Conflict-Sensitive Business Practice:
Guidance for Extractive Industries

March 2005

INTERNATIONAL ALERT

Foreword
Kofi Annan, United Nations Secretary General

Businesses operate in conflict zones and conflict-prone countries around the world. If they make the wrong decisions on investment, employment, community relations, environmental protection and security arrangements, they can exacerbate the tensions that produce conflict. But if they make the right decisions, they can help a country turn its back on conflict, and move towards lasting peace.

Companies in the extractive industries are on the front lines. Time and again in recent years, the exploitation of natural resources such as oil, timber and diamonds has fuelled conflict and generated corruption, exacting a heavy toll in lives and undermining faith in public administration. All too often, local populations have been excluded from discussions about the control of natural resources, and have seen few or no tangible benefit from activities carried out in their communities. This leads to resentment, social discord and even violence.

Enlightened self-interest should steer businesses towards playing an active role in promoting transparency and accountability in managing the extraction and sale of natural resources. Increasingly, a company's reputation depends not only on what product or service it provides, but also on how it does so. By adopting a proactive approach, companies can reduce operational risks, promote stability, and improve relations with the communities in which they operate. Indeed, a company's 'bottom-line' can no longer be separated from peace, development and the other goals of the United Nations.

This publication offers practical suggestions for companies in the extractive industries seeking to adopt a conflict-sensitive approach to their operations. It provides ideas for fostering better relationships with stakeholders. And it gives examples of good practices that I hope will serve as an inspiration to companies operating in violent or volatile environments. I welcome this contribution to the efforts of the United Nations to promote responsible corporate citizenship and universal principles, and I hope it reaches the wide global audience it deserves.

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Business has an interest in peace. Some business also has an interest in being active in some regions where peace is insecure and unstable. And business has a role – sometimes knowingly, sometimes without full knowledge of what is happening – in shaping the conditions that decide whether instability will evolve into a durable peace or collapse into open war.

In the past decade and a half – approximately since the end of the Cold War and the break-up of the USSR – the international community has succeeded in paying more attention than before to civil wars in developing countries and the suffering they cause. In that period, there have been over 100 wars, causing over 7 million deaths and uncalculated – and perhaps incalculable – material damage. Addressing this problem is a huge task, but the international community is responding to it.
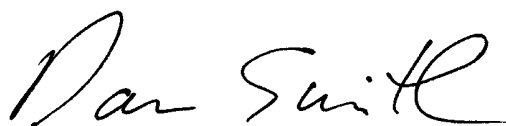
During that same period of 15 years, more peace agreements have been signed than were achieved in the previous two centuries. Significant effort – but around 50 per cent of the agreements broke down within five years of being signed. They break down for various reasons – cheating, hidden agendas, miscommunication, political in-fighting by warlords threatened by the imminence of peace, the hellish burdens created by the consequences of war and, perhaps most important of all, because the long-term, background causes of war have not been properly addressed.

International Alert is a London-based international NGO that specialises in peacebuilding. As we have learned about the causes of war – inadequate economic development and deficient systems of government – so we have also learned more about what is needed to prevent conflicts escalating into violence and what is needed to sustain peace processes.

With this, the role of the private sector has increasingly come into focus. It is not now a controversial proposition to say that the private sector has a role as one of the factors that decide whether there will be war or peace. But it remains a challenge for many businesses to figure out how they can function normally in abnormal conditions, make a profit, contribute to prosperity, and help strengthen the prospects of peace and stability.

This guide to conflict-sensitive business practice is directed towards the extractive industries, which often find themselves close to the frontline of conflict, which can suffer from violent conflict both directly and indirectly, and some of which have been among the first to respond to the idea that business has a role in shaping the prospects for peace. Developed with the indispensable help and involvement of industry professionals, the guide is practical, it is readable, and it takes on the real problems faced by extractive industries.

The adoption of conflict-sensitive business practice by extractive industries could be one step among many that are being taken to improve the chances that this armed and warring planet will steadily become a safer and more secure place. It is part of a cross-sector enterprise – involving governments, inter-governmental organisations, NGOs such as International Alert, and companies – that is contributing to the fight against one of the world's great scourges. We welcome everyone's contribution to it.

Dan Smith
Secretary General, International Alert

Preface

Oil, mining and natural gas companies often invest in conflict-prone societies – the nature of their business setting some limits on choice of risk profile. Most companies have no interest in exacerbating instability or violence, or otherwise becoming caught up in it. Experience shows however, that all too often they lack the skills and experience to avoid doing so.

