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From 'business as usual' to 'business for peace'?

Unpacking the conflict-sensitivity narrative

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The potential of foreign and domestic companies to contribute to peacebuilding in contexts of fragility and conflict has taken centre stage in international development thinking. By becoming conflict-sensitive, the argument goes, companies will be able to run their operations more smoothly and to the greater benefit of societies transitioning from crisis to peace. However, an analysis of the underlying assumptions of this narrative and an exploration of its practical implications reveal that whether a business can avoid harm and help foster peace depends on much more than the company alone. It will also hinge on the commitment of the international development community to systematically engage with the private sector: to jointly build up a sound business case for conflict-sensitivity and to supplement the wealth of existing guidelines with practical support and concrete entry points for cross-sector cooperation. Ultimately, for the private sector to move from 'business as usual' to 'business for peace', governments' responsibility for peace and their commitment to create an enabling environment for a diverse range of market players will remain critical.

An in-vogue discourse: conflict-sensitive business and peace

In recent years, the international community has increasingly acknowledged the private sector as a key agent in peacebuilding. Earlier negative stereotypes of business as a cause of violence, or as a factor prolonging violence, have given way to an emphasis on the multiple ways in which business can help foster peace. Those recognising the private sector as a key agent in contexts of crisis have typically focused on its economic contribution to revitalising a war-torn economy and generating a peace dividend. Indeed, businesses have a critical role to play in rebuilding the infrastructure and providing the population with much-needed jobs, income, products and services. However, recognition of this positive role has now expanded to include businesses' ability to restore the social underpinnings of a peaceful society and a legitimate state.[1] For instance, as the main provider of jobs, the private sector is seen as pivotal in endowing people not only with an income but also with a sense of belonging, of social recognition. Or, from a statebuilding perspective, the private sector's potential to generate tax revenues is increasingly understood as a source of legitimacy for local governments that can use these revenues to provide services to their citizens. Moreover, responsible companies are credited with the potential to promote norms and values related to democracy and human rights and thereby nurture a culture of peace.

1. See, for example the website of the Donor Committee for Enterprise Development (https://www.enterprise-development.org), which provides links to relevant work on private sector development in fragile and conflict-affected environments and its (potential) contribution to peacebuilding.

In recognition of this substantive peace potential development policy-makers such as the World Bank, the OECD Development Assistance Committee (DAC) and some non-governmental organisations (NGOs) have advocated a more prominent role for the private sector in situations characterised by fragility and conflict. The growing number of international conferences and publications on this topic and the myriad of policies and programmes designed to encourage and support domestic and international business to invest and grow in those environments illustrate this shift in thinking.

However, the success or failure of such a contribution to peace on the part of business is believed to largely depend on *how* that contribution is made. In this context, the international development community increasingly refers to the notion of 'conflict-sensitivity', a way of doing business that will prevent foreign investors and domestic businesses alike from causing harm and will instead strengthen their ability to build and consolidate peace. The discourse concerning conflict-sensitivity has given rise to numerous sets of guidelines and support programmes, all aimed at encouraging a business behaviour that takes account of conflict dynamics and tries to influence them positively. However, their usefulness and effectiveness in changing business behaviour on the ground remains to be seen.

This policy brief aims neither to validate nor to refute the widely shared assumption that businesses have great potential to foster peace. Rather, it explores the discourse that the international community uses in an attempt to tap into this peace potential of business. What are the assumptions underpinning this discourse? What would it actually take to translate the narrative into practice?

