is particularly the case where predatory multinational companies violate human rights in already fragile settings or where they directly benefit from the war economy, thus exacerbating existing conflicts or creating new ones.⁶⁴

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- 60 See among others: J. Miklian et al., “Business and Peacebuilding: Seven Ways to Maximize Positive Impact”, 2018, <<https://www.prio.org/Publications/Publication/?x=11008>>; B. Ganson, “Unpacking the puzzle of business (not) for peace”, 2017, <https://www.researchgate.net/publication/324163782_Unpacking_the_puzzle_of_business_not_for_peace>; <<https://www.somo.nl/fragile-handle-care-multinationals-conflict/>>; R. Bailey et al, “Investing in Stability – can extractive-sector development help build peace?”, 2015, <https://www.chathamhouse.org/sites/files/chathamhouse/field/field_document/20150619InvestingInStabilityBaileyFordBrownBradley.pdf>, all accessed on 15 August 2019.
- 61 A. Hoffmann, 2014. A. Hoffmann, “From ‘business as usual’ to ‘business for peace’? Unpacking the conflict-sensitivity narrative”, 2014, p. 4, <<https://www.clingendael.org/sites/default/files/pdfs/CRU%20Policy%20Brief%2028.pdf>>, accessed on 15 August 2019.
- 62 Miklian, J., and P. Schouten, “Business For peace: The new paradigm of international peacebuilding and Development”, 2014, <https://www.researchgate.net/publication/315333885_Business_for_Peace_The_New_Paradigm_of_International_Peacebuilding_and_Development>, accessed on 15 August 2019.
- 63 J. Ford, “Promoting conflict-sensitive business activity during peacebuilding”, swisspeace, 2016, <<http://www.ssoar.info/ssoar/handle/document/46740>>, accessed on 15 August 2019.
- 64 See among others: Ganson and Wennmann, 2016; SOMO, 2016; Bailey et al., 2015.

Forrer et al. (2012) found that “corporate practices may inadvertently fuel tensions by indirectly legitimising armed groups that control certain territories”.⁶⁵ According to Bardouille et al. (2014), “companies can also intensify existing or latent conflicts or perpetuate structural inequalities by hiring employees from a particular social or ethnic group.”⁶⁶ A key recommendation made by researchers is for companies to undertake a conflict assessment to avoid contributing to existing conflict dynamics.

An important assumption in this discourse is that companies are always part of the conflict dynamics and are therefore also – willingly or not – actors in the conflict. According to Ganson (2017), the conflict dynamics of fragile and conflict affected states help to explain “why business is not necessarily good for peace, simply through the jobs, tax revenues or other economic impacts of its investment, presence and operations”.⁶⁷

An interesting theory is provided by Graf and Iff (2017), who developed the idea of the so-called ‘conflict spiral’, which describes “situations where companies unwillingly or unknowingly cause or exacerbate conflict and consequentially face new and largely unforeseeable human rights risks” (see Figure 2).⁶⁸ For example, companies can exacerbate conflict by hiring or supporting private or public security forces. Recent research about the causes of company-community conflicts shows that they are often related to socio-economic issues, such as the distribution of project benefits, changes to local culture and customs, and the quality of ongoing processes or consultation and communication related to projects. The way in which companies address these contentious issues often directly contributes to local tensions.⁶⁹

65 J. Forrer, T. Fort and R. Gilpin, “How business can foster peace, United States Institute of Peace”, 2012, <<https://www.usip.org/publications/2012/09/how-business-can-foster-peace>>, accessed on 15 August 2019; SOMO, 2016.

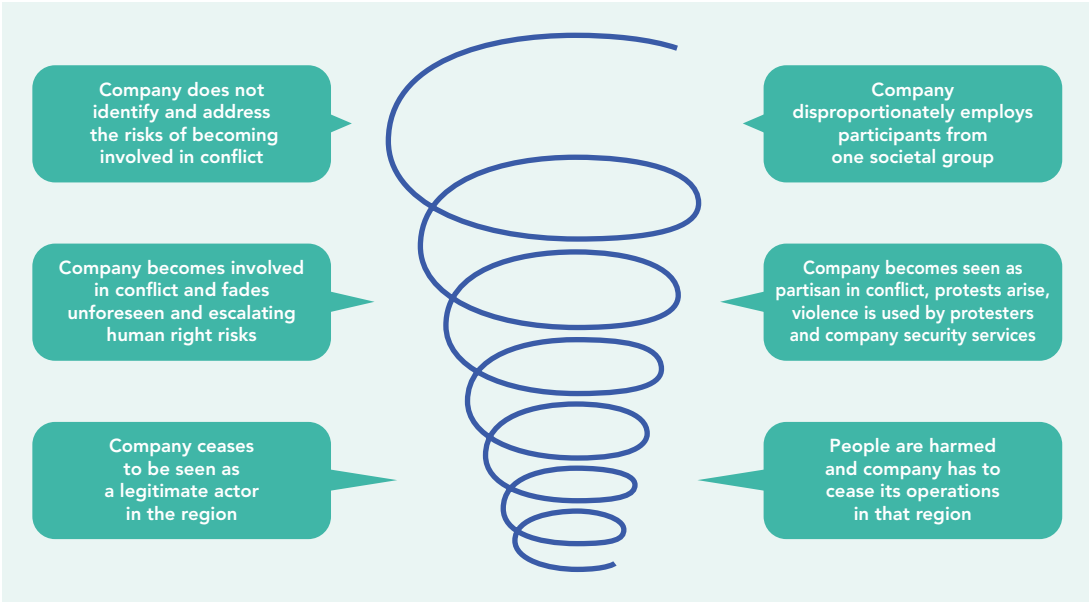
66 D. Bardouille, C. Berwind-Dart, S. Cechvala, and A. Ernstorfer, 2014.

