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The Corporate Engagement Program

Business and Armed Non-State Actors Dilemmas, Challenges, and a Way Forward[1]

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[1] This paper was originally published in a different format in the journal Business, Peace, and Sustainable Development in November, 2014. That edition of the journal can be accessed here.

Abstract

In contexts of conflict, a company's actions can have far-reaching consequences for the company's level of exposure to grave risks, for the welfare of communities in the vicinity of the company's operations, for the broader dynamics of conflict, and, therefore, for the prospect of peace. In contexts where armed non-state actors (ANSAs) are active, these perils can be even more pronounced. This paper explores some of the challenges and difficult decisions that ANSAs impose on companies to establish a basis for developing resources to support companies that operate in those contexts. It maps the gaps in existing operational-level guidance about ANSAs, as well as the challenges that companies face in meeting key global standards of corporate social responsibility. An examination of case studies of corporate approaches to conflict issues and an assessment of humanitarian approaches to analysis of and engagement with ANSAs point to some of the analytical issues that expert resources would have to address in order to meet the needs of companies. On the basis of case studies and the authors' direct engagement with extractive industries companies, the paper identifies factors that constrain corporate options in contexts of conflict and suggests some of the shortcomings of the literature on business and peace in relation to these constraints.

I. Introduction[2]

Recent years have witnessed a proliferation of work intended both to define standards of corporate responsibility in a range of domains (e.g. human rights, security, revenue management, transparency, etc.) and to help companies operate in ways that reduce conflict and tensions or otherwise concretely benefit the countries where they operate.[3] Among scholars, donor governments, and development, humanitarian and peace building actors,[4] increasing attention is paid to the role that the private sector can play in contributing to economic development, peacebuilding or at least political stabilization, and violence reduction initiatives. Many companies find it challenging to live up to these expectations even in stable and peaceable contexts, however. All the more difficult for them is both to 'do no harm' and to make a positive contribution to economic development and the stabilization efforts of other actors in fragile and conflict-affected states.

Armed conflict, meanwhile, is ever more intrastate in nature[5] and increasingly involves an armed non-state actor (ANSA) fighting state forces and possibly also other ANSAs.[6] The ICRC estimated that as many as 48 "non-international armed conflicts occurred or were continuing to occur throughout the world in the course of 2011."[7] Yet despite the expansion of guidelines for companies working in complex and conflict-affected environments, there remains only limited public knowledge of operational practices and approaches through which companies can manage their impacts on conflict dynamics and security in contexts in which ANSAs are active. Without the development of expertise and resources that can help companies to manage the presence of ANSAs in their operational environments, companies will continue to face extremely difficult challenges and may operate in ways that enflame or sustain violent conflict.

There is a great deal depending on companies' abilities to operate constructively in these contexts. The dilemmas that companies face are acute. In violent conflicts, bad decisions and missteps are likely to lead to adverse and possibly severe impacts. Moreover, the consequences of a company's responses to an ANSA are not borne solely by the company, but often have profound implications for local communities and the broader dynamics of conflict. Conflict settings are characterized by differentially positioned and often mutually antagonistic actors with competing interests. The presence of an actor that is willing to use force or violence to gain advantages or resolve grievances poses immediate dangers both to companies and to their

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[2] This paper presents preliminary findings of the Business and Armed Non-State Actors Project of the CDA Corporate Engagement Program (CEP). The objective of the Project is to develop and disseminate expertise that promotes positive corporate impacts in contexts in which armed non-state actors are present. The first phase of the Project is partially funded by the PeaceNexus Foundation.

[3] The Voluntary Principles on Security and Human Rights (2000), the Organisation for Economic Co-operation and Development's (OECD) Guidelines for Multinational Enterprises (2011), Conflict Sensitive Business Practice: Guidance for Extractive Industries (2005), the Organisation of Economic Co-operation and Development's (OECD) Risk Awareness Tool for Weak Governance Zones (2006), The United Nations Global Compact and the Principles of Responsible Investment's Guidance on Responsible Business in Conflict-Affected and High-Risk Areas: A Resource for Companies and Investors (2010), The United Nations Guiding Principles on Business and Human Rights (endorsed 2011).

[4] The Busan High Level Forum on Aid Effectiveness recognized the, "central role of the private sector… in contributing to poverty reduction" (OECD 2011(b):10). Australian Government Department of Foreign Affairs and Trade and Canadian International Development Agency have both recently launched well-funded initiatives to help their development partners to benefit maximally from their extractives sectors.

[5] ICHRP 1999; Stott 2007; Blin 2011, Bruderlein 2000; Glaser 2005.

[6] ICHRP 1999: 6.

[7] Bernard 2011:261.

stakeholders. It also significantly complicates companies' relationships with those stakeholders and companies' efforts to operate in ways that meet their obligations in relation to human rights. An ANSA's ability to profit financially from a company's presence may sustain or intensify conflict and exacerbate the dangers that ANSAs pose to local communities and to the company itself. When companies respond by enhancing their security, however, they may inadvertently compromise their ability to engage local stakeholders and deepen the risk to local communities of violence and human rights violations, both of which can enflame conflict at the local level .

Some part of the difficulties companies face in these situations may stem from the lack of available knowledge and resources, opportunities to share experiences, and direct, expert operational support that is relevant to corporate actors facing these particular dilemmas. This paper attempts to establish the need for this kind of resource by identifying the specific challenges that ANSAs pose to companies and defining the dilemmas that companies face in operating in contexts where ANSAs exist. It relates those to the obligations and responsibilities that are defined in the standards that, collectively, form a regime of global governance of corporate activities, and also to the gaps in current knowledge about constructive corporate operations in situations of conflict. Finally, an overview of existing bodies of practice -based knowledge further defines the lacuna in existing knowledge, but also points to the basis for a way forward in developing additional resources that might be practically useful for companies.

This paper focuses on the extractive industries, in particular on the oil and gas and mining industries. These industries often entail large-scale, high profile, and spatially fixed investments, as well as high 'barriers to exit.' Projects in the extractive sectors tend to have long time horizons, and are often high-impact – in terms of both the revenues that they provide to countries of operation and the effects that they have on people living within project 'impact zones.' These industries may be both more vulnerable than most others and more significant in terms of their potential impacts – positive and negative – on conflict. The dilemmas, challenges, and possible solutions that this paper identifies as relevant to the extractive industries may have salience for other industries, as well, but this paper does not explore that possibility.

The discussion herein draws on several sources:

- Existing high-level standards of corporate responsibility.
- Guidance for companies operating in fragile and conflict-affected states.
- The literature reflecting the experience of humanitarian and non-governmental organizations that engage with ANSAs directly or commonly conduct field operations in areas in which ANSAs are present.
- The literature on conflict sensitive business and business and peace
- Findings from the experience of CDA's Corporate Engagement Program working with extractive companies to improve their social impacts in complex operating environments such as Nigeria, Colombia, Sudan, and Myanmar.
- Insights collected from representatives of the extractive industries, experts on business and conflict, humanitarian agencies, and governments at two consultations convened by CDA's Corporate Engagement Program. The first, held in Geneva, Switzerland, focused on humanitarian experiences and corporate options for dealing with ANSAs. The second, held in Cambridge, USA, focused on business and peace and corporate operations in high-security environments.

II. Challenges that ANSAs Pose to Corporate Operations

Extractive Sector Challenges

Extractive industry companies, by their nature, must operate in areas where resources exist. As they seek to meet expanding global demand, they are increasingly driven to invest in complex environments. In the words of one industry executive, "In the oil business, all the safe places have been taken. If we are going to find new resources, we have to be willing to go to countries where there is violence."[8] Not all executives exhibit equal equanimity about the prospect of operating in violent contexts, of course. Companies may find themselves operating in conflict zones without ever making a deliberate, knowing decision to invest in such a context; a company may invest in a country where there is no armed conflict, only for violence to break out after operations commence. In some cases, companies invest in stable areas of conflict-affected countries, but, given the comparatively long life spans and spatially fixed nature of projects in the extractive industries, find that the geography and dynamics of the conflict shift dramatically over time and bring violent conflict to the doorstep of the company.[9]

In such settings, companies' vulnerability to conflict, and their potential impacts on conflict, are acute, but decisions to suspend or cancel projects when "above ground" conditions deteriorate are not always straightforward. They may entail breaches of contract with states and lead to huge losses for the company. Companies that are concerned about their social impacts must also weigh the risks of continuing to do business against the likely impact of a sudden departure. The latter can leave communities more vulnerable to conflict-related violence than they would be if the company had opted to stay, potentially triggering the withdrawal of state or private security providers, large scale lay-offs, or the cessation of often considerable expenditures on community and infrastructure development projects. Relatively responsible companies also often argue, not without some justification, that their departure from a challenging context would merely open the door for more unscrupulous and less accountable competitors to take their place. Opting to stay, however, exposes the company to the risks of operating in the presence of one or more ANSAs.

