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## **Financing Peacebuilding: The Role of Private-Sector Actors**

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What is the role of the private sector in peacebuilding and sustaining peace? How do businesses operating in international contexts interact with the UN and other multilateral actors? Can we speak of an emerging ecosystem of private-sector actors and activities that plays a role in sustaining peace? In providing answers to these questions, this paper proposes a taxonomy of private-sector actors and principles. It argues that, despite the business case for peace, guidance on standards and best practices is still required in order to ensure that private actors contribute positively to peace, rather than merely avoiding conflict or causing harm.

## Introduction

In some circles, it has become customary to think of peacebuilding as a task that should be funded by international organisations such as the United Nations. The costs of peacebuilding activities should then be borne by UN Member States or other multilateral organisations, perhaps acting in unison. In this scenario, the roles or contributions of private-sector actors may seem unclear, or even irrelevant.

And yet, the emerging reality of new funding models for peacebuilding activities suggests that the private sector can and does in fact play a significant role in peacebuilding and sustaining peace. Within the business community, philanthropic concepts such as corporate social responsibility, while complex and somewhat difficult to define, present further evidence that the strict separation between the private and public sectors is no longer valid.

How then do businesses operating in international contexts interact with the UN and other multilateral actors? Can we speak of an emerging ecosystem of private-sector actors and activities that plays a role in sustaining peace? What are the social, diplomatic, and economic implications of private-sector involvement for local communities and relations between states and non-state actors, including civil society.

This paper provides preliminary answers to these questions, and proposes a taxonomy of private-sector actors and principles. Its main focus is on the international (that is, multinational) private sector and its role in funding peacebuilding initiatives. It argues that, de-

spite the business case for peace, guidance on standards and best practices is still required in order to ensure that private actors contribute positively to peace, rather than merely avoiding conflict or causing harm.

## Background

In April 2016 the UN General Assembly and the UN Security Council issued identical resolutions on the subject of peacebuilding and sustaining peace (see Box 1).<sup>1</sup> Among other things, the resolutions emphasise ‘the need for predictable and sustained financing to United Nations peacebuilding activities, including through increased contributions, and strengthened partnerships with key stakeholders, while also noting the significance that non-monetary contributions can play in peacebuilding efforts’.<sup>2</sup>

In January 2018 the UN Secretary-General, António Guterres, released a report on the implementation of the sustaining peace resolutions. He pointed to discouraging trends in the amount of funding the UN’s Member States provide for peacebuilding activities, which affect its ability to address conflict risks and promote peaceful development.<sup>3</sup> In a follow-up report issued in July 2020, the Secretary-General stated: ‘Of the 42 recommendations in my 2018 report [. . .] 35 are in various stages of implementation, three are completed and four, all related to financing, are pending’.<sup>4</sup> The 2020 report also acknowledged, once again, the gap between Member State contributions and the amounts required by peacebuilding activities: ‘Ensuring adequate, predictable and sustained resources for peacebuilding remains our

### Box 1:

## What is sustaining peace?

The term ‘sustaining peace’ is defined in the 2016 UN General Assembly and UN Security Council resolutions on peacebuilding and sustaining peace as ‘a goal and a process to build a common vision of a society, ensuring that the needs of all segments of the population are taken into account, which encompasses activities aimed at preventing the outbreak, escalation, continuation and recurrence of conflict, addressing root causes, assisting parties to conflict to end hostilities, ensuring national reconciliation, and moving towards recovery, reconstruction and development, and emphasising that sustaining peace is a shared task and responsibility that needs to be fulfilled by the Government and all other national stakeholders, and should flow through all three pillars

of the United Nations engagement at all stages of conflict, and in all its dimensions, and needs sustained international attention and assistance’.

The resolutions acknowledge that the concept of sustaining peace is not merely a post-conflict priority but also encompasses the prevention of violent conflict; articulates the need for a comprehensive and coherent approach between and among actors and all parts of the UN system; underscores the imperative of inclusive national ownership; and highlights the importance of partnerships for peacebuilding and sustaining peace.

Sources: UN General Assembly Resolution 70/262, 27 April 2016, <<https://undocs.org/A/RES/70/262>>; UN Security Council Resolution 2282, 27 April 2016, <[https://undocs.org/S/RES/2282\(2016\)](https://undocs.org/S/RES/2282(2016))>.

greatest challenge, perhaps now more than ever in the context of a global economic downturn'.<sup>5</sup> Despite highlighting this critical funding gap, the Secretary-General's 2020 report does not mention the potential to utilise innovative approaches for the financing of peacebuilding. Nor does it recognise the possibility that a broader range of actors – including private-sector actors – might play a role in peacebuilding financing. In fact, the private sector already plays an important role in conflict-affected settings, both as an actor and as a funder. At the same time, little systematic work has been done to map the many different financing approaches and tools used by private-sector actors in these settings.

In order to understand how the resources of private-sector actors can work in concert with other forms of funding – including private philanthropy, multilateral funding and bilateral funding – it is first necessary to understand the funding mechanisms each of these actors use and their comparative advantage. This paper therefore aims to advance this discussion by mapping private-sector actors – and their respective approaches – engaged in financing for sustainable peace. It then articulates potential tensions (and opportunities) in these approaches with peacebuilding, and argues for a set of guiding principles that would examine these actors' underlying assumptions. A clearer articulation of these assumptions will help connect and create more coherence and transparency in private sector engagement in fragile and conflict-affected countries, both ethically and practically. This is necessary in order to leverage funding for peacebuilding in a more coordinated and effective manner.

