Policy Brief | 16

Corporate Social Responsibility and Human Security in Fragile States

Private Sector Engagement in Peacebuilding

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1. Introduction

The pursuit of the UN Charter's ambition of promoting international peace, security and fundamental rights informs the efforts of myriad civil society groups, international organizations and national and local authorities. However, these aspirations cannot be achieved by the public and non-profit sectors alone. For in many communities, the presence of the private sector is a determining factor for creating an environment for human development and social justice. Two primary conditions for productive entrepreneurship are political stability and civil harmony. Without peace, human development through the creation of business community led growth, jobs, and broader livelihood opportunities cannot be advanced. Conversely, how private sector actors conduct their business operations can have a considerable impact on local social cohesion and levels of human security in the communities where they operate.

The collapse of the Bangladesh Rana Plaza clothing factory in April 2013 resulted in the death of over eleven hundred workers and prompted a progressive global outcry for international clothing brands to respect workers' rights and safety in their supply chain.[1] In 2014, there was a global movement against British oil company Soco International's intention to explore for oil in Virunga National Park, a UNESCO Heritage site in the Democratic Republic of Congo.[2] More and more, private security guards hired by the local suppliers of multinational enterprises have received allegations of committing (heinous) crimes against locals that oppose certain business operations in fragile environments.[3] While companies are essential for providing economic opportunities and building confidence in countries in transition, the examples cited above portray how business operations could result in the loss of lives and endanger life-sustaining ecosystems. Consequently, the degree to which businesses adhere to corporate social responsibility principles, and the extent to which policy actors successfully engage them, plays a critical role in achieving important aims of global governance, such as fostering peace and promoting economic well-being in fragile and conflict affected environments.

Notwithstanding the general recognition of the importance of private sector engagement in building and sustaining peace, the implementation of this premise is sometimes avoided or does not lead to desired outcomes. It is in this spirit that in September 2014, The Hague Institute for Global Justice and SPARK convened *The Hague Conference on Business and Human Security* to assess and provide reform ideas for enhancing private sector contributions to peace. The conference served as a laboratory for generating new alliances and helped entrench an essential appreciation of the private sector's contribution to human security, conflict prevention and peacebuilding.

This Policy Brief builds on the conference conclusions and follow-on research. It aims to inform business and human rights stakeholders about a range of extraordinary private-sector initiatives that contribute to advancing human security. Citing concrete examples, the paper outlines incentives to persuade latent businesses to engage in local activities that contribute to stability and development.

Section two of the Policy Brief provides an overview of the international normative frameworks containing direct and indirect obligations for businesses and explores how they are applied in fragile and conflict affected environments. These include the Ten Principles of the UN Global Compact, the UN Guiding Principles on Business and Human Rights and The Hague Approach Principles for Achieving Sustainable Peace in Post-Conflict Situations. Some of the most pressing challenges which companies encounter in advancing these norms are then contextualized and potential solutions explored. Direct reference is also made to actual cases of how companies have dealt with such challenges in the past by relying on Corporate Social Responsibility (CSR) norms and the lessons derived from the application of these norms.

The concluding section three discusses policy-relevant recommendations for advancing human security in fragile environments using CSR principles. The section further frames an agenda for follow-up research and capacity building to increase and ensure higher quality in the implementation of corporate social responsibility norms in fragile settings.

2. International Standards that promote Private-sector led Human Security

Human Security and CSR

The term 'human security', first used in *the Human Development Report 1994*, refers to the protection of freedoms that are the essence of life. The concept brings together the human elements of security, rights and development. It contains components which, when implemented, advance the freedom of all people from the fear of both violent and non-violent threats.[4] A noteworthy difference between human security and national security is the focus of the former on the well-being of individuals or a 'limited' collective (for example, indigenous groups and other minorities).[5] Ultimately, human security is concerned with enhancing human life and dignity. Advancing human security requires international, national and sub-national efforts. Within this framework, the private sector has an invaluable role to play in the fulfillment of this aspiration through the opportunities it creates for employment, broader livelihoods and economic growth. Its operations also affect the eco-system, as well as cultural and societal practices. Therefore, early engagement of private actors in peacebuilding efforts is essential in order to address the full range of economic and social factors associated with conflict.