ANSAs may perceive corporate projects in a range of different ways: as an asset of the state whose legitimacy they contest; as a threat by virtue of improvements in transportation infrastructure and the presence of security forces that often accompany the onset of large-scale, capital-intensive business activities; as an opportunity for revenue to fund operations through coercive activities and even employment and subcontracting by an ANSA's sympathizers, agents, or affiliates; or some combination of the aforementioned.[10]

Fragility and Governance Challenges

The presence of an armed actor that is opposed or unaccountable to the state and is willing to use violence to achieve its aims often implies that the state may experience aspects of fragility. It may be unable or unwilling to govern territory effectively. The host society may be characterized by divisive grievances and inequities and there may be profound disagreements about the nature of governance and political legitimacy within the body politic. More

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[8] Anderson and Zandvliet 2009:64.
[9] A similar case is described in Zandvliet and Reyes 2004.
[10] IHRB 2011:54.

immediately, it suggests ongoing violence that is likely to entail continuing human rights abuses by both non-state actors and state actors. Often in cases of violent, intrastate conflict, states themselves may be bad actors that fuel violence by suppressing dialogue and non-violent dissent and violating the human rights of citizens. Companies contribute revenues to public coffers and typically operate by virtue of contracts that many see as implying the recognition of the legitimacy of the host state. Even the perception of collaboration with states that are contested or allegedly involved in significant abuses can polarize local communities and attract the ire of local and international civil society groups and even shareholders who perceive that the company has aligned itself with a bad actor.[11] Even without misconduct by the state, the fact that companies operate by virtue of the consent of states that are engaged in conflict can impose on companies a range of extremely uncomfortable and difficult decisions. For example, in one case, the host-state internal security apparatus asked a company to allow its agents to infiltrate the company. When the company tried to refuse, security agents insisted, claiming that they had not doubt that the ANSA had already placed its own agents within the company.[12]

Whether an ANSA is already present in an operational area or intentionally seeks to initiate activities in the vicinity of a company, the risk of violence by an ANSA against a company's staff, operations, and property can be grave. Motivations for violence against a company may vary: the company may be a proxy for the state itself, where the ANSA is incapable of acting against the government's own installations or it perceives the company as a relatively "soft" target; the ANSA may seek to drive a company – with its attendant local infrastructure development and security providers – from an area of an ANSA's operations;[13] or the ANSA may wish to deprive the state of revenues and to send a message about its intentions and capacities to the state and to the public. In any case, companies have little choice but to take these threats seriously and act to protect their staff, property, and affected communities.

The success of an ANSA in profiting in one way or another from the presence of a company can feed into conflict dynamics and may contribute to sustaining violence.[14] High profile cases of companies that have directly sustained conflict financially by, for instance, sourcing diamonds or minerals from conflict zones,[15] should not obscure the fact that there are many other means through which an ANSA might finance its operations through revenues derived from companies or their activities. Only some of these rely on the willful or knowing participation of the company. Extortion, kidnapping, theft, diversion of resources, other forms of enforced "taxation," both of a company and local subcontracting enterprises can all provide revenue for an ANSA even as they menace and victimize the company and its business associates. Though well-intentioned, internal policies banning payments to ANSAs may be of little help to staff when they are held at gunpoint by a violent actor. Similarly, companies may be aware that paying ransom for kidnapped personnel may create incentives for further kidnappings while also financing an ANSA's activities. But when staff demand to know how the company would

[11] Cf. MacDonald 2013:139.
[12] Geneva Consultation participant.
[13] Personal communication, mining company representative.
[14] Cf. Wennmann 2009; Talyor 2013.
[15] Cf. MacDonald, 2013:128; Global Witness 1998. The Global Witness report has implied that De Beers almost certainly sourced diamonds from National Union for the Total Independence of Angola (UNITA) controlled areas of Angola throughout the 1990s.

respond if they were kidnapped, referring to the company's zero-extortion policy may not be a tenable response.[16]

Local contractors, meanwhile, may be 'softer' targets than the company itself. At times they may also be complicit in extortion schemes, intending to take a cut after collaborating with an ANSA to arrange kidnappings or theft.[17] If they, or individual members of their staff, have sympathies for an ANSA, they may purposefully channel funds to it, potentially implicating the company by virtue of the business relationship. The problem both adds to the security dilemmas that companies face when they operate in these contexts and raises questions about what companies can do to ensure that their business relationships, supply chains, and community relations do not link companies to illegal groups or perpetrators of violence.

Many companies respond to the risk of violence and extortion by ramping up their security measures. But fortification of corporate compounds and infrastructure, providing armed escorts for company staff in the field or in transit, and other security policies and practices also entail risks. In situations of armed conflict, the presence of state security forces may both invite violent confrontation by an ANSA and confirm, in the perspective of an ANSA, that the company is, in effect, on the side of the state in a struggle for control and legitimacy. Conditions of extreme tension and duress characterized by the constant threat of violent confrontation puts a great deal of pressure on security providers themselves, who may then be more likely to violate the human rights of people living in communities near to corporate operation sites, particularly in cases of conflicts in which not all combatants are uniformed.

Company Relationships with External Stakeholders

Enhanced security measures may better protect company personnel, but they may also impair a company's ability to interact with local stakeholders.[18] Robust security measures of the sort described above can isolate company personnel and restrict their movements and social interactions. They can also send implicit messages of antagonism or disrespect to local communities, creating a climate of fear or intimidation that makes constructive dialogue and engagement all but impossible, or, alternately, provokes resentment among local community members.[19] Constructive relationships with local communities, however, can offer companies intelligence, support, and perspectives that can be vital to their security and their understanding of conflict.[20] Inability to engage local stakeholders constructively also risks provoking localized company-community conflict and thus compounding both security problems and the risk of local-level violence. Further, many of the globally recognized standards of corporate social responsibility mandate or are premised on significant and sustained community engagement and consultation.[21] Without these, companies may not be able to meet good practice standards such as those set out in the *United Nations Guiding Principles on Business and Human Rights* (UNGPs) and *The Voluntary Principles on Security and Human Rights* (VPs).

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[16] Geneva Consultation participant.
[17] Geneva Consultation participant.
[18] World Bank 2004:1.
[19] World Bank 2004:4; IHRB 2011:80; Anderson and Zandvleit 2009: 38-9.
[20] Anderson and Zandvleit 2009:38-39; Zandvleit and Reyes 2004.
[21] E.g. United Nations *Guiding Principles on Business and Human Rights*, *The Voluntary Principles on Security and Human Rights*, United Nations Global Compact *Guidance for Responsible Business in High-Risk and Conflict-Affected Areas*, and the International Finance Corporation Performance Standards.

ANSAs also often pose risks to communities in the vicinity of company projects. While some ANSAs may claim to represent the interests and grievances of segments of a population, the evidence does not suggest that such ANSAs necessarily treat those populations humanely, and ANSAs may see communities that have constructive relationships with companies as complicit with the state and its agendas.[22] In other cases, ANSAs have been known to "tax" local populations in various ways, funding their activities through parasitical, predatory, or even symbiotic relations with local communities.[23] Some ANSAs adopt political strategies that entail deliberately inflicting extreme violence on civilians, as in the case of Peru's *Sendero Luminoso* (Shining Path).[24] In cases where the presence of a company attracts an ANSA to a location,[25] it may be possible to construe the risks that ANSAs pose to the local citizenry as an indirect impact of corporate operations. Local communities, as well, may blame the company for an increase in the ANSA's activity in their areas.

