

20^{Years}
EFriEnt

Business and Peace

Briefing

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A checklist process
is not an option –
What efforts influence
company behaviour?

Working Group on
Peace and Development

A checklist process is not an option – What efforts influence company behaviour?

On the occasion of the publication of the joint CDA/ International Alert/ FriEnt Dossier “Business and Peace: It Takes Two to Tango”, FriEnt invited about thirty experts from academia, German and international peacebuilding and development organisations to two online events to discuss and further develop central issues raised in the dossier. While the first event in February 2021 was dedicated to the peacebuilding potential of medium, small and micro enterprises (MSMEs), the second one in March 2021 looked more closely at multi-/transnational companies (MNCs/TNCs) and measures, standards and principles to influence their behaviour for peacebuilding. Ben Miller, one of the authors of the dossier, gave an introduction; Hannah Peters (Swedwatch), Evelyn Dietsche (swisspeace), Sabine Dorlöchter-Sulser (Misereor) and Dominik Balthasar (KfW) then kicked off the discussion with comments from

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their areas of experience. This briefing is a synthesis of the presentations and discussions in this second workshop.

1. No shortcut to peacebuilding

Economic development is an important basis for peace, and actors in this field are numerous and varied. However, economic development does not automatically bring about peace. Rather, resources from economic actors, certainly large-scale investments, and the benefits of private sector involvement (such as job creation) brought into a conflict environment become part of the conflict. When the context is also characterised by fragility, there is little to prevent competition for resources from escalating into violence. It takes unconventional approaches from economic actors to contribute to peace, and collaboration from peacebuilding actors to make the “development-peace link” work. This is one of the important lessons from the CDA/ International Alert/ FriEnt Dossier on Business and Peace. As in the first event, commentators and participants in this second event agreed on and underlined the importance of considering the two sides when designing economic development programmes for peace and including economic actors with a view to supporting peace.

Do the – now numerous – standards and principles help to connect the two fields and influence company behaviour for peace? What conceptual and practical issues have to be considered when trying to convince companies to generate different impacts, make violence less likely and reduce fragility?

2. “Do no harm” is more than “harm avoidance”

“Do no harm” is considered one of the key approaches in peacebuilding. However, it has become a shorthand term for “harm avoidance” among companies, investors and some policy actors. In this sense, “do no harm” may be a helpful principle of action (or inaction), but “harm avoidance” as such is not a conflict management approach and is insufficient to mitigate negative impacts on conflict drivers. Projects and initiatives that practise harm avoidance effectively may not be conflict sensitive and do not necessarily contribute to peace.

“Do no harm” is also a specific *conflict sensitivity* tool developed by CDA Collaborative Learning for humanitarian and development actors. This version of “do no harm” takes specific characteristics of conflict into account in ways that “harm avoidance” approaches do not. Whereas conflict is a *relation* between social groups, harms affect groups or individuals. They do not necessarily affect *relations* between groups. Some harms do not cause or intensify conflict; and some things that cause or intensify conflict are not harms. Conflict is also driven at least in part by *perceptions*, which in some cases have no connection at all to actual harms.

Responsible business conduct, as defined in good practice standards such as the UN Guiding Principles on Business and Human Rights (UNGPs) and the International Finance Cooperation Performance Standards (IFC PS), is important and necessary for individual and group protection but not sufficient for peacebuilding or conflict sensitivity. These standards are deliberately framed, worded and designed for harm avoidance.

Also important: Many standards are predicated on the notion that *states* are willing and able to play their normative role, e.g. convening public consultations, protecting human rights, using royalties for public goods and services, driving development. Fragile and conflict-affected states (FCS) in most cases do not or cannot play this role. In worst-case scenarios, the state is a party to a conflict or deliberately violates human rights as part of its own overt strategy to retain power or control economic resources. FCS are the places where peace outcomes are most important. Yet their very fragility makes “harm avoidance” approaches to business operations ineffective as a form of peacebuilding.

3. It is not *what* the company does – it is *how* the company does it

Again: Importance of context analysis

Effectiveness in terms of peace and conflict in FCS depends on analysis of the context to identify specific dynamics driving conflict and tensions. For good outcomes, operations have to be adapted to that reality. No two contexts are the same, and conflicts are not static but change frequently. Approaches that work in one location are useless in another and may contribute to conflict in a third. A company’s success in fragile contexts is not based on its ability to plan ahead in a linear manner, but to adapt to a rapidly changing context. This is embodied in its capacity for analysis, for understanding the conflict context, and for changing practices and plans as the context changes.

Adapted and adaptive business processes are needed

Management processes and business operations need to be adapted to the context and to conflict dynamics if they are to serve a conflict management objective. In this respect, it is not solely *what* the company does in terms of jobs, revenues, community development, consultations, etc., but *how* the company does it. For example, hiring processes and community

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development initiatives need to be, and be perceived as, fair to local groups that are in competition or conflict with one another.