A Corporate Social Responsibility (CSR) framework is instrumental in guiding efforts of the private sector to contribute to human security.[6] For the purposes of this Policy Brief, the authors rely on a commonly used definition coined by the United Nations Industrial Development Organization (UNIDO):

"Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives ("Triple-Bottom-Line- Approach"), while at the same time addressing the expectations of shareholders and stakeholders"

Currently, there are numerous norms and initiatives that aim to guide or coerce businesses to operate in a manner which conforms to the above mentioned provision. In order for the private sector to be able to effectively and efficiently apply these norms, it is important that CSR provisions are accessible and comprehensible. It has been observed that the ability of corporations to operate and subsequently implement CSR norms in fragile environments can be thwarted by, for example, security issues, weak governance, poor legal infrastructure and corruption. Obstacles to the effective application of CSR norms must be addressed and guidance provided for their contextual application. With the right levels of support, experience and commitment, corporations can, for example, play a role in preventing the rise and escalation of company-community conflicts in fragile environments.

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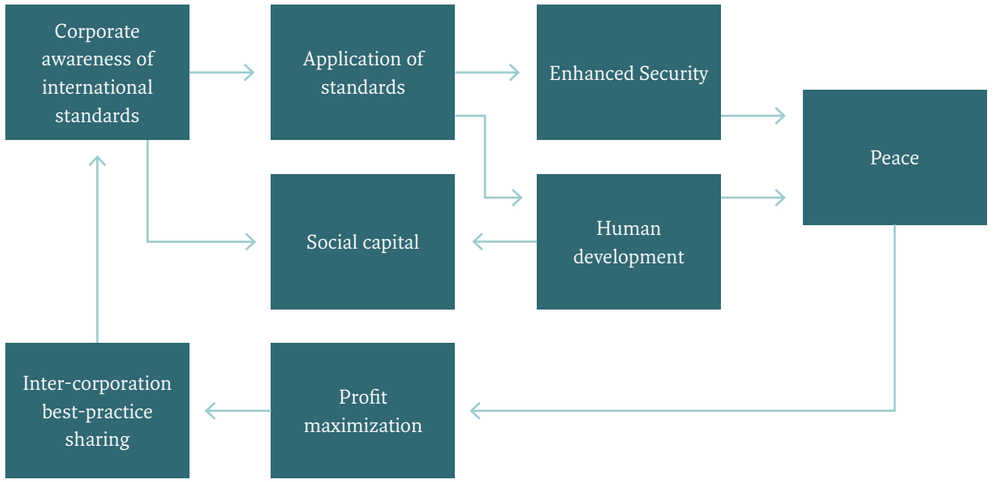

***Figure 1**: The diagram illustrates the linkages between CSR education and implementation, peace and profit maximization*

Sources of CSR norms

International CSR instruments highlighted in this Policy Brief are: the UN Global Compact's Ten Principles[8], the UN Guiding Principles on Business and Human Rights[9] and The Hague Approach Principles for Achieving Sustainable Peace in Post-Conflict Situations[10]. Below is a brief overview of the content of these instruments.

UN Global Compact / Business for Peace

The UN Global Compact which was established in 2000 encourages companies to embrace universal principles and to partner with the United Nations in their implementation. The core of the Ten Principles of the Compact consists of human rights, labor and environmental standards and anti-corruption norms[11]. In 2013, the UN Global Compact launched a new platform, Business for Peace (B4P), to increase corporate sustainability in peace and conflict situations and increase commitment to CSR. The B4P network assists companies in implementing the Compact's Ten Principles so as to maximize long-term financial performance and positive contributions to peace and development, while minimizing negative impacts on both the business and society. As stated by Melissa Powell of Business for Peace at the aforementioned Conference on Business and Human Security, "there's a converging interest between business and peace, as business cannot perform in conflict, while peace cannot sustain without growth."[12]

UN Guiding Principles on Business and Human Rights

In June 2008, UN Special Representative of the Secretary-General on the issue of human rights and transnational corporations, Professor John Ruggie, proposed the three-pillar 'Protect, Respect, Remedy' Framework which was subsequently endorsed by the UN Human Rights Council in 2011. The second pillar of the Framework – the corporate responsibility to respect human rights – applies to the private sector irrespective of the size or location of the corporation. The 'respect' principle calls on companies to comply with internationally recognized human rights norms, practice due diligence, take active responsibility (and not merely passive responsibility of "doing no harm") and assume responsibilities that exist independently of the duty of States.

