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Seizing the Peace Dividend: Private Sector Contributions to Forging Resilient Societies

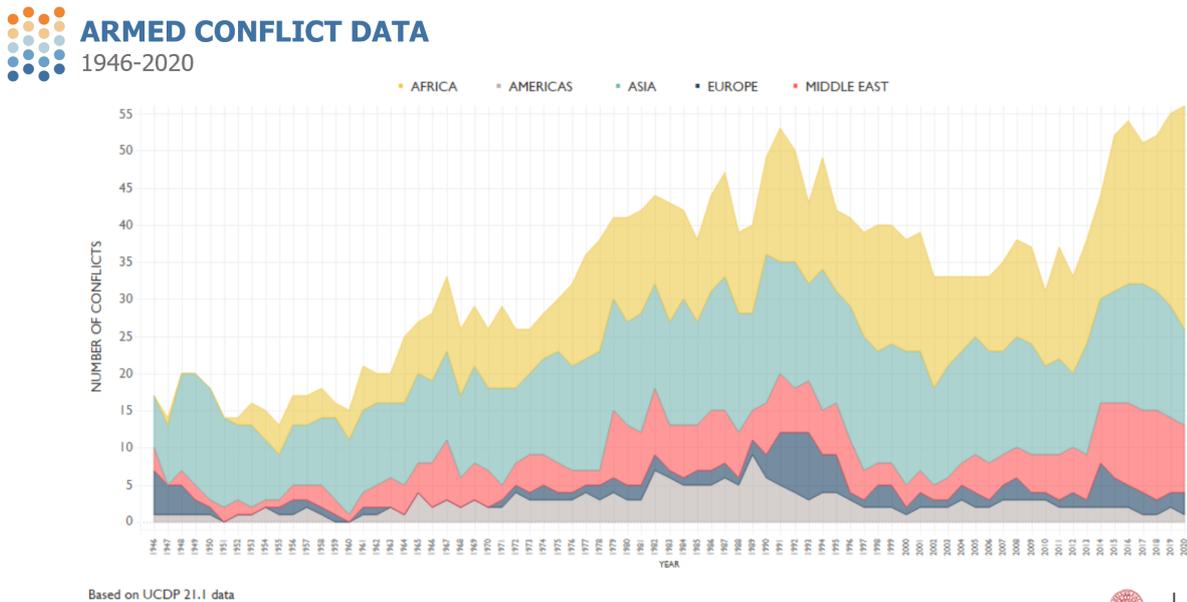
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This policy brief explores the auspicious role the private sector can play in addressing fragility, responding to crises and building resilient communities to prevent conflict and sustain peace. To that end, the brief identifies five dimensions through which national and local governments, policymakers and development practitioners can leverage the largely under-tapped experience, expertise and connections of the business community in sustaining peace. Furthermore, by moving beyond typical frameworks on engaging the private sector solely for resource mobilization, this policy brief provides new insights for businesses themselves on how and why they should align their activities with people, planet, profit and . . . peace.

As crises persist, humanitarian needs continue to increase globally; in 2022, before the war in Ukraine, as many as 274 million people were expected to need humanitarian assistance and protection. This reflects a notable increase from 235 million a year ago—a figure that was already the highest in decades. Violent conflicts are both a driver and an outcome of these unmet needs and pose a significant threat to sustaining peace.² There were a record number of 56 state-based conflicts

in 2020.³ Furthermore, a 2022 poll of nearly 1,000 business, government and academic leaders highlights the increased perception of societal fragmentation as a major global risk and notes that ‘social cohesion erosion’ is the risk that has worsened the most globally since the start of the COVID-19 crisis. It is perceived as a critical threat to the world across all time spans—short, medium and long term—and is seen as among the most potentially damaging for the next 10 years.⁴

Figure 1: UNDP Crisis Risk Dashboard data visualization showing the rising number of conflicts per region, 1946-2020.