## Acronyms and abbreviations

B4P	Business for peace
BHR	Business and human rights
CSO	Civil society organisation
CSR	Corporate social responsibility
CSV	Creating shared value
ESG	Environmental, social and corporate governance
IFC	International Finance Corporation
NGO	Non-governmental organisation
PBF	United Nations Peacebuilding Fund
SME	Small or medium-sized enterprise
SRI	Socially responsible investment

## The private sector and peacebuilding

The private sector is made up of a broad range of actors, including large multinational corporations; individual entrepreneurs creating innovative solutions to pressing social challenges; family-owned businesses; and small and medium-sized enterprises (SMEs) which actually employ vast numbers of people and account for significant contributions in low and middle-income as well as fragile and conflict-affected countries.<sup>6</sup>

The definition of peacebuilding has evolved over the years and can vary depending on the context in which it is being used (see Box 2). The private sector can also be defined in a number of ways: by level (eg national or international actors); by sector (eg financial services, retail or mining); or, with regard to its role as a funder, by legal or taxation status (eg charitable foundation or non-profit organisation). In this paper, the main focus

### Box 2:

## What is peacebuilding?

There are many ways to define peacebuilding. The Alliance for Peacebuilding defines peacebuilding as tackling the root causes of violence, rebuilding lives after conflict, and ensuring communities have the appropriate tools to resolve conflict without resorting to violence. Peacebuilding activities utilise a broad range of approaches, from truth and reconciliation commissions to former fighters training others in non-violent political action, to local groups mobilising to stop violence spreading. Peacebuilding can involve 'primary' or 'secondary' outcomes. In the former case, this means that funding supports 'traditional' peacebuilding activities such as dialogue, reconciliation, truth-telling, and memorialisation.

In the latter case, humanitarian relief or development activities are conducted based on rigorous conflict-sensitivity assessments that examine existing tensions (eg between social classes, identities or political groups). Programming approaches then seek at a minimum not to exacerbate such tensions and in some cases to build more cohesive relationships between groups.

Source: Alliance for Peacebuilding, 'What is peacebuilding?', <<https://www.allianceforpeacebuilding.org/about-peacebuilding>>, accessed 2 November 2020. See also Lisa Schirch, *Conflict Assessment and Peacebuilding Planning: Toward a Participatory Approach to Human Security* (Boulder, CO: Kumarian Press, 2013), pp. 7–8.

will be on the international (that is, multinational) private sector – versus, for example, SMEs which are usually comprised of people from the communities in which they operate – and its role in peacebuilding. Both multinational actors and other types of private sector engagement are important, but we focus here on the role of funders whose headquarters are external to a particular context, and thus the responsibility they bear. An important aspect of private-sector activities discussed in this paper is the vehicles (eg corporations, foundations or donor-advised funds) through which private-sector funding flows to peacebuilding activities.

When speaking of the private sector's role in peacebuilding, it is possible to place private-sector actors on a spectrum, based on their behaviour and impact. The International Finance Corporation (IFC), for example, has presented private-sector behaviour on a spectrum ranging from intentional harm to intentional good. On one end of that spectrum, intentionally harmful behaviour is demonstrated by private-sector actors that proactively engage in activities that create and/or sustain conflict, such as trafficking of illicit goods. At the other, intentionally good behaviour, which the IFC describes as 'actively peace-positive', is exemplified by private actors whose core business objective or operating strategy is delivering positive social impact.<sup>7</sup>

Of course, the private sector does not necessarily approach its engagement in peacebuilding in a unified way. For instance, there is no practice of sharing locations of key operations or industry interests in cases where coordination would amplify peacebuilding outcomes. Instead, private-sector actors may fund peacebuilding initiatives on the basis that they relate to their actual business operations. Examples of this include contributions to environmental protection or community development by extractive industries in the geographic areas in which they operate.<sup>8</sup> Alternatively, a private-sector actor may finance social good – a term used to refer to corporate initiatives that enhance the social contact of corporations by promoting outcomes or practices that improve social welfare – through a philanthropic arm of its core business. Such philanthropic initiatives may relate to business operations, as in the case of Twitter's donations to causes related to internet safety and freedom of expression.<sup>9</sup> They may also be completely disconnected from an operational focus, as in the case of TikTok's donations to efforts to tackle the COVID-19 pandemic.<sup>10</sup>

Private-sector actors' different roles and business operations also influence their agendas, funding capacities and postures in fragile and conflict-affected settings. The monetary costs of conflict and its negative effects on societal stability have, at times, motivated members of domestic private sectors to become involved in peace

efforts. For example, business actors have played an important role in peace negotiations in both Colombia and El Salvador.<sup>11</sup> Conversely, large global multinational companies, external investment groups, and high net-worth individuals may not be as rooted in the societies in which they operate; therefore, they may not have personal and economic stakes in resolving conflict, or may not be incentivised to see engagement in peacebuilding or peace processes as a 'necessity' or an investment for which the return is worth the perceived risks.

However, there is still a business case for the private sector to finance peacebuilding.<sup>12</sup> First, the costs associated with operating in a fragile or conflict-affected setting – including property destruction, cost of security personnel and so on – can have a large impact on a private-sector actor's revenues. Operating in these settings carries additional, enduring emotional and psychological costs that affect employment stability and retention.<sup>13</sup> Such conditions are not productive for a healthy private sector. Second, private-sector actors, both at the national and international levels, face reputational and legal risks. Actors accused of being complicit in perpetuating or enabling violence may therefore face reputational damage, litigation and related costs.<sup>14</sup>

Despite the clear business case for peace, guidance on standards and best practices is essential to ensure that private actors contribute positively to peace, rather than merely reaching the relatively low bar of avoiding conflict. The following section addresses why current global dynamics make this a timely undertaking.