The Hague Approach: Six Principles for Achieving Sustainable Peace in Post-Conflict Situations

The Hague Approach was launched by The Hague Institute for Global Justice in 2013. The framework contains six guiding principles for achieving sustainable peace in post-conflict situations. Principle four deals with Private Sector Engagement and points to the private sector's role in contributing to collective actions for peace, stressing the vital role business can play in promoting equitable growth associated with lasting peace. The Hague Approach encourages Small and Medium Enterprises (SMEs) to support official and informal peacebuilding and reconciliation efforts. It further encourages investors to conduct local risk and impact assessments before investing in fragile environment so as to minimize the risks of the investment resulting in an exacerbation of the existing conflict. Additionally, it reinforces the global call for businesses to recognize international CSR principles.

Other sources of CSR norms

In addition to the norms discussed above, other relevant CSR mechanisms and sources of sustainability standards can be found in the table below.

Norm	Year	Summary	Enforcement/Monitoring
OECD Guidelines for Multinational Corporations	1976	The Guidelines provide voluntary principles and standards for responsible business conduct in areas such as employment and industrial relations, human rights, environment, information disclosure, combating bribery, consumer interests, science and technology, competition and taxation.[13]	OECD National Contact Points
Green Globe Certification	1994	The Green Globe certification is a structured assessment of the sustainability performance of travel and tourism businesses and their supply chain partners. Businesses can monitor improvements and document achievements leading to certification of their enterprises' sustainable operation and management.[14]	Independent auditing by accredited environmental or sustainability consultants
Global Reporting Initiative (GRI)	1997	GRI is an international independent organization that helps businesses, governments and other organizations understand and communicate the impact of business on critical sustainability issues such as climate change, human rights and corruption among others.[15]	Not Applicable
Voluntary Principles on Security and Human Rights	2000	Voluntary Principles guide companies, active in the extractor sector, in conducting a comprehensive human rights risk assessment in their engagement with public and private security providers to ensure human rights are respected in the protection of company facilities and premises.	Not applicable
The FTSE4Good Index Series	2001	The FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices.[16]	Independent oversight by FTSE4Good Policy Committee that acts as an independent judge ensuring that the index follows the established sustainability criteria and methodology.

Extractive Industries Transparency Initiative Standard	2003	EITI Standard promotes open and accountable management of natural resources. It seeks to strengthen government and company systems, inform public debate and enhance trust. In each implementing country it is supported by a coalition of governments, companies and civil society working together.[17]	Validation: an external, independent evaluation mechanism, undertaken by a Validator procured by the International Secretariat. It is intended to provide all stakeholders with an impartial assessment of whether EITI implementation in a country is consistent with the EITI Standard.
Guidance on Social Responsibility (ISO 26000)	2010	ISO 26000 provides guidance on how businesses and organizations can operate in a socially responsible way. It helps clarify what social responsibility is, helps businesses and organizations translate principles into effective actions and shares best practices from around the world relating to social responsibility.[18]	Declaration by companies with supporting evidence of compliance
International Finance Corporation (IFC) Environmental and Social Standards	2012	Standards used to assist IFC investment and advise clients how to manage and improve their environmental and social performance through a risk and outcomes based approach.[19]	Independent Compliance Advisor/Ombudsman which addresses concerns raised by individuals and communities affected by IFC-supported business activities.

3. Application of Corporate Social Responsibility norms in Fragile Settings

The private sector can have both positive and negative effects on the security situation in fragile environments. By not adhering to CSR principles and taking advantage of existing weak public infrastructure, companies can contribute directly to instability and sustaining conflict.[20] This can take many forms: exacerbating local tension through hiring local employees along divisionary/divisive ethnic lines, by employing violent security forces or by capitalizing on poor governance and engaging in bribery and other corrupt practices that reinforce inequity and contribute to unrest.[21] Nevertheless, lately businesses are increasing their support for peacebuilding efforts. Positive private-sector actions can include: participating in peace negotiations and other peacebuilding tasks; investing in development projects targeting specific peacebuilding stakeholders (such as demobilized combatants or victimized communities or groups), undertaking company- or industry-wide assessments of risks associated with business practices and engaging in alliances with others (such as other companies, the state or NGOs) to promote discussion and awareness of peacebuilding needs, often tied to codes of conduct and voluntary global principles.