Trends and assumptions underpinning the discourse

Disentangling the underlying trends

To date, the discourse on conflict-sensitive private sector engagement has been driven essentially by international development partners. The narrative needs to be understood against the backdrop of two more general trends. One consists of the growing enthusiasm on the part of development actors to welcome the private sector to the scene of state- and peacebuilding. The 2011 World Development Report contributed to this enthusiasm by putting the link between economic development and security high on the agenda of international development thinking. The participation of the chief executive officer of Unilever in the High Level Panel for a post-2015 development agenda, and the correlation this panel established between enhanced transparency in the business sector and peacebuilding, also exemplify this trend. Lately, this renewed interest in the private sector has been reinforced by the largely intuitive argument linking unemployment, particularly among young men, to an increased risk of violent conflict: With its ability to create jobs the private sector has come to be perceived as a key agent in reducing the risk of social upheaval.[2]

The trend towards crediting the private sector with the potential to contribute to peace has also accelerated in response to shrinking aid budgets. Faced with this reality, development partners have begun to adopt multi-pronged approaches in which private sector investment and trade promotion are increasingly used as a lever to promote greater resilience and peaceful development in places of crisis and fragility.[3]

2. A whole range of recent policy documents focuses on this interrelation. Examples are: UNDP/ILO (2009) *United Nations Policy for Post-Conflict Employment Creation, Income Generation and Re-Integration*; World Bank (2013) *World Development Report 2013: Jobs*; Global Facility for Employment Creation in Fragile and Conflict-Affected Situations (2012) *Putting Jobs on Centre Stage. A Concept Note*; African Development Bank (2013) *Youth Unemployment and Political Instability in Selected Developing Countries*.

3. OECD (2013) *Ensuring Fragile States Are Not Left Behind*, 2013 Factsheet on resource flows and trends. A concrete example of such a multi-pronged approach is the combined trade and development portfolio of the Netherlands Government. In July 2014 it will operationalise its Dutch Good Growth Fund that aims to promote trade and economic opportunities for Dutch and domestic companies in developing countries. Particular attention will be given to investments planned in fragile and conflict-affected states.

Another trend is the growing realisation that any development intervention in a fragile context ought to be planned, implemented and monitored in a conflict-sensitive manner if it is to avoid doing harm and effectively contribute to stability and peace. This understanding, that emerged from the traumatic experiences of the humanitarian disaster in Somalia and the genocide in Rwanda in the early 1990s, has been galvanised by the limited success that conventional development cooperation has had in assisting conflict-affected states to transition out of recurrent crises. Indeed, while poverty has decreased globally, fragile and conflict-affected states continue to lag behind in achieving the Millennium Development Goals, and remain highly prone to relapse into protracted cycles of violence. In response, the OECD-DAC member countries adopted ten Fragile States Principles[4] reflecting a growing consensus that fragile states require different responses than those needed in better performing countries. More recently, the New Deal for Engagement in Fragile States[5] stresses that any intervention aiming to foster development in those environments should be linked to state- and peacebuilding goals, and be implemented in ways that do not jeopardise but promote peace. This renewed call for conflict-sensitivity aimed at development actors has been passed on to the private sector: Existing guidelines and efforts for a conflict-sensitive business have gained new strength and have been complemented by a series of initiatives calling on companies in situations of crisis and fragility to move from 'business as usual' to 'business for peace'.[6]

Uncorroborated assumptions

Reflecting on these forces that drive the current conflict-sensitive private sector discourse, a number of biases appear that need to be addressed if the discourse is to prompt and sustain a meaningful change in business practices.

First, development actors' interest in espousing these conflict-sensitivity standards when operating in fragile contexts seems obvious: the success of 'aid as usual' has proved to be limited, and becoming conflict-sensitive is perceived as a way of overcoming a major obstacle in achieving development objectives. Moreover, development interventions are increasingly being monitored for their conflict-sensitivity and -relevance. Ultimately, donors' decisions on whether to fund projects proposed for conflict-prone environments are made, more and more, on the basis of conflict-sensitivity compliance.[7]

In the case of the for-profit sector, however, the business case for conflict-sensitivity has still to be built. While conflict-sensitive aid has started to pay off, in terms of both better development results and funding opportunities, the extent to which companies' long term investments in conflict-sensitive business strategies will yield higher

4. Originally drafted at the January 2005 Senior Level Forum on Development Effectiveness in Fragile States and endorsed at the 2007 OECD-DAC High Level Meeting, *the Principles for Good International Engagement in Fragile States and Situations* reflect a growing consensus that fragile states require responses that differ from development strategies in more stable countries.

