



The private sector and conflict-sensitivity

Expert meeting

Summary report



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Introduction

The private sector is considered to be a powerful vehicle for reconstruction and development by generating employment and tax revenues. However, it is increasingly recognized that private sector actors, especially multinational corporations, can have severe negative impacts. Companies can violate human rights, exacerbate existing conflicts, and spark new ones by providing (funding for) arms or supporting armed groups to ensure their investments. Meanwhile, governments of conflict-affected states, or host governments, often lack the capacity to effectively regulate companies.

To contribute to a better understanding of the complex role of the private sector in fragile and conflict-affected settings and to take stock of current research, SOMO, Oxfam Novib and Tilburg Law School convened an expert meeting on the 21st of May 2015 in The Hague, visited by around 40 participants from very different backgrounds. This event was supported by the Knowledge Platform Security & Rule of Law ('the Platform').

The aim of the meeting was twofold:

- 1 Which gaps do practitioners and policymakers encounter in the field of private sector and conflict-sensitivity, and how can action-oriented research help to fill this gap?
- 2 How can the role of the private sector in fragile and conflict-affected situations be shifted from contributing to conflict, towards conflict-sensitivity and peacebuilding?

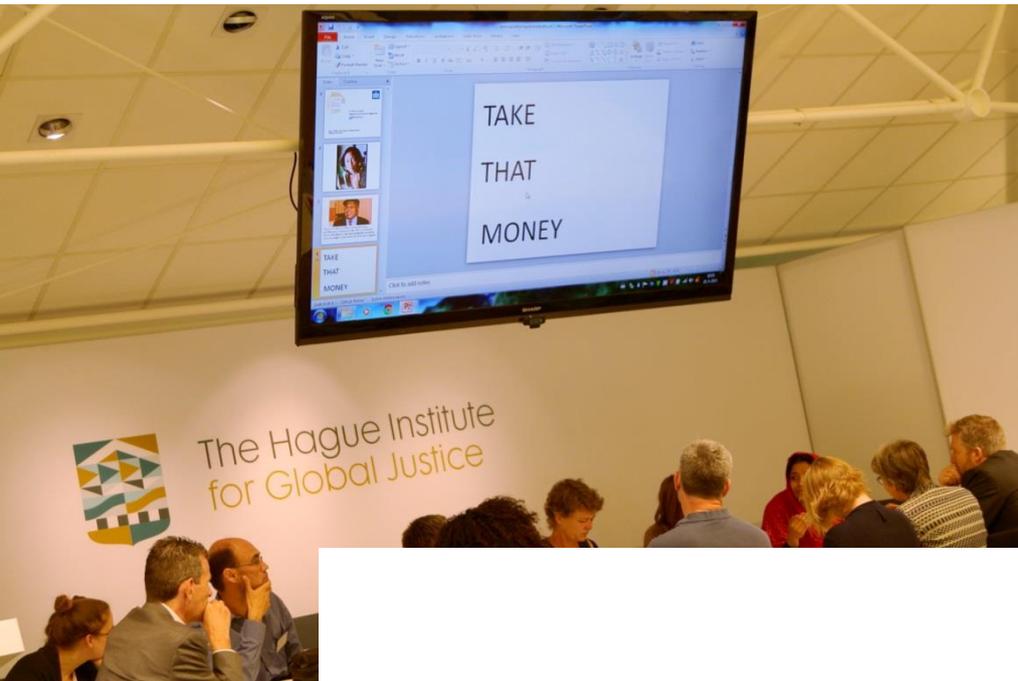
While there is a lot of research available on this topic, often this does not reach policymakers and practitioners, thereby highly diminishing the practical relevance of research in this area. Furthermore, the perceived distance between practice and academic research makes it less likely that research will address the problems experienced on the ground. Therefore, the meeting brought together practitioners and researchers working in the field of business and conflict which enabled the exchange of experiences and identification of common issues.

The expert meeting started off with a keynote speech by the Dutch Special Envoy for natural Resources, Dirk Jan Koch. Subsequently there were three breakout sessions that discussed respectively (1) the role of companies in implementing international standards in conflict-affected settings; (2) the role of governments and other stakeholders in preventing/protecting against human rights violations by business in a conflict setting; and (3) the role of companies in areas of open, violent conflict. Professor Cees van Dam, professor of International Business and Human Rights, Rotterdam School of Management concluded the expert meeting with some observations.

MAIN FINDINGS

- 1 First, it was concluded that there is a need for factual research to provide evidence based information on the role of private sector in conflict-affected settings.
 - 2 Secondly, more attention has to be paid to the perspective of private sector actors on the issues they face within conflict-affected settings.
 - 3 And finally, it is important that future research findings will actually reach practitioners and policymakers, so that academic research on conflict-sensitivity does not get stuck in a theoretical bubble, but has practical implications.
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This report reflects the discussion and the conclusions reached.



