

**Consolidation of the GC Policy Dialogue on  
The Role of the Private Sector in Zones of Conflict**

Meeting Report

**Expert Workshop #2  
Identifying Public Policy Options to Promote Conflict-Sensitive  
Business Practices**

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Permanent Mission of Germany to the United Nations

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**Meeting Objectives:**

The second Expert Workshop built upon the results of the first Expert Workshop held on October 7-8, 2004 (see report of this meeting). The objectives of the second meeting were to:

- (1) Comment upon a draft report which puts forward policy recommendations for action by governments and international organizations that would support the adoption by business of conflict sensitive practices; and
- (2) Discuss practical policy initiatives that would benefit from UN Global Compact support.

The discussions at this meeting would contribute substantially to the drafting of the policy report by identifying gaps, suggesting priorities, and refining its ideas. The discussion would also point to the ways in which the final report might be circulated widely and used by relevant groups, including the UN Inter-Agency Working Group on the Political Economy of Armed Conflict. The discussions at this meeting would also refine the initial suggestions for a Global Compact-supported project by identifying priorities and relevant people for this undertaking. Both the report and the project would consolidate the work of the Policy Dialogue on Business in Zones of Conflict.

**Agenda Item I: Draft Report**

Denise O'Brien, Deputy Head, Global Compact Office, briefly reviewed the history of the Policy Dialogue on Business in Zones of Conflict in order to establish the context in which the draft report was commissioned. The recently-published High-Level Panel Report on "Threats, Challenges, and Change" provided a wider examination of current and future security issues, and the draft report would usefully build upon its findings. Bruce Jones, Deputy Research Director of the High-Level Panel, provided an introductory discussion of the main themes of the Report and their implications for the work of the Global Compact on conflict issues. The Report highlighted the need for a

shared understanding of collective security based on the moral case against mass deaths; a self-interested concern with the interconnected nature of threats and risks; and also a self-interested concern with the collective nature of contemporary threats. The Report promotes a broad idea of collective security that includes a place for non-state actors and non-traditional security threats. Although it does not directly address the role of business in conflict and collective security, the Report identifies a number of areas (both positive and negative) where the private sector has significant influence, such as natural resource management, corruption and criminality, and economic development broadly conceived. Jones argued that the United Nations has a critical role to play in dealing with threats and challenges, but that the UN cannot work alone and must forge partnerships, including with the private sector. Participants in the workshop recommended that the Global Compact Office works to integrate the Policy Report's recommendations into the follow-up process of the High-Level Panel's Report.

Karen Ballentine, Senior Consultant at the FAFO Institute for Applied International Studies, and Virginia Haufler, Associate Professor at the University of Maryland, then introduced the first draft of their report (See draft, "Enabling Economies of Peace: Public Policy for Conflict Sensitive Business"). They described the contemporary debate over the role of business in conflict, and proposals and initiatives the business community might take in order to reduce their potential negative impact on unstable regions. Most discussions of conflict prevention, including those of the Global Compact Policy Dialogue, have not explored how the policy framework established by governments and international organizations might facilitate or retard the adoption by business of conflict sensitive practices. The positive steps already undertaken by some leading corporations are in danger of being undermined by competition and free riding by other less responsible businesses, and by a lack of clarity over what is appropriate and legal behavior in different circumstances. Best practices need to be defined and adopted more widely. The policies of governments and international organizations can provide a framework of shared understanding and create incentives that facilitate positive action by business.

The draft report itself is based upon responses to a questionnaire the authors drew up and distributed to many of the participants in the Policy Dialogue and to outside experts; interviews with representatives from business, the UN system, the World Bank and regional development banks, the IMF, and NGOs; and an extensive review of the relevant literature. Policy recommendations addressed issues of conflict, corruption, and human rights and were directed at governments, both home country and host country; international organizations, particularly the UN system; and the financial community, notably the World Bank, regional development banks, and the IMF. The report is still in draft form, and the final Report will need to establish priorities among the recommendations for policy action.