5. The New Deal for engagement in fragile states is an agreement between fragile states and partners to change the policy and practice of engagement. It was developed by the International Dialogue on Peacebuilding and Statebuilding and endorsed by countries and international organisations in 2011 at the Fourth High-Level Forum on Aid Effectiveness in Busan. To date over 40 countries and organisations have endorsed the New Deal.

6. Conflict-sensitivity of international businesses is addressed in guidelines developed by multilateral organisations, international non-governmental-organisations or multi-stakeholder initiatives (incl. in cooperation with the private sector). Examples are: *The Business of Peace* (International Alert, Council on Economic Priorities, Prince of Wales Business Leaders Forum, 2000); *Conflict-Sensitive Business Practice: Guidance for Extractive Industries* (International Alert, 2005); *UN Global Compact and PRI Guidance on Responsible Business in Conflict-Affected and High-Risk Areas* (UN Global Compact, PRI, 2010); *United Nations Guiding Principles on Business and Human Rights*, informally known as the *Ruggie Principles* (United Nations, 2011); *Business Conflict Check* (Swiss Peace, 2012). Conflict-sensitivity of domestic businesses is primarily addressed in private sector development guidelines as promoted by the Donor Committee for Enterprises Development (http://enterprise-development.org/page/cae).

7. For example, the Netherlands' recent consideration to fund the new phase of IFC's Conflict-Affected States in Africa (CASA) programme, was made on the condition that the proposal explicitly and systematically incorporated conflict-sensitivity standards.

returns remains unclear. Moreover, general statements on the common interest in security and stability distract attention from the fact that the primary objective of business differs from that of development actors. Until and unless the long-term return on conflict-sensitive investments are supported by solid cost-benefit analyses, companies cannot, and should not be, expected to rethink their core business strategies.

Second, it is also worth noticing that the current enthusiasm for private sector's contribution to peace is based more on eagerness to do things differently than on a strong evidence base of success stories. The empirical evidence of how businesses have influenced state- and peacebuilding processes remains marginal and at best anecdotal. And while it seems intuitive that youth unemployment exacerbates the risk of social unrest,[8] there is no solid evidence that the converse is true: that job creation will reduce the likelihood of crisis.[9] Moreover, little is known about the circumstances in which businesses are more likely to optimise their positive influence on the broader context of intervention, nor does the international development community fully grasp the factors that would encourage or hinder such a favourable business behaviour.

Finally, notwithstanding the positive impact the private sector can have on peacebuilding, it is important to stress that the primary responsibility for peace rests with governments. Tellingly, while (multinational) companies have been increasingly involved in the development of international guidelines for conflict-sensitivity in the private sector, the engagement of governments from conflict-affected and fragile countries remains limited in most of these processes.[10] Partly, this can be explained by host governments' concern to discourage much needed private investment. This justified worry proves once more that the long-term benefits of doing business in a conflict-sensitive manner for both the companies but also for the host countries are not yet clear. However, the quasi absence of fragile states' governments in this discourse needs to be addressed, since political violence and insecurity, the enforcement of property rights and the fight against corruption form the most daunting challenges for business and development alike.

Although it is critically important to emphasise the corporate responsibility to adhere to international standards in such environments, it is obvious that governments have to take the lead to address these issues. Organisations whose core political mandate is to support fragile states' governments in assuming this responsibility, by restoring the rule of law and building the capacity and legitimacy of a functioning government, will remain key actors in peacebuilding. Private sector led economic development is pivotal to sustaining those processes, but should not be assigned a key role in driving them.