Despite advances in political risk methodologies and environmental and social impact assessment (ESIA) standards, and the wider corporate social responsibility sphere, fundamental gaps in company practice remain.[1] These include capacity to understand existing or potential conflict and its actors, causes and consequences accurately; and to grasp fully the spectrum of influence that a company's investment may have on such conflict, directly, indirectly and at varying levels. **Conflict-Sensitive Business Practice: Guidance for Extractive Industries** aims to help close this capacity gap and results from several years' research and development led by International Alert, a London-based peacebuilding non-governmental organisation (NGO).

The publication
Conflict-Sensitive Business Practice: Guidance for Extractive Industries consists of guidance on doing business in societies at risk of conflict for field managers working across a range of business activities, as well as headquarters staff in political risk, security, external relations and social performance departments. It provides information on understanding conflict risk through a series of practical documents, including:

- Introduction to conflict-sensitive business practice, including an overview of the regulatory environment for doing business in conflict-risk states
- Screening Tool for early identification of conflict risk
- Macro-level Conflict Risk and Impact Assessment tool
- Project-level Conflict Risk and Impact Assessment tool
- Special guidance on key Flashpoint Issues where conflict could arise at any point during a company's operation.

Each section includes additional resources where company staff can find further useful data and analysis. The guidance as a whole is designed to mirror a basic project cycle for companies engaged in mining, oil and natural gas, but can be picked up at any particular point in the cycle. It is also designed to complement current industry best practice in social performance, political risk analysis and ESIA, adding in a 'conflict lens'.

The research
The research process has included International Alert's contribution to, and learning from, the UN Global Compact **Business Guide to Conflict Impact Assessment and Risk Management**, published as a result of its ongoing policy dialogue, 'The Role of the Private Sector in Zones of Conflict'. International Alert has been an active participant in this dialogue, which included a series of regional workshops in Sub-Saharan Africa, Central Asia and Colombia. The Global Compact workshops provided an important forum for stakeholders to share experiences and challenges in this area, and made a significant contribution to the research process.[2]

1. Advances in the academic research literature are particularly significant, but have not necessarily translated into best practice.
2. UN Global Compact dialogue on 'The Role of the Private Sector in Zones of Conflict'. www.unglobalcompact.org/Portal/Default.asp

Taking this work forward, we conducted a thorough review of current best practice in political risk assessment and ESIA in order to see where these were letting companies down in understanding conflict.[3] When this process was complete, we convened a group of representatives from some of the world's leading oil, mining and gas companies, as well as NGOs and consultancy firms specialised in political risk assessment and management. We brought the group together with specialists from the conflict transformation world to try and progress our goal of closing the capacity gap in companies' understanding of their relationship to conflict.

The project steering group helped keep this aspiration anchored in business realities, emphasising the business case for developing greater capacity on conflict. The concept and elements of conflict-sensitive business practice gradually evolved from this process. The content and arguments of the final publication are, however, International Alert's and not attributable to any of the steering group members.

We believe that **Conflict-Sensitive Business Practice: Guidance for Extractive Industries** provides an opportunity for companies concerned about improving their impact on host countries to begin thinking more creatively about understanding and minimising conflict risk, and actively contributing to peace. Although presented in a practical, step-wise format, it has been developed as an approach as much as a fixed process, and further work needs to be done by individual companies, industry associations and other professionals to adapt and further develop its core concepts through their own practices. Nonetheless, it is our hope that this publication represents a significant step forward in discerning best practice in this sensitive area, and towards promoting more peaceful interactions between companies and host societies around the world.

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3. Goldwyn, R. and J. Switzer (2004) 'Assessments, Communities and Peace – A Critique of Extractive Sector Assessment Tools from a Conflict-Sensitive Perspective', in **Oil, Gas and Energy Law Intelligence (OGEL)**, vol.2 issue 4, available from www.gasandoil.com/ogel/

Acknowledgements

Abbreviations

ADB	Asian Development Bank
ATCA	Alien Tort Claims Act (US)
CSBP	Conflict-sensitive business practice
CSR	Corporate social responsibility
DRC	Democratic Republic of the Congo
EITI	Extractive Industry Transparency Initiative
ESIA	Environmental and social impact assessment
EU	European Union
IA	International Alert
IADB	Inter-American Development Bank
IFI	International financial institutions
IFC	International Finance Corporation (World Bank)
IHL	International humanitarian law
IMF	International Monetary Fund
ILO	International Labour Organisation
INGO	International non-governmental organisation
M-CRIA	Macro-level Conflict Risk and Impact Assessment tool
MNC	Multinational company
NGO	Non-governmental organisation
OECD	Organisation for Economic Cooperation and Development
OHCHR	Office of the UN High Commissioner for Human Rights
PRA	Participatory rural appraisal
P-CRIA	Project-level Conflict Risk and Impact Assessment tool
PSA	Production sharing agreement
SME	Small to medium-sized enterprise
TNC	Transnational corporation
UN	United Nations
UNDP	United Nations Development Programme
UNHCR	United Nations High Commission for Refugees

Section 1

Introduction

Introduction

Company experience in Angola, Burma, Colombia, Indonesia, Nigeria and elsewhere demonstrates that there are a range of conflict risks posed by investing in unstable states. Oil, gas and mining projects can inadvertently trigger or sustain violence, or become the focus of resentment themselves.