### Recommendations to Governments

The Report highlighted the need for governments to adopt policies that acknowledge the links between business activities, security and development, both at home and abroad. The Report suggests that governments need to strengthen support for existing intergovernmental initiatives, such the OECD Guidelines for Transnational

Enterprises; the OECD Anti-corruption Guidelines; the G8 Financial Action Task Force Recommendations; and the Extractive Industries Transparency Initiative. In addition, government aid agencies, trade departments, and investment promotion programs should consider conflict, corruption, and human rights impacts when reviewing which projects to support. This should include preferences for businesses that adopt and adhere to private voluntary initiatives on corporate conduct (Equator Principles, Voluntary Principles on Security and Human Rights, etc), transparency, and the use of conflict impact assessment tools. New government initiatives might include the negotiation of a worldwide ban on the conflict trade in natural resources.

The discussion among workshop participants pointed to the need to clarify who has jurisdiction in the prosecution of sanctions-busters and transnational criminal organizations. Participants also pointed to the need for governments to define acceptable and unacceptable practices by companies when they provide security to their personnel and facilities, and they appealed for more support for the Voluntary Principles on Security and Human Rights. There was general agreement that governments need to find ways to reward good corporate performance, and to change the existing incentive structure. Some experts recommended that the Report needs to refine the definition of key concepts, such as “conflict” and “weak governments.” Some concern was expressed at making recommendations to governments about new policies they should adopt, when in some cases, they have not fully adopted and implemented existing policy instruments. One suggestion was to include a case study, perhaps of post-conflict Afghanistan, in order to provide some framing to the report. A number of people requested more information from the Global Compact Office on its regional workshops, and the lessons learned from them about multistakeholder dialogue and partnership. One reference was made to the former Centre on Transnational Corporations, but the current political climate is not conducive to big initiatives such as this; instead, smaller, more realistic policy steps are preferable.

### Recommendations to the UN System

The Report emphasized that the UN—all its agencies and programs—need to develop a better working relationship with the private sector. The issues raised by the role of business in conflict require a dedicated home within the UN to address them, and a more prominent position on the UN agenda. The “good offices” of the Secretary-General could be used to help raise awareness of these issues, and he could identify a point person within the UN to communicate and coordinate among UN agencies and departments and to help implement the recommendations of the Report. The Secretary-General could also mandate an official Secretary-General’s report on this topic, to better focus the UN’s efforts, and organize a global conference on business and conflict. In most cases, partnerships between the UN and the private sector also need to include all stakeholders in order to be effective in conflict prevention.

One workshop participant suggested that the UN explore how to fill existing knowledge gaps between the experts at the UN and the private sector managers on the ground. Many participants wanted to build upon existing capacity, for instance, by suggesting that this report recommend that the UN explore how the “Growing Sustainable Business in Least Developed Countries” initiative could be expanded to post-

conflict settings. There was some discussion about how to develop a group of supportive states to champion these issues. Participants agreed that the report should highlight existing initiatives and platforms for action, such as the work of the G8, EU, NEPAD, and others. One suggestion was that the participants could lay the groundwork for a UN Resolution in this area that could provide the mandate for a conference on Business and Conflict involving Governments, for instance, through an ECOSOC Resolution.

### Recommendations for the Public Financial Sector

For purposes of this report, the public financial sector includes international organizations such as the World Bank Group; the IMF; regional development banks; and national economic agencies, such as the finance, trade and investment promotion departments of governments. The private financial sector has already begun to adopt voluntary initiatives, such as the Equator Principles on project finance, and these need to be supported by public sector action. The Report emphasizes that governments need to strengthen existing programs in the areas of financial stability, taxation, auditing and accounting, money laundering, and procurement reform in order to increase transparency and decrease opportunities for corruption, which often feeds conflict. Government economic agencies should use their leverage to change the incentives for the private sector, by adding conflict, corruption, and human rights considerations into the review of project proposals. The International Finance Corporation should extend its safeguard policies to ensure they apply to issues of conflict, and other financial institutions need to adopt similar practices. Regional development banks and the World Bank should work in partnership with the private sector to develop revenue management programs in weak states, and regional banks should be brought more into the development of policy regarding business and conflict. All public financial actors should set an example of transparency for the private sector and encourage the adoption of the Extractive Industries Transparency Initiative.

