

Symposium on “Strengthening Conflict-Sensitive Business Practices in Vulnerable and Conflict-Affected States” – 14 December 2004, New York

Summary Report

High-level representatives of the business community, Governments, the United Nations (UN), civil society, and the academic and public policy community met on 14 December at UN Headquarters to explore ways to scale-up cooperation in support of conflict-sensitive business practices.

A distinguished group of speakers, including representatives of member states, champions from the business community, representatives of the UN, as well as academics and civil society leaders shared their views on the issue. The presentations focused on the challenges faced on-the-ground in countries, such as Afghanistan, Colombia, and the Democratic Republic of the Congo and ways to tackle these challenges through multistakeholder approaches and public policy responses.

The symposium, co-sponsored by the German Foreign Office, the Friedrich-Ebert Foundation, and the Global Compact Office, was instrumental in contributing to:

- Clarifying the respective roles of all actors in society in ensuring that business operations avoid negative impacts and contribute to conflict prevention and peace-building;
- Showcasing promising multistakeholder initiatives aimed at conflict-sensitive business practices and proposing ways to scale them up (Extractive Industry Transparency Initiative, Kimberley Process);
- Calling the attention of Governments and the UN system to the need for more effective public policy responses in order to widen the application of conflict-sensitive business practices and ensure impact on the ground.

This symposium was a key follow-up event to various recent policy initiatives launched at the UN, including the April 2004 Security Council debate on the topic. It also provided input to a policy report currently under development, commissioned by the Global Compact Office as part of its ongoing policy dialogue on “The Role of the Private Sector in Zones of Conflict.” The central objective of the report, to be published in early 2005, is to identify avenues for improved public policy responses in support of conflict-sensitive business practices.

1- Need for a Comprehensive International Framework

Both Ambassador Wolfgang Trautwein, Deputy Permanent Representative of Germany to the UN, and Mr. Otto Lampe, Head of the German Foreign Office’s Taskforce on Global Issues, emphasized the need for member states to establish a common language in this area and create a basic frame of reference providing guidance to all actors involved on how to ensure conflict-sensitive business practices. Mr. Lampe suggested this could be accomplished through either a resolution in the UN General Assembly or in the ECOSOC.

In a similar vein, Ambassador Peter Maurer, Permanent Representative of Switzerland to the UN, spoke of the need to provide legitimacy to companies that apply conflict-sensitive

business practices. He noted that only through international recognition and incentives can we create a level playing field where good practice is rewarded. Ambassador Maurer went on to call attention to the fact that network-building within public administrations and between public administrations and the private sector is still underdeveloped. Structures and processes need to be put in place in order make progress on building a consensus on the most effective and appropriate ways to promote conflict-sensitive business.

Benin's Permanent Representative to the UN, Ambassador Joël Adechi, called for the need to transform ad-hoc efforts into a more coordinated approach, which he hoped would take into account regional dimensions of conflict. While recognizing the difficulty in differentiating ethical from non-ethical business behavior in conflict situations, Ambassador Aminu Bashir Wali, Permanent Representative of Nigeria to the UN, underlined the need to agree upon minimum requirements of conduct - to be met by business actors when operating in zones with weak governance.

Finally, the need for more coherent actions and a common framework was also noted by Mr. Danilo Turk, UN Assistant Secretary General for Political Affairs. He took note of the proposal made in the GCO-commissioned draft policy report of a global conference organized by the UN-Secretariat on the role of business in conflict-related situations and suggested this could be done in partnership with the OECD, G8, and others. Mr. Turk added that the UN Interagency Working Group on the Political Economy of Armed Conflict would consider this proposal, and may also formulate recommendations directed towards the Security Council which, he said, is increasingly devoting more attention to the economic dimensions of armed conflict.

2- Using Financial Instruments

The financial sector was highlighted as an important leverage point by several panelists. Panelists stressed the need for International Financial Institutions (IFIs) to continue to pressure for greater transparency as a condition for lending. They called for greater involvement by regional financial institutions and a more systematic approach by IFIs regarding these issues. It was suggested that governments could use the allocation of export credit guarantees and the allocation of contracts to provide incentives to companies to apply conflict sensitive business practices.

Mr. Ameen Jan from the Prime Minister's Strategy Unit of the United Kingdom called upon governments to use their own financial agencies and domestic regulatory frameworks to induce conflict sensitive investment. Companies developing good practices should be rewarded, while those engaged in activities with negative consequences should find it more difficult to secure financing.

Although a more systematic consideration of conflict, corruption and human rights criteria in the review process of project proposals would be an excellent leverage to change the incentives of the private sector, Ambassador Maurer cautioned that introducing political over economic criteria in the operational practices of economic regulators could be controversial.

Speaking based on her expertise on reconstruction efforts in Afghanistan, Ms. Mariam Nawabi of the Afghan Embassy to the United States noted the need for both host and home governments to help create conditions for making financing more readily available to local companies operating in post-conflict settings. She also pointed out that trade fairs and a "one

stop shop” - in the form of a host country entity specifically mandated to provide potential investors with a variety of services (i.e. information on the country’s regulatory and legal environment and sources of finance) - would help facilitate foreign investment in post-conflict situations.