Improved management systems are needed for companies to deal with the challenges of operating in such contexts, specifically with regard to the incidence of violent conflict. This section describes practical frameworks to help understand and address the interaction between company investments and conflict to the mutual benefit of business and host societies.

Conflict-sensitive business practice: benefits for business

Violent conflict imposes a range of costs on companies. A 'conflict-sensitive' approach to doing business – one that seeks to avoid these costs by developing informed conflict-management strategies – is therefore a strategic choice for company managers. At both a local level, through improved relationships with stakeholders, and at regional and national levels, companies can benefit from avoiding, or handling conflict more effectively through a joined-up understanding of all conflict risks and impacts.

Box 1: Costs of conflict to companies

Direct costs	Example
Security	Higher payments to state/private security firms; staff time spent on security management.
Risk management	Insurance, loss of coverage, specialist training for staff, reduced mobility and higher transport costs.
Material	Destruction of property or infrastructure.
Opportunity	Disruption of production, delays on imports.
Capital	Increased cost of raising capital.
Personnel	Kidnapping, killing and injury; stress; recruitment difficulties; higher wages to offset risk; cost of management time spent protecting staff.
Reputation	Consumer campaigns, risk-rating, share price, competitive loss.
Litigation	Expensive and damaging law suits.
Indirect costs	**Example**
Human	Loss of life, health, intellectual and physical capacity.
Social	Weakening of social capital.
Economic	Damage to financial and physical infrastructure, loss of markets.
Environment	Pollution, degradation, resource depletion.
Political	Weakening of institutions, rule of law, governance.

Source: adapted from Nelson, J. (2000) **The Business of Peace: The Private Sector as a Partner in Conflict Prevention and Resolution** (London: International Alert, International Business Leaders Forum and Council on Economic Priorities).

The range of costs imposed by conflict on companies are direct and indirect. Direct costs most obviously relate to the increased cost of protecting staff and property. Indirect costs are those that impact the operating environment, only to rebound as costs on the company. Direct and indirect costs imposed by conflict on companies are listed in box 1.

Conflict-sensitive business practice: benefits for communities

Conflict-sensitive business practice (CSBP) benefits host communities, as well as the wider regional and international contexts, by ensuring that company investments avoid exacerbating violent conflict. Violent conflict clearly represents a threat to life, security, growth and prosperity for affected communities. It undermines decades of development and destroys the social fabric of a locality, country or region. CSBP can help companies avoid causing, triggering or accelerating these destructive dynamics to the mutual benefit of themselves and communities. It can also help them develop legitimate steps towards contributing to peace and stability in unstable states.

Early, consistent, meaningful and empowering stakeholder engagement processes lie at the core of CSBP. Improved relationships between companies and communities help different stakeholder groups to understand what the impacts of investment are likely to be. Transparency about company plans, schedules and prospects, and the creation of effective channels through which stakeholders can raise and address problems, invites trusting relationships, reduces uncertainty over the future and creates a sense of shared ownership over a company's operations. This is of real benefit to stakeholders who have a legitimate interest in company investments that impact their livelihood or landscape.

What is conflict?

Conflict occurs when two or more parties believe their interests are incompatible, express hostile attitudes or take actions that damage the other's ability to pursue its interests. 'Violence' is often used interchangeably with 'conflict', but violence is only one means among many that parties choose to address a given conflict. Non-violent conflict is essential to social change and development, and a necessary component of human interaction. When violence erupts, however, a profound breakdown in social relationships occurs that will have destructive effects. CSBP aims to prevent violent conflict, or contribute to its transformation towards peace.

Conflict is sometimes viewed as a separate 'issue' that can be addressed in isolation from other 'issues' such as human rights, the environment or sustainable development. However conflict is a cross-cutting theme or context – a violent manifestation of tensions that may have arisen for a variety of reasons (e.g. human rights abuses, environmental scarcity or degradation, unjust governance, economic insecurity). Conflict sensitivity, therefore, involves consideration of the spectrum of issues that may have, or may in the future, cause and trigger violence.

Box 2 lists different types of causes of conflict and box 3 shows the dynamic 'conflict cycle', along which conflicts often progress and regress through their duration.

Box 2: Causes of conflict

Structural/root causes: Pervasive factors that are built into the policies, structures or fabric of society and may create the preconditions for violent conflict (e.g. illegitimate government, lack of equal economic and social opportunity, lack of political participation).

