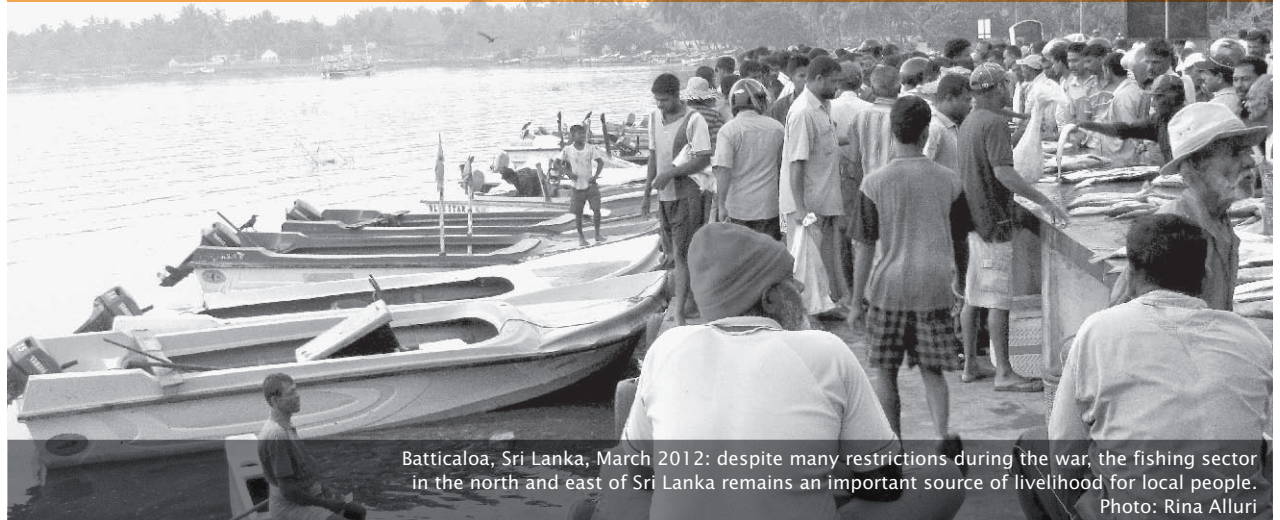


research evidence for policy



Batticaloa, Sri Lanka, March 2012: despite many restrictions during the war, the fishing sector in the north and east of Sri Lanka remains an important source of livelihood for local people. Photo: Rina Alluri

The pyramid of business and peace



Case studies featured here were conducted in: Nepal, Sri Lanka

Policy message

- Businesses can be valuable partners in building peace. Governments and development agencies should encourage them to minimise the risks of conflict and actively promote peace.
- Businesses can support peace processes by promoting security, supporting mediation and negotiation, strengthening the political framework, building trust and reconciliation, and promoting economic recovery.
- Constructive engagement between NGOs, international organisations, government agencies, and businesses is needed to explore the most appropriate roles for businesses in building peace in a particular conflict zone.

- For most types of business, a conflict is bad news. But businesses often unwittingly contribute to conflict, or at least do nothing to prevent it. What can they do to help build peace? This issue of *evidence for policy* describes three ways in which businesses working in conflict and post-conflict areas can operate: compliance, risk minimisation, and value creation.

Compliance

- At a minimum, businesses should comply with local and international laws. For example, they should ensure their workers have a safe working environment, pay them at least the national minimum wage, and not employ child workers. They should do this even where national and local authorities do not enforce all the relevant laws.

- Many national and international initiatives are voluntary in nature. They may be industry-specific (such as the Extractive Industries Transparency Initiative for mining, or the Kimberley Process for diamonds) or encompass all sectors (Box 1). Such initiatives are usually based on a human-rights perspective and supported by advocacy groups. They are aimed mainly at multinational companies, and their effectiveness is debatable.

Minimising risk

However, merely complying with the law (or voluntary guidelines) is not enough, especially in conflict or post-conflict areas. Where society is deeply divided, businesses may unknowingly exacerbate underlying tensions. They can minimise conflict risk by asking themselves questions such as:

Do our business partners belong to one of the conflicting parties? Might company materials (like cars or mobile phones) or infrastructure be used by armed groups? Does the security service we employ also belong to one party in the conflict?

Businesses need to examine their activities and decide whether they are making the situation worse or better. There are various approaches to minimising risk (Box 2). Companies often understand the risks involved in doing

Definitions

Businesses include for-profit corporate institutions and individuals, small to medium-sized companies, business associations, and interest groups.

Large-scale (violent) conflicts involve at least two parties using arms to resolve competing interests. These conflicts are fought over political power or access to the state and its resources.

Company–community conflicts are heated interactions between communities and companies in their area of operations, ranging from minor disagreements to open hostilities. They often develop over issues of resettlement, sharing of resources, or the implementation of community projects.

Peacebuilding consists of “initiatives designed to prevent the eruption or return of armed conflict” (Call and Cousens 2008). Businesses can contribute directly or indirectly to peacebuilding efforts.