ANSAs can complicate companies' relationships with governments in a host of ways, as well. In many cases, such as those of the FARC and paramilitary groups in Colombia, host states proscribe ANSAs as illegal groups, barring engagement with them and prohibiting the transfer of resources to them, even under duress. Many states also require the use of public forces for security or restrict companies' choices of private security providers.[26] In some cases, security providers may lack the basic competencies required to be effective in deterring attacks and during incidents of confrontation or have human rights records that fall below the standards set by the VPs.[27]

At the same time, ANSAs often purport to represent historical or long-term social grievances that may also be accepted as legitimate by ethnic, sectarian, class-based, or geographically defined groups, as is true of Western Sahara's POLISARIO. In other cases – such as that of *Umkhonto we Sizwe*, the armed wing of the African National Congress in South Africa – ANSAs may have legitimacy of their own in the perception of some segments of a population. They may draw material support and recruits from communities in the vicinity of a company's operations, and even from populations in diaspora globally, as was true of the Liberation Tigers of Tamil Elam in Sri Lanka and remains true of various armed groups in Syria and Iraq. While this may not always mean that the ANSAs is well-behaved towards those it purports to represent, it does point to the need for companies to understand and take seriously the grievances that an ANSA claims to address, even if only as a way of understanding the perspectives of the company's own local stakeholders. In some cases, it may be difficult for a company to understand fully the views and needs of local stakeholders that support the aims of an ANSA without direct dialogue with partisans of the ANSA.[28]

III. Existing Guidance: Gaps and Opportunities

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[22] Cf. IHRB 2011:53.
[23] Glaser 2005; DCAF and Geneva Call 2011.
[24] Cf. Bruderleine (2000.
[25] See, for instance, Zandvleit and Reyes 2004: 4; IHRB 2011: 55.
[26] Geneva Consultation participant
[27] As in Faessler 2010.
[28] Cf. Hoben et al. 2012.

A range of guidelines, guidance, and tools exist to define corporate responsibilities in a range of domains and to aid companies seeking to improve practice in a variety of thematic areas. Some of these touch on aspects of foreign direct investment,[29] of corporate practice, or on impacts that have demonstrated links to conflict issues.[30] Others are developed expressly for companies operating in fragile and conflict-affected states and are specifically intended to help companies avoid operating in ways that might negatively impact conflicts and tensions that already exist in those jurisdictions.[31] An examination of those tools and guidelines, however, suggests that relatively little work explicitly addresses the challenges that ANSAs can pose to companies. Guidance that directly responds to these issues is both insufficiently detailed and is aimed at supporting the formulation of overarching strategies, rather than informing operational practices. The high-level standards that define corporate responsibilities, meanwhile, typically offer very little in the way of operational guidance of any kind. Companies frequently report that such standards are challenging to meet under the best of circumstances, and almost impossible to meet in contexts in which ANSAs are present.

High-Level Standards

With the recent adoption by the United Nations of the UNGPs, making operations "rights-compatible" is at the forefront of many companies' corporate responsibility agendas.[32] *The Voluntary Principles on Security and Human Rights* (VPs) has also recently moved into its implementation phase, buttressed by multi-stakeholder initiatives to certify private security companies on the basis of their human rights track records[33] and to identify and address challenges of implementing the VPs.[34] The UNGPs and the VPs are the pre-eminent standards that define corporate responsibilities with respect to human rights. By design, the UNGPs and the VPs articulate principles, but do not speak to operational realities. Companies attempting to implement the standards have noted that, even in contexts that have little risk of violence, operating in ways that are consistent with the standards is not easy or simple, and that "the main challenge that they currently face lies in knowing how to apply [the standards] and adapt them to specific business contexts."[35] Wennmann has noted the same, observing that the standards are "declaratory" rather than operational.[36] Moreover, many companies speak of specific challenges that ANSAS pose to their efforts to achieve the standards and assert that meeting the standards in those contexts is nearly impossible without further guidance about how to manage the presence of ANSAs.

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[29] E.g. the Extractive Industries Transparency Initiative.

[30] See, for instance, the range of tools and guidance made available through CommDev, the International Council on Mining and Metals (ICMM), and IPIECA.

[31] For instance, the UN Global Compact and PRI's Guidance for Responsible Business 2011;, OECD 2006; Banfield 2005. Cf. Ganson 2013.

[32] In 2012, for instance, the Mining Association of Canada initiated a process for identifying best practices among its member companies in relation to their duties to "respect" and to "remedy".

[33] The International Code of Conduct for Private Security Providers; see http://www.icoca.ch/.

[34] The Geneva Center for the Democratic Control of Armed Forces (DCAF) and the International Committee of the Red Cross have partnered in this initiative.

[35] START 2013:2. The Fast Talk Report is published by the Government of Canada and captures the proceedings of a roundtable discussion convened by the GoC, but it does not necessarily represent the official position or policy of the GoC.

[36] Wennmann 2013:920. There are initiatives underway to assist with implementation of the standards such as the Mining Association of Canada's implementation of the UNGPs; Voluntary Principles Initiative; United Nations Global Compact.

Violent conflict, particularly irregular conflict, by its very nature dramatically increases the risk of human rights violations by armed actors, whether they are accountable to a state or not. If companies operate in ways that fuel or sustain conflict, their actions may inadvertently increase the risks of human rights abuses by parties to the conflict, despite companies' efforts to mitigate direct risks to human rights posed by their own business activities. In cases in which one or more ANSA is party to the conflict, heightened due diligence is incomplete without a competent and meaningful analysis of the ANSA(s), their positions and interests, and their relationships to other actors. Approaches to performing appropriate analyses and developing strategies for mitigating the risk of human rights violations by ANSAs are beyond the remit of both the VPs and the UNGPs, but are very likely necessary for meeting the standards of responsibility that they define.

Even where companies are able to meet the minimum standards of due diligence in mitigating their own potential impacts on rights-holders, they face the added challenge of meeting their responsibilities in relation to external stakeholders, foremost among which are the states where they operate. While the UNGPs indicate that the duty to respect human rights exists independently of the state's ability to protect them effectively, the UNGPs are founded "upon the bedrock role of States"[37] acting as guarantors of human rights. When the state cannot fulfill this role, or engages in human rights violations, companies have a responsibility to exert their leverage over states to encourage them to change their behavior. Yet companies that are dependent on states for their own security, or operate at the behest of states, often find themselves in relatively weak negotiating positions once they are legally committed to their investments.[38] Further, when states themselves violate the human rights of their citizens, it may be exceedingly difficult for companies to demonstrate that they have exercised their due diligence with respect to their own human rights impacts.

Meeting the standards set out in the VPs and the UNGPs depends on operational activities that may be very difficult to undertake in contexts where ANSAs are present. Both standards require significant stakeholder engagement in order for companies to identify and mitigate potential adverse impacts as well as to remedy actual impacts. In the case of the UNGPs, companies are expected to engage stakeholders in order to identify potential impacts on their human rights, to determine ways of mitigating those impacts, and to establish processes to remedy adverse impacts that do occur. The VPs require companies to engage stakeholders for the purpose of determining the ways in which the company's security arrangements affect them and to conduct conflict analysis. Yet in contexts in which a heavy security presence is required for the safety of company staff, a constructive dialogue with external stakeholders may be extremely difficult to achieve. It is beyond the scope of either standard, however, to provide practical guidance on how to resolve this dilemma.

The UNGPs also address companies' business relationships with contractors throughout the supply chain, noting that while companies may not be directly responsible for negative human rights outcomes caused by contractors, partners, or suppliers, they nevertheless have an obligation to "seek to prevent or mitigate adverse human rights impacts that are directly linked

[37] Ruggie 2008:14.
[38] Zandvliet 2011.

to their operations, products or services by their business relationships."[39] Companies may therefore bear some responsibility for helping contractors and other business partners avoid falling victim to extortion, and for ensuring that business partners do not voluntarily channel monies to an ANSA or in other ways collude with an ANSA. In situations of violent conflict, however, knowing the political affinities of non-combatants can be extremely difficult. This can also make local hiring a challenge; in some cases, companies have little choice but to assume that they have hired people who covertly sympathize with an ANSA that is associated with serious human rights abuses.[40] Similarly, where parts of a local population support an ANSA or its aims, it may not be possible to ensure that capital and material support allocated to communities in the form of social investment initiatives do not benefit the ANSA, as well.

Conflict-Related Guidance

Much scholarly and practice-based work recognizes that conditions of fragility pose distinctive challenges to companies[41] and therefore warrant distinctive approaches to operations, and there is a range of guidance that focuses on doing business responsibly in such contexts. The OECD, for instance, has developed a risk awareness tool for companies conducting business in "weak governance zones"; the UN Global Compact and the Principles for Responsible Investment have produced guidance for operating in "conflict-affected and high-risk areas"; and the International Council of Swedish Industry refers to "complex environments."[42] International Alert has criticized the manner in which the OECD framed its *Risk Awareness Tool for Weak Governance Zones* by arguing that the OECD "does not [identify] violent conflict as a specific type of operating context that OECD companies can invest in. Focusing more generally on 'weak governance zones' serves to blur these specific challenges, and precludes full analysis of the strengths and weaknesses of existing company practice, and of existing OECD instruments, in such contexts."[43] A similar critique can be directed at other guidance and resources aimed at companies operating in complex and fragile environments.

