

**PEACEBUILDING FRAMEWORK FOR  
BUSINESS:  
ROLE OF SMALL TO MEDIUM-SIZED PRIVATE  
ENTERPRISES IN POST-CONFLICT ECONOMIC  
RECOVERY IN CENTRAL AFRICA**

**YOKO FUJIMURA**

**UNIVERSITI SAINS MALAYSIA**

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RECOVERY IN CENTRAL AFRICA**

by

**YOKO FUJIMURA**

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## **LIST OF ABBREVIATIONS**

|        |  |
|--------|--|
| ACLEDP | Armed Conflict Location and Event Data Project                         |
| ANCD   | Alliance National pour le Changement Démocratique                      |
| AQIM   | Al Qaida in the Islamic Maghreb  |
| BOP    | Bottom of the Pyramid  |
| BPA    | Business for Peace Alliance  |
| CAR    | Central African Republic   |
| CBI    | Confederation of British Industry                                      |
| CCCM   | Camp Coordination and Camp Management                                  |
| CDA    | Collaborative for Development Action                                   |
| CEO    | Chief Executive Officer  |
| CIC    | Community Interest Company   |
| CRRF   | Comprehensive Refugee Response Framework                               |
| CSR    | Corporate Social Responsibility  |
| CSV    | Creating Shared Value  |
| DDI    | Diamond Development Initiative   |
| DDR    | Disarmament Demobilisation and Reintegration                           |
| DDRR   | Disarmament, Demobilisation, Reinsertion and Reintegration             |
| DFID   | Department of International Development                                |
| DGSSIE | Direction générale des services de sécurité des institutions de l'Etat |
| DIS    | Détachement Intégré de Sécurité  |
| DPKO   | Department of Peacekeeping Operations                                  |
| DRC    | Democratic Republic of Congo   |

|          |   |
|----------|---|
| DREC-MR  | Dérection Régionale de l'Etat Civil, des Migrations et des Réfugiés |
| EDC      | Enterprise Development Committee                                    |
| EEPCI    | Esso Exploration & Production Chad Inc                              |
| eg       | Example   |
| EU       | European Union  |
| FAO      | Food and Agriculture Organization                                   |
| FCFA     | Villlion Franc Communauté Financière d'Afrique                      |
| FMLN     | Farabundo Marti para la Liberacion Nacional                         |
| FROLINAT | Front pour la Liberation Nationale du Tchad                         |
| FUCD     | Front Uni pour le Changement Democratie                             |
| GAM      | Gerakan Aceh Merdeka  |
| GBP      | British Pound Sterling  |
| GCER     | Global Cluster for Early Recovery                                   |
| GDP      | Gross Domestic Product  |
| GEM      | Global Entrepreneurship Monitor                                     |
| GIS      | Geographical Information System                                     |
| GIZ      | Deutsche Gesellschaft für Internationale Zusammenarbeit             |
| GMoU     | Global Memorandum of Understanding                                  |
| HDI      | Human Development Index   |
| HIV      | Human Immunodeficiency Virus  |
| HRP      | Humanitarian Response Plan  |
| IASC     | Inter-Agency Standing Committee                                     |
| ICC      | International Criminal Court  |
| IDPs     | Internally Displaced Persons  |
| IFAD     | International Fund for Agricultural Development                     |



|          |   |
|----------|---|
| IFC      | International Finance Corporation   |
| IFRC     | International Federation of Red Cross and Red Crescent Societies                  |
| IISD     | The International Institute for Sustainable Development                           |
| ILO      | International Labour Organization   |
| IMF      | International Monetary Fund   |
| INGOs    | International Non-Governmental Organisations                                      |
| IOM      | International Organization for Migration  |
| ISIS     | Islamic State of Iraq and Syria   |
| ISIS-GS  | Islamic State of Iraq and Syria in Greater Sahara                                 |
| ISIS-WA  | Islamic State of Iraq and Syria in West Africa                                    |
| IT       | Information Technology  |
| JEM      | Justice and Equality Movement   |
| JICA     | Japan International Cooperation Agency  |
| KES      | Kenia Shilling  |
| MDGs     | Millennium Development Goals  |
| MINURCAT | Mission in the Central African Republic and Chad                                  |
| MINUSCA  | Multidimensional Integrated Stabilization Mission in the Central African Republic |
| MNCs     | Multinational Corporates  |
| MNJTF    | Multinational Joint Task Force  |
| MPS      | Mouvement Patriotique du Salut  |
| MUJAO-WA | Islamist Movement for Oneness and Jihad in West Africa                            |
| NATO     | North Atlantic Treaty Organization  |
| NCAM     | National Center for Agricultural Mechanization                                    |
| NFI      | Non-Food Items  |

|        |  |
|--------|--|
| NGOs   | Non-Governmental Organisations                                     |
| OCHA   | United Nations Office for the Coordination of Humanitarian Affairs |
| ODA    | Official Development Assistance                                    |
| OECD   | Organisation for Economic Co-operation Development                 |
| OHCHR  | Office for the High Commissioner for Human Rights                  |
| P/CVE  | Prevention, Countering Violent Extremism                           |
| PBC    | Peacebuilding Commission   |
| PBF    | Peacebuilding Fund   |
| PBSO   | Peacebuilding Support Office                                       |
| PPP    | Public-Private Partnership   |
| PWBLF  | Prince of Wales Business Leaders Forum                             |
| RCC    | Revolutionary Command Council                                      |
| RCD    | Rassemblement Congolais pour la Démocratie                         |
| RDL    | Rassemblement pour la Démocratie et la Liberté                     |
| RENAMO | Resistência Nacional Moçambicana                                   |
| RFC    | Rally of Forces for Change   |
| RIFC   | Rosenberg International Franchise Centre                           |
| SCUD   | Socle pour le Changement, l'Unité et la Démocratie                 |
| SDGs   | Sustainable Development Goals                                      |
| SENA   | Servicio Nacional de Aprendizaje                                   |
| SHT    | Société des Hydrocarbures du Tchad                                 |
| SIDA   | Swedish International Development Agency                           |
| SLM    | Sudan Liberation Movement  |
| SMEs   | Small to Medium-sized Enterprises                                  |
| SMS    | Short Message Service  |