## Contextual dynamics

Engaging the private sector to fund development, humanitarian and peacebuilding programming has always held the allure of unlocking a seemingly limitless wellspring of resources. This is even more appealing given the reality of today's needs. Violent conflict is on the rise in various parts of the world.<sup>15</sup> The economic effects of COVID-19 have not only triggered a recession but point to severe implications for international aid.<sup>16</sup> Growing violence combined with the need to respond to the pandemic stretches already-scarce funding for peacebuilding. In this context, private-sector resources may in fact be necessary. Furthermore, increasing and deepening the private sector's involvement in and funding of peacebuilding has several advantages. It has the potential to augment and diversify existing funding vehicles and approaches. It also carries the possibility of making peacebuilding less dependent on resources provided by governments and large international organisations.

However, the involvement of private-sector actors as funders also raises tensions, power dynamics, inequitable

processes and a fundamental question: whose interest is really served by private-sector engagement in social change efforts, including peacebuilding? Authors such as Giridharadas assert that it would be better if, for example, elements of the private sector paid their fair share of taxes, rather than undermining the social safety net and then focusing on the ‘band-aid’ of corporate social responsibility (CSR) programmes.<sup>17</sup> This paper argues that a set of guiding principles, developed through multi-stakeholder participation and with a particular emphasis on local actors, could be another avenue to catalyse the efforts of the private sector in funding peacebuilding in a constructive direction.

There is a growing demand in the peacebuilding field for a shift in the current power dynamic between funders and local recipients, calling for increased recognition and support – including funding – to locally-led efforts. Research demonstrates that local actors know the context and are often best equipped to carry out peacebuilding and conflict transformation.<sup>18</sup> Involving the private sector as a funder of peacebuilding may complicate this goal, as influential private-sector funders, such as corporations, often work closely with governments, national institutions, and national leaders. Moreover, a robust discussion actively examining power dynamics in foreign aid has emerged in the wake of the protests triggered by the killing of George Floyd in the United States and the Black Lives Matter movement. This conversation focuses on structural barriers, including legacies of colonialism, that have impeded real progress in shifting resources and power to locally-led efforts.<sup>19</sup> This discussion of the need to counteract structural power inequities must also inform the private sector’s engagement as a funder, particularly as the private sector can be seen to have values that further exacerbate power imbalances in the aid industry.

While there are many challenges for international development and peacebuilding actors when engaging with the private sector as a funder, the reality is that the private sector is already funding peacebuilding.<sup>20</sup> In line with this thinking, the UN Peacebuilding Fund’s 2020–24 Strategy identifies, within its focus area of generating peace dividends for populations at large, the aim of increasing engagement with the private sector, for example by expanding pilots with social-impact investment bonds, encouraging SMEs to invest and employ in higher-risk areas.<sup>21</sup> On the one hand, ignoring or disregarding the private sector overlooks a source of funding for activities with the potential to address major social issues. On the other hand, if private-sector actors become more involved in peacebuilding activities in the absence of accepted norms, this could also be problematic.

A set of principles that articulates the assumptions behind private-sector involvement in peacebuilding, and how these assumptions may or may not be well-aligned with social change, may help to ensure that private-sector engagement achieves desired peacebuilding outcomes. In short, it is necessary to balance the potential of private-sector resources to meet urgent peacebuilding needs against the importance of addressing problematic elements of the current funding system, including inequitable power distributions between funders and local peacebuilding efforts. The private sector is not a monolith – in fact, it is a complex web of actors and approaches to social issues that lacks coherence and can be rather confusing to those outside the sector. In order to consider how guiding principles might increase the coherence of private-sector engagement in peacebuilding, it is first necessary to map and explore the relevant actors and approaches.

## A proposed taxonomy of private-sector funding engagement




As mentioned in the previous section, a number of private-sector actors already provide funding to peacebuilding activities. While the number of actors is relatively small, it is important to categorise these private-sector actions before proposing a set of principles to guide private-sector involvement in the funding of peacebuilding activities. This section, therefore, identifies five approaches to the engagement of the private sector in peacebuilding financing, namely:

1. Business for peace (B4P)
2. Corporate social responsibility (CSR)
3. Entrepreneurship
4. Socially responsible investment (SRI)
5. Innovative financing

Table 1 on the next page outlines each of these approaches’ defining elements and identifies the key public and private actors that utilise them. While the majority of these approaches do not adhere to formalised, or commonly accepted, definitions, the table articulates their key characteristics. This proposed taxonomy does not include an exhaustive list of all undertakings of the private sector in the peacebuilding space; rather, it offers a broad visualisation of a space that is fragmented and understudied.

Although conceptually distinct, the roles of the private sector as an actor and as a funder are often not clearly delineated in practice. For example, private companies may fund peacebuilding through their core business, or as part of their operational engagement, rather than as a stand-alone set of philanthropic programmes or