Source: Uppsala Conflict Data Programme, Uppsala University

Although responding to crises, preventing violent conflict and sustaining peace are the primary responsibilities of national governments, the private sector—particularly at national and local levels—has emerged as an important actor with which to engage and partner. Across different countries and contexts, businesses have stepped up to support crisis-affected people to ‘build forward better’. UNDP’s *Strategic Plan 2022-2025* also notes: “Businesses are beginning to recognize that resilience can protect business continuity. This makes the private sector a key collaborator as companies re-engineer their business models to become more adaptable and set themselves green and risk-informed standards.”⁵ But what about peace? The United Nations (UN) recognizes that to advance the sustaining peace agenda—including by fostering a coherent vision and approaches for building more just and peaceful societies—the role of the private sector must be elevated.⁶ Other stakeholders agree: *The International Dialogue on Peacebuilding and Statebuilding* (IDPS)⁷ supports the promotion of a peace-promoting private sector. IDPS notes that “businesses have the potential to positively contribute to sustainable peace through a refined understanding of conflict dynamics, fragility risks, and opportunities to support resilience capacities”. Yet the IDPS notes, too, that “the mobilisation of private sector actors as positive contributors to peace and resilience is largely untapped”.⁸ Moreover, the International Finance Corporation has recommended

that development institutions and other stakeholders enhance their understanding of how the private sector can contribute to conflict prevention.⁹

UNDP’s Private Sector Strategy seeks, in partnership with governments, civil society and businesses, to make markets work for the Sustainable Development Goals (SDGs) with an emphasis on inclusion of poor and marginalized communities. It seeks not only to enhance the private sector’s role as a vital actor in advancing the SDGs but also to promote the adoption of the SDGs as the main framework for private sector strategies and operations so that all business outputs are contributing to the SDGs. The Connecting Business initiative (CBI), jointly led by UNDP and the UN Office for the Coordination of Humanitarian Affairs (OCHA), recognizes that disasters can reverse years of development gains and acknowledges the role the private sector can play in disaster risk reduction, emergency preparedness and response as well as recovery. At the same time, UNDP’s Prevention Offer calls for acting early and at scale in conflict and crisis prevention and peacebuilding. Its objectives are to stabilize and protect hard-won development gains; mitigate risks of relapse or recurrence; and build institutional and community resilience to sustain peaceful development pathways.

Businesses often possess critical attributes—such as deep acceptance and trust of the public, broad social networks and wide geographic reach—that can make them powerful agents for peace. In fact, as communities around the world struggle to overcome mistrust and misinformation during the ongoing COVID-19 pandemic and the related infodemic, research has shown that business is not only the institution (compared to government, NGOs and media) with the highest level of public trust, but also the only institution seen as both ethical and competent.¹⁰ Moreover, when the government is absent, people anticipate that business will step in to fill the void.¹¹ This is particularly critical in fragile and conflict-affected contexts, where the absence of government may be both a driver of fragility and an impediment to recovery. Businesses are also promising partners for governments from a financial

perspective. The effects of violent conflict lead to a persistent decline in the productive capacity of an economy, implying a 15-20 percent drop in real GDP over five years and a 10 percent fall in real tax revenue.¹² Since most jobs and domestic revenue are created by and generated from the private sector, governments are keenly aware of the potential business can play as a cost-effective conflict prevention and peace actor.

Drawing upon primary data from countries including Côte d'Ivoire, Haiti, Kenya, the Philippines and Sri Lanka, this policy brief identifies five ways policymakers, development practitioners, national and local governments and business leaders can further catalyse private sector impact to yield peace dividends.

1. Engage the local private sector to harness shared contextual knowledge

Too often, the private sector is not included as a stakeholder in analyses and strategic planning processes that governments conduct with regional and international organizations, as well as international financial and development finance institutions (IFIs and DFIs). And while non-governmental organizations (NGOs) often help shape humanitarian response plans with governments, the UN and other international partners, business alliances are often left out—making it harder to build a shared understanding of the needs and priorities of a given context. This has indeed been the CBI experience in several countries, including Côte d'Ivoire and Haiti. Furthermore, inviting the private sector to share context-specific insights and learn from those of governments, alongside humanitarian, development and peace practitioners, can also build ownership, identify new opportunities and further motivate business leaders to align their profits with broader prevention and peacebuilding efforts.

Being part of the social fabric in which they operate, private sector entities often have in-depth knowledge of the drivers and impacts of conflict. They may have access to diverse grassroots perspectives and other beneficial connections with local partners such as village leaders, women's groups, youth and religious figures. In fact, businesses often already assess the political economy of conflict and the (in)formal constellation of various actors as part of their market analysis, standard risk management and business continuity

practices. Furthermore, some private sector entities also conduct specific conflict or contextual analyses to better understand how they can *do no harm*. For these reasons, there are promising opportunities for the private sector and partners, notably DFIs, to develop integrated sector strategies, leverage due diligence and market knowledge, contribute to joint upstream project development, agree on relevant principles and collaborate on conflict sensitivity.¹³ Drawing on the insights of the private sector could, therefore, complement the transformative conflict prevention and peacebuilding work that governments, international organizations, and peacebuilders lead.