|            |  |
|------------|--|
| SPLM/A     | Sudan People's Liberation Movement/ Army                               |
| SSR        | Security Sector Reform   |
| UCDP       | Uppsala Conflict Data Program  |
| UFDD       | Union of Forces for Democracy and Development                          |
| UK         | United Kingdom   |
| UN WOMEN   | United Nations Development Fund for Women (formally known as UNIFEM)   |
| UN         | United Nations   |
| UN-HABITAT | United Nations Human Settlements Programme                             |
| UNCT       | United Nations Country Team  |
| UNCTAD     | United Nations Conference on Trade and Development                     |
| UNCTAD/WTO | United Nations Conference on Trade and Development/ World Trade Centre |
| UNDAF      | United Nations Development Assistance Framework                        |
| UNDP       | United Nations Development Program                                     |
| UNEP       | United Nations Environment Programme                                   |
| UNESCO     | United Nations Educational, Scientific and Cultural Organization       |
| UNF        | United Nations Foundation  |
| UNFPA      | United Nations Populations Fund  |
| UNHCR      | United Nations High Commissioner for Refugees                          |
| UNICEF     | United Nations Children's Fund   |
| UNIDO      | United Nations Industrial Development Organization                     |
| UNITAR     | United Nations Institute for Training and Research                     |
| UNMIL      | United Nation Mission in Liberia                                       |

|        |  |
|--------|--|
| UNODC  | United Nations Office on Drugs and Crime                     |
| UNOP   | United Nations Office for Partnerships                       |
| UNOPS  | United Nations Office for Project Services                   |
| UNPBA  | United Nations Peacebuilding Architecture                    |
| UNSDCF | United Nations Sustainable Development Cooperation Framework |
| UNSMIL | United Nations Support Missions in Libya                     |
| UNSSC  | United Nations System staff College                          |
| UNV    | United Nations Volunteer                                     |
| USA    | Community Interest Company                                   |
| USAID  | United States Agency for International Development           |
| USD    | United States Dollar   |
| VAT    | Value Added Tax  |
| VSEs   | Very Small Enterprises                                       |
| WCF    | World Cocoa Foundation                                       |
| WFP    | World Food Programme   |
| WHO    | World Health Organization                                    |

## **LIST OF APPENDICES**

- Appendix A: Survey questions for SME owners  
Appendix B: Survey questions for staff personnel  
Appendix C: List of interviewed private enterprises in Chad

**KERANGKA PEMBINAAN PERDAMAIAN UNTUK PERNIAGAAN:  
PERANAN PERUSAHAAN KECIL HINGGA SEDERHANA DALAM  
PEMULIHAN EKONOMI PASCA-KONFLIK DI AFRIKA TENGAH**

**ABSTRAK**

Memandangkan sektor swasta bertanggung jawab untuk 90 persen pekerjaan di dunia dengan sebahagian besar sektor ini terdiri dari perniagaan kecil, penglibatan mereka dalam proses untuk mencapai pembangunan dan keamanan yang lestari tidak dapat dielakkan. Walaupun terdapat inisiatif yang dipimpin oleh PBB, ketiadaan panduan praktikal mengenai bagaimana mereka dapat menyumbang kepada inisiatif ini tetap menjadi cabaran. Kajian ini bertujuan untuk mewujudkan kerangka kerja untuk sektor awam, swasta dan bukan-keuntungan supaya mereka dapat menyumbang kepada pemulihan ekonomi sebagai sebahagian daripada usaha pembangunan perdamaian. Kajian ini berusaha terutamanya untuk mengusulkan kerangka operasi untuk Chad, yang kemudiannya dapat diubahsuai untuk diaplikasikan ke lain-lain negara yang mengalami pemindahan besar, kekurangan anggaran nasional dan penurunan bantuan internasional. Berdasarkan kerangka konseptual yang telah ditetapkan, kajian ini meneliti samada pemboleh ubah yang telah dikenal pasti mencukupi untuk membimbing pelaku yang relevan untuk menjalankan usaha penglibatan sektor swasta dalam pemulihan ekonomi dan pembangunan perdamaian. Kajian ini menyimpulkan bahawa mempunyai PPP yang beroperasi akan membawa kepada pemulihan ekonomi yang berterusan dan perdamaian dengan pemboleh ubah dasar yang menjadi perantara (polisi dan garis panduan, penyelidikan dan laporan mengenai amalan terbaik dan pelajaran yang dipelajari, pemahaman yang jelas mengenai peranan dan

tanggungjawab, serta Penyelaras Residen yang diamanahkan), dan pemboleh ubah yang menyederhanakan (formalisasi perniagaan tidak formal, pengembangan kapasiti, maklumat yang dapat diakses, pengiktirafan antarabangsa dan nilai bersama dengan perkongsian bersepadu).

**PEACEBUILDING FRAMEWORK FOR BUSINESS:  
ROLE OF SMALL TO MEDIUM-SIZED PRIVATE ENTERPRISES IN POST-  
CONFLICT ECONOMIC RECOVERY IN CENTRAL AFRICA**

**ABSTRACT**

Considering the private sectors are responsible for 90 per cent of employment in the world and the majority of the sectors consist of small businesses, it is inevitable to engage them to achieve sustainable development and peace. Despite the UN-led initiatives, the absence of practical guidance on how they can contribute to the initiative remains a challenge. This study aims at establishing a framework for public, private and non-profit sectors to contribute to economic recovery as part of peacebuilding. This study especially tries to propose an operational framework for Chad, which can be modified in the countries that are also suffering from massive displacement, lack of national budget and decreasing international aid. Based on the pre-established conceptual framework, this study examines if the pre-identified variables are sufficient to guide the relevant actors to pursue the private sector engagement in economic recovery and peacebuilding. This study concludes that having an operational PPP will lead to sustainable economic recovery and peace with mediating variables (policy and guidelines, research and reports on best practices and lessons learnt, clear understanding of roles and responsibilities, as well as the mandated Resident Coordinator), and the moderating variables (formalization of informal business, capacity development, accessible information, international recognition and shared value with an integrated partnership).



**INTRODUCTION****1.1****I****Introduction**

Since the establishment of the United Nations (UN) Global Compact in 2000, a collaboration between UN agencies and the private sectors have become more visible. As of 17 October 2019, 13,793 companies, academic institutions and organisations from 162 countries have joined the Global Compact to promote the 10 (ten) principles<sup>1</sup> in their operations and 9,946 are from the private sectors<sup>2</sup>. The Ten Principles of the UN Global Compact were introduced to strengthen cooperate responsibility in 4 (four) fields that are deemed important to address the challenges to promote Human Rights protection (2 principles), to ensure labour standards (4 principles), to protect environment (3 principles) and to encourage entrepreneurs to eliminate corruption (1 principle) as follows:

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<sup>1</sup> THE UNITED NATIONS GLOBAL COMPACT. *The Ten Principles of the UN Global Compact* [Online]. Available: <https://www.unglobalcompact.org/what-is-gc/mission/principles> [Accessed 19 January 2019].