The environments in question are characterized by significant social and political tensions, legacies of violent conflict, weak, authoritarian, or otherwise undemocratic states, states with high levels of corruption, undeveloped regulatory frameworks or institutions, an absence of credible, formal mechanisms for the expression and resolution of social grievances and fundamental disagreements about governance, or some combination thereof. Contexts of conflict involving ANSAs may exhibit many of these characteristics, of course, yet none of the guidance about operating in conflict-affected and fragile states addresses ANSAs specifically in any sustained way. The UN Global Compact's *Guidance for Responsible Business in High-Risk and Conflict-Affected Areas*, for instance, which aims to present concise but comprehensive guidance for operating in jurisdictions that experience a range of conflict-related issues, mentions ANSAs twice – in a short case-study box, and in the context of a discussion of the management of financial flows from companies to other actors.[44] The problems that companies face in contexts in which ANSAs are active, however, are both broader and still more specific. They may include challenges that are commonly found in fragile states or complex environments, but they also

[39] UN OHCHR 2011:14.
[40] Zandvliet and Reyes 2004.
[41] Ganson 2013.
[42] Ganson 2013.
[43] International Alert 2004:1.
[44] United Nations Global Compact and the Principles for Responsible Investment 2011:23 and 14, respectively.

involve ongoing violence and one or more actors that are willing to use violence to pursue its aims. Practices that are appropriate for complex environments – heightened due diligence, for instance, or "rigorous stakeholder engagement mechanisms"[45] – may be difficult or impossible to implement effectively in those situations for a range of reasons: the unreliability of information in politically polarized situations, the challenge of inclusive stakeholder engagement in contexts of widespread violence or in the presence of state security providers, and so on. Moreover, constructively managing the presence of an ANSA may entail seeking ways to influence the capacities, motivations, and behavior of the ANSA itself, a subject that is almost completely outside the scope of guidance of this kind. These contexts indeed pose unique challenges and require distinct guidance and approaches to operations.

Guidance Relating to ANSAs

There is limited guidance specifically for companies that addresses the issue of ANSAs directly. The Institute for Human Rights and Business' *From Red to Green Flags* (*Green Flags* hereafter) is the most recent development that explores the challenges and dilemmas that ANSAs pose to companies endeavoring to respect human rights in fragile states. *Green Flags* provides a thorough and analytically detailed exploration of the dilemmas that ANSAs pose for companies, particularly in relation to their ability to achieve the standard of respect for human rights. But in the way of concrete options for companies that want to achieve enhanced due diligence, *Green Flags* offers only 11 tersely-worded imperatives (e.g. "Enhance company security measures to include protection of local communities [as necessary and as far as possible.]").[46] It is, in short, more of an exploration of problems and dilemmas than a pathway towards solutions for in-country operational staff; *Green Flags* itself notes in the context of its discussion of dilemmas posed by ANSAs that "detailed guidance is needed."[47]

The most developed intervention in this arena is International Alert's *Conflict Sensitive Business Practice* (CSBP). CSBP offers multiple tools for conducting analyses of conflict risks. It also breaks out issues that frequently challenge companies under the rubric of "Flashpoint Issues" and provides dedicated discussion of those issues. At five pages in length, CSBP's "flashpoint" discussion of "Dealing with Armed Groups," is somewhat basic, however. In fairness, CSBP represents the first and only serious attempt to help companies deal concretely with the operational problems that ANSAs create. It also offers some important insights:

- Discussion of the business cases for and against direct engagement with ANSAs, and of "standard assumptions [about ANSAs] and responses,"[48] are likely to stimulate reflection among companies about how to approach ANSAs and underscore the importance of deliberate and strategic approaches to managing their presence.
- CSBP suggests three alternatives to direct engagement with ANSAs: "principled non-engagement in extortion and bribery," "development of strong relations with local communities," and "use of influence to support humanitarian and peace efforts."[49]

[45] United Nations Global Compact and the Principles for Responsible Investment 2011:20.
[46] IHRB 2011:58.
[47] IHRB, 2011:56.
[48] Banfield 2005, Flashpoint Issue 6:3.
[49] Banfield 2005, Flashpoint Issue 6:6.

- CSBP flags the importance of developing approaches to ANSAs that are premised on analysis of the ANSA itself, as well as analysis of the larger context and of the conflict of which the ANSAs are a part.
- CSBP suggests a number of characteristics of ANSAs – e.g. "leadership," "constituency," "ideological basis,"[50] and so forth – that companies should analyze for the purpose of understanding and developing a strategy for managing the presence of the ANSA. The characteristics are potentially useful ones and warrant further testing in the field.

CSBP's treatment also leaves a number of significant gaps or open questions that are likely to be relevant to companies:

- Insight into how best to conduct day-to-day operational activities such as establishing and enforcing rules of engagement for security providers, working with local contractors to help them to minimize the risk of falling victim to extortion, or engaging stakeholder communities in contexts of violence and a heavy security presence.
- Development of practical management options that do not involve engaging ANSAs directly, which is unlikely to be a legal option for many companies.
- Analysis of the relationship between the internal characteristics of an ANSA and practices and approaches that may be effective in influencing the ANSA's behavior. CSBP contains no mechanism for linking the outcomes of the analysis to the process of developing an overall strategic approach to dealing with the ANSA. To illustrate, CSBP suggests that companies analyze the "leadership" of an ANSA in order to discern the level of cohesiveness of the group and the degree of control that is exerted over it from the top. But it does not discuss the reasons why weaker or stronger internal control, or a greater or lesser degree of internal cohesion, might warrant different approaches to engagement or, for that matter, different overall strategic approaches to an ANSA.
- Grounds for differentiating between the three options for action that CSBP presents. None of the options precludes or contradicts any of the others. Under many – and possibly all – circumstances, companies operating in conflict zones would be well advised to consider adopting all three courses of action.

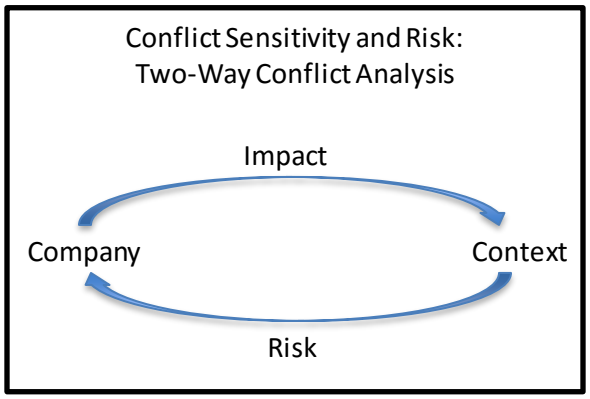
IV. Learning from Experience

Companies generally view and understand conflict issues through the lens of risk. While conventional risk management exercises are inadequate for capturing many conflict risks, they nevertheless constitute an important starting point for helping companies to manage their own impacts on conflict. Moreover, in some cases, risk-based approaches have enabled companies to identify and adopt proactive and positive engagement in issues related to conflict. The experiences of humanitarian and NGO actors that analyze and engage ANSAs in the course of their own operations demonstrate that it is possible to develop robust, practical frameworks for analyzing the motives, positions, influences, and the makeup of ANSAs, and that these can serve as a foundation for strategies for dealing with them. Such frameworks may offer useful starting points for tools or guidance for companies.

Risk-Based Approaches to Conflict

[50] Banfield 2005, Flashpoint Issue 6:5.

In practice, most extractive industry companies deal with threats to their staff, property, and the stability and profitability of individual projects through risk management mechanisms.[51] Risk mitigation actions are generally developed for the purpose of forestalling events that might jeopardize the success or safety of a project and its staff, but risk management processes do not always consider risks to actors external to the company, or to the long-term stability of the operating context.[52] Often, risk management is approached as a kind of self-protection or "coping strategy"[53] for dealing with threats posed to a corporate project. Many companies understand the social contexts in which they operate as intrinsically political arenas that are populated by social groups with complex and competing interest patterns, historically deep relationships, and, at times, pronounced grievances among social groups and key actors. Companies frequently proclaim their "neutrality" in relation to these local social and political wrangles, an assertion that may be indicative of their understanding of themselves as positioned outside of those struggles. While they may recognize the effect of those struggles on the stability of the environments in which they work, they rarely grasp the ways in which their own presence and activities in the context perforce affect local actors as well as the conflicts and grievances between them.[54] As a result, their analyses of risks often fail to situate the company itself – the social costs it imposes and the benefits it offers to local actors – within the context as one actor among many, already entangled in larger relationships that may be characterized by conflict and division.[55] The impacts of corporate operations benefit some of these actors and harm others; they can never be "neutral". Approaching risk analysis from a starting point of perceived neutrality can lead to the omission of a wide range of risks that are caused or made more significant by the impacts of the company and its activities.