A World Bank Group study¹⁴ which analysed 312 published evaluations of private sector development interventions in 23 fragile and conflict-affected countries found that projects were most effective when both local stakeholders and investors had an important stake in the project. The study also found that creative approaches that used local knowledge to support the most vulnerable provided heightened opportunities for success, notably projects targeting at-risk populations (particularly conflict-affected youth) for small- and medium-sized enterprise (SME) development. These youth projects had an 86 percent success rate.

2. Leverage the power of collective private sector action

Due to the often-politicized nature of conflict-affected contexts, the private sector is sometimes hesitant to engage in peacebuilding efforts. Experience from CBI demonstrates that collective action can mitigate some of the (perceived) risks of engagement while maximizing private sector contributions—before, during and after crises. UNDP’s *Prevention in Action Forum 2021* identified that it is better for peace actors to engage with alliances than with one single business. As one business leader explained, the private sector often sees peacebuilding as problem-solving, and while comprising a part of a company’s normal plan of operations, the complex nature of conflicts often requires cooperation among multiple actors to mitigate and resolve them. Taking an alliance-building approach can strengthen networks, especially in fragile and conflict-affected settings, where data may be scarce and operations more difficult to deliver.

Engaging with private sector platforms also strengthens coordination. Networks provide an easy entry point for governments, development and peace practitioners to reach a larger group of businesses but also help the private sector align its support with broader efforts without the need to independently navigate among different actors. Private sector networks can also present a unified business viewpoint that can advocate towards responsible authorities,

for example, on ensuring that critical facilities which may be affected by conflict stay safe and open (e.g., ports and roads). Collective action also reduces the risk of duplicating efforts or gaps in coverage where resources are in short supply, and needs can rise quickly due to the shifting nature of conflict.

*Last year, UNDP and CBI developed a Guidance Note¹⁵ for private sector networks to embed conflict sensitivity in private sector disaster management. Recognizing that private sector operations can sometimes have intentional or unintentional negative impacts on the peace and conflict landscape, the CBI member network in the Philippines, the Philippine Disaster Resilience Foundation (PDRF), has adjusted its operations in post-conflict settings to ensure the principle of **do no harm** is sufficiently integrated into its operations. Its examples¹⁶ have demonstrated that while conflict sensitivity is often more complicated than theory suggests and private sector actors can be hesitant to unravel it, with even elementary tools and a simplified process for analysis, a private sector network can help businesses play a vital role in rebuilding conflict-affected communities.*

3. Embrace and advance digital transformation as a medium for peace

At this year’s Davos Agenda hosted by the World Economic Forum, UNDP’s administrator stated that “digital is perhaps the single biggest transformative variable in the way development choices and pathways can be rethought”. But for digital to benefit everyone, everywhere, it must be thoughtfully developed and used, and open-sourced whenever possible.¹⁷ UNDP’s *Strategic Plan 2022-2025* considers digitalization as one of the enablers to drive new approaches and innovative solutions in protracted and recurrent crises.

The use of mobile devices provides access to new, localized information and rapid exchange that has not previously been possible. New technologies enable risk detection, early warning and information management, including through the use of artificial intelligence (AI), remote sensing and open web data. Technology- and data-driven foresight, horizon scanning and other forms of futures thinking

that involve the private sector are powerful tools to inform conflict prevention strategies. While different digital tools have been piloted for conflict prevention, there is untapped potential for AI, the Internet of things, blockchain and virtual reality to also contribute to early warning—especially on emerging multidimensional and asymmetric threats such as climate insecurity, cyber threats and lethally autonomous weapons systems—and to sustaining peace, overall. True digital transformation will require governments and policymakers to move beyond pilots towards a broader and scalable application of digitization and digitalization. Partnerships with private-sector entities can help develop and adapt effective tools for local peace contexts, such as the partnership under UNDP’s Digital X Scale Accelerator between UNDP Sudan and Koe Koe tech—a Myanmar based start-up—to scale up an AI model to identify trends in social media around hate speech, and/or risk factors and early warning signs for extremism.