The participants discussed the ways in which the Global Compact Office could support these recommendations. One suggestion was that it disseminates its Business Guide to companies operating in unstable areas, and also to the regional offices of the UNDP, in order to give guidance to both the public and private sector participants in creating and implementing conflict sensitive partnerships. The regional development banks also need to be brought into the process on issues of business and conflict, particularly since they often have detailed knowledge about local conflicts. It was suggested that all governments and agencies develop procurement guidelines similar to those of the World Bank, which explicitly ban doing business with those suspected of corrupt practices or criminality. The discussion concluded with a plea for all participants to read the draft report and convey their comments and suggestions to the authors. The final report will be finished by the end of January.

### **Agenda Item II: UNGC Supported Projects**

#### The Voluntary Principles on Security and Human Rights

The afternoon session of the workshop began with a presentation by David Rice of BP on the Voluntary Principles. The Principles address three areas: the risk to the

community, guidelines on private security firms, and relationships with public security forces. Jonas Moberg, of the International Business Leaders Forum, then discussed the need for the Voluntary Principles process to have a convener, which right now is the IBLF. The process now includes four states and fifteen companies from oil, gas and mining. In addition, a number of NGOs are also part of the process. The members meet annually and make decisions on the basis of unanimity. They are currently trying to widen and deepen the process by bringing in more companies and countries, and by making sure that companies implement the Principles and share best practices. The UK Foreign Office has taken the lead in promoting the Principles. Jonas Moberg emphasized the tripartite legitimacy of the process, and how such public-private partnerships could develop new policy to meet new challenges. He argued that the Principles could be adapted to other sectors, although this requires champions from both the public and private sectors.

David Rice also discussed the lessons learned by BP, for instance, in running the Baku-Tbilisi-Ceyhan (BTC) pipeline. The Voluntary Principles were adopted into the company's internal code of conduct, and into its sustainability report. BP also has attempted to implement a human rights impact assessment, and human rights now feature in the risk assessments of all projects. In the case of the BTC project, they negotiated a legal framework among all three governments with a joint statement that incorporated the Voluntary Principles. BP is also training its staff on issues of human rights, and developing a system for reporting on human rights abuses.

The discussion focused in part on countries where security and human rights are a challenging issue, such as Nigeria and Colombia. There was concern about outsiders coming into these countries and telling them what to do, and the success of the Voluntary Principles has not yet been established. Some positive signs are the emergence of evidence on best practices, but in general, there has been uneven implementation. The Principles could help a company not just in the zones of conflict, but also in their relations with home governments and activists. It was pointed out that the history of the Voluntary Principles should credit the Sullivan Principles. The main point of the discussion was how to assist the deepening and widening of the Voluntary Principles process. Jonas Moberg asked participants to convey any suggestions to him and to David Rice, for them to bring to their plenary in January.

### Transparency and Anti-Corruption

Joanna Kuenssberg, of the Foreign and Commonwealth Office of the UK, described the Extractive Industries Transparency Initiative. The EITI is designed to counter corruption, especially in economies dependent on natural resources that generate rent seeking behavior. Revenues ought to be an engine for growth but often lead instead to corruption. The EITI guidelines promote increased transparency of payments by business to governments, and vice versa. The World Bank recently threw its support behind the EITI, and a high level conference in March may establish EITI as global business practice. Suggestions for how to go forward with the EITI included the need to strengthen it by establishing what success would look like, but without imposing a rigid code and higher costs on companies, and increase participation by countries dependent on

natural resources. There is also a need to devote greater diplomatic will and capacity building to the initiative, and better validation and verification of EITI practices.