In contrast, conflict sensitive approaches to corporate operations are founded on the recognition of the interplay between corporate social impacts and the risks that the company faces. Contexts of conflict pose risks to corporate operations; at the same time, corporate impacts in contexts of conflict alter conflict dynamics and thus change the risks that the context poses to the company. This principle is illustrated in the figure to the left. Conflict sensitive approaches to business operations differ from conventional risk management approaches in that they account for this dynamic. Such approaches are predicated on 1) understanding the context of the operation; 2) understanding the likely impacts of the operation on the context; 3) modifying the operation in such a way as to reduce negative impacts and maximize positive ones. Effective conflict sensitive business practices help companies ensure that their impacts at a minimum 'do no harm', or avoid provoking, sustaining, or enflaming conflict. But they can also help companies to operate in ways that have a range of positive impacts on the context. Adequate conflict analysis may also enable companies to identify key factors that drive conflict, defined as factors without which the

[51] Tripathi 2010; Nelson 2000; see also OECD, 2006 and 2011.
[52] Cf. Nelson, 2000:31.
[53] Joras 2009:6.
[54] Cf. Anderson and Zandvliet 2009: 67-68; cf. Ganson 2013:60.
[55] Anderson and Zandvliet 2009: 67.

conflict would not exist, or would be significantly different.[56] Where companies are able to operate in ways that reduce the salience of these key factors, they may also contribute to peace, though it is important to point out that not all positive impacts affect drivers of conflict.

Risk-based approaches to conflict management are not intrinsically incompatible with conflict sensitivity. Given the risks that armed conflict poses both to companies and to their stakeholders – including the risks of human rights violations – risk-based approaches require a conflict sensitive lens in order to be of use to companies seeking to meet their responsibilities in contexts of armed conflict. For the purposes of using risk management processes to operate in a conflict sensitive way, however, conflict analysis is necessary but insufficient. The conflict analysis must proceed from three assumptions that are not always foundational to risk management processes:

1. The company needs understand that it is a part of the context, not apart from the context. It therefore needs to analyze its own position, activities, and impacts in relation to other actors as part of the conflict analysis.
2. The risk that the company may negatively impact the conflict needs to be analyzed and mitigated. While many companies are attuned to their impacts on discrete stakeholders and stakeholder groups, they often overlook their impacts on relationships between stakeholders.
3. Planning for actions that mitigate conflict risks needs to be linked directly to the conflict analysis.

Several good practice standards[57] for companies aim to build on corporate risk management systems by stipulating that companies approach their own potential negative impacts on the context as risks that require mitigation. For instance, the UNGPs mandate that companies mitigate the risks that their business activities pose to rights-holders external to the company. This approach seeks to manage corporate impacts on human rights by widening the scope of existing risk management protocols to encompass risks that companies pose to the human rights of staff and external stakeholders. The VPs stipulate that company risk analyses should "examine patterns of violence in areas of company operations for educational, predictive, and preventative purposes"[58] and suggest conflict analysis that includes the "identification of and understanding the root causes and nature of local conflicts, as well as the level of adherence to human rights and international humanitarian law standards by key actors."[59]

A risk-based process that includes conflict analysis as a means of identifying risks and impacts would yield insights into critical social and political issues that might inform strategic approaches to a range of different business activities: negotiation of contracts with governments; engagement with the host state and with other key actors in the context (such as other companies, industry associations, CSOs, home-state diplomatic and trade missions, labor unions, and so forth); revenue management; social investment and infrastructure development; hiring practices; and so on. It is worthwhile to note that the same analytical and planning processes that underpin conflict sensitive practice could also serve as the foundation for the development

[56] Chigas and Woodrow 2009: 9.
[57] For instance, the United Nations Guiding Principles on Business and Human Rights, The Voluntary Principles on Security and Human Rights, International Finance Corporation Performance Standards.
[58] Voluntary Principles on Security and Human Rights 2000:2.
[59] Voluntary Principles on Security and Human Rights 2000:3.

of strategic approaches to operations that ameliorate key drivers of conflict. This suggests that within the framework of a risk management process that includes conflict analysis, it may be possible to see conflict sensitivity and peacebuilding as points on a continuum of conflict risk mitigation options.

Case Studies

Case studies[60] developed on the basis of field-based work with companies suggest that there are identifiable practices that can be effective in some contexts in managing the presence of ANSAs in a manner that is conflict sensitive or reduces the impacts of violence on communities. Given the heterogeneity of ANSAs themselves as well as the contexts in which they are active, it seems unlikely that those practices can be applied across contexts with good effect. More case studies need to be developed to learn from the practices of companies in a broader range of contexts, both to identify additional good practices, and to test the effectiveness of identified good practices in a range of different circumstances.

Evidence from the field also suggests that most extractive industries companies approach ANSAs as a security issue and see them as "out of bounds" when it comes to direct engagement. They are often challenged to make an internal "business case" for operating in ways that purposefully account for their impacts on conflict. Nevertheless, field-based work with companies in situations of conflict suggests that, when companies are able to substantiate the direct link between context-specific risks posed to their operations and conditions that drive or sustain conflict, they may come to view their own success as contingent upon ameliorating conflict issues in the contexts in which they work.[61] For example, following intense conflict between itself and two of its stakeholder groups over the way in which it distributed benefits among stakeholders, Chevron Nigeria, Ltd. (CNL) adopted a Global Memorandum of Understanding (GMOU) approach to community agreements, negotiating a single benefits distribution agreement with both groups. The approach reduced tensions by enhancing transparency among CNL and the two groups. CNL also conducted its own conflict analysis, identifying key conflict drivers throughout the Niger Delta, and partnered with a range of donors, development agencies, communities, and government offices to establish a foundation that developed and funded initiatives to address those drivers.[62] The foundation's training programs for communities included building their capacities in conflict resolution.

Good Practice Example: Contractors and Extortion

When it operated in Casanare, Colombia, BP made it clear to local suppliers that it would not tolerate them channeling funds – willingly or otherwise – to the FARC or to the paramilitary groups that were active in the area. BP included in its contracts with local suppliers clauses indicating that payments to ANSAs were grounds for termination of the contract. It provided training to the staff of its suppliers and audited them annually for suspicious expenditures. It also took steps to reduce contractor's vulnerability to extortion, arranging military convoys through ANSA-controlled territory for their vehicles.

Corporate Engagement Program, "Looking at the Principles Behind the Practices; Operator: British Petroleum", 2004.

[60] Zandvliet et al. 2004; Zandvliet and Reyes 2004; Zandvliet and Shah 2002.
[61] See, for instance, Joras et al. 2009
[62] Hoben et al. 2012.

Humanitarian Experiences

There is an established literature about dealing with ANSAs that comes from work addressing the needs and reflecting the experience of humanitarian and mediation actors. Humanitarian agencies have for some years sought to engage ANSAs for the purpose of influencing their behavior. To fulfill their own missions, humanitarian actors require access to populations in territories controlled by ANSAs and need to be able to operate in conflict zones without interference from ANSAs, and often engage directly with ANSAs for the purpose of negotiating either objective.[63] Mediators engaging in negotiations involving an ANSA similarly seek to influence the decision making of ANSAs.[64] Other actors working in closely allied fields – notably Geneva Call – seek to influence ANSAs to adopt or abide by humanitarian law, the Geneva Convention, or the Ottawa Treaty.[65]