Technology is also enabling early response: Local peacebuilders from across the world are using the Internet for digital peacebuilding and data-driven advocacy. Mobile devices and other digital tools also connect communities, providing early warning information to those responding. With technology increasingly connecting people, especially during the COVID-19 pandemic, technology is enabling users to help prevent conflict, for example in social media, where peacebuilders are negotiating among

adversaries and brokering peace online¹⁸ while, at the same time, shifting narratives on how young people, women and vulnerable communities—who are often absent from formal peace processes—can be and already are agents of peace. Similarly, social media has been used for sense-making and to map conversations that allow the conflict prevention and peacebuilding communities to draw a more detailed yet nuanced picture of complex situations, including conflict drivers.

Together with the private sector, UNDP¹⁹ has launched a series of campaigns in 10 countries²⁰ to prevent and counter hate speech, misinformation and disinformation, particularly forms targeting young people who are at higher risk of exposure to radicalization, manipulation and exploitation, thus giving primacy to prevention. The campaigns raise understanding and awareness of how hate speech can escalate to violent behaviour and how digital consumers can work together to prevent violence. Using the Google Ads online advertising platform, the initiative is transforming knowledge and attitudes so users will be more tolerant and informed—and ultimately reject hate speech. By fighting hate and false narratives online, the initiative is expected to promote social cohesion, deepen democracy, advance peaceful discourse and secure safe Internet spaces.

4. Adopt a holistic view on private sector engagement and whole-of-systems solutions

Scaling up private sector contributions to support peace requires stakeholders—governments, humanitarian, development and peace practitioners and businesses themselves—to acknowledge the multitude of ways they can add value before, during and after crises. Unlike formal humanitarian, development and peace organizations, which often operate under defined mandates and contexts, businesses frequently operate seamlessly across the humanitarian-development-peace nexus. The private sector can provide goods and services, such as low-interest loans, to marginalized communities, thus meeting critical needs. Recent years have seen several examples of businesses partnering with UN entities to co-create solutions for people forcibly displaced by violent conflict that support social cohesion between the displaced and host

communities. The private sector can also help governments (re-) build infrastructure and provide connectivity—sometimes even supporting inclusive social services that can reduce group inequality. The revenue from the taxes businesses pay will further enable governments to meet people's needs and, by doing so, reduce proclivities for discontent. The private sector can also engage in policy dialogue by lending its voice to larger causes: With its position and relative influence, private-sector advocacy can shape policies that address business and human rights, including issues such as inequality and discrimination, which can be, together with other factors, a root cause of conflict. In some cases, the private sector has participated in peace processes, such as in El Salvador and Nepal, or played an effective role as an insider mediator, such as in Egypt and Tunisia.

By conducting enhanced human rights due diligence in accordance with the UN Guiding Principles on Business and Human Rights, companies can minimize the risk that their operations could be a root cause of conflict or exacerbate it. To further such practice alongside its support to governance and social cohesion, UNDP has trained companies in Asia, including in Sri Lanka, on the integrated use of human rights due diligence and conflict analysis and is developing a self-assessment toolkit for companies to manage their potential negative impact on peace.²¹ Understanding such impacts during humanitarian crises is critical: Last year, the Asia-Pacific Alliance for Disaster Management in Sri Lanka collaborated with the Disaster Management Centre and one of its member companies to deliver meals for flood-affected people. Recognizing that ethnicity, religion and language have divided the population in the past, the partners ensured they would not incite social tensions by favouring or being perceived as favouring one group over another by, for example, preparing halal food, so people from different religious backgrounds could enjoy the meals. An accessible location was identified to ensure people from different cultural backgrounds could access the distribution site at mid-day and that it would be safe for women and children.²²

By driving employment and economic growth, business contributes to socio-economic development. Evidence shows a clear connection between formal employment and social cohesion.²³ Social cohesion, or the level of trust within societies and towards government, can foster conflict prevention and is one of the key ingredients to sustaining peace.²⁴ The private sector can further support social cohesion by, for example, employing workers or collaborating with partners from different faiths, ethnic groups and communities while ensuring gender balance. In fact, businesses

can be powerful conveners as they bring people together around a common goal. They create relationships that can help prevail over challenges that might otherwise be more difficult to overcome in society. Small- and medium-sized enterprises (SMEs) also promote trade, which in creating mutual dependencies provides another pathway to peace. Furthermore, SMEs can help reduce unequal regional development on a national level while, within border regions, strengthening good neighbourly relations and thus contributing to sustaining peace.²⁵