<sup>2</sup> THE UNITED NATIONS GLOBAL COMPACT. *United Nations Global Compact* [Online]. Available: <https://www.unglobalcompact.org/what-is-gc> [Accessed 1 September 2018].

Table 1.1 The Ten Principles of the UN Global Compact<sup>3</sup>

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| <b>Human Rights</b>   |
| 1. Businesses should support and respect the protection of internationally proclaimed human rights; and                     |
| 2. Make sure that they are not complicit in human rights abuses.  |
| <b>Labor</b>  |
| 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; |
| 4. The elimination of all forms of forced and compulsory labor;   |
| 5. The effective abolition of child labor; and  |
| 6. The elimination of discrimination in respect of employment and occupation.   |
| <b>Environment</b>  |
| 7. Businesses should support a precautionary approach to environmental challenges;  |
| 8. Undertake initiatives to promote greater environmental responsibility; and   |
| 9. Encourage the development and diffusion of environmentally friendly technologies.  |
| <b>Anti-Corruption</b>  |
| 10. Businesses should work against corruption in all its forms, including extortion and bribery.                            |

(Source: The UN Global Compact)

The Global Compact is a principle-based framework for the private sectors so that they can contribute to the UN goals such as Millennium Development Goals (MDGs), Sustainable Development Goals (SDGs) by mainstreaming the promotion of Human Rights, labour standards, environment and anti-corruption. Goal 16 (sixteen) of SDGs

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<sup>3</sup> THE UNITED NATIONS GLOBAL COMPACT. *The Ten Principles of the UN Global Compact* [Online]. Available: <https://www.unglobalcompact.org/what-is-gc/mission/principles> [Accessed 19 August 2019].

is ‘Peace, justice and strong institutions’ and thus, the Global Compact also guides the private sectors in contributing to promoting peace.

In 1999, Kofi Annan, the then Secretary-General of the UN announced the UN Global Compact, which involved 13,000 corporate participants, to urge businesses to internalise the international standards and policies on sustainability and conduct business with social responsibility as well as to report on their implementation<sup>4</sup>. The UN Global Compact is the largest corporate sustainability initiative in the world and states 10 (ten) principles as indicated above<sup>5</sup>. In 2002, he remarked on the important role of private enterprises in addition to the civil society in working with governments in implementing many agreements that have been reached, including the MDGs. He especially emphasised that “sustainable development will remain only a distant dream”<sup>6</sup> if the private sectors are not taking part in implementing those agreements and there is no need for the private sectors to do something different from what they usually do with their normal business. The effort to involve the private sectors in achieving the UN goals was further reinforced by SDGs in 2015. Since then, numerous

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<sup>4</sup> THE UNITED NATIONS SECRETARY-GENERAL. 2002. *Secretary-General Kofi Annan to the World Summit on Sustainable Development in Johannesburg, 2 September* [Online]. Johannesburg. Available: <https://www.un.org/sg/en/content/sg/speeches/2002-09-03/secretary-general-kofi-annan-world-summit-sustainable-development> [Accessed 19 August 2018 2018]. Accessed on 19 August 2018.

<sup>5</sup> The UN Global Compact was initially launched with nine Principles. On 24 June 2004, during the first Global Compact Leaders Summit, Kofi Annan announced the addition of the tenth principle against corruption in accordance with the United Nations Convention Against Corruption adopted in 2003.

<sup>6</sup> Statements made by a former Secretary-General, Kofi Annan to the World Summit on Sustainable Development in Johannesburg, 2 September 2002. Available at THE UNITED NATIONS SECRETARY-GENERAL. 2002. *Secretary-General Kofi Annan to the World Summit on Sustainable Development in Johannesburg, 2 September* [Online]. Johannesburg. Available: <https://www.un.org/sg/en/content/sg/speeches/2002-09-03/secretary-general-kofi-annan-world-summit-sustainable-development> [Accessed 19 August 2018 2018].. Accessed on 19 August 2018.

discussions between UN Agencies and the private sectors have been organised to identify how the private sectors can work with the UN system in addressing social needs such as poverty reduction and access to basic needs to improve the socio-economic status of the poor in the emerging countries.

Private enterprises exist in places where humans interact or there is a business opportunity. In areas where humanitarian organisations intervene to provide necessary assistance to the affected populations by natural or human-made disasters, such as floods, typhoons, earthquakes, famine and armed conflict, the business usually continues even in the presence of such disasters.

Some private enterprises may have responded to the immediate needs of the community where they operate without collaborating with UN agencies or Non-Governmental Organisations (NGOs). Furthermore, corporations and other smaller enterprises have implemented their Corporate Social Responsibility (CSR) programmes in their areas of operations. According to Carrol, the private sectors have contributed to disaster relief and solving social challenges since the 1950s<sup>7</sup>. Considering such contributions, UN had a slow start in collaborating with the private sectors in terms of CSR. UN just launched the Global Compact in 2000 or started developing any other framework for cooperation. Ford argues that large scale institutions, such as UN ignored the potential role of the private sector actors in

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<sup>7</sup> CARROL, A. B. 2009. The Oxford Handbook of Corporate Social Responsibility. *In*: CRANE, A. M., DIRK; MCWILLIAMS, ABAGAIL; MOON, JEREMY; SIEGEL, DONALD S. (ed.) *The Oxford Handbook of Corporate Social Responsibility*. OXFORD HANDBOOKS ONLINE. P2.

peacebuilding but only acknowledged their contribution to the economic recovery. Therefore, close to no attention was paid to the fact that “the conduct of commercial entities also has social and political dimensions that may help or hinder peace”<sup>8</sup>. This argument can be reinforced by the quote of the president of Tent Foundation to devex saying that UN did not prioritise the private sector engagement until the World Humanitarian Summit<sup>9</sup>.

Furthermore, in 2005, the United Nations has mandated the UN Peacebuilding Commission (PBC) to consult with the private sectors engaged in peacebuilding activities among other stakeholders. However, no strategy has been developed for what engagement entails<sup>10</sup>.