For the purposes of developing operational-level expertise and options for companies, this literature offers promising starting points. One of its most salient aspects is the depth of its understanding of how to analyze ANSAs for the purpose of developing approaches to influencing them. Internal characteristics of an ANSA, such as its aims and ideology and the nature and degree of its cohesion, command, and control,[66] for instance, may indicate underlying motivations and commitments, an ability to enforce policies, principles, or codes of conduct, and the degree of interest on the part of an ANSA's leadership in enforcing those. A financial relationship with a foreign government sponsor might give and ANSA a strong incentive to remain in the good graces of that foreign state. This may in turn offer a channel for dialogue that in some cases might be used to influence the ANSA.[67] An ANSA's claim to represent the grievances of segments of the local population might suggest an ongoing political need to act in ways that make claims of legitimacy and shared interests plausible to members of local communities.[68] Insights into the economic relationships between ANSAs and local populations offer similar analytical traction: ANSAs that exist in "symbiosis" with local populations – receiving support and revenues in return for the provision of some sort of order and perhaps also services – may be very likely to have an interest in improving the welfare of civilians in their areas of operation. ANSAs that have a "parasitic" relationship with the local citizenry, in contrast, routinely display indifference to the welfare of civilians and are likely to act and make decisions with indifference to their interests.[69]

The humanitarian literature also presents analytical tools and frameworks for analysis and action. A seminal example of such a framework appears in *Ends and Means: Human Rights Approaches to Armed Groups.* Based on case study development and extensive consultation with humanitarian agencies, researchers, scholars, and ANSAs, the framework is intended for actors seeking to influence armed groups to respect international norms concerning human rights and humanitarian law. It identifies the internal characteristics of ANSAs that would be likely to determine their motives, their ability to enforce policies internally, and the points of

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[63] ICHR 1999, UN Office for the Coordination of Humanitarian Affairs 2011.
[64] Wennmann 2009; Alluri et al. 2010.
[65] Breuderlein 2000.
[66] ICHRP 1999.
[67] ICHRP 1999: 22.
[68] ICHRP 1999; Glaser 2005: 9
[69] Glaser 2005:9. See also Taylor 2013.

leverage that might be used to exert pressure on them. The framework lays out a schema for analyzing armed groups themselves in terms of their key internal characteristics, and in turn sets these into a context defined by the role of the state and the role and capacity of civil society within the context. These are then tied to different options for influencing the ANSA.

The immediate relevance of this body of knowledge to corporate actors remains to be seen. Humanitarian actors are positioned quite differently than corporations, and have different objectives. They thus may have latitude to act in ways that corporations in many cases cannot. Many humanitarian agencies argue that they have a moral license – stemming from the plausibility of their claim to be working impartially for the welfare of distressed civilian populations – to engage directly with ANSAs[70]. The literature about humanitarian experiences with ANSAs is largely focused on developing strategies for direct engagement with an ANSA for the purpose of negotiating access to territory or persuading the ANSA to adopt principles of International Humanitarian Law. Companies may not be able to justify credibly the same claims to impartiality that a humanitarian actor can, and direct engagement of an ANSA by a corporation is often highly suspicious in the eyes of host-states and advocacy groups, and untenable in the eyes of some shareholders. It may also be illegal under host country, home country, or third country law for companies to engage directly with armed groups that may be proscribed under one or more legal regimes; anti-terror legislation in the United States provides a case in point. Moreover, some states, civil society actors, and ANSAs may recognize humanitarian agencies, mediators, and organizations promoting humanitarian norms as politically impartial, or something close to it.

The analytical processes, tools, and frameworks employed by humanitarian actors reflect not only the positioning of humanitarians, but also their aims and imperatives. Corporations do not share these. Analytical categories and frameworks that are significantly different from those put forward within the humanitarian literature might be better suited to purposes other than direct engagement. For example, Glaser suggests that humanitarians might see an ANSA's "symbiotic"[71] economic relationship with a local population as a possible indication of the ANSA's willingness to adopt humanitarian norms and provide humanitarian agencies with access to that population.[72] A company, on the other hand, might see the same relationship between an ANSA and local communities as suggestive of the possibility that a strong, constructive relationship with those communities might be an effective approach to mitigating the risk of violence against the company. Thus, while reflection on the experience of humanitarian actors offer promising frameworks and analytical approaches, they remain indicative exemplars of what might be achieved for companies. The analytical approaches they embody require, at a minimum, some adaptation and 'repurposing,' and testing in the field for relevance to companies.

V. Dilemmas in Developing Guidance and Resources for Companies

Developing expertise and resources that can help companies operate constructively in the presence of ANSAs begs two questions. The first is how to define "armed non-state actors." The

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[70] Glaser (2005) sees engagement for these purposes as "inevitable… in many contexts"; see also UN Office for the Coordination of Humanitarian Affairs 2011, Hofmann and Schneckener 2011a, Jackson 2012, Hofmann and Schnekener 2011b, ICHR 1999, Bessler and McHugh 2006, Whitfield 2010, Gravingholt et al. 2007.
[71] Glaser 2005: 9.
[72] See, for instance, Glaser 2005.

issue is more than semantic, as it speaks to the understanding of conflict and conflict risks on the part of companies, and has implications for the cases that might be examined in order to develop expertise and resources for companies. The second relates to the aim of development of guidance and resources, that is, how to define what, exactly, guidance and resources should seek to help companies to achieve in contexts of conflict.

Which ANSAs?

Within scholarly and practice-focused work on ANSAs,[73] it remains conventional to make categorical distinctions between ANSAs that have ostensibly political motives, such as rebels and terrorist groups, and ANSAs that have ostensibly economic motives, such as drug traffickers and youth gangs. The former tend to be understood as political phenomena, while the latter tend to be understood as apolitical, perceived and addressed as a challenge primarily to host-state law enforcement. This perception is not uncommon among companies, as well.

In recent years, however, increasing attention has been paid to "new" or "hybrid" armed groups – such as youth gangs, criminal networks, vigilantes, and militias. Despite the putatively non-political intentions of these groups, the literature increasingly recognizes their complex relationships to persistent state fragility and chronic violence. An unpublished UN report suggests the scope of the issue, noting that, in 2011, the number of violent deaths in Tanzania exceeded that in Afghanistan by a factor of three. Similarly, the 2009 UN Secretary General's report indicated that 90 percent of all violent deaths take place outside of contexts conventionally regarded as armed conflict or terrorism.

As the understanding of these "non-conventional" ANSAs and their impacts advances, the clean, analytical distinction between armed groups that contend for state power and other armed groups appears increasingly simplistic for the purposes of understanding conflict, fragility and violence. In some cases, "hybrid" armed groups emerge as a response to a state's inability to protect citizens, enforce the law, or provide economic opportunities. In others, such armed groups weaken states by corrupting individual officeholders or state institutions, or intensify political conflicts by using violence to support individual politicians or political agendas. Some Brazilian drug gangs, for example, provide local-level services to communities, organize festivals, fund infrastructure improvement efforts, hear criminal cases and dispense 'justice,' and raise funds for political campaigns.[74] Similarly, in many contexts, vigilantes and youth gangs may have ties to political actors and their interests, and be used by political actors in the pursuit of their objectives.

Even the literature on "political" ANSAs notes that groups that organize themselves in the service of a political aim also need to finance their activities and thus often act in ways that are driven by economic considerations. Groups like the FARC, for instance, engage in drug production and trafficking to fund their activities. Changes in conflict dynamics can impose military limitations and extreme financial burdens upon ANSAs that have political ambitions, leaving them little choice but to raise funds aggressively through various forms of banditry and extortion. Conflict between states and political ANSAs can also create space for additional violent actors with profit, survival, or protection as a primary motivation. In any case, as

[73] Whitfield 2010; Stott 2007; Bruderlein 2000; Glaser 2005.
[74] DCAF and Geneva Call 2011:18.

conflicts run their course, the motives and actions of ANSAs change, and new ANSAs can emerge with complex relationships to their predecessors. In Colombia, for instance, some drug gangs are suspected to have ties to former paramilitary groups, while former FARC fighters have formed criminal bands, which control illegal gold mines and in some cases pay "taxes" to the FARC.

Perhaps more importantly, it is not clear that "political" ANSAs pose risks to companies that are distinct from those posed by other violent, non-state actors. It is more likely that the presence of any kind of violent group poses broadly similar challenges to companies seeking to foster a stable operational environment: engaging stakeholders to understand their needs and interests; avoiding sustaining or deepening violence in an operational environment; protecting local stakeholders from violence and its effects; mitigating the risk of human rights abuses and violations, including those risks posed by a company's own security providers and state security forces; and understanding and possibly mitigating drivers of conflict and fragility in a host-state.

That said, an ANSA's motivations and relationship to the host-state are obviously centrally important aspects of understanding an ANSA. The variability of these relationships, and their often paradoxical or counterintuitive connections to objectives that ANSAs articulate,[75] however, demands that they be analyzed in some detail on a case-by-case basis. But it would be unhelpful to exclude "new" or "hybrid" armed groups from consideration of how companies can operate constructively in the presence of ANSAs, as many companies are likely to encounter such groups in the context of their operations. When they do, they and their stakeholders will benefit from resources that can help companies to operate constructively.