67 B. Ganson, 2017.

68 A. Graf & A. Iff, “Respecting Human Rights in Conflict Regions: How to Avoid the ‘Conflict Spiral’”, 2017, <<https://www.cambridge.org/core/journals/business-and-human-rights-journal/article/respecting-human-rights-in-conflict-regions-how-to-avoid-the-conflict-spiral/2A22F5C529D60FC9B783F6C0F5DF4C5D>>, accessed on 15 August 2019.

69 A. Graf & A. Iff, 2017.

Figure 2 The conflict spiral of escalating corporate human rights risks



Source: Swisspeace, 2016⁷⁰

Based on case research by SOMO, Van Dorp (2017) concludes that in practice, “it is only a handful of companies that are actively engaging in peacebuilding or peace-making activities, while most companies operating in fragile or conflict-affected areas are either not interested, or they are – sometimes inadvertently – involved in human rights violations and contribute to conflict.”⁷¹ As Ganson (2018) concludes, “most enterprises experience many costs of conflict, but all the same either do not engage meaningfully to address key driving factors of conflict or in fact knowingly contribute to them”.⁷² And finally, the Peace Research Institute Oslo (PRIO) has come to the conclusion that “business ‘doing good for peace and development’ can spiral into local conflict situations that prove to be worse than if nothing had been done at all”.⁷³

There is also a question mark over whether businesses have the skills or legitimacy for direct engagement in peacebuilding, and it is admitted that conflict-sensitive business practice is not always making things better: even a ‘do-no-harm’ approach can be harmful and may inadvertently fuel conflict.⁷⁴ This means that foreign companies in particular need to be extra careful when

70 Swisspeace, “Enhanced Human Rights Due Diligence in Conflict Affected and High-Risk Areas”, 2016, p. 7, <http://www.swisspeace.ch/fileadmin/user_upload/Media/Publications/Essentials/swisspeace-Essential_5_2016.pdf>, accessed on 15 August 2019.

71 M. van Dorp, 2017.

72 B. Ganson, 2017.

73 J. Miklian et al., 2018, p. 7.

74 R. Bailey et al., 2015.

operating in fragile and conflict-affected situations and need to develop policies on how to operate in conflict-affected settings. In fact, Miklian et al. (2018) conclude that often local business leaders are much better placed to contribute in a positive way to peace.⁷⁵

Three key publications highlighting the business and conflict discourse are briefly described below.

Authors and title	A. Hoffmann, "From 'business as usual' to 'business for peace'? Unpacking the conflict-sensitivity narrative", Clingendael Institute, The Netherlands, 2014, < https://www.clingendael.org/publication/conflict-sensitivity-business-usual-business-peace >
Main take-away messages	<p>The paper provides a critical view of the business for peace discourse and provides practical considerations for translating the conflict-sensitive business narrative into practice. When looking at the role of businesses in preventing conflict and contributing to peace, three main considerations are important:</p> <ol style="list-style-type: none"> 1. While in general conflict-sensitive approaches have started to pay off, in terms of both better development results and funding opportunities, it is still unclear to what extent companies' investments in conflict-sensitive business strategies will yield higher returns. In addition, it should be kept in mind that the primary objective of business differs from that of development actors. 2. The current enthusiasm for private sector's contribution to peace is not based on a strong evidence base of success stories. There is a lack of empirical evidence of the impacts of business on state- and peacebuilding. 3. It is important to stress that – even though the private sector can potentially have a positive impact on peacebuilding – the primary responsibility for peace remains with governments.
Why the paper is interesting reading material	One idea from the paper that is especially relevant for civil society is the idea of establishing joint observatories. As a practical entry point for collaboration between businesses, donors and civil society actors, it is recommended to initiate multi-stakeholder observatories to facilitate the gathering and analysis of situational intelligence in contexts of fragility and conflict. These observatories would respond to information and analysis needs in environments where there is limited data, and in addition could lead to more systematic cooperation between development and business actors.

75 J. Miklian et al., 2018, p. 36.

Authors and title	D. Bardouille, C. Berwind-Dart, S. Cechvala and A. Ernstorfer, "Business for Peace: Understanding and Assessing Corporate Contributions to Peace", Discussion Paper, Cambridge, MA: CDA Collaborative Learning Projects, 2014, < http://cdacollaborative.org/publication/business-for-peace-understanding-and-assessing-corporate-contributions-to-peace/ >
Main take-away messages	<p>The aim of this paper is to advance the practical analysis of and discourse about how the private sector can contribute to peace. It is concluded that there is need for a better understanding of what actually contributes to peace, including an expansion of business perspectives regarding their role and impact in terms of peace building. Critical reflections on the role of business in peacebuilding include:</p> <ol style="list-style-type: none">1. Not every well intended corporate initiative contributes to peace. When businesses contribute to social and economic development, it will not have a discernible impact on peace if key drivers of conflict are not addressed. Also, context-specificity is important.2. It is important to realise that all aspects of a company's operations have consequences for existing social, economic, and political relationships, and thus on the conflict situation. This includes the company's presence, strategy, operations and human deployment in all of its actions (and inactions). These consequences can be positive and negative.3. It is possible to understand and assess private sector contributions to peace. Monitoring the conflict sensitivity of operations and community engagements is to ensure that the company actually 'does some good'. An example would be reduced tensions or fostering positive relations among different groups in society.
Why the paper is interesting reading material	<p>For CSOs, monitoring the conflict sensitivity of business operations is particularly relevant. When monitoring a company's engagement in peacebuilding, it is crucial to assess whether it tries to address the key drivers of conflict.</p>