Despite the lack of framework or guidance, it is important to note that the private sectors have contributed to the society and community where they operate while seeking profits. Since the 1930s, discussions on the private sector’s social responsibility have commenced, and in the 1950s, scholars, such as Bowen and Carroll, started arguing how to define the Corporate Social Responsibility (CSR)<sup>11</sup>. It is evident that the private sectors have incorporated the concept of CSR in their areas of operations and contributed to society for a long time. However, it seems that a

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<sup>8</sup> FORD, J. 2014. Towards a Model of UN-sponsored Post-Conflict Regulation of Responsible Business Activity. *Business, Peace and Sustainable Development*, 4, 84-106.P.85.

<sup>9</sup> SALDINGER, A. 2016. Where is the private sector in humanitarian response? Available: <https://www.devex.com/news/where-is-the-private-sector-in-humanitarian-response-88328> [Accessed 2 July 2021].

<sup>10</sup> FORD, J. 2014. Towards a Model of UN-sponsored Post-Conflict Regulation of Responsible Business Activity. *Business, Peace and Sustainable Development*, 4, 84-106. P.85

<sup>11</sup> CARROLL, A. B. 1999. Corporate Social Responsibility - Evolution of a Definitional Construct. *Business & Society*, 38, 268-295.

collaboration between the private sectors and the non-profit organisations has not been well promoted within the private sectors. They were primarily expected to make a profit according to Carroll's CSR pyramid, which will be discussed further in Chapter 2, while the non-profit organisations and governments were expected to address social needs. Furthermore, there has been an argument that corporates are using CSR to demonstrate that they are 'good corporate citizens' to hide their operations which do not respect the Ten Principles of Global Compact. This weak collaboration between the non-profit sectors, including UN and the private sectors is not only evident in the ongoing or post-war responses and recovery but also in the poverty reduction responses.

### **1.1.1 War and poverty**

According to the database of the Uppsala Conflict Data Program (UCDP), they have recorded 165 countries in conflict with 9,002 incidents in 2018<sup>12</sup>. It also reports that there were 77,392 lives lost in 2018. 2017 and 2018, unfortunately, recorded the highest number of countries in conflict since 2000 as the following graph indicates.

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<sup>12</sup> UPPSALA CONFLICT DATA PROGRAM 2019b. Number of Conflicts. Uppsala Universitet.

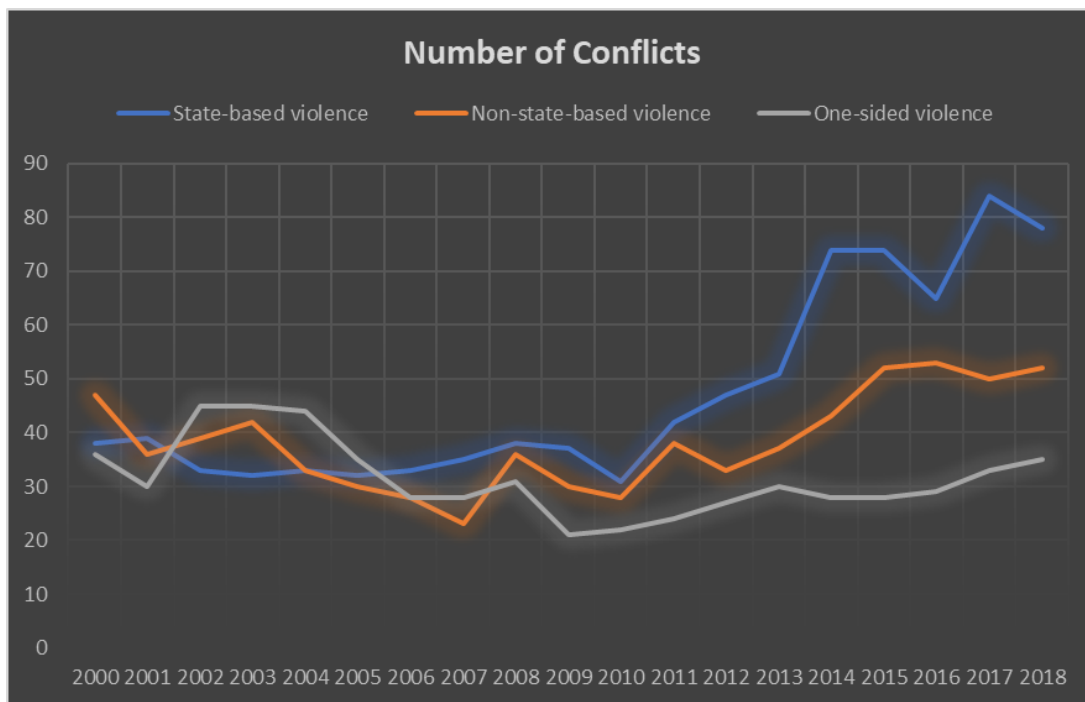


Figure 1.1 Number of conflicts from 2000 to 2018  
(Source: Uppsala Conflict Data Programme, 2019)

Based on the database, 58 states experienced violent incidents in 2018. Most of these states, except Australia and Belgium, can be considered fragile states where other elements than war, such as poverty also strikes. A fragile state consists of several factors. Based on the methodology which the Fund for Peace used to produce a regular Fragile State Index Report, ‘state fragility’ may include the lack of capacity to provide expected public services to its own citizens, despotism, the loss of physical control of the state<sup>13</sup>. The Organisation for Economic Co-operation Development (OECD)

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<sup>13</sup> FUND FOR PEACE. 2020. *What Does State Fragility Mean?* [Online]. Available: <https://fragilestatesindex.org/frequently-asked-questions/what-does-state-fragility-mean> [Accessed 22 March 2020].

defines a fragile state as a state which has incapability to accommodate changing needs and expectations of its citizens through the political process<sup>14</sup>.

The World Bank published 'Poverty and Shared Prosperity 2016' and it estimates that one in 10 (ten) live under United States Dollar (USD) 1.90 a day<sup>15</sup>. 389 million or 50.7 per cent of the global poor are found to be living in Sub-Saharan Africa<sup>16</sup>. The World Bank also reports that 1.5 billion people are living in fragile countries affected by violent conflict<sup>17</sup>. Similarly, OECD reports in 2019 that 1.8 billion or 24 (twenty-four) per cent of the world population are living in a fragile context in 2016 and the majority in Sub-Saharan Africa<sup>18</sup>. Interestingly, there are 50 (fifty) states which are under the categories of very high alert, high alert, alert and high warning based on the Fragile State Index Report 2019, 34 (thirty-four) states which have recorded violent incidents in 2018 based on the Uppsala Conflict Data Programme. It cannot be denied that there is a link between war or violence and the fragility of the state, which significantly impacts economic development and the living condition of locals regardless of the ongoing or post-war situation.