Proximate causes: Factors that are symptomatic of the root causes of conflicts or may lead to further escalation (e.g. light-weapons proliferation, human rights abuse, objectives of political actors, role of diasporas).

Triggers: Single acts, events or the anticipation thereof that set off violent conflict or its escalation (e.g. elections, behaviour of political actors, sudden collapse of currency, increased food scarcity).

Box 3: Phases of violent conflict

PHASES OF CONFLICT

Sustained violent conflict

Outbreak of violence

Stalemate/
de-escalation/ceasefire

Unstable peace/
latent conflict

Return to unstable
peace/latent conflict

Stable peace

Durable peace

Settlement/resolution

DURATION OF CONFLICT
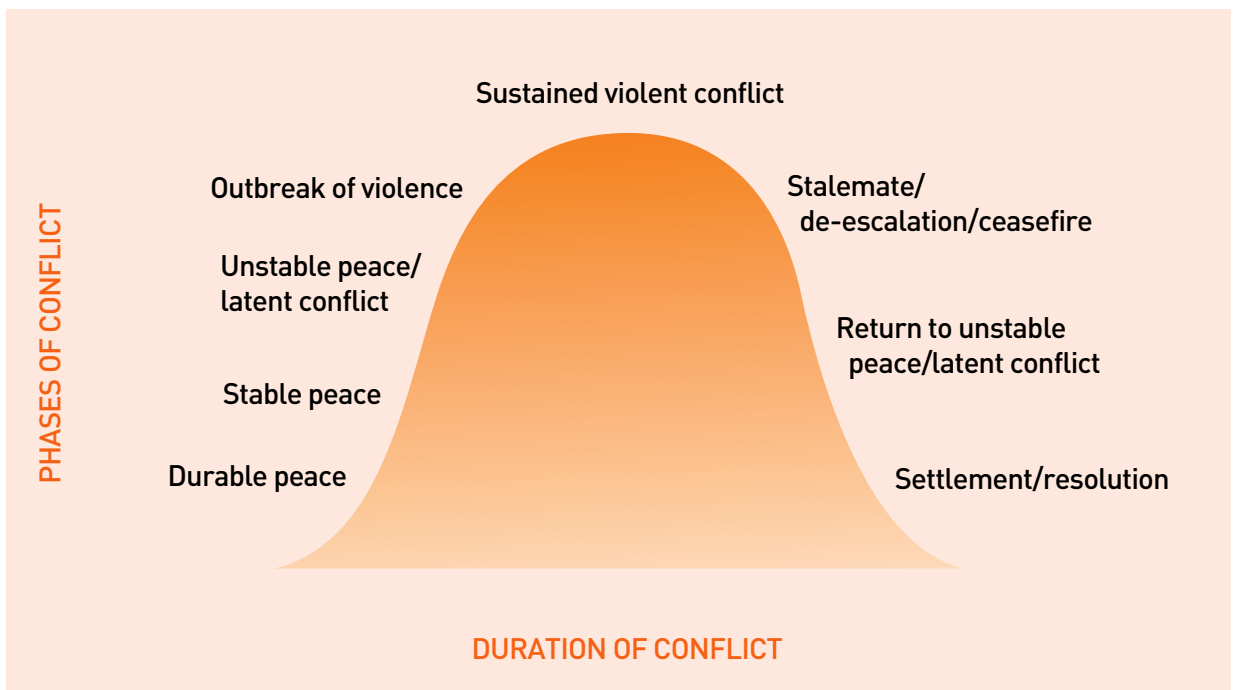
Source: Rupesinghe, K. (1998) **Civil Wars, Civil Peace: An Introduction to Conflict Resolution** (London: Pluto Press).

Interactions between company investments and conflict

A company's investment interacts with conflict in many ways. Following are some common characteristics and variables that can shape that interaction:

Dynamic two-way dimensions. Company investments may cause conflict (e.g. resettlement causes conflict between host and relocated communities), or may interact with pre-existing conflicts/tensions (e.g. hiring policy selects staff from one ethnic group, increasing resentment from others). At the same time, conflict can impact a company investment (e.g. infrastructure may be targeted by conflict actors), imposing a variety of costs.