Authors and title J. Miklian, P. Schouten, C. Horst and Ø.H. Rolandsen, "Business and Peacebuilding: Seven Ways to Maximize Positive Impact", 2018, <<https://www.prio.org/Publications/Publication/?x=11008>>.

Main take-away messages This report is the result of a four-year study of corporate peacebuilding initiatives across a range of contexts. The key findings are presented as seven key questions to companies that can help evaluate risks and improve impact. One of the main take away messages is that when business is 'doing good for peace and development', this can spiral into local conflict situations that prove to be worse than if nothing had been done at all. Three main conclusions are:

1. Despite the aspirational elements of business engagement in peacebuilding, this commitment has yielded few positive impacts in those conflict-affected areas where it is most needed. In addition, it is concluded that the most peace-positive business strategy in a region with ongoing conflict is often simply to stay away.
2. While the effects of corporate initiatives for peace and development can be positive at the firm level, there can potentially be a collective negative effect upon the host society because of spill over effects.
3. If substantive progress is to be solidified on how companies interact with the societies in which they work, binding regulatory initiatives are needed. However, the authors recognise that such a scenario does not reflect current global political realities, and this standard may never be achieved.

Why the paper is interesting reading material A key lesson from this research is that business activities for peacebuilding are much more likely to be effective when conducted in partnership with other actors. Such partners can include local offices of multilateral bodies, INGOs, NGOs, foreign or domestic development agencies, local civil society groups and other engaged peace actors. Such a collaboration has several advantages. It will allow businesses to avoid duplicating existing community engagements. Second, it will give companies more legitimacy as an actor that is willing to build peace, as the firm is willing to listen to civil society for direction. Finally, businesses will gain awareness of local circumstances and learn how to ask the right questions and find the best practice in peacebuilding adapted to the specific context.

3.4 Initiatives in the field of private sector engagement in FCAS

Following the different discourses on business, conflict and peace, it is important to point out that various pilot initiatives are currently being developed in this field. An interesting development relates to the role of the financial sector/investment community and how it can help to incentivise companies to improve its contribution to peace and stability. This includes the following:

- In 2018, the Swiss non-profit organisation PeaceNexus has launched a Peace Investment Fund, through which it “helps companies to strengthen their peacebuilding impact by taking on the role of an engaged, long-term shareholder, providing guidance and tailored advice”.⁷⁶ The objective was to compose a global equity investment portfolio of listed multinational companies that impact positively on the stabilisation of conflict-prone countries.⁷⁷ As a first step to measuring companies’ contributions to peacebuilding, the Peacebuilding Business Criteria (PBBC) were developed, which illustrate business-relevant peacebuilding activities around labour practices, local sourcing, community relations, governance issues, security measures and products. Combined to a set of mainstream Environmental, Social and Governance (ESG) factors, these criteria were used to assess 300 companies with the largest economic impact in fragile states and to establish a ranking of companies’ peacebuilding contributions.⁷⁸
- The International Dialogue on Peacebuilding and Statebuilding (IDPS), in partnership with BNP Paribas Asset Management, has developed a proposal for joint action on how investors working in partnership with development actors can help to scale up responsible investment in fragile and conflict affected situations.⁷⁹ According to the proposal, this includes the development of specific social impact bonds for FCAS (so-called ‘peace bonds’), which would “require adaptation for specific purposes and characteristics, building on the experience of existing social and green bonds and of social impact and development impact bonds.”⁸⁰ The report explores ways in which the real and perceived risk concerns of potential investors can be addressed that currently prevent the scaling up of responsible investment in FCAS.

76 PeaceNexus and Covalence SA, “Peacebuilding Business Index Methodology - Measuring business contributions to peacebuilding in fragile countries”, 2017, <http://www.ethicalquote.com/docs/PeacebuildingBusinessIndex_Methodology.pdf>, accessed on 15 August 2019.

77 PeaceNexus and Covalence SA, 2017.

78 PeaceNexus and Covalence SA, 2017.

79 International Dialogue on Peacebuilding and Statebuilding, 2018.

80 International Dialogue on Peacebuilding and Statebuilding, 2018.

4 Approaches and guidance on conflict-sensitive and peace-promoting business

As noted in Chapter 2.1, the UN Guiding Principles on Business and Human Rights clearly state that businesses should take extra care in conflict-affected areas. There are several guidance documents and tools for businesses on how to operate in a conflict-sensitive and peace-promoting way. The most important guidelines and tools are presented in this chapter, as they provide an entry point for civil society organisations to engage with companies about how they are trying to improve their policies and operations and make them more conflict-sensitive (see Table 1). The main standards and guidance documents for companies operating in FCAS are summarised in a brochure published by the International Dialogue on Peacebuilding and Statebuilding in 2016 (as also mentioned in Chapter 2).⁸¹ For a useful visual guidance on the challenges of complying with corporate responsibility standards in FCAS, a short animation has been produced by Swedish NGO Swedwatch.⁸²