‘Take that money’

Dirk Jan Koch, Dutch Special Envoy for Natural Resources, kicked off the event. He stressed that researchers should take advantage of the fact that private sector actors are often willing to fund research. Corporate funding may not only give a boost to existing research efforts, but it will also ensure that the perspective of the private sector is included in this field of research. Koch stated that if researchers and practitioners would like to change the behavior of the private sector, they need to be aware of their perspective, and so will need to engage with them. While companies are often portrayed as evil and homogenous actors, Koch pointed out that within companies there are often agents of change that can provide valuable feedback on the issues companies face in conflict affected settings. Therefore, there is a need to move away from the “evil corporations” idea and towards a more nuanced perspective of companies as complex, heterogeneous organizations.

Another argument for accepting corporate funding of research is the fact that such funding would stimulate research uptake. As business will want a return on investment, it follows logically that it is more likely that they will implement changes advised by research they

themselves funded. Furthermore, from the perspective of a researcher, it might be preferable that a business spends resources on research above anything else. Koch pointed out that there is one essential condition. Private sector funding of academic research can only work when the researcher's independence and integrity can be guaranteed regardless of the funding's source.



Working Group 1

The role of companies in implementing international standards in conflict-affected settings

Discussion

During the discussion, it was argued that the implementation of standards, such as the OECD Guidelines for Multinational Enterprises or the Voluntary Principles on Security and Human Rights, can contribute to peace because they provide the conditions for the fair settlement of disputes. Most of these standards are voluntary, like the Voluntary Principles, but some also have a mandatory component, such as the International Finance Corporation's Performance Standards. Experiences with all international standards show that the main bottleneck is their

implementation, as experience shows that companies which have integrated these standards into their policies have often not been able or willing to effectively bring them into practice. One of the main reasons for this is the fact that there are very few consequences for companies that violate these standards. Because there are no sanctions involved, and there is little independent monitoring of the implementation of standards, companies get away with not complying with standards that they have accepted. Furthermore, within companies there is often a disconnect between different departments, e.g. between CSR departments at Headquarters level and local subsidiaries that have to implement the standards. As such, there is a disconnect between global level speak and local level practice. While there are few consequences for not complying with standards, there are costs related to their effective implementation, so in practice it is often more profitable to operate without complying with internationally recognized standards.

A different point that was raised during this discussion was whether peace is actually in the interest of companies. While some argued that companies benefit from stability, others stated that this is contrary to empirical evidence. Where manufacturing companies may need a safe environment and labor force to operate effectively, private security companies may very well benefit from protracted violent conflict that make their services indispensable.

Finally, it is important to distinguish between different types of companies. Relatively little attention is given to Small and Medium-sized Enterprises (SMEs), while they may have far better relations with local communities and therefore play a very different role in conflict-affected settings compared to multinational corporations. Distinguishing between different kinds of companies offers a more nuanced perspective on the role of the private sector in conflict-affected settings.

Research gaps

Research gaps identified were, *inter alia*:

- Is there a business case for peace on the medium and long term, and how could research be used to identify the business case for peace, and the conditions under which this may occur?
- There is a need to share good practice examples of the implementation of international standards. Why are standards not implemented?
- How can standards be brought down the supply chain? What are incentives for subsidiaries of multinational corporations or local suppliers to implement standards?
- What constitutes effective monitoring and evaluation of standards?
- How can effective due diligence processes be designed in conflict-affected areas?
- More research is needed to understand the role of SMEs in peacebuilding.



Working Group 2

The role of governments and other stakeholders in preventing/protecting against human rights violations by business in a conflict setting

Discussion

The importance of increased attention for conflict-sensitivity was identified by the participants and it was determined that currently, empirical evidence points out that both businesses as well as other stakeholders often do not seem to operate in a conflict-sensitive way. Companies often have very effective public relations strategies that allow them to avoid actually committing to conflict-sensitive practices or engaging with actors critical of their corporate conduct. In many parts of the world corporations prefer to talk directly to

politicians. Meanwhile, governments are often either absent in conflict-affected settings or fail to effectively regulate the private sector. Finally, NGOs often take a confrontational stance towards the private sector, thereby ruling out the opportunity of engaging with private sector actors to work towards conflict-sensitive business.

As was also noted in Working Group 1, a perceived gap was identified between corporate policies on paper and the realities on the ground. While on paper multinational companies often comply with a variety of international standards, at the operational level they are often not implemented. Now, in order to turn these policies into realities there is need to create more space for dialogue between the private sector, communities, civil society and governments. Furthermore, it was stated that researchers should be given a more active role in monitoring corporate compliance with international standards, and that funding should be found for this purpose.

When discussing the topic of business and conflict-sensitivity, it was found important to emphasize that all actors involved have an interest in the matter. Where companies may have specific interests involving the security of their assets, communities may be hoping to gain employment opportunities, while governments will often look to attract investments to increase their revenue. Efforts should be directed at creating horizontal alliances between stakeholders, increasing the engagement between all actors involved. For this it will be essential to identify the motivations that drive these actors.