Responsibility to what Extent?

A necessary step in helping companies operate constructively in contexts of open conflict is developing expertise that can aid them in meeting appropriately defined goals and responsibilities. While there is a broad consensus about companies' duties in respect of the human rights of their stakeholders, however, there is little consensus about what companies can or should aspire to achieve in relation to conflict as such when they operate in conflict-affected environments.[76] This presents difficulties for efforts to develop useful resources for companies.

Operating in contexts of open conflict or persistent violence entails direct risks to physical assets and financial and human resources, reputational and therefore opportunity risks, risks of lost production due to work interruptions and damage to company infrastructure, higher insurance premiums and security costs, complicity risks, and the possibility of prosecutions under legislation such as the Alien Tort Claims Act.[77] All of these can be costly. While there may be some industries that profit from conflict, such as weapons makers and private security companies, for most companies, conflict is bad for business. When businesses work in ways that exacerbate or sustain conflict, therefore, they harm their own business interests; when they work in ways that mitigate conflict and its effects, they advance their own business interests. The literature on business and conflict articulates a "business case" on this basis, arguing that

[75] cf. ICHRP 1999; cf. Glaser 2005.
[76] MacDonald, 2013.
[77] Oetzel et al. 2010; Davis and Franks 2011.

companies benefit from adapting their operational practices so that they "do no harm" or contribute to stability, and even peace, by addressing the kinds of issues discussed above.[78] Efforts to substantiate the "business case" constitute an expanding body of literature and practice.[79]

However persuasive the "business case" may be on its face, it remains somewhat conjectural in two senses: first, empirical studies and approaches that might substantiate the "business case" with numbers have begun to emerge only recently and remain relatively small in number.[80] Other studies suggest that few companies, if any, currently assess the full cost of conflict in terms of staff time, lost productivity, increased security costs, higher insurance premiums, "down days," reputational advantages or disadvantages, and so on, and are thus not in a position to attach value accurately to activities that may mitigate conflict risks.[81] Second, while opinion is often divided even within individual companies, only a small number of companies in the extractive industries adopt the "business case" as a principle or conviction that then informs policy and practice. Instead, the belief that "conflict with communities is unavoidable" is not uncommon among extractive industries managers. One company representative articulated this in the context of a discussion of the role of business in peacebuilding by saying "show me how this connects to me, and how I affect the situation, and then I will be more inclined to do something."[82]

This is not to say that companies are indifferent to conflict with communities – many are disappointed by them and invest considerable resources in avoiding them. But examples of companies that deliberately seek to operate in ways that are calculated to reduce conflict and contribute to the stability of the operating environment are relatively few. More often, the "business case" is an argument that is made *to* companies as a way of encouraging them to improve their social performance or adopt a proactive stance towards engaging in activities that might contribute to peace, conflict prevention, and equitable economic development.

Nevertheless, it is clear that operating in ways that enflame or sustain conflict worsens or prolongs risks, both to companies themselves and to a company's external stakeholders. It can worsen violence and political instability and exacerbate risks to the human rights of stakeholders. A company's inability to operate in ways that do not, at a minimum, "avoid harm" should prompt serious consideration of withdrawal from the context.

Resources to What End?

If, in contexts of conflict, "avoiding harm" is a minimum corporate responsibility, in many cases companies may also have opportunities to operate in ways that mitigate the impacts of conflict on their stakeholders or ameliorate conflict dynamics. The challenges that companies face in identifying and taking advantage of these opportunities should not be underestimated,

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[78] Cf. Joras 2009; Ganson (ed) 2013; United Nations Global Compact and Principles of Responsible Investment 2011; Brown and Kanagaretnam 2005.
[79] Cf. Oetzel et al. 2010; Davis and Franks 2011; Henisz et al. 2011.
[80] Henisz et al., 2011; cf. Bonini et al., 2009. The IFC Financial Valuation Tool, in development since 2011, constitutes a sophisticated attempt to capture the economic value of corporate "sustainability programming" and is the first of its kind.
[81] Davis and Franks 2011.
[82] Cambridge Consultation participant, 2013.

however.[83] Corporate approaches to risk management and skepticism towards the broad contours of the "business case" for conflict sensitivity point to the importance of changing business' perspectives on their roles and impacts when they operate in conflict systems. One important purpose of supporting companies that operate in contexts of violent conflict is helping them to draw substantive connections between their own operations, factors that drive conflict, and context-specific risks that conflict poses to companies. This entails supporting companies in developing capacities and tools to conduct adequate conflict analysis and, just as importantly, to integrate that analysis into recurring risk management exercises so that both companies' impact on conflict and conflict's impact on companies can be identified and addressed.

The literature on business and peace often represents potential constructive corporate responses to conflict as a menu of equally feasible options, or as a function of the nature of the conflict itself.[84] But many aspects of an operational context may shape companies' approaches and limit opportunities. These may be determined by the state's role in the conflict and its receptivity to the concerns of the company, as well as the company's ability to cultivate relationships with key officials or agencies within government. The interests and capacities of civil society actors can also be an important factor. Politically polarized environments can make cross-sectoral partnerships between companies and civil society organizations difficult for both the company and the organization. The literature usefully suggests that companies may increase their leverage and therefore their effectiveness when they work with other companies or chambers of commerce that operate in the host state,[85] but the interests, leverage, and capacities of those actors can also limit the options that are open to individual companies. Finally, in contexts where ANSAs are active, the characteristics of the ANSAs themselves is a critical consideration that bears upon how companies engage with other stakeholders in the context and informs their approach to any initiative, from engagement with external stakeholders to participation in Track II diplomatic efforts. Resources intended to support companies operating in these contexts may also need to provide guidance in identifying opportunities through an analysis of these factors.

Corporate options in context of violent conflict may in some cases include deliberate efforts to foster peace or contribute to creating conditions that favor peace. The literature on business and peace suggests a range of actions that companies can undertake, and in some cases principles that they can adhere to,[86] that can create, sustain, or strengthen peace. Among the most commonplace claims about business' role in contributing to peace is that violence reduction and peace are intrinsic consequences of economic development and direct investment.[87] As companies provide jobs, develop skills, expand and diversify economic opportunities, they reduce poverty and therefore foster a broadly shared interest in sustained peace.[88] The logic of this argument rests on a broad empirical correlation between poverty and conflict, and on the assumption that expanding economic opportunity leads to a more broadly shared interest in peace and stability. In some widely-noted conflicts,[89] business communities or

[83] See MacDonald 2013: 131-2.
[84] Oetzel and Getz 2010; Oetzel et al, 2010.
[85] Nelson 2000; Oetzel et al, 2010
[86] Nelson 2000.
[87] United Nations Millennium Project 2005.
[88] Forrer et al. 2012; Oetzel et al. 2010.
[89] Eg. MacDonald 2013; Forrer et al. 2012; Oetzel et al. 2010; Fort and Schipani 2007.

individual companies have been able to contribute to resolving conflicts through participation in Track II diplomacy initiatives.

The literature suggests that companies can work to promote good governance and the rule of law in their operational contexts by resisting corruption, adopting standards of transparency, implementing anti-bribery policies and internal codes of conduct, reporting publically, and seeking independent verification of a company's performance against international standards of good practice and applicable law. Such efforts are understood to contribute to peace because "enhancing the credibility and quality of the rule of law in a country is closely tied to reducing corruption and social and political conflict."[90] Advancing the welfare of corporate community stakeholders through social investment and philanthropic initiatives, it is argued, builds trust between companies and their stakeholders, even as they improve the quality of life for communities. Along similar lines, the literature contends that companies' can manage their relationships with their internal stakeholders in ways that promote broader peace, where those relationships embody values that have been identified as inimical to violence.

While there is little doubt that these suggestions in many cases represent good practice in relation to a range of difficult social and political issues, there is an important analytical distinction to be made between avoiding impacts that worsen conflict, "value creation"[91] through positive social impacts, and building peace. Much of the literature on business and peace blurs these distinctions.[92] When companies operate in ways that contribute to state building, good governance, reducing fragility, and economic development, they may well have positive impacts. But these impacts only contribute to peace when the problems that are ameliorated are social or political grievances that drive or sustain a specific conflict.