The earliest set of guidelines with a focus on security in fragile and conflict-affected settings are the Voluntary Principles on Security and Human Rights (generally known as the VPs). Established in 2000 by a number of extractives companies, governments and NGOs, they were “designed to guide companies in maintaining the safety and security of their operations within an operating framework that encourages respect for human rights.”⁸³ In practice, not many companies operated in line with these high standards and the extractives sector has been heavily criticised for its involvement in human rights violations, especially in fragile and conflict-affected settings. According to the VPs website, it is recognised that “implementing the VPs can be challenging, especially when companies are operating in areas of conflict or weak governance”.⁸⁴ A set of tools has been designed to help companies, their employees and contractors to implement the VPs.⁸⁵

This was followed in 2005 by a guidance on conflict-sensitive business practice, published by International Alert.⁸⁶ In the following years, many other standards and guidance documents became available to help companies avoid negative impacts and to ensure they do no harm when operating in fragile and conflict-affected areas, under the umbrella of conflict-sensitive business practice.

81 International Dialogue on Peacebuilding and Statebuilding, 2015.

82 Swedwatch, Short movie on Corporate Responsibility in Conflict Areas, 2015, <<https://vimeo.com/112685441>>, accessed on 15 August 2019.

83 Voluntary Principles on Security and Human Rights website, “What are the Voluntary Principles?”, <<https://www.voluntaryprinciples.org/what-are-the-voluntary-principles/>>, accessed on 15 August 2019.

84 Website Voluntary Principles on Security and Human Rights, Implementation Guidance Tools (IGT), <https://docs.wixstatic.com/ugd/f623ce_087e0c0d878c4576800779c69dcb60a1.pdf>, accessed on 15 August 2019.

85 It consists of four modules: Stakeholder Engagement, Risk Assessment, Public Security Providers and Private Security Providers. Voluntary Principles on Security and Human Rights, Implementation Guidance Tools (IGT).

86 International Alert, 2005.

Most of these documents are written for and directed towards companies. At least one report was written specifically for CSOs, bringing together existing knowledge about 24 international principles and guidelines for companies operating in conflict-affected areas by SOMO (2014).⁸⁷ This report was published to better prepare affected communities and workers when they engage with companies in case of business-related human right violations.⁸⁸

Table 1 Guidance documents and tools for businesses on how to operate in a conflict-sensitive and peace-promoting way

Name of the standard/tool	Developed by	Short description
Voluntary Principles on Security and Human Rights (VPs)	A group of extractives companies, governments and NGOs	The VPs comprise of “a set of principles to guide companies in maintaining the safety and security of their operations while respecting human rights. Developed in response to allegations of human rights abuses committed by private security providers contracted by extractive industries.” Source: < https://www.voluntaryprinciples.org/ >. An Implementation Guidance Tool for the VPs has been developed by the Geneva Centre for the Democratic Control of Armed Forces (DCAF) and the International Committee of the Red Cross (ICRC). Source: < https://docs.wixstatic.com/ugd/f623ce_087e0c0d878c4576800779c69dcb60a1.pdf >
Conflict-Sensitive Business Practice Guidance for Extractive Industries	International Alert (IA)	The IA Guidance consists of “guidance on doing business in societies at risk of conflict for field managers working across a range of business activities, as well as headquarters staff in political risk, security, external relations and social performance departments. It provides information on understanding conflict risk through a series of practical documents, including an introduction to conflict-sensitive business practice, a screening tool for early identification of conflict risk and Conflict Risk and Impact Assessment tools.” Source: < https://www.international-alert.org/publications/conflict-sensitive-business-practice-guidance-extractive-industries-en >.
Guidance on Responsible Business in Conflict-Affected and High-Risk areas	UN Global Compact and Principles for Responsible Investment (PRI) initiative	The UN Global Compact and PRI Guidance “helps companies and their investors to implement responsible business practices in conflict-affected and high-risk areas in concert with the UN Global Compact Ten Principles. The Guidance is voluntary and aims to complement applicable national and international laws by promoting international good practice.” Source: < https://www.unglobalcompact.org/docs/issues_doc/Peace_and_Business/Guidance_RB.pdf >.
Guidance on Enhanced Human Rights Due Diligence in Conflict Affected and High-Risk Areas	Swisspeace	The proposed approach “integrates conflict-sensitive business practices into standard human rights due diligence procedures. A total of 17 steps are identified through which companies can enhance their standard human rights practice in order to meet the specific challenges in conflict-affected and high-risk areas. These steps complement all aspects of corporate human rights procedures – including commitment, assessment, addressing and remedy, reviewing and reporting.” Source: < http://www.swisspeace.ch/fileadmin/user_upload/Media/Publications/Essentials/swisspeace-Essential_5_2016.pdf >.
Guidance on human rights due diligence (HRDD) in conflict-affected settings	International Alert	This new IA Guidance aims to “enhance human rights due diligence (HRDD) in conflict-affected settings by drawing on knowledge and lessons learned in the field of peace, conflict and human rights, and providing additional considerations for companies and practitioners. More specifically, the guidance will do the following: <ul style="list-style-type: none"> • Help companies from the extractive sector understand any conflicts in their operating context and identify the implications these have for HRDD. • Provide tools, case studies and recommendations to help companies and other practitioners conducting HRDD in conflict-affected settings. • Contribute to ongoing debates on business, human rights and conflict sensitivity.” Source: < https://www.international-alert.org/publications/human-rights-due-diligence-conflict-affected-settings >.