Most companies do not contribute to peace

Companies that succeed in generating demonstrable peace impacts are the exception, not the norm, as the example of ISAGEN, an energy company in Tolima / Colombia, shows: it completed a hydropower project in a region entirely controlled by FARC, before the peace agreement. Its success stemmed from three factors that are highly atypical: 1) As part of its initial analysis of the operating context, ISAGEN assigned a financial value to the risks that the company's external stakeholders faced as a consequence of the project. 2) Operational activities were launched only after the conclusion of a two-year process of engagement between the company and local communities in which a comprehensive impact and benefits agreement was reached. 3) The company exerted diplomatic influence to bring a range of actors – state agencies, departmental agencies, multilateral agencies and the army – into a formal dialogue with the community about alleged human rights violations by the Colombian armed forces in the vicinity of the project.

Among companies that aspire to perform at a high level when it comes to social impacts, only a small minority understand the distinctions between conflict sensitivity and “social performance” (e.g. implementation of the standards) and are able to implement it in the context of a large and complex operation in FCS.

“ Conflict sensitivity is different from “social performance”

Exit strategies are important

Furthermore, standards should incorporate responsible exit guidelines in the form of a risk assessment prior to and during the implementation of economic projects. Risk funds should be available for compensation for negative impacts on the local population in case of project failure, a complete exit or divestment in projects. Unexpected shutdowns of business operations tend to result in various negative impacts on resources, human rights and also on social relations. Results of environmental, social and human rights assessments should be discussed with all stakeholders, especially the affected population, and incorporated into business conduct and approaches.

4. The role of the state and governance – the public sector has to act

An observation from the first session was reiterated in the second: The responsibility does not lie solely with the private sector, but also, if not primarily, with states, their governance structures and their public sectors. Businesses are part of systems: the wider economic systems, (social) networks, ecosystems, the wider (political) frameworks and the wider political economy. Moreover, and fundamentally, business opportunities only exist because states grant them property and/or tenure rights and commensurate legal and regulatory systems that define business assets.

Efforts to accelerate economic growth without addressing unequal distribution of benefits and without awareness of potential negative impacts risk undermining the resilience of conflict-affected societies instead of supporting their inclusive and sustainable development. Equally, decisions as to whether a radical or a more inclusive approach to rural transformation will be taken (especially for agriculture-based economies) would imply a role for national governments, because they are ultimately backing the resource property and/or tenure rights put in place. In fragile and conflict-affected countries, channeling development finance into the private sector without considering the role of the state and the public sector in the development process may well contribute little or nothing to peacebuilding and inclusive socio-economic development.

“ Business opportunities only exist because states grant them property rights and commensurate legal and regulatory systems that define business assets

Human rights principles and guidelines are rules of behaviour and have to be embedded in national legislation and regulations. Companies may internalise these principles and adhere to international guidelines, and this can partly make up for the absence of national legislation and regulations where these have not yet been sufficiently evolved. But in countries where governments are not willing to protect and/or actively undermine human rights, corporate respect is insufficient to tackle the challenges at stake. A transformative structural change in a country's governance structure cannot be expected solely from the application of a private sector risk management tool.

5. A need to differentiate between principles and guidelines, and standards and risk management tools?

Risk management tools are typically aimed at achieving continuity in economic projects – they are almost never used as a basis for transforming fragile and conflict-affected societies, nor is this their intended purpose.

From a corporate perspective, investing in compliance with “do no harm” standards is driven by “doing harm” no longer being an option – whether for ethical, financial, reputational, economic or legal/regulatory reasons – or a combination of these. “Do no harm” requires that costs (in the sense of negative externalities) which could previously be offloaded onto society be factored into project economics (“internalised”). The effect is that allocation decisions on how to deploy corporate resources will now take these costs into account. In that sense, “do no harm” standards address market failures that (primarily non-OECD) governments have left unaddressed. But they do not and cannot address fundamental state failures as experienced in fragile and conflict-affected contexts.

“Do no harm” requires that costs (in the sense of negative externalities) be factored into project economics

A greater differentiation between a) *Investor requirements/Standards that are guiding corporate behaviours and practices in a standardised manner (e.g. IFC)* and b) *Principles and Guidelines promoted by international organisations (e.g. UNGP, OECD)* and which require embedding into corporate standards in order to be delivered on and c) *Voluntary standards (e.g. the the Voluntary Principles on Security and Human Rights)* may be useful. They approach the state and market failure in different ways and these matter in fragile and conflict contexts. However, there has been a proliferation of principles, guidelines, standards, tools and certification schemes that are all referred to as “standards” writ small, without distinguishing their different origins and the ways in which they influence and impact on corporate practice.

6. A checklist approach is not an option

“A checklist approach is not an option” is another key message from the joint CDA/International Alert/FriEnt Dossier.

