



Responsible Investment in Conflict-Affected Countries

Project Overview: The work of the United Nations Global Compact on “Business and Peace” began in 2001 with a policy dialogue on the “Role of the Private Sector in Zones of Conflict”, which was followed by a series of country-level workshops resulting in several policy papers and guidance documents. The UN Global Compact continues to provide a multi-stakeholder forum to help mitigate the potentially negative impacts of business operations and enhance the capacity of companies to make a positive contribution to peace and development.

The UN Global Compact will embark on a consultation process with a network of investors, business representatives, civil society practitioners, academics, policy makers, UN officials, Government representatives and other experts to develop a policy paper that will provide guidance to clarify what constitutes “Responsible Investment in Conflict-Affected Countries”. The publication will identify ways of better identifying and mitigating investor risks and help companies from different sectors to better understand the expectations, risks and rewards of responsible business practices in conflict-affected countries around the world.

Rationale: It is important to explore the issue of responsible investment in these settings.

- Often conflict and instability deter investment, which in turn, exacerbates the conditions that fuel violence and poverty. This study will better articulate the role of local and foreign investment in rebuilding economic life by offering an empirical analysis of investment patterns in conflict-affected countries.
- Conflict-affected environments often attract irresponsible investment, thereby adding barriers to responsible investment and impeding peace consolidation and economic development. By developing practical guidance for companies and investors, this study will enhance existing investment practices in conflict-affected areas.
- The policy advice directed to responsible investors is often simply to avoid investment or actively divest from companies operating in unstable settings. In many cases, this is done without properly assessing the costs and benefits – both to shareholders as well to the country on a broader level. Through multiple case studies on business activities in conflict-affected countries, this study will explore the conditions under which private investment may lead to economic development and peace.

Objectives: In consultation with relevant stakeholders and experts, the project aims to:



- Develop an empirical analysis of investment patterns in conflict-affected countries and illustrate the role of private investment in promoting sustainable economic development;
- Explore the link between the fiduciary duty of investors and environmental, social and governance issues in conflict-affected countries;
- Explore the conditions under which private investment may help promote or rebuild economic life in conflict-affected countries (case study examples);
- Articulate the role of local and foreign investment and local entrepreneurship development in order to promote sustainable development;
- Review and update innovative conflict-sensitive business practices, tools and initiatives that have been developed in the last three years, especially as they concern investor practices;
- Identify ways of helping companies to better understand the expectations, risks and rewards of responsible business practices in conflict-affected countries (including sector-specific and country-specific case studies);
- Illustrate ways of better identifying and mitigating investor risk (i.e. social, political, economic and legal) and develop practical guidance to reduce risks, while ensuring that private investment yields the widest possible benefit to affected societies;
- Create a multi-stakeholder network of institutional investors including asset owners and managers, business representatives, government representatives, UN officials, civil society practitioners, and academics familiar with the special challenges facing conflict-affected countries. The network will continue to interact and undertake initiatives to advance the implementation of responsible investment in conflict-affected countries, and address future challenges emerging in the field of responsible investment.

Target Audience: Institutional investors (including asset owners and managers), companies (both MNC and local SMEs) and policy-makers. This audience may also include relevant public entities such as export credit agencies and International Financial Institutions working to support local business development and promoting foreign direct investment.

Timeline: The project is set to begin in March 2009. The Final Policy Paper will be launched at the Global Compact Leaders Summit in spring 2010 (precise date tbd).

Budget: Including travel, workshops, consultant fees and publication-related costs; the budget estimate for this project amounts to USD \$200,000.