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<sup>14</sup> MCLOUGHLIN, C. 2016. Fragile States, Topic Guide March 2016. Available: <https://gsdrc.org/wp-content/uploads/2016/03/FragileStates.pdf>. P.9.

<sup>15</sup> THE WORLD BANK 2016b. Poverty and Shared Prosperity 2016 - Taking on Inequality. Washington.

<sup>16</sup> Ibid. P. 37.

<sup>17</sup> Information collected from the World Bank Website: THE WORLD BANK. *Fragile and Conflict Situations* [Online]. the World Bank. Available: <http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/STRATEGIES/EXTLICUS/0,,menuPK:511784~pagePK:64171540~piPK:64171528~theSitePK:511778,00.html> [Accessed 26 February 2014].

<http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/STRATEGIES/EXTLICUS/0,,menuPK:511784~pagePK:64171540~piPK:64171528~theSitePK:511778,00.html>

<sup>18</sup> THE ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT 2018b. States of Fragility 2018. P.7.



Paul Collier, a prominent scholar who demonstrated a link between poverty and war, stated that “while civil war reduces income, low-income indeed heightens the risk of civil war”<sup>19</sup>. He shared an approximation that “a typical low-income country faces a risk of the civil war of about 14 (fourteen) per cent in any 5 (five) years”<sup>20</sup>. It means, if a low-income country gains, for example, 5 (five) per cent in economic growth, it reduces the risk of the civil war by 5 (five) per cent or the risk would be recalculated as 9 (nine) per cent.

A fragile country can also be defined as a country which has a great number of citizens living on only 99 cents per day or a low-income country characterised by the incapability to protect citizens and expose them to a certain vulnerability which is common in countries with ongoing war or in a post-war context<sup>21</sup>.

It is also important to note that the ceasing of an armed conflict does not automatically transform a war-torn country into a stable one. A war-torn country requires post-war assistance to escape from the state fragility and it takes some time, especially for a state to be able to provide reasonable public services. A war-torn country requires to address the life-saving needs of its population and address some long-term issues. As Lederach states, it must be noted that a conflict transformation should be strategically

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<sup>19</sup> COLLIER, P. 2007. *The Bottom Billion - Why the Poorest Countries Are Failing and What Can Be Done About It*, New York, Oxford University Press. P. 19.

<sup>20</sup> Ibid. P.19.

<sup>21</sup> BANERJEE, A. V. & DUFLO, E. 2011b. *Poor Economics - A Radical Rethinking of the Way to Fight Global Poverty*, PublicAffairs.. *Poor Economics - A Radical Rethinking of the Way to Fight Global Poverty*: Public Affairs.

planned both short-term and long-term. It must also be able to respond to the changing processes and be responsive to the context and the epicentre<sup>22</sup>.

Due to the insecurity, lack of good governance and damaged or poor infrastructure in conflict-affected areas, the economy is badly influenced and it affects access to job opportunities, trade, and production. Likewise, due to the inequality, a lack of governance and poor infrastructure, the economy does not grow steadily and people do not have access to sufficient job opportunities and other economic activities. Sweetman cites Thomas Homer-Dixon in his book, “poverty itself is often a cause of conflict”<sup>23</sup> and indeed, most of the war-torn areas experience severe poverty. Despite the question of poverty creates conflict or conflict creates poverty, there seems to be a link between them. To support this hypothesis, there are 21 (twenty-one) countries listed as countries experiencing poverty with a headcount ratio of people living under USD 1.25 (one-point twenty-five) a day by the World Bank (40-100%)<sup>24</sup>. Out of 21 (twenty-one) countries, 15 (fifteen) countries can be categorised as recent post-war countries. There seems to be a similarity between the consequences of war and poverty in terms of economic impact.

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<sup>22</sup> LEDERACH, J. P. 2003. *The Little Book of Conflict Transformation*, Good Books.. The Little Book of Conflict Transformation. Intercourse, PA17534: Good Books. P.47.

<sup>23</sup> SWEETMAN, D. 2009a. Business, Conflict Resolution and Peacebuilding. In: WOODHOUSE, T. R., OLIVER (ed.). Oxon: Routledge. . Loc. 457.

<sup>24</sup> THE WORLD BANK. *Poverty and Equity Data* [Online]. Available: <http://povertydata.worldbank.org/poverty/home/> [Accessed 2 December 2014].. <http://povertydata.worldbank.org/poverty/home/>. Accessed 2 December 2014. Countries listed for having more than 40% of the population living under USD 1.25 a day are: The Democratic Republic of Congo (DRC), Madagascar, Liberia, Chad, The Central African Republic (CAR), Tanzania, Zambia, Kenya, Mozambique, Lesotho, Angola, Congo, Nigeria, Niger, Benin, Burkina Faso, Mali, Guinea, Guinea-Bissau, Sierra Leone, and Bangladesh. The data however lacks a lot of countries that could be categorised as countries experiencing poverty (such as Afghanistan, Pakistan, Myanmar and so on) but the database was not available for the World Bank to analyse.

### 1.1.2 Poverty Reduction and Economic Revitalisation after War

Typically, the root causes of most conflicts are poverty, especially horizontal inequality among tribes, races or religious groups<sup>25</sup>. Kusago cites Griffin and McKinley in his paper and confirms, “a fundamental issue in reducing the risk of a resurgence of conflict and war in a post-conflict country is to ensure people a stable livelihood. This requires economic growth with a focus on the poor, which has been called ‘pro-poor growth’ ”<sup>26</sup>. Employment creation reduces the number of people without stable income and it contributes to the stabilized economy and eventually to sustainable peace.

Wennman also emphasizes “...economy is important because it creates the conditions for sustainable peacebuilding..... Economy creates immediate peace dividends for conflict affected people”<sup>27</sup>. However, not all peace agreements include an economic provision, as this provision can only be included when the concerned parties agree to do so or they are pressured by the third parties to have them on the agenda. In the case of the Democratic Republic of Congo (DRC), no economic provision was included in

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<sup>25</sup> THE UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT. 2006. Post-Conflict Economic Policy and Programming – A Review of Literature. P. 7.