Research gaps

Research gaps identified were, *inter alia*:

- Independent research needs to provide more factual information that can feed directly into evidence-based advocacy.
- How can we ensure independent monitoring and who should do it? What are best practice examples of effective independent monitoring?
- There is a need to research how information provision for NGOs and communities can be improved and how insight can be provided on corporate structures in order for them to be able to hold multinationals to account.
- There is an increasing amount of research and practical experience regarding conflict-decreasing strategies and conflict-resolution outside of the field of business and human rights. How can this knowledge that is not specifically focused on business be applied to the field of private sector and conflict-sensitivity?
- More research is needed on corporate impunity, which factors play a role in maintaining it, and how it can be diminished?
- What is the link between creating employment opportunities and peacebuilding?



Working Group 3

The role of companies in areas of open, violent conflict

Discussion

Companies often play controversial roles in conflict-affected settings. In areas of open conflict where violence creates insecurity and chaos and governments are often only nominally in control, private sector involvement may be undesirable. In such a setting, where the lack of security affects everyone, companies often view security issues as dealing with the security of their assets. Then, due to the absence of state provided security, companies are often forced to create their own security forces, thereby co-opting the role of the state. Even more important is that there may be a business case for conflict, meaning that companies might profit from the continuation of it, thereby making their interests opposed to peace. Often, interests of companies and local communities oppose one another, like when local populations have to leave their territory due to corporate land grabbing, or when

communities' territories are polluted due to the use damaging mining techniques. Then, the absence of government regulation in areas of open conflict increases the risks for human rights violations taking place.

Making sure that companies do no harm in open conflict settings is perceived to be difficult, as it was stated during the discussion that some companies only deal with challenges posed by conflict when they sense there is a real threat to their interests. Furthermore, multinational corporations are often not the ones directly involved in areas of open conflict, but rather buy from smaller local companies or artisanal miners that are often less susceptible to public pressure. One important conclusion is that these findings exclude the business perspective, which would likely provide more information on the different roles private sector can play in an open and violent conflict setting. Therefore, future research should focus more on including the private sector's perspective in order to create a more comprehensive analysis.

Beyond including the business perspective in research, in this working group the need for creating dialogue between the private sector and other stakeholders, like civil society and governments, was also reiterated. However, it often seems that these different actors have difficulty getting on the same wavelength. It was stated that often companies are reluctant to join in research or dialogue, but that measures such as using the Chatham House Rule could help.¹ Still, it remains difficult to bridge the communicative gap that exists between different stakeholders.

On another note it was pointed out that there are many early warning indicators that can be used to identify corporate misconduct, but they often apply more to the pre-conflict stage, rather than to open, violent conflict.

Research gaps

Research gaps identified were, *inter alia*:

- There is a need to include the perspective of companies in research.
- To enhance dialogue with the private sector issues should be framed as dilemmas instead of accusations.
- What is the perspective of local communities on business operating within conflict settings?
- There is a need for more case research on the role of companies in conflict settings.
- There is a need for more in-depth research on the relation between companies and armed groups/organized crime.

¹ When a meeting, or part thereof, is held under the Chatham House Rule, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed. See: <http://www.chathamhouse.org/about/chatham-house-rule>

- There is a need for more context-specific research.
- There is a need for research on privatization of peace keeping/security.
- There is a need for more research on BRICS companies, as well as the role of regional development banks (e.g. Asian Development Bank) and its influence.
- A project should be developed to make academic research available to NGOs, so that academic research can directly feed into lobby and advocacy towards companies.



Conclusions

Cees van Dam, professor of International Business and Human Rights, Rotterdam School of Management, reflected on the outcomes of the working groups. He noted that there is a need for factual research to provide evidence based information on the role of private sector in conflict-affected settings. The themes that most pressingly need to be researched are whether there is a business case to be made for peace, what can be done to improve the implementation of international standards by business, and what the different interests are within companies that either strengthen or diminish conflict-sensitivity.

‘There is a need for factual research to provide evidence based information on the role of private sector in conflict-affected settings.’

Secondly, more attention has to be paid to the perspective of private sector actors on the issues they face within conflict-affected settings. Instead of framing business as ‘the enemy’, both NGOs and academics need to become open to dialogue, because only by cooperating can we solve the problems at hand. To do this, a first step might be to analyze situations not so

much on a basis of right and wrong, but rather as the dilemmas that businesses face. This would make the topic of conflict-sensitivity both more accessible and more relevant for private sector actors, who prefer to deal with issues that have direct practical relevance for their operations.

‘More attention has to be paid to the perspective of private sector actors on the issues they face within conflict-affected settings.’

Following this, it is important that future research findings will actually reach practitioners and policymakers, so that academic research on conflict-sensitivity does not get stuck in a theoretical bubble, but has practical implications. Although it is yet unclear how exactly this is to be done, it is clear that stronger channels are needed to spread information across the world of business and human rights, so that information reaches those that can benefit from it.

‘It is important that future research findings will actually reach practitioners and policymakers.’

It was concluded to explore the possibility of a follow-up meeting which would also invite private sector actors. Various people expressed interest in joining forces on this topic and work together on action-oriented research proposals. The [Open Calls](#) that were launched this year by the Platform form an excellent opportunity to address some of the research topics identified in the meeting.

For more information, or to become involved in the follow-up to this meeting, please contact:

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