**Table 1: A proposed taxonomy of private-sector funding engagement**

Approach 	Key characteristics 	Actors 
<b>Business for Peace (B4P)</b>	A continuum of ideas and activities for businesses operating in conflict zones, encouraging the private sector to go beyond doing ‘no harm’ and instead engage in activities that contribute to positive peace.	UN Global Compact, corporations, SMEs, entrepreneurs, governments, CSOs
<b>Corporate social responsibility (CSR)</b>	CSR normally takes the form of voluntary initiatives, often in collaboration with NGOs or CSOs contributing to social and environmental progress.  CSR activities may be connected to the impact of the operation of the business, or otherwise engaging in or supporting volunteering initiatives, such as volunteering days or paid time off for volunteering.	Corporations
<b>Entrepreneurship</b>	Entrepreneurship can be viewed as a means to create jobs and increase economic prosperity, which in turn can create more stable and peaceful societies and/or finance local peace projects. Entrepreneurship can also be used to help find new innovative solutions that bring peace to societies.	Foundations, multilateral organisations, NGOs, governments; universities, quasi-governmental entities, development contractors, incubators
<b>Socially responsible investment (SRI) and funding practices</b>	SRI entails investing in companies and/or individuals that have been shown to have a positive impact on peace, economic development and/or social cohesion. It can also entail public–private partnerships contributing to economic prosperity and social cohesion in conflict regions.	Foundations, multilateral organisations, corporations, venture-capital groups, high-net-worth individuals
<b>Innovative finance</b>	While innovative finance does not have a precise definition, it does have several key signatures: adapting existing financing tools to make them more effective; addressing a gap in funding, particularly through leveraging more flexible funding (not project-specific resources); integrating new tools into existing funding approaches; providing efficient funding at the national level and thereby enabling countries to establish their own priorities; and financing innovation.	Foundations, governments, multilateral organisations, investment groups

**Notes:**

CSO = civil society organisation

NGO = non-governmental organisation

SME = small or medium-sized enterprise

initiatives. In contrast, philanthropy's core operation is giving money with no expectation of financial return, some of which supports peacebuilding.

A central question raised by all five of these approaches relates to the role (or responsibility) of core business to fund peacebuilding as part of its operations – that is, relating to the idea of the private sector's duty to do no harm through its core operations.

### **The business and human rights paradigm**

At least two of the five approaches in Table 1 are related to the business and human rights (BHR) paradigm, which results from a decade of discussion within the international community on creating commonly accepted standards for businesses' responsibility to respect human rights.<sup>22</sup> This ultimately led to the UN Human Rights Council's unanimous endorsement in 2011 of the UN Guiding Principles on Business and Human Rights.<sup>23</sup>

Since the introduction of the UN Guiding Principles on Business and Human Rights, the BHR paradigm has been mainstreamed in the international arena. For example, other large organisations such as the Organization for Economic Co-operation and Development have adopted standards aligned with the Guiding Principles, and many countries have adopted national action plans on business and human rights.<sup>24</sup> Furthermore, national and subnational laws addressing corporations' responsibility to respect human rights have been adopted. Many companies have also implemented human rights policies of their own.<sup>25</sup>

### **Business for Peace (B4P)**

The Business for Peace (B4P) approach is an intersectional academic field combining peacebuilding with business and management. The B4P space is formalised within the UN Global Compact and the business and human rights (BHR) paradigm.<sup>26</sup> In the UN system, the UN Global Compact serves as a voluntary initiative for companies to implement universal sustainability principles and to support UN goals.<sup>27</sup> B4P adopts a need-centred approach to engaging the private sector. This means that undertakings should be based on the needs and priorities of the community in which it is implemented, rather than those of the private-sector partner. As B4P is closely tied to the BHR paradigm, there is a recognition that private-sector contributions, financially or otherwise, should first respect basic human rights.

Contributions of the B4P approach to the business and peace space include, for example, conducting conflict analyses to determine how companies can make positive contributions to peacebuilding partnerships with local communities; engaging local communities in consultative

participatory processes when setting up business operations in conflict zones; encouraging job creation; and forging public–private alliances to address community social issues including environmental concerns, health care, education, and youth engagement.<sup>28</sup>

Apart from its connection to the BHR paradigm, B4P has clear connections to corporate social responsibility (CSR) in its focus on contributing to social outcomes. The main difference between the two stems from B4P's greater focus on the individual's needs and basic human rights as the foundation for corporate engagement, compared to CSR initiatives which often have a corporate strategic focus. Moreover, B4P adopts a more systemic approach to what it means to be a responsible company, emphasising the private sector's ability to make positive contributions to peace through its operations and beyond, including everything from supply chains to human resources policies and external activities (which could also be labelled CSR).

### **Corporate social responsibility (CSR)**

CSR is a broad approach including actions taken by corporations that lead to a positive social or environmental impact. An umbrella term for many types of philanthropic self-regulated business initiatives, CSR builds on the idea that businesses have an obligation to contribute to social and environmental progress as well as a strategic interest in 'doing good'.

Given the inclusion of 'corporate' in its name, it is not surprising that CSR is nearly exclusively the domain of corporations. CSR initiatives are often executed in a top-down manner, whereby the management of a company decides which projects to pursue.<sup>29</sup> CSR initiatives can be related to a private-sector actor's risk-mitigation plans, efforts to address climate change or environmental, social and corporate governance (ESG) goals.<sup>30</sup> ESG relates to considerations of environmental, social and governance indicators alongside financial factors in the investment decision-making process.<sup>31</sup> Although similar to CSR, ESG adopts a more measurable approach to impact and is generally more integrated with a company's core operations than CSR.<sup>32</sup>

Many CSR projects can be seen through a B4P lens and vice versa. CSR appears to be closer to B4P than to BHR. B4P, like CSR, is more focused on corporations' contributions to peace rather than a predominant focus on doing no harm.<sup>33</sup> Recent writing on CSR trends indicates that corporations increasingly address issues in their own supply chain and/or core operations under a CSR flag.<sup>34</sup> However, critics note that CSR is still whatever companies want it to be, as there is no commonly understood baseline of what it means to be a socially responsible company.<sup>35</sup>