Meaning and implications of the conflict-sensitive private sector narrative

In essence, the call for conflict-sensitivity as generally used in international development thinking and as applied to the private sector in numerous guidelines implies three steps to be taken. Analysing the implications for private sector engagement of each of these steps exposes a number of practical challenges.

Understanding the political marketplace

First, conflict-sensitivity is defined as the ability to understand the context of intervention, including intergroup tensions, the divisive factors, and those factors that have the potential to connect across conflict lines. The intrinsic challenge for private

8. Professor Cramer for example, head of Development Studies at the School or Oriental and African Studies in London (SOAS), rejects the argument that unemployment per se leads to conflict, proposing instead that conflict is likelier to emerge from a combination of factors, such as abusive labour market conditions and pervasive exclusion. See Cramer, Christopher (2010) *Unemployment and Participation in Violence*, Background paper prepared for World Bank (2011), The World Development Report 2011, World Bank, Washington, DC.

9. See Holmes, Rebecca *et al.* (2013) *What is the evidence on the impact of employment creation on stability and poverty reduction in fragile states – A systematic review*, ODI, London.

10. For example, in the case of the Voluntary Principles on Security and Human Rights, the only participating government from a fragile state to date remains that of Colombia.

sector actors trying to acquire such an understanding lies in the fact that foreign and even more so domestic businesses operating in contexts of fragility and conflict are, or become, inherently part of the political marketplace. This makes it difficult, if not impossible, for them to conduct such an analysis on their own, for example as part of their due diligence or risk-assessment procedure.

For the private sector to acquire a deeper understanding of the political marketplace cross-sector cooperation with local stakeholders and development actors is needed. So far, however, such collaboration has been on an ad hoc basis at best, and there is ample scope for a more systematic approach.

Understanding the political economy of doing business

Second, the conflict-sensitivity entails intervention and context having an impact on each other. Becoming conflict-sensitive requires a deeper understanding of that interaction. Perception of the ways in which enterprises affect their host environment used to be overshadowed by a focus on the harmful effects of the predatory economy, such as international companies fuelling devastating wars by purchasing rough diamonds from rebel groups. However, the interaction is more complex and works in both directions. Indeed, evidence remains scarce and at best circumstantial on how the particular features of fragile and conflict-affected societies – such as corruption, information asymmetries and a predatory political economy – challenge core business activities. Common business climate assessment tools simply fall short of capturing them.[11] What evidence there is varies according to the size and the type of the company, the investment stage and the type of regulatory frameworks as agreed with the host government and should therefore be interpreted in a more nuanced and systematic manner. Similarly, little is known about how firms' responses to these challenges affect not only their competitive context and return on investment, but also the fragile society at large. To capture the interaction between companies' interventions and the broader socio-political environments, more systematic and long-term monitoring and evaluation efforts are essential.

But first and foremost, to become conflict-sensitive in the meaning of this second step implies the realisation on the part of entrepreneurs and their employees that they will never be perceived as neutral. The assumption that businesses can operate as apolitical agents in highly political contexts has been proven wrong in cases where actions by international investors or local businesses have had harmful consequences: for example, when companies have inadvertently favoured certain ethnic groups in their hiring policy or unintentionally created tension over land or water usage. Such incidents demonstrate that no private sector entity can operate around fragility and conflict without affecting, and being affected by, the conflict dynamics in play. However, it is important to notice that most local and foreign entrepreneurs commonly view themselves as apolitical players regardless of the highly political nature of the context in which they may operate. Just like many development practitioners to date, they presume that their lack of political intentions would automatically grant them a status of neutrality.

Understanding the need for long–term commitment and additional investment

Third, conflict-sensitivity requires parties to act on a solid understanding of the context and its interaction with business. As a company in volatile contexts is likely to be confronted with rapidly changing and probably contradictory signals, more is required than just adapting business strategies on a one-off basis to fit a given context that is presumed to be stable over time. It entails continuous commitment and flexibility on the part of the private sector to constantly monitor these changes and demonstrate readiness to repeatedly readjust strategies whenever the need arises.