Box 4: Potential interaction between project investments and conflict

The company causes… SOCIAL IMPACTS which contribute to conflict	The conflict causes… SOCIAL IMPACTS which affect the company
Resettlement leads to a deepening of power imbalances within a community. Hiring policy inadvertently privileges staff from one ethnic group, causing resentment in others. Criminal gangs target compensation recipients for extortion.	Large proportion of youth become militarised and intimidate local staff. Populations dislocated by conflict lose access to livelihoods and steal from the company, or try to generate income through kidnapping staff. Actions of regime to 'pacify' an area prior to investment damage a company's ability to develop good relationships locally, and its reputation internationally.
The company causes… ENVIRONMENTAL IMPACTS which contribute to conflict	The conflict causes… ENVIRONMENTAL IMPACTS which affect the company
Company use of land leads to competition among previous land users for access. Construction of pipeline across a river affects downstream water quality, exacerbating historical tensions between two groups by causing a power shift in favour of those upstream. Damage to sacred sites of indigenous people fuels state/community conflict.	Conflict actors deforest area to generate income through timber sales, causing uncontrolled runoff that damages infrastructure. Scorched-earth tactics of conflict actors damage operations. Conflict actors target oil fields, pipelines or other structures, causing spills.

As the examples in box 4 show, conflict can become a dynamic context in which cause and effect feed one other. Second-, third- and subsequent-order impacts tend to escalate conflict, drawing in other actors and geographical areas.

Geographical scales. Company investments can interact with conflict at all geographical scales, from the area closest to the project up to the national scale – for instance, through revenue streams to government being used to purchase weapons – and beyond. Linkages exist between these different scales, with local-level tensions or conflict visible at national, regional or international levels; and vice versa.

Level of complicity. Companies seldom wilfully seek to start conflict, but company actions can directly or indirectly contribute to it. There is ongoing legal debate and an emerging body of case law over the extent to which companies can be found to have been 'complicit' in war crimes when

operating in conflict zones, especially with regard to the principle of 'known or should
have known', relating to egregious human rights abuses. The question of legal accountability
is discussed below, and is likely to become more pressing in the future. For the purposes of
CSBP, there is clearly a high responsibility and interest in preventing conflict, especially
when company actions have been a significant factor at either the local or national levels.
For the business-case reasons outlined above, there is also an interest in acting to prevent
conflict where the company's actions may be only a minor factor. Given its escalating and
dynamic nature, any manifestation of conflict in a country should be a cause for concern for
the companies that operate there.

Box 5: Company/conflict scenarios

1. Displacement of local communities to clear land (e.g. for a mine) leads to conflict between
   communities and a company, and within communities.

2. Company operations exacerbate pre-existing tensions either among communities, or between
   communities and regional/national authorities, triggering violence.

3. Revenue payments to government have a destabilising influence on already poor governance
   structures, increasing the likelihood of conflict in the long-term.

4. Revenue is used to purchase arms, sustaining or escalating conflict.

What is the regulatory environment for doing business in conflict-risk states?
Observation of national law in host societies is a primary obligation for companies, though laws
may be inadequately enforced and fail to create the correct enabling environment for CSBP.
Companies may avoid incurring the business costs associated with operating in conflict-risk
states if they actively uphold relevant international instruments, ensuring their operations are
in line with international law and good practice, even when governments are too weak to do so.

Given the cross-cutting nature of 'conflict', which is best viewed as a context rather than an
issue, it is hardly surprising that no single overarching, legal or voluntary instrument has emerged
to date on how to conduct business in unstable states in a way that minimises conflict risk. The
absence of regulatory clarity on how ethical business should be undertaken in conflict-affected
countries leads to reputational pitfalls for companies.[1]

Various efforts are underway to close the gap in international frameworks for addressing,
advising and holding companies accountable for their operations in conflict zones. Instances
of this momentum include international policy developments relating to the extractive industries
such as the Voluntary Principles on Security and Human Rights and the Extractive Industries
Transparency Initiative. Looking across sectors the UN Draft Norms on Responsibilities of TNCs
with Regard to Human Rights and the OECD's efforts to clarify the relevance of its 'integrity
instruments' in weak governance states, as well as ongoing initiatives from lawyers and researchers
specialised in international humanitarian law are further evidence of this trend.[2] Over time, it is

1. In 2002, controversy erupted when the UN Expert Panel Report on Illegal Exploitation of Natural Resources in the Democratic
   Republic of Congo (DRC) criticised the activities of named OECD country companies in relation to their operations in the DRC and
   accused them of acting 'in breach' of the OECD Guidelines for Multinational Enterprises. The report was itself criticised for its
   approach, in particular by the OECD and its member states for incorrect usage of the OECD Guidelines. Governments were quick
   to defend their companies, but the incident fueled NGO outrage and attention.
2. At the time of going to print, debate at the OHCHR as to the future status of this document is ongoing – with clarification possibly
   due to emerge from the 61st session of the Commission scheduled for April 2005.

likely that these efforts, together with emerging case law under national jurisdictions e.g. under the US Alien Tort Claims Act, will give rise to stricter rules governing companies' legal responsibilities in relation to conflict.