## Entrepreneurship

A broad term applicable in many contexts, entrepreneurship can be defined as providing innovative solutions to societal challenges, with an emphasis on novel ideas and a bias towards scalability. While there is no clear process for how social entrepreneurship creates change, Ashoka, a leading social sector organisation, defines social entrepreneurs as ‘individuals with innovative solutions to society’s most pressing social, cultural, and environmental challenges’.<sup>36</sup>

A large number of development and peacebuilding initiatives relate to training and education on entrepreneurship; activating entrepreneurs to create innovative solutions to social problems; financing projects; and enhancing economic development. Entrepreneurship, as a process to create economic prosperity and foster social cohesion, is connected to both CSR and B4P. As noted above, encouraging entrepreneurship and job creation are action areas identified by B4P on how the private sector can contribute to advancing peace.<sup>37</sup> Similarly, many CSR initiatives support entrepreneurial activities in order to create economic prosperity which, in the long run, could lead to more peaceful and stable societies.<sup>38</sup>

Despite its popularity, the connection between entrepreneurship and peace is complex. Traditionally, entrepreneurship through collaboration with the private sector has been geared towards economic development and not processes such as democracy, governance, and promotion of sustainable peace and human rights. As such, long-term goals that go beyond livelihood creation are sometimes not deliberately articulated. However, despite this ambiguity, entrepreneurship can indeed play a role in creating dynamics that reinforce peace and the means to financing peace and peacebuilding.<sup>39</sup> Examples include initiatives related to documenting human-rights abuses, promoting reliable journalism, or mainstreaming conflict early-warning systems.<sup>40</sup>

Socially responsible investment and funding practices Sometimes called impact investing, community investment or public-private partnerships, SRI refers to investment and funding practices that, in addition to financial returns, consider positive environmental and social impact. In some cases, these impacts could be viewed as peacebuilding or leading to more peaceful societies.

In contrast to other approaches, some SRI practices include initiatives with an expectation of financial return. These expectations are not binary but range from pure philanthropy (where there is no expectation of financial return, only social impact) to more traditional investments (with expectations on financial returns matching traditional investments).<sup>41</sup>

Although the expectation on financial return is an important difference between socially responsible investment and funding practices and the other approaches, there are more fundamental difference between these approaches related to their underlying assumptions about the world. These assumptions influence how each approach understands social impact and social change, further discussed in the next section of this paper.

## Innovative finance

The concepts of ‘innovative finance’ and ‘innovative financing’ involve adapting existing financing tools to make them more effective; addressing a gap in funding, particularly through leveraging more flexible funding (not project-specific resources); integrating new tools into existing funding approaches; providing efficient funding at the national level and thereby enabling countries to establish their own priorities; and financing innovation. Taken together, they refer to a set of tools (such as social impact bonds, diaspora bonds, or taxation on arms) that leverage private-sector funding and could potentially be used to finance peacebuilding.<sup>42</sup>

Innovative finance differs from socially responsible investment and funding practices in that it utilises tools that have yet not been mainstreamed in lending profit to social good, and which are therefore regarded as ‘innovative.’ However, the connections and gaps between innovative finance and other approaches are similar to those for socially responsible investment and funding practices.

The five approaches outlined in Table 1 are not static. For example, within the field of CSR there has been a debate on its relation to, or overlap with, the concept of creating shared value (CSV). Some argue that CSV is the next generation of CSR, encouraging companies to pursue ‘financial success in a way that also yields societal benefits’.<sup>43</sup> Others have argued that CSV is distinct from CSR, in that CSR activities are about sharing economic value in order to build social value, whereas CSV is about generating economic value by creating social value.<sup>44</sup> As such, it is important to bear in mind that the assumptions and fundamental beliefs that frame the different approaches are constantly evolving. Furthermore, the five outlined approaches also operate on different levels. For example, CSR and B4P both allow for the private sector to have a more operational role in implementing projects or activities. Meanwhile, in SRI practices, the private sector as a funder often assumes a less operationally involved role.

At first glance, it may appear that the most significant difference between these five approaches relates to the level of expectation of financial return. However, this would be a reductionist understanding of the ‘outcome’ of these tools. They also have vastly different assumptions



about the process of social change, including sustainability and impact. These issues are discussed in more detail in the following sections.

## Key tensions

The categories of private-sector involvement presented in the previous section reveal a number of key tensions in relation to peacebuilding. While some of these tensions or hurdles are relevant for the peacebuilding field as a whole (see, for example, measuring impact below), they may be exacerbated through private-sector engagement in financing peacebuilding. In general, this discussion highlights the incoherence within the field of private-sector financed peacebuilding, underscoring the range of assumptions about social change between the categories. This section explores four of these key tensions.

### 1. Expectations related to impact and financial return

In peacebuilding, as in many other sectors, donor expectations and traditional funding practices have produced a culture which emphasises short-term funding models and rigid outcomes. The literature on this culture of funding is extensive.<sup>45</sup> These challenges have been exacerbated in the past decade due to an increased focus on measuring subjective concepts such as impact and success. Although this focus is not negative in itself, the understanding of what impact or success might look like when it comes to peacebuilding is often imposed by external donors utilising blueprint impact indicators based on knowledge, norms and metrics created in and deployed by the Global North. Such approaches are less likely to reflect what communities in conflict need and can therefore work against sustainable social change.<sup>46</sup>

The challenges of measuring and reporting on impact may be particularly significant when considering peacebuilding funded by the private sector. For example, one of the prevailing axioms of private-sector growth is related to the idea that true impact depends on scalability – a concept which may be built equally into capitalism (in which ‘growth’ and ‘wealth’ equal power) and technology and industry (in which the delivery of goods and services requires efficiency, control and standardised production).<sup>47</sup>