Whilst profit maximization is generally considered to be the driving force behind businesses to apply CSR principles, societal and ethical considerations do nonetheless inform certain corporate decisions to implement these norms. Several examples of a positive contribution by the private sector to conflict affected environments exist within actions the Business for Peace Foundation has termed '*business-worthy*', or ethical and responsible business for the purpose of creating economic value that also creates value for society. Nevertheless, the presence of norms in itself is not enough to ensure that businesses adhere to them. Monitoring the implementation of legal obligations in fragile states, for one, is extremely challenging. As such, other incentives must be offered to businesses to secure their commitment to CSR principles. These incentives could take the form, for example, of economic gains and the creation of social capital capacity. Moreover, private-sector focused capacity building initiatives and the broad dissemination of successful experiences of corporations implementing CSR norms can be useful in persuading skeptical corporations about the benefits of embracing corporate social responsibility.

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Drawing on real world cases, this section highlights examples where the private sector works actively to supplement local government efforts in building and sustaining peace in conflict affected areas. The cases

are selected on the basis of the geographical and substantive relevance in relation to different sources and types of CSR norms.

Illustrations of Private Sector contributions to Human Security

Colombia & Cyprus: Business Engagement in Peace Negotiations

Business-led peacebuilding initiatives can occur both in the presence and absence of formal peace negotiations. Since 2012, the private sector has been actively involved in negotiations between the Colombian government and the militant group Revolutionary Armed Forces of Colombia (FARC), initiated by President Santos. Being part of the government's negotiating team, the role of the private sector actors (affiliated with various companies including ANDI, FIP and Valorem) in the negotiations helps to provide the legitimacy and resources required to support the peace process.[23] In 1997, the then UN Special Envoy to Cyprus, Richard Holbrooke, led the establishment of the Brussels Business Group (BBG), made up of Greek and Turkish Cypriot businessmen, who used their influence to (informally) promote cooperation and bolster good will settlements through joint statements to the media and political leaders which gained traction within the Greek and Turkish Cypriot business communities. The BBG underscored the mutual economic benefits for the island if peace was attained: increased likelihood of acceding to the EU and greater economic prosperity.[24] This active role of the private sector in peace negotiations attests to the adherence of the concerned corporations to the Ruggie Principle "Corporate Responsibility to *Respect* Human Rights". In the commentary relating to this principle, the framework encourages businesses to take adequate measures to ensure the *prevention*, *mitigation* and where appropriate the *remediation* of human rights abuses.[25] Business community engagement in peace negotiations is an instrumental means of preventing the re-occurrence of conflicts and the human suffering linked to the violence. The need for further engagement of businesses in peace processes is also strongly promoted by The Hague Approach Principles.

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Cote d'Ivoire & Afghanistan: MNC contribution to Education and Gender Equality

The impact of conflict on the accumulation of human capital amongst civilian populations affected by violence can be substantial and persistent. In addition to the reduction in population size due to death and displacement, civil wars and associated physical destruction can interrupt the formal and social education of children.[26] With the direct contributions of the private sector, including Multi-National Corporations (MNCs), in post-conflict States, the right conditions can be created to enable concerned communities to raise the level of human development within the post-conflict work force. Companies can do this through, for example, the provision of adult educational facilities and ensuring access to affordable health care. Additionally, setting up a child care system for working mothers can help increase the general productivity and efficiency of the company. For years, Nestle has scaled up its

business-related activities to focus on promoting education for children and teenagers. In Cote D'Ivoire, for example, it has partnered with the World Cocoa Foundation to focus on teacher training, adult literacy and community based child labor awareness programs.[27] Meanwhile, in 2012, South African mobile phone operator MTN established, through its subsidiary MTN Afghanistan, a kindergarten facility for its employees. This was in recognition of that fact that Afghan women often face significant cultural and practical challenges when seeking employment – including a lack of childcare facilities.[28] The examples cited above evidence the commitment of companies to contribute to the *right to education* and ensuring a gender-balanced workforce, as advocated by both the UN Compact Principles # 1 and # 6 respectively.