Box 6: Legal questions for companies operating in conflict-risk states

In the absence of effective domestic rule of law, and scant global regulation of these sectors, what law applies? Is there international humanitarian law that applies to business entities? Can a company be held civilly or criminally liable when it uses slave labour, an international crime? What does the law say about corporations that deal with local combatant forces or private military companies? Do companies that provide financing to governments or rebel factions become complicit in the abuses – such as pillage, plunder and the employment of child soldiers – committed by potential business partners?[3]

Respect for the norms contained in international legal frameworks and standards on business and conflict issues is an important step toward conflict-sensitivity, and is likely to place companies in a good position for the future. A summary of the most important legal instruments and voluntary standards relating to operating in conflict-prone societies is shown in box 7.

Box 7: Summary of legal instruments and voluntary standards

Issue	Relevant international law	Relevant code of conduct, principle or international standard
Employee relations	ILO Tripartite Declaration of Principles concerning Multilateral Enterprises and Social Policy; ILO Declaration on Fundamental Principles and Rights at Work	UN Global Compact; UN Draft Norms on the Responsibility of TNCs and Other Business Enterprises with Regard to Human Rights; OECD Guidelines for Multinational Enterprises; Social Accountability 8000; Global Sullivan Principles
Resettlement	Geneva Conventions and Additional Protocols I and II	IFC Operational Directive 4.30 on Involuntary Resettlement;[4] ADB Involuntary Resettlement Policy; IADB Operational Policy on Involuntary Resettlement; Equator Principles
Indigenous people	UN Draft Declaration on the Rights of Indigenous Peoples; ILO Convention 169	World Bank Draft Operational Policy 4.10 on Indigenous Peoples

3. Extract from **Business and International Crimes: Assessing the Liability of Business Entities for Grave Violations of International Law** (2004) (Oslo: International Peace Academy and Fafo AIS), which surveys the provisions of international and national law, and summarises relevant jurisprudence as a first step towards answering these questions.
4. As this publication went to print, the IFC was in the process of revising all of its social safeguard policies.

Box 7 (continued)

Security arrangements /dealing with armed groups	Geneva Conventions and Additional Protocols I and II; UN Convention against the Recruitment, Use, Financing and Training of Mercenaries; International Convention for the Suppression of the Financing of Terrorism	Voluntary Principles on Security and Human Rights; UN Draft Norms on the Responsibility of TNCs and Other Business Enterprises with Regard to Human Rights; UN Code of Conduct for Law Enforcement Officials and Basic Principles on the Use of Force and Firearms by Law Enforcement Officials
Human rights	UN Declaration on Human Rights; Geneva Conventions and Additional Protocols I and II; International Covenant on Economic, Social and Cultural Rights; International Covenant on Civil and Political Rights; Convention against Torture; Convention on the Rights of the Child; Convention on the Elimination of All Forms of Discrimination against Women; International Convention on the Protection of the Rights of All Migrant Workers; ILO Conventions 87, 98, 29, 105, 100, 111, 138 and 182	UN Global Compact; UN Draft Norms on the Responsibility of TNCs and Other Business Enterprises with Regard to Human Rights; Voluntary Principles on Security and Human Rights; Amnesty International Human Rights Principles; The Red Cross Movement's Code of Conduct on Humanitarian Assistance; OECD Guidelines for Multinational Enterprises; Global Sullivan Principles
Environmental impact	Rio Declaration of the UN Conference on Environment and Development; Aarhus Declaration on Prior Informed Consent	IFC Environmental Impact Standards; UN Global Compact; UN Draft Norms on the Responsibility of TNCs and Other Business Enterprises with Regard to Human Rights; OECD Guidelines for Multinational Enterprises; Equator Principles

Bribery and corruption/ transparency	OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions; OAS Inter-American Convention Against Corruption; Council of Europe Criminal and Civil Conventions on Corruption; UN Convention against Corruption	Wolfsberg Principles; UN Draft Norms on the Responsibility of TNCs and Other Business Enterprises with Regard to Human Rights; IMF Code of Good Practices on Transparency; Second EU Money Laundering Directive; OECD Guidelines for Multinational Enterprises; Corporate Integrity Pacts; Extractive Industries Transparency Initiative; Financial Action Task Force; Basel Committee for Banking Supervisions; Global Reporting Initiative; Equator Principles; UN Global Compact
Trade	UN Security Council Resolutions on Angola, Sierra Leone, DRC, Liberia and Cambodia; EU sanctions; Unilateral sanctions; UN Convention to Combat Transnational Organised Crime	Kimberley Process Certification Scheme; Forest Stewardship Council Standard

Company role in conflict prevention and peacebuilding

Companies can adopt a range of strategies for managing corporate/conflict impacts. At a minimum, companies should comply with national regulations (even if host governments are not implementing or monitoring them effectively) and internationally agreed laws, conventions and standards, as discussed above. This is shown as 'compliance', at the base of the pyramid shown in figure 1.