Further concerns arise from the perception by some that peacebuilding has become synonymous with a set of ‘liberal’ state-building activities (eg strengthening rule of law, or promoting electoral reform). Many of these activities prioritise strengthening top-down institutions over work at the grassroots level, as opposed to ‘peacebuilding from below’, which emphasises local participation, knowledge and ownership in peacebuilding processes. Ramsbotham, Woodhouse, and Miall note that peacebuilding from below is not a ‘panacea’. The reality

is that ‘local’ or particular values need to be ‘negotiated and legitimized via what are [understood] to be universal values – for example, the justice component of peace which seeks the satisfaction of human rights and [human] needs’. Indeed, from a peacebuilding perspective, the task of conflict resolution is precisely to engage the ‘no doubt endless struggle’ of how to synthesise these tensions between universal values and local needs.<sup>48</sup>

The bottom-up versus top-down components of this ‘endless struggle’ are not equally valued or supported by external actors. Between 2011 and 2015, for instance, the largest 1,000 foundations in the United States made US\$ 35 billion in international grants, with only 12 per cent going directly to local organisations based in the country where programming occurred.<sup>49</sup> Often, institution-building within the context of donor assistance is predicated on large amounts of external government funding first being poured into state-building and national-level structures. This type of approach is not implicitly geared towards grassroots-level absorption, and baked in is the idea that any initiative or programme must be scaled in order to be successful. However, this scalability can be counter-intuitive to sustainable conflict transformation and social change; it focuses on discrete interventions and their replicability, versus processes and movement building and does not allow for a truly participatory and flexible approach. Such an approach would give agency and resources to local actors who know best how to solve challenges in their own communities.<sup>50</sup>

In the expectation of scalability lies the assumption that challenges faced around the world can have standardised solutions. This view is not necessarily aligned with the reality of addressing those problems or taking different contexts into account. While private-sector resources may be less focused on building state institutions and more on smaller-scale interventions, assumptions about the efficient use of resources also affect the kinds of programming valued at the community level.

Moreover, some investments (eg those made by corporations as part of CSR programmes or B4P engagements), require private-sector entities to defend decisions to shareholders, which can also affect risk tolerance (see the section on risk and accountability). In such cases, reporting on basic statistics, like the number of grants given in a year, is common.<sup>51</sup> The phenomenon of counting things may not be a valuable measurement of positive impact on complex social processes such as peace.<sup>52</sup> Not only does it fail to fully capture actual impact, it also limits what initiatives and activities are supported. Private-sector funding of peacebuilding risks becoming ineffective when it does not support what works but rather what is valued by shareholders.

Additionally, as noted in Table 1, some socially responsible investments and funding practices also include an expectation of financial return. Such expectations add an extra dimension of complexity, further conditioning what kind of peacebuilding activities are likely to be funded.<sup>53</sup> For example, social impact bonds require timely and clearly measurable outcomes as a condition of whether investors obtain a financial return. They have been used to finance programmes aiming to reduce criminal recidivism and homelessness. Such programmes can be delivered in a timely manner with clear, quantifiable outcomes that can be compared to a baseline, which is often difficult with peacebuilding processes.<sup>54</sup>

Moreover, the understanding of impact is further complicated by each approaches' differences in objectives. For example, social entrepreneurship adopts a broad approach whereby 'the social mission has primacy, and profits are the means to achieve this mission rather than being an end in and of themselves'.<sup>55</sup> Conversely, as CSR projects are realised by corporations, shareholder value maximisation can be seen as the ultimate goal, making social impact secondary. This has potential implications for which CSR initiatives can be adopted to promote peacebuilding.<sup>56</sup>

The peacebuilding field's historic struggle to describe a coherent approach to impact is not the fault of the private sector. However, the private sector does play an important role in reinforcing current approaches to conceptualising impact and success. This both limits the number of funded initiatives and within an environment of resource scarcity, affects which initiatives and organisations are prioritised for support.

## 2. The relationship between peacebuilding and social justice

The goal of peacebuilding is to address the root causes of conflict, including structural violence. Consequently, peacebuilding is inherently related to inequality and social justice. With authoritarianism on the rise and social justice issues at the forefront of public consciousness, peacebuilding is more relevant than ever. However, private funders are often hesitant to invest in peacebuilding. A recent survey of 435 philanthropic funders showed that only 18 per cent of these funders invest in peace.<sup>57</sup> While many more support the promotion of human rights, their main reason for not engaging in peacebuilding was that peacebuilding is perceived as 'too political'. This insight sheds light on how difficult it is for the peacebuilding field to explain the link between resolving violent conflict and other social justice movements that funders may see as less political and more pressing.

The protests and demands for equality and justice embodied by the Black Lives Matter movement have put particular pressure on the private sector, especially corporations, to take meaningful action related to diversity, equity and inclusion. Corporations have met such demands in various ways – some with silence, or superficial social media statements; others with concrete platforms and action points on how to address racial injustices that contribute to structural violence.<sup>58</sup>

It remains to be seen which actual changes in corporate behaviour and accountability in relation to social justice will be lasting. For the peacebuilding sector, this moment provides an opportunity to highlight and create clarity on how supporting peacebuilding activities furthers other work around equity and social justice. Not only is this imperative to further social justice goals, it will likely be important in attracting more sustainable funding from private-sector actors.