Nigeria: Promoting Community Development and Anti-corruption Practices

Social incentives for companies to adhere to CSR norms include both the motivation to avoid being associated with human rights abuses and bad practices, as well as the opportunity to promote the brand of a company by aligning it with positive business initiatives and public efforts to build peace in areas of conflict. The expectations of MNCs to comply with existing national and international regulations and to proactively attempt to change the governance situation in their host states is often fuelled by civil society movements.[29] Royal Dutch Shell plc (Shell) operates in the Niger Delta in Nigeria, a region with over 30 million people. A lack of economic development in the region has fuelled an increase in organized crime and piracy and militant movements pursuing their demands through violence. In cooperation with the Nigerian government and through the Shell Petroleum Development Company, Shell funds projects to bolster local development and create transparent initiatives to help communities to build their own future and to maintain the company's social licence to operate in the local communities of the Delta. In 2006, Shell developed a GMoU (Global Memorandum of Understanding) model of social investment, which places emphasis on more transparent and accountable processes, regular communication with the local people, sustainability and conflict prevention. The governing structures consist of local representatives who decide on local priorities for development.[30] With this initiative, Shell demonstrates its commitment to promoting human security and countering corrupt practices as encouraged by the 10th principle of the UN Compact and Principle 4 of The Hague Approach. In the case of the Niger Delta, investment in local development and empowering local decision-making was not only an incentive to boost the economy but also to maintain the company's 'social license' to operate in the region. This underscores the evolution of CSR from a philanthropic associated tool to a risk management tool and now to an important tool creating value for business, thus serving both businesses and society.[31]

Zambia: Respecting Traditional Culture

With an increasingly globalized world, MNCs have access to new markets and investment opportunities in developing countries and can positively affect the lives of individuals wherever their company operates. In conflict zones, the potential for human rights abuses is most severe and the risk of complicity in corrupt practices the greatest, thereby heightening the vulnerability of potential victims.[32] Respecting CSR norms not only requires awareness of universal human rights but also due diligence in ensuring they are not violated and a willingness to address adverse human rights effects. An example of a company being driven by an ethical obligation is the First Quantam Minerals (FQM) mining company in Zambia. Upon discovering a grave site in the perimeter of mining operations, the company offered the relocation of 38 graves, the preservation of private access to graves on the periphery of the mining operations site and compensation for the families affected to cover any costs associated with reburial, without being legally obligated to do so.[33] These actions are in line with the UN Guiding Principle's provision to business to ensure human rights due diligence. FQM's engagement with the community in securing the graves was part of a process of assessing the actual and potential community impact of the FQM operations and actively working to reduce any negative effects of the operations to the community.

Tajikistan: Partnerships Promoting Sustainable Agriculture

The China Development Bank (CDB), a state-owned bank that participates in the UN Global Compact, works in partnership with the government of Tajikistan to promote agricultural sector growth and to reduce poverty and food insecurity in the country. In Tajikistan, many farmers lack access to financial capital. In the interest of the environment, CBD introduced an "environmental veto" into its credit decision to ensure that all loan projects have passed environmental impact assessments. In June 2012, CDB and Amonatbonk, a key provider of agricultural finance in Tajikistan, signed a $10 million financing agreement to support agricultural small and medium enterprises (SMEs) and micro-finance projects in the country's southern mountainous region. These projects provide training to farmers on loan processes and support Tajik farmers in the development of the poultry and livestock industry, as well as apiculture and other industries.[34] As a result, the CBD and its partners contributed to the economic development of the community and ensured that the potential environmental impact caused by the financed projects remains limited. Principles 7 and 8 of the UN Compact advocate the need for businesses to support a precautionary approach to environmental challenges and undertake initiatives to promote greater environmental responsibility.