The need to tackle the financing of conflict was another key issue raised by many of the panelists. Mr. Lansana Gberie, a Sierra Leone national and Senior Research Fellow at the Kofi Annan International Peacekeeping Training Center, presented the Kimberly Process as a successful initiative that can be built upon and expanded. This joint initiative by companies, NGOs and governments to stop the trade in illicit diamonds that finance conflict and terrorism has proven that when working together, different stakeholders can have direct impact on-the-ground. In addition to its multistakeholder character, Mr. Gberie noted that the international recognition given to the Kimberly process by a UN General Assembly resolution was a key factor in its success. In the case of Sierra Leone, he noted that the Kimberley Process triggered the creation of the Peace Diamond Alliance, an integrated approach of both international and local public and private actors to the management of the country’s diamond resources. Along with the improvement of management capacities, the development of competitive buying schemes, and the tracking of diamonds, the Alliance’s activities include the empowerment of the miners themselves through training, the provision of credit and the development of economic alternatives.

In a similar vein, Mr. Baudouin Hamuli Kabarhuza, Executive Director of CENADEP, a Congolese civil society movement, described how the introduction and enforcement of legal reforms in the mining and forestry sectors have helped to reduce the illegal exploitation of resources and to curb the financing of armed groups.

3- Transparency and Anti-Corruption

The need to do more systematic work in policy areas directly related to conflict-sensitive business, such as transparency and the fight against corruption, were also high on the agenda of all panelists. Mr. Jan called for the need to support the ratification of the UN Convention Against Corruption and its swift implementation at the national level. He also noted the need for a mechanism to combat money laundering.

Mr. Jannik Lindbæk, Chairman of the Board of Directors of Statoil, urged that when carrying out impact assessments, companies should evaluate not only the risks to their own investment, but if the revenues they create will be managed properly by the national authorities. He noted that the larger the stream of revenue, the greater the need for control and management to ensure that it brings about growth. He underlined the importance of companies being fully transparent about the payments they make and that these payments should be auditable. He also noted the importance of supporting the development of local administrative capacity, thereby helping to identify better ways of distributing revenues.

The Extractive Industry Transparency Initiative (EITI) was highlighted as an attempt to address some of these very issues. EITI is a very innovative initiative in that it brings together companies, governments and NGOs in a process to make both the payments and use of revenues more transparent. Pilot projects are currently taking place in countries, such as Ghana, Nigerian and Azerbaijan. However, several speakers noted that the need to develop local capacity of the public sector, the private sector and civil society was crucial if these pilot projects were to succeed.

4- Creating Stability through Development

Ambassador Adechi noted that fostering development is an integral part of peace building. He pointed out that many of the symposium's presentations demonstrated the private sector's key role in promoting socioeconomic development and reconstruction in conflict-affected countries.

Focusing on the example of Afghanistan, Ms. Nawabi argued that fostering such positive linkages is contingent upon the provisions of appropriate regulatory environments. In addition, attracting foreign investment to conflict affected countries represents a serious challenge. She emphasized that addressing the deficiencies in a post-conflict country's legal system is a priority issue to be dealt with immediately after conflict in order to create a commercial environment conducive to private sector activity and foreign investment. She also stressed that because governments of countries emerging from war are typically weak, they lack the capacity to negotiate contracts that satisfy minimum criteria regarding environmental and social safeguards. International donors should therefore assist in the design of model contracts.

Mr. Lindbæk stressed that the opportunities for local industry, for education and employment need to be managed responsibly at every stage just as the direct revenues stemming from the petroleum production in a given country. A key factor, he noted, is to involve local actors and to manage expectations through transparent communication, as unrealistic expectations can easily lead to conflict. When developing social programs, he advised companies to make sure these were coherent with the national development priorities of the host country.

Siemens' experience of operating in an unstable environment, such as in Afghanistan, has clearly demonstrated to company representatives that efforts made to stay in a country in crisis can help to create a significant level of trust and respect, rendering possible close and effective collaboration with local stakeholders. Mr. Bernd Stecher, Corporate Vice President at Siemens, stressed that multilateral organizations and bilateral donors should start planning the post-conflict reconstruction efforts as early as possible and deplored that in most cases this does not happen soon enough. He underlined that visible progress in the form of concrete actions that have a positive impact in the daily lives of the population is key to creating stability in a post-conflict setting.

The Colombia case provided a compelling example of a local business pioneering a conflict management strategy, thereby guaranteeing the sustainability of its operations in an area greatly affected by violent conflict. Mr. Rubén Darío Lizarralde, CEO of the palm-oil producing company Indupalma, explained that as increasing violence and destabilization threatened the company's ability to continue its operations, it developed a program to create cooperatives among the workers. These cooperatives gave the workers a sense of ownership and a true stake in peace and stability. The success of this program, both in peace building and in commercial terms, shows that proactive initiatives by companies can have a concrete effect on-the-ground in stopping the spiral of violence.

Speaking of the relationship between economic growth, workers' rights and armed conflict in Colombia, Mr. Iván Toro López, Member of the Executive Committee of the Colombian Workers' Confederation, underlined the importance of good economic policies appropriate to the local context as the key factor in securing stability.

The symposium provided an important opportunity for key stakeholders to discuss some ways and means to widen the application of conflict-sensitive business practices. Most importantly, the symposium served to call upon Governments and the UN system for more sustained engagement and cooperation in order to promote the adoption of conflict-sensitive business practices and ensure impact on the ground. Many speakers underlined, however, that public policy engagement should complement, but by no means substitute efforts at industry-self regulation. There was a consensus that in order for more sustained public policy engagement to materialize, efforts must focus on building a common understanding of the most effective and appropriate ways to promote conflict-sensitive business practices.