87 SOMO, *Multinationals and Conflict – International principles and guidelines for corporate responsibility in conflict-affected areas*, 2014, <<https://www.somo.nl/multinationals-and-conflict-2/>>, accessed on 15 August 2019.

88 SOMO, 2014

5 Approaches and guidance material for company-community engagement

For civil society organisations working closely with communities that want to engage effectively with companies to prevent negative impacts arising from private investments, there are a variety of tools and guidance documents available. A selection of these tools and guidance documents on company-community engagement is presented in Tables 2 and 3, divided into community tools and hybrid tools (tools that can be used by multiple actors including communities).

These tools do not provide an off-the-shelf solution to facilitating greater community engagement with companies investing in fragile and conflict-affected areas. On the one hand, bringing together companies and communities is sometimes either practically not possible or potentially risky. It may be unsafe to expose community members to constructive engagement with companies, especially when there are armed groups or security forces involved that are protecting the interests of the company. In addition, negative experiences of engagement with companies in the past may have traumatised communities, to the extent that constructive engagement with a company becomes a source of friction between community members. On the other hand, communities in fragile and conflict-affected areas may have very limited experience in dealing with foreign or local investors. Companies operating in these areas often have no history of stakeholder engagement and a genuine commitment to embarking on such a dialogue process will have to be nurtured first. Various types of capacity building are therefore required before certain tools can be used effectively.

Other factors and considerations play a role as well in selecting the appropriate tool, such as social dynamics, governance systems, the transparency of laws and the impact on livelihoods. It is also important to consider that local interests are not homogeneous, and the impact and perceptions of investments are different amongst various (minority and gender) groups in the community. Moreover, it is unclear how some generic tools work in situations where serious divisions or tensions exist within the community, or how they can be applied in an area of recent armed conflict. Many tools lack a specific conflict lens. Therefore, the tools and guidance documents below need to be tailored to the local context. It is also possible that some tools will need to be used sequentially or concurrently, or a hybrid approach will need to be adopted in order to achieve the desired results.

Table 2 Community tools for company-community engagement

Name of the tool	Developed by	Short description
Community Based Human Rights Impact Assessment (COBHRA) / "Getting it Right" Tool	Oxfam America	This tool is a community based approach to human rights impact assessments, designed specifically "to help communities and their support organisations identify the impacts of private investments on their human rights and strengthen their capacity to conduct human rights impact assessments." Source: < https://policy-practice.oxfamamerica.org/work/private-sector-engagement/community-based-human-rights-impact-assessment-initiative/ >.
Community-Driven Operational Grievance Mechanism	Earth Rights International (ERI)	The purpose of this methodology is "to create a community-driven alternative to company-developed Operational Grievance Mechanisms (OGM), so that these can be designed and implemented by the affected populations themselves to meet their needs and expectations as rights-holders seeking an adequate remedy." Source: < https://www.earthrights.org/legal/community-driven-ogms >.
Community Guide to Negotiation and Advocacy	Inclusive Development	This guide was published in order "to provide detailed, practical guidance for trainers to help communities develop 'interest-based' negotiation skills where they are faced with eviction." Source: < http://www.inclusivedevelopment.net/wp-content/uploads/2015/10/Negotiation-Skills-Guide-English-FM.pdf >.
Community Empowerment Model (CEM)	Stakeholder Democracy Network (SDN)	This tool was specifically developed "to empower local communities in the Niger delta region in Nigeria to engage with domestic and multinational oil companies." Source: < http://www.stakeholderdemocracy.org/about/community-empowerment/ >.
Gendered Tool for Meaningful Community Engagement in Large-Scale Land Based Investment in Africa	Oxfam and International Institute for Sustainable Development (IISD)	This is a tool for women, their communities and allies who are working as community facilitators to ensure effective participation of women and communities in large-scale agricultural investments. Source: < https://policy-practice.oxfam.org.uk/publications/enabling-voices-demanding-rights-a-guide-to-gender-sensitive-community-engageme-620474 >.
Practical Guide for Communities, Civil Society and Local Government on the Social Aspects of Oil, Gas and Mining	Cordaid	This guide is meant "to enable local communities affected by oil, gas and mining projects to carry out constructive, peaceful engagement and negotiation with companies and government, with the aim of achieving sustainable development and improved quality of life." Source: < https://www.cordaid.org/en/publications/social-aspects-oil-gas-mining/ >.
How to use the UN Guiding Principles on Business and Human Rights in company research and advocacy: A guide for civil society organisations	SOMO, Cividep India and CEDHA	This guide aims "to provide concrete support, guidance and a uniform reference framework for CSOs to use the United Nations Guiding Principles on Business and Human Rights to address the responsibility of business to respect human rights and thereby support local communities, workers and other rights holders to ensure fulfilment of their human rights." Source: < https://www.somo.nl/nl/how-to-use-the-un-guiding-principles-on-business-and-human-rights-in-company-research-and-advocacy-2/ >.