## 3. Risk and accountability

In general, the private sector is less likely than other actors, such as international NGOs or governments, to assume financial or potentially reputational risk. As peacebuilding activities often take place in areas of violent conflict where risk is perceived to be high, private-sector funding may be even more limited at the outset.<sup>59</sup> However, investing in peacebuilding has clear links to the business case for peace, especially for businesses with operations in fragile contexts. For example, investments in activities or organisations that address conflict drivers may lower operational risk and associated financial costs.<sup>60</sup>

Furthermore, in examining the approaches that make up private-sector engagement in peacebuilding financing, the BHR paradigm offers important concepts related to risk and accountability mechanisms for human rights violations. As described in the previous section, the BHR paradigm is well established, featuring guiding principles, professional associations and a common language. Corporations have also adopted human rights policies and NGOs are increasingly active in BHR-related work.<sup>61</sup> The formalisation of this engagement has led to the media, the public and corporations themselves paying greater attention to the private sector and its responsibilities to human rights.<sup>62</sup>

Additionally, several judicial and non-judicial mechanisms have been developed whereby corporations deemed to violate human rights can be brought to justice and grievances can be heard. While more work is needed to strengthen the intersection of human rights and the private sector, these developments have catalysed considerable progress in defining private-sector accountability. This heightened attention and formalisa-

tion stands in stark contrast to the developments with regard to business and peacebuilding. As noted, the approaches are often scattered. Further, there is no common language that connects peacebuilding and the private sector (and few systematic efforts to unpack the assumptions behind these sectors that likely exacerbate silos). Finally, while there may be mechanisms to hold actors accountable for the violation of human rights, there is little knowledge of what accountability looks like for the private sector in exacerbating conflict or causing harm to already fragile communities, including through their role as funders.

The reasons behind these disconnects are likely many. As noted earlier, peacebuilding is often seen as 'too political' for private-actor involvement, whereas human rights and social justice are not. Additionally, it remains unclear whether the private sector actually has a responsibility to include peacebuilding in its core operations. Moreover, today's focus on hard security approaches to conflict – which seek to protect states from military-related threats and dangers – may also contribute to the lack of private-sector involvement.<sup>64</sup> Unlike human security-focused paradigms, hard security approaches are often seen as the responsibility of the state and international NGOs rather than the private sector. This may further explain why peacebuilding can be viewed as too political, thus obscuring attention to opportunities to address root causes of conflict and promote human security, which in turn deters private-sector involvement.

#### 4. Transformation versus transaction

Within each of the five peacebuilding approaches identified above, there is a lack of consistency with regard to how change is understood. Small-scale interventions focused at the project level which may be more transactional in nature are not necessarily bad. However, in order to contribute strategically to sustaining peace, they need to be understood as part of a larger transformative set of goals. Whether or not a transformative or transactional lens is utilised is likely to affect which types of activities are funded through private-sector resources.

CSR initiatives and socially responsible investment and funding practices tend to focus on change through tangible projects and short-term measurable outcomes, often using well-tried methods and approaches. For example, companies may pay for distribution of food in food-insecure areas or build wells in areas where there is conflict over access to water resources. Conversely, initiatives falling under 'entrepreneurship' generally seem to adopt a less structured approach to change, focusing more on processes that support the development of new solutions to problems as well as processes that develop the entrepreneurs themselves as agents of change. This

difference can partly be understood as change through transaction, versus change through transformation.

Like many CSR initiatives and more traditional impact-investing initiatives, initiatives focused on transaction appear to be more preoccupied with the outcomes of a particular project, rather than the process leading to those outcomes or addressing structural impediments that lead to social challenges. In contrast, entrepreneurship initiatives may assume a more bottom-up and iterative approach with a focus on a process of change that is created, not solely the results of what is implemented. It is important to note that the examples of CSR and impact investing as 'transactional' and entrepreneurship as 'transformative' relate to broad trends. In reality, approaches overlap: CSR initiatives may support transformative change, and entrepreneurship initiatives may pay less attention to process and focus more on final deliverables.

The distinction between transactional and transformational change may also be reflected in the power dynamic between the funder and those receiving the funding. Transactional initiatives tend to start with the assumption that the issues that need to be addressed and the appropriate solutions are known, leading to a focus on final outcomes, rather than the process of getting there. Transformational approaches to change are more inclusive and participatory, allowing those who are affected by a particular issue to decide what is funded and how success is defined.<sup>65</sup> The difference between the two approaches is important for ethical and equity reasons as well as efficacy. Peacebuilding initiatives that are participatory and locally steered are more likely to address root causes and have a lasting impact on peace.<sup>66</sup>

There are efforts and organisations whose work addresses these gaps and pushes the boundaries of these approaches with innovative and community-centred approaches. These efforts seek to build resources, redistribute power and increase wellbeing, including at the grassroots level.<sup>67</sup> Further, as noted above, these approaches are evolving; yet, none of those discussed here have been mainstreamed, and the organisations promoting them are, in a sense, pioneers. While this is important, in general the bar for private-sector engagement remains low. Principles of engagement would provide important standards, guidelines and best practices that could contribute to a more regular and institutionalised practice.

## Conclusions

Private-sector engagement in peacebuilding has the potential to leverage new resources, actors and approaches. However, current efforts are scattered and fail to maximise this potential. Perhaps more alarmingly, they sometimes risk perpetuating harm in some of the world's most vulnerable communities.

It is possible to leverage these tools and approaches in a more coordinated – and potentially transformative – way. This requires a systematic understanding of the entire spectrum of tools and actors that fund peacebuilding and their different strategic advantages. It also calls for unpacking the assumptions of different tools and related approaches, in this case from across the private-sector.