Investment for Peace

Many international funding organizations have developed a set of criteria which companies must adhere to in order to be eligible for grants. For over a decade, CSR has been part of the core business strategy of the European Investment Bank Group (EIB). As such, the Bank ensures that all projects are consistent with EU norms and international CSR principles. The EIB has prioritized support to projects which significantly contribute to growth, employment, regional cohesion and environmental sustainability in Europe and beyond. Investment partners are required to adhere to the CSR obligations of the EIB as a pre-condition to receiving investment funds from the bank. In 2010, an EIB financed mine project in Mozambique was presented with two CSR awards by the Chambers of Commerce of Ireland in association with the Irish Government Department of Community Affairs. KMDA, the operator of the mine, was recognized for its contribution to the eradication of poverty and for engaging in, among others, health and food security projects at the community level. These achievements attest to the KMDA and EIB's commitment to promoting human development in local settings.[35]

4. Recommendations

As discussed, business actors are increasingly employing sustainability standards to enhance peace and human security. This has especially been witnessed in areas such as advocacy, direct development assistance, generation of employment opportunities, community-based multi-stakeholder dialogues, philanthropy and direct involvement in peace negotiations. For a start, economic investments create jobs for the youth, thereby decreasing the tendency for the younger generation to resort to violence to express grievances. Furthermore, job creation helps to reintegrate former combatants into a society and enables them to duly contribute to economic stabilization efforts. By making their core activities more conflict-sensitive through social investment and policy dialogue, businesses can influence efforts to build durable peace in fragile regions, countries, or communities. In adhering to global CSR norms in daily operations, companies not only promote human security, but they also create goodwill that is often reflected, over time, in profit maximization and social capital generation. Drawing on the above cases, we recommend the following five ways to strengthen the linkages between CSR and peacebuilding:

1. Harness the power of business to achieve a political impact and increase stability

The business community often possesses sufficient political weight to shape government decision-making and enable political change. Some corporations are influential enough to directly affect the formal structures of state governance. The appropriate conditions must, therefore, be created to enable business to positively contribute to political processes that have the potential to enhance local security and promote conditions for dialogue and economic development. Post-conflict reform efforts should recognize and legitimize private sector-driven development and create business-conducive environments, characterized by a robust regulatory regime and a favorable investment climate.

2. Encourage peer-to-peer learning networks among businesses operating in fragile environments

Companies can contribute to peace by promoting community-oriented solutions. However, it is not always evident to *willing* enterprises as to how they can concretely contribute to human security efforts. As such, national, regional and global initiatives should invest in peer-to-peer learning platforms where businesses can acquire tools and best-practices from fellow corporations, whereby the former could adapt and begin to positively shape operating environments. Existing initiatives and tools must be strengthened and should share best-practice as to how businesses should deal with specific marginalized groups and local (normative) cultural practices which may not be in line with global sustainability standards.

3. Increase accountability and transparency

In order for civil society to be able to determine the impact of certain corporate activities on local communities, full disclosure of companies' methods of practice is necessary. As such, businesses operating in fragile environments are strongly encouraged to regularly report on the impact of their activities on local communities and wider operating environment. Well-recognized reporting standards, such as, for example, the Global Reporting Initiative, provide companies with systematic guidelines on how this can be realized.

4. Safeguard fundamental labor rights

Human security does not only require political stability and the presence of economic opportunities. The conditions of employment must also comply with international labor standards and universal human rights principles. Corporations are encouraged to promote fair and decent working environments. They must incorporate norms in company labor codes that prevent discrimination at the workplace, promote the health and safety of workers, eliminate child and human slavery and promote the freedom of association. These fundamental labor principles, when implemented, can enhance productivity and increase employee loyalty.

5. Promote inter-disciplinary research of business and human security

Finally, the Policy Brief proposes new funding opportunities that specifically support business and human security research. Setting up inter-disciplinary research networks will optimize research and recommendations for businesses and countries as to how they could implement sustainability norms in fragile and conflict-affected situations. Future research should target specific regions and aim to identify context-specific issues related to the implementation of the various sustainability provisions applicable in these regions. Such research could employ both qualitative and quantitative research methodologies to gather new case and statistical data on the challenges and opportunities for businesses working in war-torn societies.

Conclusion

In conclusion, while it is commendable that more and more private sector actors are actively engaging in efforts to enhance human security in fragile and conflict-affected environments, much more can be done in order to harness the full potential of international business communities. An optimal utilization of their latent capabilities requires the concerted effort of international organizations, regional groups, national governments, civil society, scholars and, perhaps most importantly, the private sector. It is the authors' strong conviction that, through their common and determined effort, the ambitions of the United Nations Charter "*... to achieve international co-operation in solving international problems of an economic, social, cultural, or humanitarian character, and in promoting and encouraging respect for human rights and for fundamental freedoms for all*" will surely be realized.

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