



Doing business in conflict affected environments: from building the peace to building the private sector

Meeting 7: Tuesday 14th July, at Commonwealth Club, 25 Northumberland Avenue, London WC2N 5AP

17.00	Registration opens
17.30-18.15	Introduction and panel presentations
18.15-19.00	Discussion
19.00-20.00	Reception and drinks

Speakers: **Diana Klein**, Peace Building Issues Programme, International Alert
Andrew Bone, Head, International Relations, De Beers
Lisa Curtis, Adviser, ManoCap

Chair: **Simon Maxwell**, Senior Research Associate, ODI

Background to the meeting

Economic growth, business investment and employment are deeply interconnected with peace and conflict. Armed conflict clearly has a major impact on economic activity. It destroys access to infrastructure, land, workplaces, labour, skills and markets. Where there is little expectation of return, public and private sector investment declines and employment opportunities become scarce.

The impact of economic growth – or collapse – on stability is also clear. Paul Collier has estimated that economic growth significantly reduces the chances of post conflict countries falling back into instability. It is the poorest countries that are at most risk of instability. Of particular relevance today, however, is a recent finding that serious economic shocks in fragile states are typically associated with a 50% increase in the risk of conflict in the following year. A collapse in the world coffee price preceded Rwanda's 1994 conflict, for example, and a collapse in the vanilla price preceded Madagascar's 2009 coup d'état. We know that commodity price falls are now affecting many fragile states, such as the Democratic Republic of Congo. Between 200,000 and 300,000 jobs have been lost in Katanga province, the mining province of DRC, due to the downturn in metal prices.

However, the private sector does not disappear during conflict. Indeed, it is often remarkably resilient. What's more, the presence of a functioning private sector is hugely beneficial. It provides livelihoods and thus alternatives to fighting. The private sector may be one of the few sectors during wartime that acts to maintain relationships and security, as well as the supply of goods and services - often across the conflict divide. International business can have a vital role to play in creating investment and jobs. The private sector as a whole can represent an important constituency for peace, and has often played an important role in peace negotiations, or talks to prevent conflict. On the other hand, we know that some private sector activities – either wittingly or unwittingly – can increase tension or provoke conflict.

Where does this leave businesses and investors? Investment in fragile states is risky for both businesses and the country involved. Yet there are many examples of positive pay-offs for both. Businesses, NGOs, donors and partner

governments have worked together in a variety of ways to strengthen the climate for peace and investment. Guidelines and partnerships can help steer investments away from risk, and produce better development outcomes. This meeting, the 7th in the DFID/ODI/BAA series, aims to explore this potential.

Purpose of the meeting

The meeting will address the following key themes:

1. How can businesses ensure their presence is beneficial to development and long term stability?

The interests of profit and stability are usually closely aligned. Yet short term pursuit of investment opportunities can have a damaging effect on development and peace. A weak analysis of local conflict and political economy can lead to investments that increase tensions by favouring one side over another, or even funding a group of protagonists in conflict. The first responsibility of a business is to do no harm: a principle that is not always easy to see how to implement. 'Doing no harm' is rarely best achieved by side projects, but by examining the impact of the core business activity.

Since 1999, IA has been working on a range of initiatives that address economic issues and their links with conflict and peace. This has included work with the business community, including multinational and local private sector, which operates in conflict zones, to ensure that its conduct does not fuel tensions or even violence, but can contribute towards creating a stable political climate. Diana Klein will offer insights into the key risks that businesses pose in fragile and conflict affected countries, and how to prevent and mitigate them.

2. What can businesses do to identify opportunities in conflict affected countries, and protect their investments?

Investment won't happen unless investors see a business case. The risks, complexity and lack of information regarding a new investment in a fragile environment are severe obstacles. How can businesses get the information they need? How can they ensure that their investment is protected? Lisa Curtis is an adviser to ManoCap, a private equity fund manager that makes equity investments in post-conflict and other emerging African economies, and will provide an investor perspective on managing risk in conflict affected environments.

3. Business in action: A case study

De Beers has been faced with the challenges of operating in conflict affected countries since its establishment. The De Beers Group was instrumental in creating the World Diamond Council to represent the international diamond and jewellery industry in the Kimberley Process. This agreement requires participating governments to ensure that each shipment of rough diamonds is exported in a secure container and accompanied by a uniquely numbered, government-validated certificate stating that the diamonds are conflict-free. As of November 2008 there were 49 members, representing 75 nations with significant involvement in the diamond trade.

Andrew Bone, Director of International Relations at De Beers, represents the company in the Kimberley Process and has first hand experience of operating in conflict-affected environments. He will provide a perspective on how the private sector can support governments and development organisations to help re-build institutional capacity in conflicted affected environments, and share insights on which approaches work, and crucially those that do not.

Key resources on this meeting available on www.businessfightspoverty.org

International Alert has worked closely with business in conflict affected countries over the last decade. This has included the 'Red Flags' initiative which highlights the legal risks to businesses – see <http://www.redflags.info/> Special advice and guidelines are also available for the extractive industries at http://www.international-alert.org/peace_and_economy/peace_and_economy_projects.php . The IA website has numerous papers and

publications regarding the role of the private sector in the peace process. Further publications regarding market and conflict analysis will be available during the event.

Background and documents relating to the Kimberly Process can be found at <http://www.kimberleyprocess.com/>

There is a range of other relevant material from a recent World Bank Institute / George Washington University eConference on "Peace Through Commerce": <http://www.peace.businessfightspoverty.org>

The series: 'Harnessing the Power of Business for Development Impact'

This event is part of a meeting series that brings together company executives, practitioners, policy researchers, government and civil society to debate how the private sector will contribute to the development agenda, and how private-sector-driven development can be strengthened in 2009 and beyond.

For more information on this series visit: www.events.businessfightspoverty.org

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