

Companies in Conflict Zones

A RESOURCE MANUAL

Operational and legal guidance from Collaborative for Development Action, the FAFO Institute for Applied Social Sciences and International Alert

'The economic dimensions of armed conflict are often overlooked, but they should never be underestimated. The role of business, in particular, can be crucial, for good and for ill.'

Private companies operate in many conflict zones or conflict-prone countries. Their decisions – on investment and employment, on relations with local communities, on protection for local environments, on their own security arrangements – can help a country turn its back on conflict, or exacerbate the tensions that fuelled conflict in the first place.'

Kofi Annan, UN Secretary General speech to the Security Council, 15 April 2004

In April, the UN Security Council debated the role of companies in conflict – underlining increasing global recognition of an important role for the private sector in addressing violent conflict. Stakeholders to the UN Global Compact have also worked to address this issue through a multi-stakeholder policy dialogue since 2001, publishing thematic papers on revenue management, transparency, case studies of multi-stakeholder partnership, and a Business Guide on conflict impact assessment and risk management. The UN Global Compact office has also convened regional conferences on the subject in Colombia, Kazakhstan and South Africa, contributing to the further widening of the business and conflict agenda.

Collaborative for Development Action (CDA), the FAFO Institute for Applied Social Sciences (FAFO AIS), and International Alert (IA) are three research agencies who have all participated in the UN Global Compact to date and pioneered investigation and analysis of the relationship between business and conflict¹. Recognising that the time is ripe to take stock of lessons learnt so far, they are preparing a synthesis publication that pools the results of five years' work on the issue. Scheduled to publish in late-2005, CDA, FAFO AIS and IA's *Companies in Conflict: A Resource Manual* will outline the positive and negative impacts that can be associated with company operations in zones of conflict, and offer practical guidance on both operational and legal challenges confronting business. The *Resource Manual* will be an essential tool for company staff at both headquarters and field levels, shedding light on an ethical path to doing business in conflict zones, which can otherwise often be difficult to discern.

Why should companies care about conflict?

As noted by the UN Secretary General, there is strong and mounting evidence that corporations often have unintentional negative impacts through their operations in conflict areas. These in turn have tangible costs and risks for companies: increasing operating and security management costs, as well as the likelihood of reputational damage. For both ethical and practical reasons, most companies – above all those seeking to adhere to the Global Compact's Nine Principles – therefore seek to avoid such conflict-related impacts, and have a commitment to working to support and reinforce justice, equality, stability and peace.

¹ This project will also draw upon the policy research and development conducted by the Programme on Economic Agendas in Civil Wars (2000-2003) at the International Peace Academy.

Companies operating in zones of conflict have an interest in preventing and transforming violent conflict. Improved business practice that is sensitive to the causes and triggers of violence ('conflict-sensitive business') can both avoid negative impacts and help to promote peace and stability.

This section will include:

- An overview of the two-way impacts between companies and conflict
- Case studies and examples
- A business case for adopting a conflict-sensitive approach.

What are the legal requirements when operating in a conflict zone?

There have been significant international efforts to develop and strengthen policy responses to the economic dimension of conflict – leading to an emerging normative framework governing various aspects of corporate conduct as it relates to conflict zones. Regulation on this issue has two key objectives: ending the impunity of business entities operating in conflict zones for activities that violate or assist in the violation of internationally accepted standards of behaviour; and seeking to address the economic activities that apparently sustain wars or other threats to international peace and security. The *Resource Manual* will present an overview of the relevant instruments and requirements, offering companies clarity on what the legal expectations and norms are in unstable contexts, and thereby helping them to navigate reputational and legal risk and ensure that their operations are supporting UN goals of peace and security most effectively.

This section will include:

- A review of current policy initiatives
- An overview of legal framework for companies operating in conflict zones
- International priorities towards creating a level playing field.

How can companies promote peace?

A conflict-sensitive approach to doing business that goes beyond complying with legal norms in order to proactively ensure that operations 'do no harm' and contribute to peace can help reduce risk management, personnel and security costs, and contribute to a more peaceful operating environment, and world. In the words of Kofi Annan, this can 'help a country turn its back on conflict'. The *Resource Manual* will present lessons learnt from past and present company engagement in conflict zones, mainly drawing on the oil, mining and gas sectors, but pointing to implications for other business sectors where these are emerging. It will highlight best practice management strategies, analytical tools and other interventions relating to community relations and social investment that can enable companies to maximise the social benefits related to their presence, and ensure a more positive impact on peace and stability globally.

This section will include:

- State-of-the art tools for conflict, risk and impact assessment
- State-of-the art tools for conflict-sensitive operations management
- Case studies of best practice contributions to peace and stability.

Further information

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