Conflict sensitivity describes a company’s ability to understand the context it operates in, how its activities affect local conflict, and what can be done to minimise negative impacts and maximise positive impacts on peace and stability.

- business in conflict zones, but they
- often wait for another company to
- take the lead before adopting a new
- approach.

Building peace

- Rather than just trying to minimise risks, businesses may proactively strive to build peace. There are five
- key areas they can address: security, mediation and negotiation, the
- political framework, trust and reconciliation, and economic recovery.

1. Promoting security

- During a conflict, businesses can
- try to reduce the level of violence
- by providing security and creating
- a safe environment for workers,
- suppliers, and customers. After a
- conflict has ended, they may continue to provide security. They may
- also hire ex-combatants (typically unemployed young men), provide
- them with training and skills, and
- support their reintegration into civilian life. This lessens the likelihood
- that people will again take up arms.
- Private security firms are often hired
- to protect companies’ staff and assets. This can be highly problematic:
- security firms are often accustomed
- to a certain baseline level of violence

and do not always deescalate situations. Two initiatives aim to make private security more accountable:

- Voluntary Principles of Business and Human Rights:
www.voluntaryprinciples.org
- International Code of Conduct for Private Security Providers:
<http://tinyurl.com/3h99j6v>

2. Supporting mediation and negotiation

To solve a conflict, the opposing parties must be brought together to discuss their differences and seek agreements. A neutral party such as a foreign government, an international organisation, or an NGO typically facilitates conflict mediation. But businesses can also play an important supporting role in mediation. They can support trust building, mobilise the business community or society at large, provide knowledge, or support the process logistically.

For example, oil from newly independent South Sudan must pass through Sudan in order to reach international markets. During the peace process that ended the civil war, international oil companies taught members of both sides how to share the costs of extracting and pumping oil as well as the profits from oil sales. This enabled collaboration and equal negotiations.

3. Strengthening the political framework

During and after a conflict, political institutions are often weak or absent. There is rarely a stable political environment in which businesses may plan, operate, and profit. Regulations such as trading permits and taxation may be lacking or inefficient. Resultant corruption and lawlessness will increase costs and risks for businesses. Political institutions must be rebuilt in order to transform a violent conflict into a constructive political process.

Businesses can help to strengthen the political framework in various ways. They can support the government or pressure it to change its policies or enforce laws. They can assist the government through training and advice.

An example of this occurred in South Africa, after a bomb exploded at a community meeting held to protest a resettlement scheme. The scheme was designed to make way for a min-

Box 1. Examples of international voluntary guidelines on business activities

Kimberley Process: A multi-stakeholder initiative to stem the flow of diamonds used to finance conflict. www.kimberleyprocess.com

Extractive Industries Transparency Initiative: A voluntary commitment covering the oil, gas, and mining industries to publish payments by companies to governments. <http://eiti.org/>

UN Global Compact: A UN initiative for businesses that are committed to aligning their operations and strategies with ten principles in the areas of human rights, labour, environment, and anti-corruption. www.unglobalcompact.org

Ruggie Framework: The UN “protect, respect, and remedy” framework for business and human rights. The guidelines contain three pillars: the state’s duty to protect human rights, companies’ responsibility to respect those rights, and the victims’ rights to effective remedy if their rights are violated. www.business-humanrights.org/SpecialRepPortal



Kathmandu, Nepal, May 2010: a “Gathering for Peace” organised by the Federation of Nepalese Chambers of Commerce and Industry against the Maoist “Nepal closure”. Photo: FNCCI webpage, www.fncci.org

ing project. Though it was unclear who was behind the bombing, the mining company wrote a letter of protest to the government and publicly condemned the violent act. It offered to train the local government authorities responsible for the resettlement and initiated a multi-stakeholder forum to discuss the problems (UN Global Compact 2010:17).

4. Building trust and reconciliation

After a conflict, social ties are broken and trust between communities is lacking. But trust may be rebuilt by bringing people with different backgrounds together and breaking down stereotypes.

Businesses can support this by carefully considering their mix of personnel and uniting staff towards common goals. In Bosnia, for example, a large company encouraged workplace diversity and improved overall ethnic relations by bringing Serbs, Kosovars, and Bosnians together to work on rebuilding war-damaged electricity infrastructure (Iff et al. 2012).

5. Promoting economic recovery

Violence and insecurity strongly affect the overall economy. They hinder investment and trade, disrupt services, and restrict mobility. The vast majority of people become poorer.

Businesses are a vital, visible part of economic recovery: it is their most obvious contribution to peace. They create jobs, produce goods and services, and increase societal wealth. They can often boost the local economy and promote peace even more by using local suppliers, wherever possible, rather than relying on imports. In the Democratic Republic of Congo, a company analysed its suppliers and favoured local ones to support the local economy (Iff et al. 2012).