Effectiveness in Peacebuilding

Effective peace work in any given context reduces the salience of factors that drive conflict in that context. Practices and interventions that are effective thus vary widely across conflicts. For instance, conflict can be "a result, symptom, or cause of fragility."[1] Assuming that addressing fragility will also build peace is both analytically unsound and may result in less effective practices. An approach that contributes to peace in one context may be irrelevant to a conflict in another context, and may worsen conflict in a third. Knowing what contributes to peace in any particular context is only possible on the basis of a conflict analysis that identifies drivers of conflict and key actors in the conflict.

These observations point to an important distinction between conflict sensitive operational practices and efforts to build peace. Not all positive impacts in situations of conflict are impacts on underlying drivers of those conflicts,[93] and they cannot simply be assumed to reduce conflict or make peace more likely. By the same token, business activities that do not proceed from this understanding, even those intended to promote peace, risk exacerbating conflict.[94] The most noteworthy examples that illustrate this are drawn from experiences of company-driven economic development, thanks to numerous studies that suggest that introducing corporate resources such as jobs and contracts into impoverished and conflict-affected societies frequently intensifies conflicts between groups that already experience

[90] Oetzel et al. 2010: 364.
[91] Nelson 2000: 28.
[92] See, for instance, Oetzel et al. 2010.
[93] Cf. Oetzel and Getz, 2010.
[94] cf. Anderson 2008; Banfield 2005; Forrer et al. 2012: 2; Anderson and Zandvleit 2009; cf. MacDonald 2013; cf. Ganson 2013.

tensions or conflict. Seen in light of such cases, conflict sensitivity can be understood as a critical foundation for constructive corporate operations, particularly in contexts of conflict and fragility, rather than one among many possible options for contributing to peace, as the literature on business and peace sometimes implies.[95] When companies operate in contexts where ANSAs are active, they need help understanding the context, their role in it – including the risks that conflict poses to them – and the options that are available to them for operating constructively. But whether they are able to operate in ways that avoid harm, better the host society, or contribute to peace may depend on factors that are not the company's to control.

VI. Conclusion: a Basis for Moving Forward

Companies seeking to operate responsibly face a range of challenges, even under stable and peaceful circumstances. In contexts of violent conflict involving one or more ANSAs who are willing to use violence to achieve their aims makes these challenges all the more difficult. In such situations of conflict, the consequences of missteps can be grave, both for companies and for a range of other actors. Yet there is little publicly available, practical knowledge that might help companies to operate constructively under these circumstances. Without such knowledge, even well intentioned companies may continue to operate in ways that sustain or enflame conflict. There is currently a need, therefore, for resources about conflict sensitive operations in these contexts that aligns with high-level standards of corporate social responsibility and would help companies meet these standards in the most difficult operational environments.

Evidence thus far from the field suggests that there are practices that can be effective in "doing no harm" and in reducing conflict and its effects on populations in the vicinity of corporate operations. Building practical and actionable guidance might draw on these practices and on the knowledge and experiences of humanitarian actors that have engaged directly with ANSAs for the purpose of seeking to influence their behavior. Currently existing guidance and frameworks that address ANSAs directly, however, are either not particularly well-suited to actors with the objectives, roles, and obligations of companies, or are not substantial enough in guiding analysis, linking analysis to strategy development, and 'translating' strategy into practices. What these frameworks for humanitarian actors do offer are promising approaches to the analysis of ANSAs, and they warrant further exploration in the field to determine whether and how they might be adapted for corporate actors. In any case, such frameworks offer an excellent starting point for developing the analysis step of a conflict sensitivity framework for companies.

There is broad agreement among companies and experts on private sector operations in contexts of conflict that "future efforts need to be more concerned about changing practices on the ground,"[96] rather than defining obligations, responsibilities, and principles at a high-level. Corporations continue to struggle to apply already existing guidance and standards in concrete operational settings and would likely see additional high-level standards or principles as an unwelcome encumbrance. Further, in the eyes of companies, "there are already a number of good practice standards and principles relevant to specific aspects of fragile or war-affected contexts,"[97] such as the Extractive Industries Transparency Initiative (EITI), the VPs, and a range

[95] Cf. Oetzel and Getz, 2010: 376.
[96] Wennmann 2013:2
[97] START 2013:2.

of issue-specific tools and guidelines.[98] Companies would be unlikely to support or participate in an initiative that sought to develop another such standard. Any effort to aid companies seeking to operate constructively should therefore be focused at an operational level, and new guidance in any form should clearly articulate the ways in which it supports and aids the implementation of the existing, major high-level guidance standards, particularly the VPs, the UNGPs, and the UN Global Compact's *Guidance for Responsible Business in Conflict-Affected and High-Risk Areas.* Examples of effective practices would also help companies to think concretely about their own operations and should be included in any new guidance.

Guidance that deals with corporate operations in contexts in which ANSAs are active would almost certainly need to be built upon the risk management processes that are already widely used among companies. One of the major standards that is commonly used by companies in contexts of conflict and tensions – the VPs – already mandates that companies conduct conflict analysis. It would support the implementation of both the VPs and the UNGPs to identify ways of linking conflict analysis directly to risk analysis exercises and to the development of risk mitigation approaches. Guidance that helps establish concrete links between risks to companies and conflicts in the external environment – that helps companies themselves to make context – specific "business cases" for improving their impacts on specific conflict-related issues – would help companies to define an appropriate role for themselves in relation to conflict.

It may be going too far, however, to hope that companies will, in all cases, see a need to take proactive steps to address conflict drivers directly as a means to secure operational stability. In some cases, guidance that improves the effectiveness of efforts to "do no harm" may be sufficient to concretely improve company impacts on conflict. Going beyond that to act in ways that contribute to peace requires appetite and capacities on the part of companies, but also concrete, context-specific opportunities to make positive impacts. Another area in which guidance may be of assistance to companies, then, is in identifying such opportunities by helping them to map their relationships, resources, capacities, and points of leverage in relation to all actors in the context – including ANSAs themselves.[99]

Both conflict sensitive operations and constructive actions that contribute to peace in contexts in which ANSAs exist rest on the same analytical steps:

- Context analysis
- Conflict analysis
- Analysis of internal characteristics of the ANSA
- Analysis of the relationships between the ANSA, communities in the area of company operations, the company itself, and other key actors, particularly the host state and any states sponsoring the ANSA
- Identification of risks associated with conflict
- Identification of underlying causes of conflict risks
- Analysis of the interaction between the company's activities and the conflict system

[98] See, for instance, the *Community Development Toolkit* of the International Council on Mining and Metals, the *Voluntary Principles on Security and Human Rights Implementation Guidance Tools* produced by the ICMM, the ICRC, the IFC and IPIECA, and the IFC's *Projects and People: a Handbook for Addressing Project-Induced In-Migration.*
[99] This is consistent with MacDonald's perspective on the same issue; cf. MacDonald 2013:131.

The outlines of an approach, and the beginnings of analytical and operational knowledge, can be clearly discerned in the guidance for dealing with ANSA that exists already.

- The step-wise structure that starts with analysis of an ANSA, the conflict, and the context in which conflict occurs.
- Consideration of options other than direct engagement (following CSBP).
- Clear linkages between analysis and strategy development, along the lines of what *Ends and Means* accomplishes for humanitarian agencies.

At the same time, there are clearly areas of considerable importance that are not addressed by any guidance that currently exists, such as:

- Insight into day-to-day operational practices and how they can be planned and implemented in a conflict sensitive way.
- Identification of internal characteristics of ANSAs that might make an ANSA susceptible to the kinds of influence that a *company* – as opposed to a humanitarian organization – can exert on its motivations, behavior, and capacities.
- Identification of external relationships – to civilians, to states, and perhaps also to civil society – that might inform the strategy and approach of an ANSA.
- Reflection on actual experience of relevant actors – in this case companies – in the field to both identify and test best practices in different contexts.

Perhaps most importantly, it remains very uncommon for companies to openly discuss their experiences operating in contexts in which ANSAs are present. This is understandable in view of the legal and reputational risks that companies incur when they operate in contexts in which ANSAs are active. Yet companies' input into the development of operational-level expertise is essential for a range of reasons: expertise and guidance would need to be based on empirical knowledge of existing practices, both effective and ineffective, and how those practices connect with aspects of the context; it would depend on robust categories of analysis that are pertinent to corporate actors, their risks and opportunities, and the realities that they face in the field; and it would be critical to ensure that any operational guidance is practically useful in dealing with the real world dilemmas and challenges that companies face when they operate in the presence of ANSAs. Progress in developing appropriate resources for companies will very likely depend on constructive dialogue and collaboration between companies, civil society, and governments.

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