To start with: Checklists can only deliver if they reflect a given reality. Bearing in mind that a specific context is subject to frequent change, however, it is difficult to see how checklists could provide a meaningful basis for decision-making. As checklists tend to be a tool of bureaucracies with clear-cut decision-making processes, they may be less well-placed to address challenges in highly context-specific and fluid situations of fragility and conflict, which may require more creative and innovative solutions.

Checklists may be less well-placed to address challenges in highly context-specific and fluid situations of fragility and conflict

And: Who would monitor the various checklists and be in charge of enforcing compliance? If the implementation of standards is already

sluggish under democratic and peaceful conditions, and changes often result from strong social pressure and a high level of public attention, what can be expected in fragile and conflict-affected countries or contexts? In any case, there are too few binding conditionalities imposed by national governments.

However: While checklists may be far from ideal, what are realistic alternatives? They may at least provide a starting point and give some orientation to those who are new to the fields of fragility and peacebuilding. Could internationally binding regulatory instruments to monitor human rights compliance, including compulsory human rights audits done by independent observatories, be helpful and a starting point for monitoring?

7. Where do we go from here?

Dealing with scepticism – influence understanding:

In all the discussions, there was a shared overall skepticism towards the private sector as a peacebuilder. BUT: Are we not late to the game with these observations? The private sector is already fundamentally ingrained in strategies of stabilisation / peacebuilding. And the private sector already has immense and decisive influence in global processes and decision-making at all political levels. It is backed by substantial financial resources, much larger than peacebuilding and development funding. So it is important to further clarify the precise role and potential of private sector actors for peace and to influence the understanding of those who are convinced that the private sector provides the answer to growing conflict dynamics and instability.

A role for governments/ the public sector:

(Home) governments may require businesses to be conflict-sensitive and develop conflict risk-sensitive business plans and/or conflict mitigation plans when operating in fragile and conflict situations. It is important to understand here that conflict sensitivity alone cannot achieve its goal. Internal business structures such as corporate decision making and risk management processes have to be taken into account as well.

Statebuilding rather than peacebuilding through private sector actors?

It is possible that the private sector is less able to support efforts at peacebuilding than it may already be involved in aiding processes of statebuilding. For example, in fulfilment of its own Corporate Social Responsibility (CSR) obligations, the private sector can positively influence the authorities' human rights record through application of local labour rights, wage and social security systems, more inclusive procedural mechanisms, anti-corruption measures or tax regulations. Private sector actors/alliances may also be engaged in political advocacy and wider lobbying efforts for political change (such as supporting a peace process or minority community rights beyond their business operations as such). A key question that remains, then, is which angle to choose for the private sector for it to leverage its contribution to peacebuilding in FCS.

Embedding business and peace:

As already discussed at the first event, economic actors should be seen as "part of systems". The question is this: What sort of coalitions / constellations of actors and engagement processes are conducive to structural and transformative change? Social movements may take on an important role; in any event, change needs large alliances widely embedded in society. At the same time, some economic

actors may be fully embedded in the political system (private companies owned by (key) politicians) and may in fact be responsible for human rights violations and violence. BUT – it is rarely the whole sector that is culpable for such actions. Always look for new possibilities: In crises, companies themselves sometimes “offshore” peacebuilding activities – by creating an external entity. Similarly, individual businesspeople in key positions within the political economy have in some instances achieved good results, though this is hardly a good basis for policy.

Economic models to be reconsidered:

The importance of the overall political economy and the underlying economic models reinforced the demand for more in-depth discussion: Should decisions be taken for economic growth or for inclusive livelihoods as a basis for peaceful societies? Or is that a false alternative that has to be discussed in more depth? And how do models relate to peace support? In any case, none automatically leads to “more peaceful societies.”

8. Links

[Learning on Responsible Business](#) ↗

CDA Collaborative

[A Seat at the Table: Capacities and Limitations of Private Sector Peacebuilding](#) ↗

CDA Collaborative, 2019 (full citation also available at the link)

[It Takes Two To Tango](#) ↗

CDA / International Alert / FriEnt Dossier , 2020

[Exploring the peacebuilding potential of medium, small and micro enterprises](#) ↗

FriEnt, 2020

[KfW-Development Bank](#)

[Power, Peace and Place: Why firms account for their action](#) ↗

International Alert, 2020

[What are the effects of large-scale land acquisitions in Africa on selected economic and social indicators?](#) ↗

Misereor, 2021

[No Business, No Rights](#) ↗

Swedwatch, 2017

[Business, Human Rights, Environment and Sustaining Peace – Experiences from Liberia and Sierra Leone](#) ↗

Swedwatch, 2019

[Murky Waters – Environmental and human rights impacts of natural rubber processing in Liberia](#) ↗

Swedwatch, 2021

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