One might draw the conclusion that the differences merely relate to how much 'social good' versus 'profit' employing them produces. A more nuanced examination reveals that the tools rest on assumptions that lead down very different paths in terms of how social change is understood, whose perspective and what types of knowledge and priorities are privileged, or what counts as evidence in generating solutions to social issues.

### Key questions

There are a number of questions that could be taken up and answered in developing a set of guiding principles:

1. How do these approaches/tools address root causes of conflict and promote inclusive, peace-sensitive and holistic responses?
2. How should we define impact? How can we balance measuring activities that are quantifiable and measurable with capturing long-term processes of social transformation?
3. How can we use these approaches/tools to support collective processes and movement building or do we understand social change as the product of individual entrepreneurs (or both)? How does the way in which they are employed change depending on the type of collective or individual focus?
4. How do we understand scalability in relation to peacebuilding processes that are most effective when locally-led and culturally-determined?

Other key points to explore include assumptions related to risk and risk mitigation and articulating strategies for managing risk appropriately. There is often a mismatch between who has expertise on financing issues, including who makes decisions about private-sector engagement, and peacebuilding within the international

development community. This may introduce certain biases in programming that should be examined; similarly, the priority given to formal processes that focus on state building over informal and grassroots-led processes needs to be further explored. Finally, where does or should the thought leadership on private-sector engagement in and innovative financing for peacebuilding sit?<sup>68</sup>

### Taking a long-term perspective

Many of the urgent crises we face – from conflict to climate change and inequality – require long-term thinking. Unfortunately, very few public or private funding cycles operate within a long-term time frame. In the case of the private sector, this is due to the degree to which quarterly earnings and stockmarket fluctuations drive priorities and behaviour. While many companies know they won't be in business in five years if natural resources such as water are too expensive, they are unable to invest in new innovations today because stockholders may claim that such investments detract from shareholder returns. Just as governments often provide financing in one to three year increments, there is no aligned financial system that drives long-term thinking from the private sector. Nevertheless, while they may not be the norm, some governments and private-sector actors do make long-term, strategic investments. Learning from and amplifying these practices is crucial.

### Promoting innovative financing approaches

Various parts of the UN system promote innovative financing approaches and engage with the private sector. Examples include the UN Global Compact, the Peacebuilding Support Office and the United Nations Development Programme's Global Finance Sector Hub, a 'finance and innovation platform' which 'supports governments to align private-sector activities and financial investments with the 2030 Agenda'.<sup>69</sup> However, there seems to be little coherence across these efforts with regards to peacebuilding financing.

The complex tapestry of the private sector and what it could bring to the peacebuilding field may not be easily defined by one set of engagement principles. It will be important to define who exactly is being engaged to develop such a framework and for what purpose, and who is the audience for the product. Utilising existing networks, knowledge and expertise to sort through these issues and to enhance peacebuilding financing will be important in advancing this effort.

### Operationalising the principles of engagement

In order for the principles of engagement to be useful, they will need to be operationalised. This means specifying where private-sector engagement in peace-

building financing fits into strategic planning processes. UN Country Teams could assess where private-sector opportunities could be expanded if openings exist. Alternatively, new relationships with private-sector leaders could be intentionally developed.

Conflict analysis tools and frameworks could include more emphasis on the private sector. They should do this within the broader goal of articulating how various actors contribute to a vision of transformative programming focused on promoting human security and comprehensive socio-economic development, addressing root causes of conflict and enabling local leadership and ownership of peacebuilding. Further exploration could also be done on SDG financing platforms that have been set up at the country level for expanding private-sector engagement in a particular context to examine the extent to which they include peacebuilding programming. Relevant stakeholders should be consulted about the possibilities and possible advantages or disadvantages of expanding these financing mechanisms.

Finally, these efforts also require leadership to drive institutional support for a culture that embraces new funding approaches integral to a transformational vision. This includes heads of UN agencies, Member States, donors and private-sector leaders committing to new strategies as well as incentives, performance management, evaluation and reporting benchmarks that are aligned with transformative programming.

### **Challenging default assumptions**

A new set of guiding principles for private-sector engagement could provide a way to re-examine some of the default assumptions rooted in the international peace and development landscape. A key part of this might

involve a reassessment of whether private-sector support is appropriate to peacebuilding processes. Furthermore, such principles could help ensure a more consistent application of the 'do no harm' doctrine. Conflict-analysis frameworks should also ensure that private-sector interventions are not exacerbating existing tensions, or creating new tensions in already fragile environments.

Twenty years after the 'do no harm' doctrine was first articulated, companies understand the idea behind it. Nevertheless, questions remain within both the public and private sector about how to implement the doctrine beyond using checklists and frameworks that may fail to capture the complexities of particular operating environments. The process of developing guiding principles could attempt to thoughtfully address these issues and deepen thinking on private-sector financing of peacebuilding with regard to sustainability and impact. Multiple mechanisms and frameworks could inform this process, including the Guiding Principles on Business and Human Rights and the UN Principles of Responsible Investment.<sup>70</sup>

Given the scale of need, peacebuilding financing will require leveraging a broader range of actors than are currently engaged, including the private sector, and more innovative approaches. The UN Secretary-General's 2020 report on the implementation of the sustaining peace resolutions emphasises the idea of 'good peacebuilding donorship'.<sup>71</sup> One aspect of this concept could include generating a framework to guide various actors' engagements in peacebuilding. An important part of this process will involve ensuring that the growing complexity of the private sector's engagements in peacebuilding is both well defined and understood.

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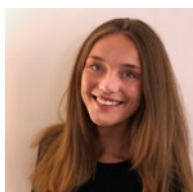
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