11. Devaraja, Shantanajan et al. (2011) *Avoiding the Fragility Trap in Africa*, World Bank Policy Research Working Paper no. 5884, World Bank, Washington, DC.

However, a sound context analysis, its regular updating, and a more nuanced monitoring system that takes account of the interventions' broader impact on the context, require significant additional resources. Indeed, the cost of the necessary extra effort involved will generally represent a larger percentage of a project or investment budget than what is commonly allocated to standard tools such as due diligence or risk-assessment procedures, environmental impact assessments, and monitoring and evaluation systems. The financial implications of operationalising conflict-sensitivity have not yet been fully grasped. If companies are expected to adapt their core business strategies and operations in a conflict-sensitive manner, donors and their partners should be prepared to chip in, at least in the short-to-medium term.

Considerations for translating the conflict-sensitive business narrative into practice

What the above analysis reveals is that whether a business can avoid harm and help build peace will not depend on the company alone. It will also hinge on the commitment of the international development community to systematically engage with the private sector: to jointly build up a sound business case for conflict-sensitivity and to supplement the existing wealth of guidelines with practical support and concrete possibilities for cross-sector collaboration. Ultimately, for the private sector to move from 'business as usual' to 'business for peace', governments' responsibility for peace and their commitment to create an enabling environment for a diverse range of market players will remain critical.

(1) Build up a business case for conflict-sensitivity from a company's perspective

Growing readiness on the part of the international development community to engage with the private sector in peacebuilding has yet to prompt similar interest among the business community. Although impressive in scope and range, normative guidelines will not trigger such commitment. Efforts aimed at building up a business case for conflict-sensitivity are likely to be more successful.

Engage the private sector in the international development discourse on conflict and fragility: Companies, mostly multinational corporations, have been increasingly involved in the development of guidelines for responsible business practices in conflict-affected contexts. However, systematic consultations with both international and local firms at policy making level, would increase private sector ownership of resulting policies and therefore make their active support in implementing policy guidelines into practice much likelier. The participation of private sector representatives at the first High-Level Meeting of the Global Partnership for Effective Development Co-operation in Mexico next April offers an opportunity to develop a less biased discourse.

Invest in cost-benefit analyses demonstrating the financial returns on investment in conflict-sensitive business strategies: While there are numerous economic studies on the cost of war, there is little evidence to date on the economic benefits of peace. Yet this is precisely the kind of information required to convince businesses that it is in their best interest to help create more stable societies. They need to know what the likely short-, medium– and long-term returns will be on any additional investment in risk assessments that take account of the risks for all stakeholders, or on investments in local supply chain development that avoid excluding already marginalised groups. Besides channelling more ODA funds through private sector promotion donor governments' should also invest in research programmes and partnerships with the private sector, NGOs and research institutes to collect, analyse and disseminate such information that will be essential in incentivising businesses to become conflict-sensitive.

Translate the conflict-sensitivity narrative into business language: To elicit greater interest and commitment from the private sector, development actors would be well-advised to tune their language to the business context. Advocating conflict-sensitive private sector engagement in fragile and conflict-affected situations might just not have the same impact as referring to the 'financial and social returns on investment' and the 'reputational gains' for businesses investing in 'non-technical risk management', 'social performance' and 'local content management' in 'emerging and high-risk markets'. Moving out of their own comfort zone by picking up on relevant business terminology, will help the international development community to better understand the challenges companies face in those environments and to connect the relevance of the conflict-sensitive discourse to businesses.

Encourage shared learning from business mistakes: Keeping in mind that the level of commitment to 'do no harm' largely depends on the extent to which actors have suffered from the unintended negative consequences of their intervention, donor governments could provide resources for their own business community with operations in fragile and conflict-affected states to organise closed meetings to exchange and discuss experiences where companies inadvertently created or exacerbated tensions. For domestic entrepreneurs such closed sessions to exchange and analyse cases in which non-sensitive-business behaviour has caused harm could be facilitated by private sector development programmes, organised in a neutral environment (preferably outside the country) and combined with training sessions on conflict sensitivity.