Table 3 Hybrid mechanisms (tools that can be used by multiple actors including communities) for company-community engagement

Name of the tool	Developed by	Short description
Fair Company-Community Partnerships in Palm Oil	Oxfam International	While explicitly not designed as a toolkit, the FAIR approach to company-community partnerships contains some important principles, drawn from examples in the palm oil sector, for setting up equitable and sustainable joint ventures between companies and communities. Source: < https://www.oxfam.org/en/research/fair-company-community-partnerships-palm-oil-development >.
FPIC Guides and Trainers' Manuals	Oxfam Australia	The guides to Free, Prior and Informed Consent (FPIC) – available in seven languages – aim “to help communities have a say about projects that may impact on their land, livelihood and environment.” In addition to the guides, there is a trainers’ manual as a practical resource for trainers to help them plan and deliver FPIC training programmes. Source: < https://www.oxfam.org.au/what-we-do/mining/free-prior-and-informed-consent/ >.
Avante Consulta!	Terra Firma Lda and the International Institute for Environment and Development (IIED)	Avante Consulta! is a tool that “aims to empower communities in consultations intended to identify who has the rights to manage natural resources in a local area, and to decide how this management should be carried out and monitored. It was originally developed in Mozambique but is applicable in all situations where the co-management of natural resources is being encouraged.” Source: < https://www.eldis.org/document/A20060 >.
Collaborative Human Rights Impact Assessments	Columbia Center on Sustainable Investment, the Danish Institute for Human Rights and the Sciences Po Law School Clinic	In an effort to address some of the gaps left by both company- or community-led HRIAs, a methodology was developed for a “collaborative human rights impact assessment”. This is “a joint process undertaken by project-affected people and a company, potentially with involvement of the host government or an NGO, to investigate, measure and respond to the potential or actual human rights impacts of a commercial operation.” Source: < https://www.humanrights.dk/publications/collaborative-approach-human-rights-impact-assessments >.
Extracting Equality Guide	UN Women and Publish What You Pay	The Extracting Equality Guide examines “how to approach the issue of gender within the extractive sector. It is the first-ever extractive value chain that combines gender with good governance.” The toolkit examines all 12 steps of the extractive value chain, from finding out how much natural resources a country has to looking at how a project should be dismantled. Source: < https://www.unwomen.org/en/digital-library/publications/2014/11/extracting-equality---a-guide >.

6 Way forward

This publication has brought together existing knowledge about the role of the private sector in fragile and conflict-affected areas. It also provides an introduction to the existing tools and guidance documents on conflict-sensitive and peace-promoting business, as well as on company-community engagement.

After several decades of efforts to engage the private sector in working in a more conflict-sensitive and peace-promoting way, a number of conclusions can be drawn:

- The attention for business and human rights, both in policy and practice, as well as the role that the private sector plays in realising the Sustainable Development Goals (SDGs), has grown exponentially over the last decade. However, there are still many challenges in terms of how to ensure that the many good intentions with regards to corporate responsibility are translated into practice, especially in fragile and conflict-affected settings (FCAS).
- Despite numerous efforts to develop guidance for companies operating in fragile and conflict-affected areas since 2005, it appears that very few companies have actually implemented such guidance or developed policies on how to operate in these areas. Only one set of principles, the Voluntary Principles on Security and Human Rights, has actually been adopted by a substantial number of companies. However, the impact of the adoption of these principles is unclear.
- The two main discourses on the role of the private sector in FCAS – the “business & peace” and the “business & conflict” discourse – seem to be converging recently. This is because there is increased understanding that it is crucial for companies to take into account the conflict context and adapt their policies and practices to ensure that they work in a conflict-sensitive way, without necessarily becoming a peacebuilding actor.
- There are many tools available for company-community engagement. However, these do not provide an off-the-shelf solution to facilitating greater community engagement with companies investing in fragile and conflict-affected areas. This is caused in part by the fact that communities in fragile and conflict affected areas often have very limited experience in dealing with foreign or local investors. Companies operating in those areas often have no history in stakeholder engagement and a genuine commitment to embark on such a dialogue process would have to be nurtured first. Various types of capacity building are therefore required before certain tools can be used effectively.

A key recommendation for civil society organisations in fragile and conflict-affected areas is that they become more aware of the various tools and guidance documents available, as well as of the standards and policy frameworks companies need to comply with when operating in FCAS. This knowledge can provide an entry point of engagement and can facilitate constructive private sector engagement. Their local knowledge, the interlocutor role they can potentially play between communities and companies, as well as their role as a watchdog, makes civil society a critical actor in ensuring businesses are conflict-sensitive and promoting a more pro-peace role for private sector actors in FCAS.

This discussion paper is written to start the discussion and to test the ground. There is a need to find out which approaches fit in well with civil society organisations' strategies, both in terms of engaging with businesses and as part of the broader framework of the New Deal.

The aim of this document is therefore not only to provide civil society with up-to-date knowledge, but also to kick off a process of increased collaboration to allow peer-to-peer learning, to develop a joint influencing strategy with CSPPS members, as well as to explore other potential next steps. This will provide a starting point for CSPPS to implement the IDPS Peace Vision in a concrete way – in particular when it comes to the goal of supporting a peace-promoting private sector.

Annex A

Key definitions and concepts

This section will describe a number of key definitions and concepts used in this paper.