Beyond compliance, companies should be aware of their ability to create or exacerbate conflict and develop mitigation measures to avoid or minimise negative impacts. This requires improved conflict risk and impact assessment tools, and is shown as 'do no harm' at the centre of the pyramid.

Building on 'compliance' and 'do no harm' is the role companies can pro-actively take in contributing to the alleviation of the structural or trigger causes of conflict in the interests of a more stable operating environment and safer world. This is shown as 'peacebuilding' at the top of the pyramid.

Figure 1: Strategies for managing company/conflict risk

Source: Banfield, J. et. al (2003) **Transnational Corporations in Conflict-Prone Zones: Public Policy Responses and a Framework for Action** (London: International Alert).

At first sight, the concept of 'contributing to peace' can appear to be beyond companies legitimate activities as private sector entities. On the contrary, CSBP simply enables companies to carry out their legitimate business activities in a manner that prevents conflict and promotes peace.

Figure 2: The 'peacebuilding palette'
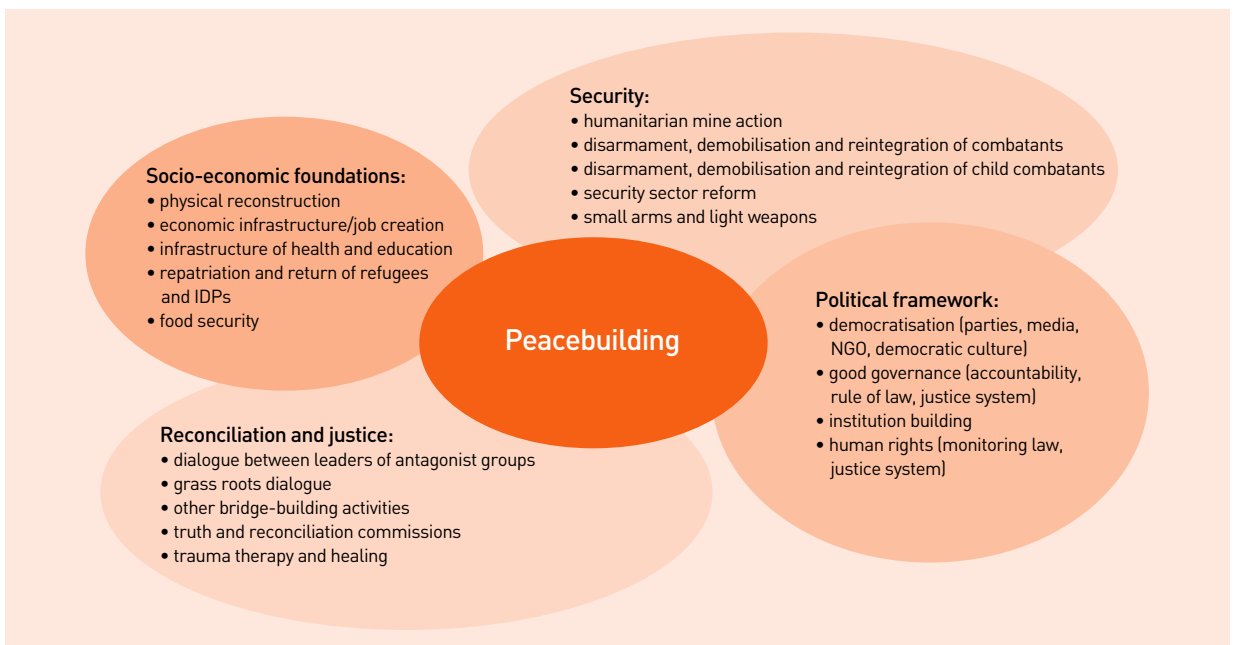
Source: Smith, D. et. al. (2004) **Towards a Strategic Framework for Peacebuilding: Getting their Act Together** (Oslo: Norwegian Ministry of Foreign Affairs).

Peacebuilding, as illustrated in figure 2 above, requires a spectrum of conditions and activities. Through improved conflict risk and impact assessment, stakeholder engagement and relationship-building processes, CSBP helps companies to identify conflict issues directly or indirectly impacted by a project, and design mitigating strategies to alleviate them and contribute to peace, in partnership with others, through core business, social investment or policy dialogue activities.