(2) Complement normative guidelines with practical support

Facilitate the preparation of and companies' access to political economy analyses and conflict-sensitive impact assessments: Through their embassies or in the form of technical assistance, donors can instigate and facilitate cross-sector collaboration among NGOs, the private sector and research institutes to generate and access valuable information on the conflict and power dynamics prevailing in the economic sub-sector(s) and geographical areas of operations. Similarly, donors could invest into long-term monitoring and evaluation to capture the impact of business activities on state– and peacebuilding processes, particularly in the case of those foreign and domestic enterprises whose investments they subsidise.

Promote training on doing business in contexts of fragility and conflict: To raise awareness among donors, development practitioners and business persons of the broader and often political effects of their interventions participatory training courses on conflict-sensitivity should be widely promoted. For example, the existing training course on private sector development (PSD) in conflict-affected environments[12] that was developed under the auspices of the Donor Committee for Enterprise Development and financed by donors to train PSD practitioners and policy makers, could be extended and adapted to multinational and domestic businesses.

Consider establishing joint observatories: To facilitate the gathering and analysis of situational intelligence in contexts of fragility and conflict, the model of multi-stakeholder observatories could offer a practical entry point for collaboration between businesses, donors and civil society actors. Besides addressing the information and analysis needs of all stakeholders in environments where there is limited data, such multi-stakeholder processes could induce more systematic cooperation between development and business actors. Observatories are widely used in Latin America, for instance to monitor armed violence.[13]

(3) Stress governments' responsibility for peace

Political actors can be supported but not substituted by businesses: Primary responsibility for peace, security and development rests with governments. Organisations whose core political mandate is to support fragile states' governments to assume this responsibility by restoring the rule of law and building the capacity and legitimacy of a functioning government will remain key actors in the peacebuilding process. Private companies' contribution to economic development should accompany and sustain those processes, but should not deviate from the core tasks at stake.

Use policy dialogue and development programmes aimed at creating an enabling business environment to identify the areas in which peacebuilding and economic interests are integrally

12. See http://enterprise-development.org/page/fcas-training-course.

13. Wennmann, Achim (2012) *The role of business in armed violence reduction and prevention*, International Review of the Red Cross, Vol. 94, No. 887, 2012.

connected. In contexts affected by fragility and conflict, the legacy of systems of patronage and co-option which often persist throughout violent turmoil are likely to form one of the most daunting challenges to both peaceful development and a thriving and diverse business community. Through private sector development programming donors can create space for multi-stakeholder processes in which the private sector and civil society can articulate their voice and influence policy making towards a business environment that is enabling for a diverse range of players in the market. Local business associations and chambers of commerce should receive full support and training to become representative of an unbiased and inclusive membership of businesses vis-à-vis policy makers and at the same time provide the checks and balances required to counterbalance state arbitrariness.

Set a good example and adhere to Fragile States Principles: As the second Fragile States Principles Monitoring Survey conducted by the OECD in 2011 highlighted, "Most aid actors are neither set up to meet the specific challenges posed by fragile situations, nor systematically able to (…) ensure that their interventions are context- and conflict sensitive, nor do they monitor the unintended consequences of their support to statebuilding." To add credibility to its call upon the private sector to become conflict-sensitivity, the international development community should start by improving its own performance in this regard.

About CRU

The Conflict Research Unit (CRU) conducts research on the nexus between security and development with a special focus on integrated/ comprehensive approaches on conflict prevention, stabilisation and reconstruction in fragile and conflict-affected situations. Specialising in conducting applied, policy-oriented research and developing practical tools, the CRU aims to assist national and multilateral governmental and non-governmental organisations in improving their engagement in these complex situations.

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