<sup>26</sup> KUSANO, T. 2005. Post Conflict pro-Poor private sector development: case of Timor Leste. *Development in Practice*, 15, 503.. Post Conflict pro-Poor private sector development: case of Timor-Leste. *Development in Practice*, 15 (3 & 4). P. 503.

<sup>27</sup> WENNMAN, A. 2008. Economic Provision in Peace Agreement and sustainable Peacebuilding. *the World International Studies Confrence* The World International Studies Conference . Economic Provision in Peace Agreement and sustainable Peacebuilding. Paper presented at the World International Studies Conference, The World International Studies Conference. Ljubliana, 23-26 July 2008. P. 5.

the peace agreement because none of the parties: DRC, foreign investors and third party did not want to expose the economic dimensions of the armed conflict<sup>28</sup>. Therefore, an economic provision was intentionally excluded from the peace agreement as parties in question wanted to keep their own benefits in the exploitation of diamonds and other valuable metals to themselves. Hence, the peace agreement could not change the pattern of resource exploitation, which triggered the conflict.

In Sudan, the main deadlock for the economic issue was the ownership from revenue sharing (oil) and both the Sudanese government and the Sudan People's Liberation Movement/ Army (SPLM/A) could not agree on the sharing ratio for a long time<sup>29</sup>. Thus, parties agreed to exclude the economic provisions in their peace agreement intentionally but move forward to sign an agreement for an immediate ceasefire.

Liberia, which achieved its peace agreement in August 2003, could be another example, for not having any economic provision included in their agreement. Wennman argues that this absence of an economic provision led to continuous corruption and crimes. For example, the number of ex-fighters being involved in the rubber plantation business has increased and it was outside the mandate of UN as rubber was not subject to sanctions. As a result, ex-combatants continued having privileges in the economy and created corruption, crimes and insecurity until the government took an action to control rubber plantations in 2006<sup>30</sup>.

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<sup>28</sup> Ibid. P. 13.

<sup>29</sup> WENNMAN, A. 2011. *The Political Economy of Peacemaking*, Oxon, Routledge. PP. 38-41

<sup>30</sup> WENNMAN, A. 2008. Economic Provision in Peace Agreement and sustainable Peacebuilding. *the World International Studies Conference* The World International Studies Conference PP. 11-12.

Although scholars argue the importance of including the economic provision in a peace agreement, the inclusion does not, of course, automatically guarantee successful post-war and conflict recovery. For instance, Nepal achieved its peace agreement, which contained an economic provision in November 2006. However, there was no mention of any concrete or detailed idea on how to implement the socio-economic transformation<sup>31</sup>. As a result, the creation of job opportunities and income-generating activities were not introduced smoothly and it caused the protest of Madhesis people in January 2007. It can be considered as the potential threat to the peace process as one of the important factors, continued marginalisation, was not properly addressed in the post-conflict situation in Nepal.

These cases have shown that the inclusion of economic provisions in a peace agreement depends on what the parties agree to talk about. Some prefer to leave the discussion and sign a general peace agreement first, while others insist on including it within a peace negotiation. Some prefer informal arrangements to formal ones as part of a peace agreement, such as the cases of DRC and Sudan.

Wennman argues if negotiating parties do not include economic provisions in their peace agreement, economic issues may not be important to achieve the agreement<sup>32</sup> or it could be the core of their disputes so that they want to settle an informal arrangement<sup>33</sup>. As introduced earlier, in DRC, foreign patrons and the third party avoided including the economic dimensions as they felt it would reveal their economic

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<sup>31</sup> Ibid. P.10.

<sup>32</sup> In case of Aceh, Indonesia, the dispute over the profit sharing of oil was not the main concern even it was the main cause of the conflict. Parties did not include the economic provisions as the oil resource has declined since the beginning of the conflict.

<sup>33</sup> WENNMAN, A. 2011. *The Political Economy of Peacemaking*, Oxon, Routledge. P. 49.

interest<sup>34</sup>. He also adds that including explicit economic provisions may cause the withdrawal of some negotiating parties and then the process collapse<sup>35</sup>. Economic issues which were the root causes of the conflict may not still be the main disputes at the time of negotiation and if they are still the main disputes, it might be better not to include them in the peace agreement to cease violence. Therefore, the issues that are discussed during the peace negotiation are not necessarily the root causes of the conflict.

These cases above also made it clear that economic provisions must be accompanied by detailed implementation plans otherwise a successful economic recovery cannot be achieved without practical structures for its implementation.

## **1.2 Conflict, Business and Peace**

### **1.2.1 Conflict and risks**

Johan Galtung explains that ‘conflict’ occurs when there are a contradiction and incompatibility of different goal-states<sup>36</sup>. Suppose that there is someone who set a goal

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<sup>34</sup> WENNMANN, A. 2008. Economic Provision in Peace Agreement and sustainable Peacebuilding. *the World International Studies Conference* The World International Studies Conference P. 13.

<sup>35</sup> WENNMANN, A. 2011. *The Political Economy of Peacemaking*, Oxon, Routledge. P. 50. This is a case for Angola, which negotiating parties had interest in excluding economic provisions in their peace agreement to avoid exposing their true economic agenda in exploiting diamonds and oil.

<sup>36</sup> GALTUNG, J. 2009a. Theories of Conflict - Definitions, Dimensions, Negations, Formations. Available: [www.transcend.org/](http://www.transcend.org/) [Accessed 9 November 2014]. Theories of Conflict - Definitions, Dimensions, Negations, Formations. [www.transcend.org/doi:](http://www.transcend.org/doi:) [www.transcend.org/](http://www.transcend.org/). Chapter 1. Pp. 9 – 41.

but she or he has a hard time achieving the goal. This situation is called frustration, which means that the access to the goal-state has been blocked. If the obstacle is purely a lack of her or his capacity, she or he is theoretically able to achieve the goal-state by building the capacity. However, on contrary, if she or he cannot achieve the goal because her or his access to the goal-state is blocked by someone else who tries to achieve another goal-state, there are 2 (two) incompatible goal-states. In conflict, there are at least 2 (two) goal-states and insufficient resources to realise them all<sup>37</sup>.