Box 8: Company/conflict interaction, with suggested mitigating steps

Conflict cause	Company/conflict interaction, identified through CSBP	Mitigating step
Unemployment is a source of conflict in the project area. While discriminatory laws have changed, employer prejudice remains intact and jobs tend to favour one group over another.	Recruitment could favour the privileged ethnic group, which tends to have higher levels of education and employment experience. This leads to escalation in inter-group rivalry and triggers reprisals against the company.	**Core business:** Company develops affirmative-action recruitment policy and reconciliation-in-the-work-place programmes that foster more positive inter-group relationships. **Social investment:** Company develops and funds long-term vocational training programme. **Policy dialogue:** Company engages with local government on economic diversification and equitable job-creation schemes.
State security forces commit human rights violations.	Company plans to hire private security firm, but also accepts state protection when a riot occurs locally. Either of these solutions could anger communities, and fuel conflict between them and the company or state.	**Core business:** Company ensures all private security staff's human rights records are screened; and trains them in human rights, including international human rights and humanitarian law and the Voluntary Principles on Security and Human Rights. **Social investment:** Company works with credible third party to develop training programmes for state security forces; and sets up grievance procedures for the local community.

Box 8 (continued)

		Policy dialogue: Company maximises opportunities for dialogue with government on human rights, including through cooperation with other companies. Also promotes corporate observation of human rights law at the international level.
Upcoming election a likely trigger for violence.	Company could be perceived as supporting particular parties, and be targeted by opponents. Workspace could become tense if politicised by staff or others campaigning on the premises.	**Core business:** Company strictly observes political party funding rules and does not allow premises, infrastructure or equipment to be used for campaigning purposes. Also conducts training for staff on meaning of 'free and fair' elections. **Social investment:** Company supports wider civic awareness training programmes. **Policy dialogue:** Company works together with other companies to share information with election monitors on potential sources of violence; and, through dialogue, to encourage political elites to conduct their campaigns peacefully.

Using the Conflict-Sensitive Business Practice Guidance

Conflict-Sensitive Business Practice: Guidance for Extractive Industries is designed as a tool for managers to help ensure their operations are conflict-sensitive. It enables them to anticipate, monitor and assess the interaction of business operations with local, regional or national tensions, triggers and accelerators of conflict, and design strategies that contribute to conflict prevention and peacebuilding. It has been developed as a generic set of guidance that companies could adapt to suit their specific context.

Ideally, companies will adopt a conflict-sensitive approach from the pre-investment phase, which means an early analysis of potential conflict risk factors and interactions in all conflict prone societies (see box 9). Conflict-sensitive business practice can also be developed for projects that are well underway, however, by adopting a 'catch-up' approach and fast-tracking the analysis.

Box 9: 'No conflict here'

Relatively few major greenfield projects are developed in areas of actual violent conflict, precisely because of the risks entailed. More commonly, violence at the local level will follow the start of operations.

Major investments inevitably alter traditional systems and, even in relatively peaceful environments, can easily lead to a heightening of tensions and possibly violence. In areas of pre-existing social tension, the odds on such an outcome increase.

The absence of violence in a project area is no guarantee of what might happen in the future. Understanding the tensions that existed prior to the arrival of the company at local and national levels, and anticipating how the project might impact on them (and indeed on the wider socio-economic context) is fundamental to CSBP.

Box 10 shows the different recommended elements for developing a conflict-sensitive approach in sequence and with a brief summary of each of their functions. After reading this introduction, managers should turn to the operational charts in the next section to identify which documents they might want to use, depending on where they are in the project cycle.

Box 10: CSBP Guidance

Operational Guidance Charts. These link the typical project cycles of oil and gas or mining investments to the relevant elements of **Conflict-Sensitive Business Practice Guidance** and other recommended actions.

Screening Tool. A rapid assessment to identify key conflict issues early in the pre-investment phase. The Screening Tool provides an initial analysis of the country and its conflict dynamics, flags key issues of concern and identifies the level of risk, as well as potential 'showstoppers'.

Macro-level Conflict Risk and Impact Assessment tool (M-CRIA). An expert-led national and regional level context analysis. This further explores issues of concern raised in the screening and identifies potential interactions of the project with these issues.

Project-level Conflict Risk and Impact Assessment tool (P-CRIA). Building on the understanding of conflict generated thus far, P-CRIA takes analysis of the potential interactions between the project and its context to a deeper level. Including processes for participatory analysis and decision-making with stakeholders, this tool helps companies to build trusting relationships and design shared actions that prevent conflict and build peace.

Box 10 (continued)

Flashpoint Issue papers. This collection of papers outlines key issues that commonly arise at the company/conflict interface, describing likely impacts and good practice in each area. The list of issues is not exhaustive, but includes:[5]

1. Stakeholder Engagement
2. Resettlement
3. Compensation
4. Indigenous Peoples
5. Social Investment
6. Dealing with Armed Groups
7. Security Arrangements
8. Human Rights
9. Corruption and Transparency.

5. These issues emerged as priorities through International Alert's research process. Where appropriate, other conflict-sensitive guidance required might include: Investment Closure; Illegal Mining; Contractors; In-Migration; and Environment.

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