

Strengthening Conflict-Sensitive Business Practices in Vulnerable and Conflict-Affected States

Symposium on December 14, 2004, ECOSOC-Chamber, UN
Statement by Dr. Otto Lampe, Global Task Force, German Foreign Office

- 1. Context of the German Foreign Office's involvement in efforts to promote conflict-sensitive business policies and practices**
- 2. Recent activities sponsored by the German Foreign Office in this area**
- 3. Future outlook: What is needed to achieve impact on-the-ground?**

- 1. Context of the German Foreign Office's involvement in efforts to promote conflict-sensitive business policies and practices**

The promotion of conflict-sensitive business behaviour by companies operating in weak states, including those affected or emerging from war, has gained increasing priority on today's global policy agenda. This trend is reflected by the growing number of guidelines, voluntary codes, and initiatives both at the national and international level that address the relationship between business activities and violent conflict, corruption, and human rights violations (i.e. Kimberley Process, OECD Guidelines on Multinational Enterprises, US-UK "Voluntary Principles on Security and Human Rights", DAC Guidelines on Helping Prevent Violent Conflict, Extractive Industry Transparency Initiative, Global Compact Policy Dialogue on the Role of Business in Zones of Conflict).

These many initiatives, while having sensitized companies to the need to assess and remedy unintended negative effects on conflict and to engage in conflict prevention, are too dispersed, address only aspects of the problem or have regional limitations. From our point of view, it is thus important to help harmonize these different efforts and develop a more coherent global framework providing orientation and basic terms of reference to business and other key actors, such as governments, on how to ensure conflict-sensitive business practice.

2. Recent activities sponsored by the German Foreign Office in this area

During its presidency of the UN Security Council in April 2004, the German Government organized a debate on “The Role of Business in Conflict Prevention, Peacekeeping, and Post-Conflict Peace-Building,” which took place on 15 April 2004. The debate confirmed the essential role of business in conflict and called for a more coherent approach of all actors involved to help ensure that business can operate in these circumstances and behave responsibly at the same time (the issue being highly relevant to the Security Council’s agenda focusing on, inter alia, asymmetric conflicts, non-military peace keeping, privatisation of security, war economies, failed states and non-state actors). While opinions of Council Members varied as far as procedural follow-up proposals were concerned, all members agreed that companies operating in conflict-prone, conflict-affected, and post-conflict countries-related situations could in fact play an essential role in conflict prevention and mitigation. Some Members also came forward with recommendations on ways to facilitate the adoption by business of conflict-sensitive practices.

Some of the debate’s highlights included:

- Secretary-General Kofi Annan underlined that companies’ bottomlines can no longer be separated from some of the key goals of the UN, such as peace, development and equity. He urged all members to focus greater attention to the issue.
- Ambassador Marjatta Rasi of Finland, President of the Economic and Social Council (ECOSOC), suggested that the issue should be further explored in both the General Assembly and ECOSOC (a recommendation supported by China).
- Mr. Sichan Siv, representing the USA during the debate, emphasized that his government supported *“policy mechanisms that specifically focus on business in conflict situations,”* such as the Voluntary Principles on Security and Human, jointly developed with the UK Government.
- The French Ambassador to the UN, Jean-Marc de la Sablière, called upon the Council to establish an independent expert mechanism to more closely examine the role illegal exploitation of resources and traffic in illicit goods played in fuelling conflicts.
- Various Council members, such as Romania and Chile, asked the Secretary-General to issue a report on the subject.

As a follow-up to the Security Council debate, the German Government is currently supporting the Global Compact Office in its efforts to consolidate the outcomes stemming from its four-year-old policy dialogue process on “The Role of Business in Zones of Conflict.” Key product of this process will be the publication of a policy report in early 2005, outlining recommendations that would facilitate the adoption by business of conflict-sensitive practices.

A preliminary version of the report was presented at a Global Compact expert group meeting yesterday, December 13 2004. Even though still a draft, the two authors can be commended on their impressive job of identifying key areas where public policy responses are needed. The recommendations outlined in the report will be organized along three categories – conflict, corruption, and human rights – and address the following three actors: the UN, Governments, and International Financial Agencies (IFIs). To give you a rough idea of the types of recommendations put forward by the report I would like to provide you with the following examples:

- Home governments: (1) consider providing positive inducements to companies with a demonstrated record of conflict-sensitive and responsible conduct in vulnerable countries (i.e. by preferential awarding of government contracts and export credit support); (2) instruct their embassies to support conflict-sensitive business by promoting multi-stakeholder dialogues on-the-ground; (3) develop crisis management plans, such as the Crisis Management Action Plan recently issued by the German Government.
- UN system: (1) Use of the UN Secretariat’s convening power by organizing a global conference on the linkages between conflict and development with a special focus on the role business; (2) create inter-agency capacity to develop adequate policy responses to the challenges of business and conflict; (3) promote active and sustained engagement of UN agencies with private sector actors in war-torn and post-conflict settings; devise mechanisms for enhancing coordination among UN missions, field agencies and private sector actors
- IFIs: Consider the conflict-impacts of public and private investments in vulnerable and conflict-affected states as part of the due diligence that informs their lending decisions.

3. Future outlook: What is needed to achieve impact on-the-ground

A top priority of the coming months will be to keep the issue high on the agenda. First, the report’s recommendations should be used as a means to further engage governments in the discussion on their role and responsibilities in promoting

conflict-sensitive business practices. Second, it will be important to explore ways to integrate the issue into the follow-up process of the UN High-Level Panel on Threats, Challenges, and Change, as well as feed them into the work of existing platforms, such as the G8, EU, NEPAD and others. Third, the establishment of the “friends of business in conflict” – a group of companies championing the report’s recommendations – could serve as an important vehicle to raise awareness on the ways in which business can mainstream conflict-sensitive business practices. And finally, the biggest challenge ahead might be the creation of a basic frame of reference and orientation providing a common global denominator and guidance to key actors on how to promote conflict-sensitive business practices and how to ensure multi-stakeholder collaboration. What processes need to be put in place in order for governments to agree upon a common, coherent approach toward the issue area? We feel that the UN’s General Assembly or Economic and Social Council (ECOSOC) might provide appropriate platforms to reach such an international consensus and we look forward to discussing with you and all other relevant actors how to proceed in our common attempt to devote more attention to these process-related issues in the upcoming months.

Thank you very much.