Recently, more economists pay attention to the importance of conflict for the economy. For example, Jack Hirshleifer and Herschel Grossman contributed to the introduction of conflict into economic models and developing implications for the economy<sup>38</sup>. It perhaps became more popular after 2003 when the World Bank has initiated an analysis on the impact of civil wars on poverty and underdevelopment. Garfinkel and Skaperdas introduced a definition of what economists consider conflict to be from an economic viewpoint<sup>39</sup>.

“A conflict situation is one in which two or more actors engage in the choice of costly inputs that (i) are adversarially combined against one another and (ii) generate no positive external effects for third parties.”<sup>40</sup>

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<sup>37</sup> Ibid. P. 33.

<sup>38</sup> GARFINKEL, M. R. S., STERGIOS (EDS) 2012. *The Oxford Handbook of the Economics of Peace and Conflict*, New York, Oxford University Press. The Oxford Handbook of the Economics of Peace and Conflict. New York: Oxford University Press. P. 5

<sup>39</sup> Ibid. P. 5.

<sup>40</sup> Ibid. P. 5.

When these two factors are compared, in conflict theory, the emphasis is on the “goal” dimension while the economists emphasise on “action” dimension. This difference will be examined in Chapter 2 to analyse if it is necessary to have only one view or theory of conflict to achieve peace. Nonetheless, it is highly welcomed that economists are more interested in an economic perspective on peace and conflict not only the economic value of the loss due to the conflict but also the role of the private sectors in contributing to conflict resolution and peacebuilding.

An entrepreneur can invest in a business in an area where she or he can predict sustainable peace because the risk to open a business is high. Without such a prediction, it is too risky for an entrepreneur to start a business. It must be noted that inviting major investors into a country where almost everything is unstable is very difficult because war-torn countries represent the worst of all investment conditions for most companies<sup>41</sup>. A lack of security and political instability could be one of the main reasons why investors are reluctant to invest in resource-rich post-war countries. Unavailability of stable electricity and water supply, as well as the low predictability of returns, could also affect the investors’ decisions. Investing in post-war countries is, therefore, uninteresting for most foreign investors.

However, there are quite a few private enterprises, which operate in ongoing conflict or high-risk areas. According to the Prince of Wales Business Leaders Forum (PWBLF), there are 34 (thirty-four) countries listed by the Carnegie Commission as

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<sup>41</sup> WENNMANN, A. 2011. *The Political Economy of Peacemaking*, Oxon, Routledge.P. 96.



locations of major armed conflicts in 1997 and there are companies associated with the PWBLF had direct business interests in 30 (thirty) of them<sup>42</sup>.

In addition to the direct security risks, which often come with the ongoing conflict areas, private enterprises are also affected by political instability, criminal against foreign investors (such as a kidnap) and a lack of access due to the closure of the borders and maritime crimes. According to The Control Risks, the security risks have remained fairly constant between 2004 (8.9% of the total countries are at security risks) and 2013 (9.88%) while the number of countries at political risks has increased by nearly 8 (eight) per cent (12.3% in 2004 and 20.7% in 2013) in the last decade<sup>43</sup>. The Control Risk also forecasts 13 (thirteen) countries and territories have ‘extreme risk’ and 20 (twenty) countries have either country-wide or area-specific ‘high risk’ (see Figure 1.2).

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<sup>42</sup> NELSON, J. 2000b. *The Business of Peace: The private sector as a partner in conflict prevention and resolution*. The Prince of Wales Business Leaders Forum, International Alert, Council on Economic Priorities.. *The Business of Peace: The private sector as a partner in conflict prevention and resolution: The Prince of Wales Business Leaders Forum, International Alert, Council on Economic Priorities*. P. 15.

<sup>43</sup> Information collected from the website of the Control Risks: CONTROL RISKS. 2014. *2004-2014: Changed in the Business Risk Landscape* [Online]. Control Risks. Available: <https://www.controlrisks.com/en> [Accessed 11 June 2014]. <https://www.controlrisks.com/en> Accessed on 11 June 2014.

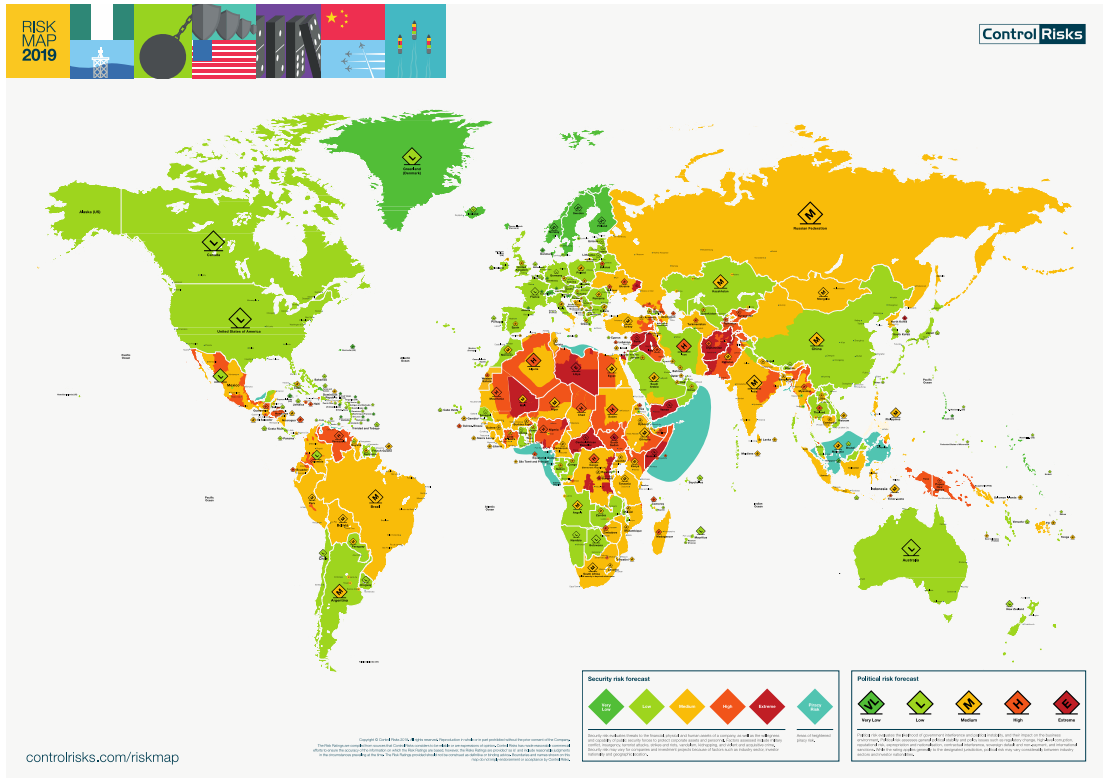


Figure 1.2 Map of Countries marked from ‘extremely risk’, ‘to ‘very low risk’  
 (Source: Risk Map, 20219)