Two company cases were then presented, describing the experience of Shell Limited International, and ABB Ltd. Joshua Udofia, of Shell, described how the company approaches anti-corruption and transparency issues in the developing world. It has a global policy with no local variation allowed, covering honesty, integrity, and respect for people. Regular training and reporting are integral to their efforts. Shell has endorsed the EITI process, and is trying to persuade national and local governments to adopt it. Hilary Wilson of ABB described company policies on anti-bribery and corruption. Its compliance program focuses on what the company's policies are, what is allowed and not allowed, and it lays this out on global basis in every country. There is zero tolerance for illegal and unethical practice, and they have a large investigations team. Engineering construction companies discussed developing common standards on this issue at the most recent World Economic Forum meeting.

Workshop participants focused on how to extend these positive actions to a wider group of companies. A number of people noted that "ownership" is the key to progress on EITI and similar initiatives. There was some caution that adding too much conditionality regarding transparency to business operations in unstable areas might discourage investment. The UNGC will be sponsoring more action on anti-corruption, and will be promoting a global campaign and local action together with other groups, such as the OECD, NEPAD, and Transparency International. The EITI still has a long way to go, both in adoption by countries and companies, and also in the capacity of civil society to take advantage of transparency and use it. The UN, International Alert, and others are beginning to pay attention to this capacity-building issue.

### Community Engagement and Participatory Development

Emma Torres of the UNDP explained the partnerships the UNDP has undertaken with the private sector in Angola, Nigeria and elsewhere. These partnerships promote dialogue and provide a forum for debate. The UNDP acts as a facilitator in partnerships, and wants to develop more of them with a focus on the human development agenda. Garry Mann, of Nexen, and Carolyn Ristau of Pro-Natura then described their collaborative work on Nigeria. Pro-Natura is an international NGO that is based in Brazil, and Nexen is a Canadian energy firm with global operations. Pro-Natura, with the help of Nexen, is developing a coastal development initiative to build local capacity and extend its community engagement process. Ristau described a project called Akassa, which is a partnership of the Akassa clan, Statoil, and originally BP but now Chevron Texaco. Akassa focused on grass roots development and participatory action in order to alleviate poverty by generating income, and development infrastructure such as a banking system, health, and education.

The discussion focused on what might be the role of the UN Global Compact in supporting community development initiatives. These initiatives touch on a whole range of development issues that are dealt with elsewhere, so there is a need to keep the focus on what is core to the UNGC: its role as convener and facilitator. Other countries may be more fertile ground for action, such as Colombia, where there is some effective rule of

law and there is something to build upon. Many existing initiatives, including those on countering corruption, could be turned into conflict prevention initiatives. Growing sustainable business is an approach that would work well with Global Compact goals and strengths. The World Bank is beginning to look at community models, and trying to expand learning across those communities. NNDC is a real test of the robustness of this model with government participation in the full light of day. The UN Office for West Africa could bring together DPA and field offices, with collaboration from OCHA, UNDP, etc. Its mandate is conflict prevention, post-conflict rehabilitation, and demobilization and reintegration of former soldiers. So far, it has not worked with the private sector effectively and could use the facilitating powers of the Global Compact.

### **Concluding Remarks**

The draft Policy Report needs to be circulated among Policy Dialogue Participants, and everyone is encouraged to read it and make recommendations. The Report needs to establish priorities for realistic action on the issues it raises. Denise O'Brien thanked Otto Lampe and the German Government for their support of the project and the expert workshop meetings. She highlighted the importance of the Policy Report as a map for the international community to move forward on issues raised by business in zones of conflict. Otto Lampe suggested that the policy recommendations would be a service to Global Compact companies, and it is a logical step forward for the Policy Dialogue on Business in Zones of Conflict.