Figure 2²⁶: Private sector engagement in fragile and conflict-affected areas can range from intentional harm to intentional good

← INTENTIONAL HARM VS. INTENTIONAL GOOD →				
HARMFUL	HARM THROUGH NEGLIGENCE	DO NO HARM	ADDED GOOD 'ON THE SIDE'	ACTIVELY PEACE-POSITIVE
Proactively engages in activities that increase/sustain conflict	Harm through negligence	Follows "Do not harm" principles	Directs some business resources to beneficial (non-core business) initiatives	Delivering positive social impact is core business objective or fundamental to its operating strategy
<i>Example:</i> Trafficker of illicit goods	<i>Example:</i> Extractive firm pays insufficient attention to detrimental impact on local people	<i>Example:</i> Agribusiness operation creating and adhering to an E&S mitigation plan	<i>Example:</i> Offering youth apprenticeships; using CSR/grants to build local schools	<i>Example:</i> Company investing for identified social good

Source: International Finance Corporation

5. Tap investor demand and use capital markets to yield peace dividends

Although the role of the private sector in preventing conflict is critical, 'investing' in prevention and peacebuilding too often remains synonymous with public sector financing. However, public sector financing (including both domestic resources and official development assistance) is stretched particularly thin now due to the COVID-19 pandemic response and recovery. Significant domestic resource mobilization challenges due to the economic impact of the crisis, as well as mounting inflationary pressure and rising commodity prices, point towards the strong role capital markets can play in supporting peace outcomes in lower- and middle-income countries.

When managed with purpose, investments yield peace dividends. Businesses and lenders should explore opportunities for accessing and providing capital whose returns on investments are not only profitable but pro-social and purpose-driven. In doing so, businesses can complement traditional

project-funded, publicly financed conflict prevention and peacebuilding efforts with business models—from business operations to raising money through debt and equity capital—that generate profits while contributing towards sustaining peace. The use of financial instruments to achieve SDG 16 (peace, justice and strong institutions)—and specifically related to peace investments in markets such as 'peace bonds' and equity investing—is, however, an under-tapped area to further develop. Given the widespread economic and fiscal impacts of conflict mentioned earlier in this policy brief, such instruments can also help countries advance their socio-economic recovery while simultaneously preventing the recurrence of conflict. Another promising opportunity for sustaining peace is harnessing approaches that meet ESG²⁷ investor demands for more sustainable and beneficial social dividends tied to prevention and peacebuilding—such as investment returns in equity markets tied to social cohesion.

UNDP's response to challenges developing countries face in raising capital and securing private sector finance domestically has led it to successfully assist governments to leverage financing through social impact bonds that complement public and private sector activities. Last year, for example, UNDP launched Uzbekistan's first SDG bond on the London Stock Exchange.²⁸ UNDP's success on SDG impact is largely driven by the well-proportioned size of UNDP's governance work, which, in complement to the expertise and capacities international financial institutions bring, allows UNDP to assist partners in building the governance frameworks for opportunities to raise capital aligned to the SDGs. Relatedly, to meet increasingly complex investor demands, UNDP can help the private sector integrate peace into ESG frameworks to ensure that interventions not only achieve business-related outcomes but are responsive to social cohesion, building trust and, ultimately, sustaining peace. Integrating such contributions into corporate key performance indicators is one example of helping the private sector enhance its peace responsiveness.

Seizing the Peace Dividend

While attempts have been made to better understand and leverage private-sector contributions to sustaining peace, the efforts of governments, policymakers, development practitioners and other stakeholders remain largely exploratory and often fragmented in nature. The five dimensions of private sector engagement outlined in this policy brief present a business case and a roadmap for increasing collaboration with the private sector. Harnessing the dormant potential

of the private sector will push key stakeholders to move from disruptive ideas and pilots towards wide-scale application of public-private partnerships and beyond. While not without challenges, shifting the status quo on prevention and peacebuilding practices to incorporate business contributions will generate value for people, societies and businesses alike. Together, these contributions will help forge resilient societies and better align the private sector with people, planet, profit and . . . peace.

Endnotes

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