In order to undergird local economies in post-conflict areas, businesses often perform tasks typically considered state responsibilities, such as building roads, schools, and clinics. They do this partly out of self-interest – good infrastructure and services are vital for business operations – and partly to gain support among local communities. But this can be a double-edged sword: by supplying these services, businesses may further weaken states, exacerbating tensions between local people and governments seen as neglectful. To avoid this, businesses should partner with governments when possible.

Business and politics

These examples show that businesses can have an important role in building peace. Yet few international companies are engaged in this way.

Why are companies reluctant to get involved in peacebuilding? International companies often see it as “too political”. They must maintain good relations with everyone in power, and do not want to be seen as picking sides. At the same time, development agencies and international NGOs may be suspicious of businesses’ motives, hesitating to include them in peacebuilding efforts (Iff et al. 2012).

What kind of business actors should be involved in peace processes? That depends on the local situation. If the economy relies on exporting oil and minerals, international companies may have a lot of leverage. If agricultural commodity exports dominate, local businesses often play a big role. The amount of influence also depends on factors such as whether the company already operates in the country, or whether it is considering investing further.

The involvement of businesses also depends on their relationship with the political class. Some businesses are relatively independent, while others are closely linked to politicians. If politicians are heavily involved in business (and vice versa), such ties may help to build bridges, but may also sow division or corruption.

Featured case studies

In the Maoist uprising in **Nepal** from 1996 to 2006, multinationals and large Nepali companies were direct targets. The leftist insurgency regarded them as class enemies and as close to the traditional elites. Involuntary “donations” from businesses became a big source of income for the insurgents. The business community made various efforts to halt violence. One of these was the National Business Initiative, which played an important role in sensitising the business community and engaging political actors (Upreti et al. 2012).

In **Sri Lanka**, several business initiatives emerged to support the 2002 peace process. The “Sri Lanka First” initiative lobbied and raised awareness in support of peace. The Business for Peace Alliance participated in dialogue forums to discuss constitutional reforms and promoted capacity building in regional chambers of commerce. These efforts halted when a new government decided in favour of a military solution rather than negotiation. There is still good potential in post-war Sri Lanka for businesses to promote economic recovery in ways that reconcile the Tamil and Sinhalese communities (Alluri 2012).

As part of the NCCR North-South’s research, a **database of 154 cases** of constructive involvement of businesses in peacebuilding was compiled. Most activities were in economic reconstruction and building trust and reconciliation. These are the fields that are closest to the core businesses of companies and where the fewest political risks exist (Iff forthcoming).

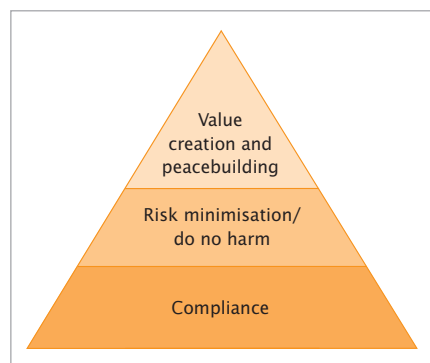


Figure 1. The pyramid of business and peace (Source: Adapted from Nelson, 2000).

Box 2. Examples of risk-minimisation approaches

Conflict-sensitive business practice – guidance for extractive industries: compiled by International Alert, this includes an overview of the regulatory environment for doing business in conflict-prone states, and a tool for identifying conflict risks. <http://tinyurl.com/83zzv44>

Business conflict check: an easy-to-use tool developed by swisspeace to assist business leaders in analysing the political risk environment and defining strategies to cope with challenges that arise from conflict. www.businessconflictcheck.swisspeace.ch/en/

Do no harm: designed for NGOs and other development agencies, this seven-step approach helps organisations to analyse the context of a conflict, identify sources of tension, seek common ground, and design interventions accordingly. www.cdainc.com/dnh/docs/DoNoHarmHandbook.pdf



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Policy implications of NCCR North-South research

In promoting peace, policymakers and development agencies should consider companies as valuable partners, rather than simply as “big and bad”. They should not focus solely on multinationals, but also try to constructively engage local large and medium-sized businesses, as well as prominent local businesspeople.

Special challenges are faced by development activities in conflict and post-conflict areas: people may be more likely to use violence to get what they want, and human-rights violations are more common. Policies need to take this into account.

Governments and development agencies should encourage businesses not merely to comply with national and international laws, but also to play an active role in peacebuilding.

Businesses learn best from other businesses in their sector. Policymakers should support pioneering companies that launch peacebuilding efforts in order to change the behaviour of the whole sector.

Businesses must view themselves as a part of the society in which they operate, especially in conflict zones. They must be aware that everything they do in these environments has an impact on fragile relationships.

Further reading

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The National Centre of Competence in Research (NCCR) North-South is a worldwide research network including six partner institutions in Switzerland and some 140 universities, research institutions, and development organisations in Africa, Asia, Latin America, and Europe. Approximately 350 researchers worldwide contribute to the activities of the NCCR North-South.

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This issue

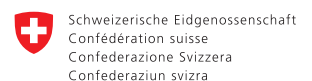
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