Promoting More and Better Business and Investment in Fragile and Conflict-Affected Environments, in line with the ‘New Deal’

Document 14 – for discussion
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A Strategy for Action – Update (27 May 2016)

1. THE RATIONALE AND BACKGROUND

The New Deal for Engagement in Fragile States (New Deal) launched by the International Dialogue on Peacebuilding and Statebuilding (the Dialogue) in 2011 calls on its signatories to ensure that all investments both by public and private actors, from inside and outside the country, are channelled towards rebuilding institutions and building peace, so as to support effective transitions out of conflict and fragility.

Building economic foundations as a necessary pre-condition for peace, is one of the New Deal’s five Peacebuilding and Statebuilding Goals (PSG no. 4). The New Deal also recognises that responsible business and investment are also vital to achieving the other PSGs. The New Deal brings a unique country-owned, country-led perspective to on-going work to promote responsible business in fragile and conflict-affected environments.

The Steering Group of the Dialogue agreed to develop and implement a strategy to engage with the private sector and promote more and better business and investment in partner countries. The strategy was presented and approved in 2015.

This paper presents an update on what had been agreed, what has been achieved and possible ways forward to consolidate this work.

2. THE 2015 STRATEGY PROPOSED THREE WORKSTREAMS

I. Country based work to promote more and better business and investment. Afghanistan, the Democratic Republic of Congo, Liberia, and Sierra Leone had indicated an interest in piloting some of the following initiatives: i) mapping existing initiatives to promote more and better business and investment; b) research to identify constraints and opportunities for business and investment particularly in areas that are critical for job creation; c) effective communication on opportunities, and; d) public private dialogue.

II. Ensure development finance supports conflict sensitive engagement by business and investment. This work included identifying bi-lateral and multi-lateral development finance instruments that could be mobilised in different groups of fragile / conflict affected states to promote more and better (e.g. conflict sensitive) business.

III. Complementing international standards applicable to fragile states by helping to systematise and communicate effectively the international standards related to responsible business/investment in fragile environments. This workstream also aimed at communicating the New Deal principles to private sector constituencies.
3. WHAT HAS BEEN ACHIEVED

The Dialogue Secretariat was able to take a few initiatives forward in 2015 and first part of 2016 and to identify new opportunities to re-focus and take this work forward.

Achievements

- **Partnership building and communication.** The Dialogue Secretariat reached out to a broad group of partners among Dialogue members and private sector actors to build consensus, partnerships and synergies around this work. This enabled the Secretariat to communicate about the New Deal in a variety of private sector forums, and to identify concrete opportunities to take this strategy forward.

- **Country level event in Sierra Leone.** A multi-stakeholders’ workshop took place in Sierra Leone in August 2015, “Private sector resilience, recovery, and resurgence: Information Communication Technology (ICT) spotlight”, which focused on mobilizing the private sector around the post-Ebola recovery process. The workshop identified key actions the Government, private sector and civil society should take to maximize post Ebola recovery efforts.

- **A brochure on key international standards for responsible business conduct and how they apply to fragile states** was produced by the Dialogue Secretariat, launched at the Steering Group meeting in Paris, broadly disseminated, and well received.

- **Focusing on development finance and investment.** Building on the success of the brochure and on the interest raised around the issue of investment, the Dialogue Secretariat, in collaboration with BNP Paribas Investment Partner, further identified actions to attract and retain investment in fragile situations. This work, which falls under the second stream of the 2015 strategy, is being carried out in close consultation with the World Bank, IFC and MIGA. It identified some key constraints and opportunities to investment in fragile situations and proposes to: i) Develop a certification scheme to enable identifying companies with which it is safe to do business; ii) identify innovative financing instruments to channel investment to fragile situations (e.g. bonds); iii) Step up public guarantee mechanisms to catalyse early investment; iv) promote country focused public-private dialogue opportunities to attract and retain more investment. A key strategy to make a difference in this area is to change the narrative about the opportunities and risks, and to identify and mobilise appropriate mechanisms to de-risk early investment.

4. WHAT’S NEXT

*What should the Dialogue do?* The time is favourable to step up the effort by the Dialogue to promote more and better business and investment in fragile situations. The initiatives outlined above were identified and discussed with a range of partners. Three main areas present particular opportunities and should be the focus of Dialogue-led work in future:

- **Country led efforts initiative** to promote dialogue with public and private partners (including local private sector and investors) and identify and communicate specific investment opportunities, so that partners and appropriate mechanisms can be mobilised around the opportunities.
• Further develop, in collaboration with partners, the proposal of a certification scheme and innovative financing mechanisms, and support efforts to step up guarantee mechanisms.
• Building on the previous point, help generating new narratives about the opportunities of doing business and investing in fragile situations.

Why should the Dialogue do it? The International Dialogue is uniquely placed to bring together fragile countries, development partners, including specialised financing institutions, and private sector partners. Given the location of its secretariat, it can also draw on the extensive experience of the OECD in this area.

What is needed to take this work forward?

To take this work forward, the following is required:

• Ownership and leadership by the Dialogue members. Two or more members must agree to pro-actively lead this work with the support of the Secretariat.
• Countries to pilot the country level initiatives. These could be the countries that had volunteered in 2015 or new ones.
• Funding. Developing this work requires different and new ways of working, including pro-active interaction and partnership building and communication work, in addition to stepped-up country initiatives.