Peacebuilding and Statebuilding Goals (PSGs)

The partners in the International Dialogue on Peacebuilding and Statebuilding have agreed on five Peacebuilding and Statebuilding Goals (PSGs) as a crucial foundation to guide their work in fragile and conflict-affected states. The five goals are:⁸⁹

1. **Legitimate politics:** Foster inclusive political settlements and conflict resolution.
2. **Security:** Establish and strengthen people's security.
3. **Justice:** Address injustices and increase people's access to justice.
4. **Economic foundations:** Generate employment and improve livelihoods.
5. **Revenues & services:** Manage revenue and build capacity for accountable and fair service delivery.

Through the New Deal, development partners (working under the name of INCAF or International Network on Conflict and Fragility)⁹⁰ are "committed to supporting nationally-owned and nationally-led development plans and greater aid effectiveness in fragile situations. These are summarised as the TRUST principles." In doing so, the following will be enhanced:⁹¹

- Transparency,
- Risk management to **U**se country systems,
- Strengthen national capacities and **T**imeliness of aid, improving the speed and predictability of funding to achieve better results.

In addition, g7+ governments are "committed to inclusive planning processes, grounded in context." These are summarised as the FOCUS principles:⁹²

- Fragility assessment
- **O**ne vision, one plan
- Create a compact
- **U**se PSGs to monitor
- Support political dialogue and leadership

The **private sector** is defined as "the part of the economy that is run by individuals and companies for profit and is not state controlled. Therefore, it encompasses all for-profit businesses that are not

89 New Deal website, "Peacebuilding and Statebuilding Goals", <<https://www.newdeal4peace.org/peacebuilding-and-statebuilding-goals/>>, accessed on 15 August 2019.

90 The International Network on Conflict and Fragility (INCAF) is a unique network of the OECD Development Assistance Committee (DAC) members and key multilateral agencies working in fragile and conflict-affected contexts, <<https://www.oecd.org/dac/conflict-fragility-resilience/incaf-network.htm>>, accessed on 15 August 2019.

91 New Deal website, "TRUST", <<https://www.newdeal4peace.org/trust/>>, accessed on 15 August 2019.

92 New Deal, "FOCUS", <<https://www.newdeal4peace.org/focus/>>, accessed on 15 June 2018.

owned or operated by the government. Companies and corporations that are government run are part of what is known as the public sector."⁹³ For the purposes of this report, state-owned enterprises can sometimes also be considered, especially in the case of Chinese or other Asian companies.

Multinational enterprises (MNEs) usually comprise "companies or other entities established in more than one country and are so linked that they coordinate their operations in various ways. Ownership may be private, state or mixed."⁹⁴ This means that not all MNEs are formally part of the private sector as defined above, as the private sector excludes state-owned enterprises. In FCAS, state-owned enterprises are often very important and thus are considered within the scope of this paper as well.

Domestic companies are defined as "commercial entities that conduct economic transactions inside the borders of their home country."⁹⁵ As for the role of domestic companies, it is acknowledged that "often local business leaders are much better positioned to play a constructive role in transforming conflict economies into peace economies."⁹⁶

Conflict-affected environments are defined as "countries or regions where there is a high risk of violent conflict breaking out; that are in the midst of violent conflict; or have recently emerged from it, including countries classified as 'post-conflict'."⁹⁷ Due to the changing landscape of violence and conflict over the past decades, it is necessary to not only focus on more traditional conflict settings of inter- or intrastate war, but also on situations of chronic violence or turbulent political transitions that are shaped by a different set of dynamics.⁹⁸

Fragile and Conflict-Affected Settings (or Situations) (FCAS) is "a popular catch-all term that many development and peacebuilding actors use to categorise regions where issues of development and conflict intersect."⁹⁹

Peacebuilding is defined as "a range of measures targeted at reducing the risk of lapsing or relapsing into conflict by strengthening national capacities at all levels for conflict management, and of laying the foundations for sustainable peace and development."¹⁰⁰

93 Investopedia website, "What is the 'Private Sector'", <<https://www.investopedia.com/terms/p/private-sector.asp#ixzz5JzwovVv6>>, accessed on 15 August 2019.

94 OECD, "OECD Guidelines for Multinational Enterprises - 2011 Update", (Paris: OECD, 2011) p.17, <<http://www.oecd.org/corporate/mne/>>, accessed on 15 August 2019.

95 Business Dictionary website, "Domestic business", <<http://www.businessdictionary.com/definition/domestic-business.html>>, accessed on 15 August 2019.

96 J. Miklian et al., 2018, p. 36.

97 DCED, 2010, p. 7.

98 These dynamics include organised crime, urban violence, deep and rapid political change, violent conflict arising from deep, long-term divisions, based on longstanding issues such as land disputes and external stress factors such as the economic crisis or climate change. A. Wennmann, 2012, p. 18.

99 J. Miklian et al., 2018, p. 7.

100 United Nations Peacebuilding Fund website, <<https://www.un.org/peacebuilding/fund>>, accessed on 15 August 2019.

Conflict transformation is “the process by which conflicts are transformed into peaceful outcomes. The key emphasis is about addressing the drivers of conflict in order to deal with the root causes. So it refers to a combination of conflict prevention, conflict resolution and peace building. It requires the ability to accommodate various and multiple perceptions and accept difference.”¹⁰¹

A **conflict-sensitive approach** to operating in the context of FCAS is one “in which a company:¹⁰²

- understands the context and relevant conflicts in which it operates;
- understands the interaction between its operations and the conflict context;
- plans and implements all of its activities in a manner that avoids negative impacts on conflict and maximises positive ones.”
- It involves “gaining a sound understanding of the two-way interaction between activities and (conflict) context and acting to minimise the negative and unintended impacts (‘doing no harm’), and to maximise the positive impacts of intervention on conflict, within an organisation’s given priorities and objectives.”¹⁰³

Conflict-sensitive business practice (CSBP) is based on “the idea that conducting business with due care in fragile contexts can help to avoid inflaming conflicts and violence, and may contribute to reducing them.”¹⁰⁴ Business can operate along the so-called conflict-sensitivity continuum (see Figure 3), ranging from interventions that pay no attention at all to conflict and peace issues to interventions designed to make a positive contribution.

Figure 3 The conflict-sensitivity continuum



Source: *International Alert, 2015*¹⁰⁵

101 Oxfam Novib and Oxfam GB, Conflict language, 2017, p. 2. Internal document.

102 D. Bardouille, C. Berwind-Dart, S. Cechvala and A. Ernstorfer, 2014, p. 3-4.

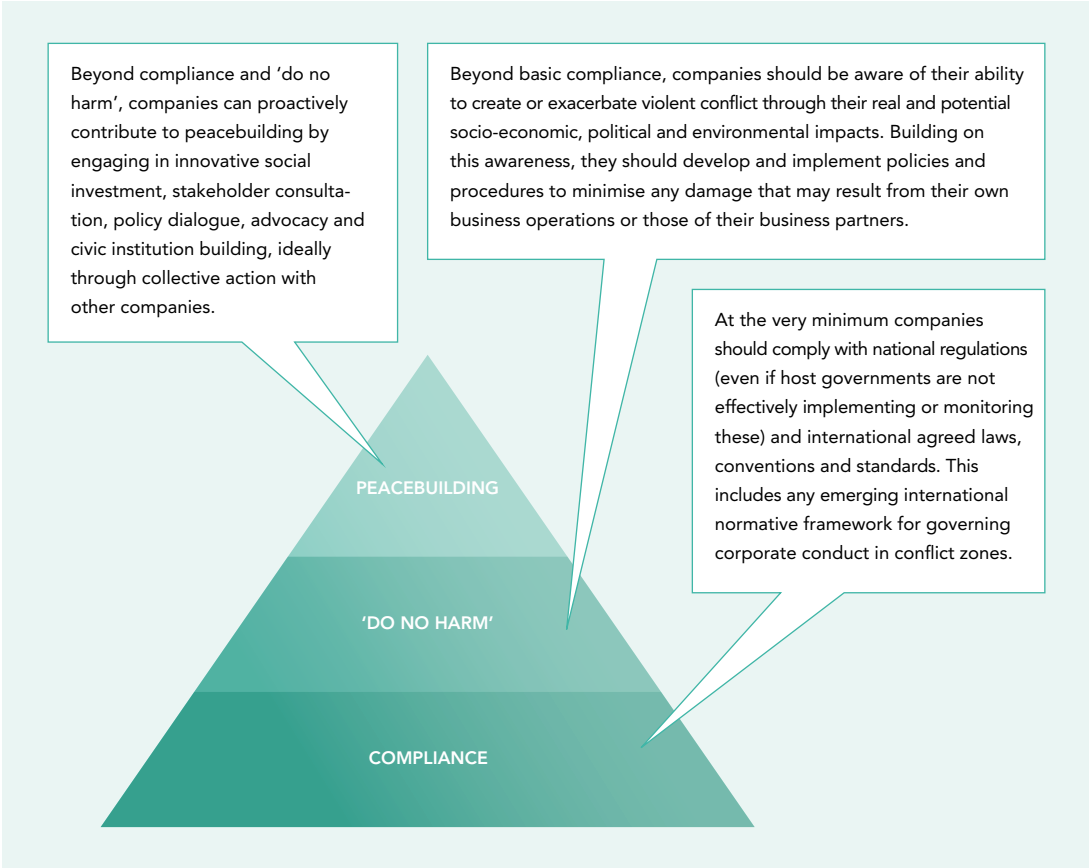
103 J. Miklian et al., 2018, p. 7.

104 International Alert, 2015, p. 10.

105 SOMO, 2014, p. 16.

An overview of the different strategies chosen by companies on how to deal with corporate-conflict risk is provided in Figure 4.

Figure 4 Pyramid of strategies for managing corporate-conflict risk



Source: Banfield et al. 2003; cited in SOMO, 2014¹⁰⁶

106 SOMO, 2014, p. 16.

Annex B

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Ready to engage?

An introduction for civil society organisations and other stakeholders on the role of business in fragile and conflict-affected settings

This paper is an introduction to the role of the private sector in fragile and conflict-affected settings (FCAS), as well as practical guidance on what civil society's engagement with the private sector might look like. This knowledge can provide an entry point of engagement and can facilitate constructive private sector engagement.

Commissioned by Oxfam Novib and the Centre for Research on Multinational Corporations (SOMO), the paper is written specifically for members of the Civil Society Platform for Peacebuilding and Statebuilding (CSPPS) and other interested stakeholders. The goal is to enter the debate on the role that the private sector can play within the International Dialogue on Peacebuilding and Statebuilding (IDPS).

Civil society's local knowledge, the interlocutor role they can potentially play between communities and companies, as well as their watchdog role, makes civil society a critical actor in ensuring businesses are conflict-sensitive and promoting a more pro-peace role for private sector actors in FCAS.