Considering the increased risk as a whole, there is a question of why many private enterprises operate in such high-risk areas. Companies specialising in exploiting natural resources, such as oil and minerals, see the insecurity as ‘the market environment’ and seek a higher profit margin in this specific situation<sup>44</sup>. It is natural to think that even these companies may withdraw or temporarily cease their operation for security reasons. Wennman, however, states that these ‘high risk, high return seekers’ tend to stay longer in a conflict setting as withdrawal means giving an opportunity to competitors<sup>45</sup>. He cites an example of the diamond company De Beers

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<sup>44</sup> WENNMANN, A. 2011. *The Political Economy of Peacemaking*, Oxon, Routledge. P. 96.

<sup>45</sup> Ibid. Pp.96-97.

in Angola. When De Beers withdrew from Angola in 1999 for fear of a consumer backlash triggered by the debate on the use of the conflict diamond, its competitor Lev Leviev entered into the market and took control of Angola's diamond mines which was estimated about 10 (ten) per cent of the world's diamond reserves at that time<sup>46</sup>.

These examples explain why some foreign investors enter post-conflict or even ongoing conflict settings and stay longer. They can enter and stay longer in these settings as they spend a large amount of money on security protection. To be able to operate, mobilise their resources and make profits in these fragile settings, investors pay for protection from protection companies or sometimes, local police and military forces. While large-scaled investors are able to pay a large sum of protection costs, SMEs cannot accommodate such protection fees. The United Nations and the World Bank conducted a crime victimisation survey to estimate these costs for large companies and small to medium-sized investors in Jamaica. According to the result, SMEs pay a higher portion of their revenues (17 %) for security and protection fees compared to medium size (7.6 %) and large companies (0.7 %)<sup>47</sup>. These figures imply that smaller companies have the bigger financial burden in the fragile settings compared to large companies and thus, 'high risk, high return seekers' tend to enter the fragile settings more than others as they are usually large-scale companies with large financial backup in exploiting natural resources.

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<sup>46</sup> Ibid. P. 97.

<sup>47</sup> THE UNITED NATIONS OFFICE ON DRUGS AND CRIME, T. W. B. 2007. Crime, Violence and Development: Trends, Costs and Policy Options in the Caribbean. Pp. 48-49.

These foreign investors are ‘high risk, high return seekers’. However, especially in the conflict fragile setting, foreign companies specialized in construction, import and food security also operate in the same setting. For example, in Chad, most of the main roads and major buildings were constructed by Chinese companies and Lebanese companies play a large role in importing foreign commodities into Chad<sup>48</sup>. Wennman also writes that China and India are entering fragile settings to seek profit and further, seek future investment, especially in Africa<sup>49</sup>.

China, however, often receives concerns from peace practitioners as they tend to use Chinese contractors and Chinese labour rather than local workers, and imported cheap Chinese products affects the sale of locally produced products. This approach does not even vitalise the local economy as (1) there are minimum job opportunities for local community members and (2) locally produced products are not promoted. It is also common to witness the lower wages to employees outside the capital city compared to the national minimum salary scale and the creation of another conflict by deploying local staff members from the capital city to the rural area where the invested company operates. This can often cause jealousy among the locals as the investor did not manage to employ as many locals as they expect. These are some of the challenges of engaging foreign companies in fragile settings.

In summary, private enterprises that operate in the conflict fragile areas are rather usually large-scale, which have interest in high-risk high return businesses or no ‘high risk, high return’ seekers but do not contribute to creating many job opportunities for

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<sup>48</sup> The observation was made by the author from 2013 to 2017.

<sup>49</sup> WENNMAN, A. 2011. *The Political Economy of Peacemaking*, Oxon, Routledge. P. 102.

locals. Hence, they are seen to enjoy a monopoly over certain natural resources without contributing to cease fire or rebuilding war-torn countries.

However, these large-scale investors sometimes play an important role in the peace process by taking an initiative as part of the mediation team. In Mozambique, a British multinational company called Lonrho became involved in the peace process after the company realised that the conflict was too escalated to the extent that their investment which is worth British Pound Sterling (GBP) 53 million was threatened. The company's executive acted as an intermediary and provided company resources and aircraft for the peace talks<sup>50</sup>.

Not only a large-scale international enterprise but also local business associations can also play an important role in peacebuilding. For example, in South Africa during the practice of Apartheid in the 1970s and 1980s, a number of business leaders took initiative to facilitate contact between entrepreneurs and the political organisation as well as between contradicting politicians through the South African Business Trust. As a result, they succeeded in contributing to the signing of the peace accord in 1991<sup>51</sup>.

A business association in Sri Lanka invited the Chief Executive Officer (CEO) of the

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<sup>50</sup> VINES, A. 1998b. The Business of Peace: "Tiny" Rowland, Financial Incentives, and the Mozambican Settlement. Available: [http://www.c-r.org/sites/default/files/Accord%20Mozambique\\_Business%20of%20peace.pdf](http://www.c-r.org/sites/default/files/Accord%20Mozambique_Business%20of%20peace.pdf) [Accessed 24 January 2014]. The Business of Peace: "Tiny" Rowland, Financial Incentives, and the Mozambican Settlement. [http://www.c-r.org/sites/default/files/Accord%20Mozambique\\_Business%20of%20peace.pdf](http://www.c-r.org/sites/default/files/Accord%20Mozambique_Business%20of%20peace.pdf)doi: [http://www.c-r.org/sites/default/files/Accord%20Mozambique\\_Business%20of%20peace.pdf](http://www.c-r.org/sites/default/files/Accord%20Mozambique_Business%20of%20peace.pdf) Accessed on 10 June 2014.

<sup>51</sup> KILLICK, N., SRIKANTHA, V. S. & GÜNDÜZ, C. 2005. The Role of Local Business in Pecebuilding. Available: [www.berghof-handbook.net/documents/publications/killick\\_etal\\_handbook.pdf](http://www.berghof-handbook.net/documents/publications/killick_etal_handbook.pdf). The Role of Local Business in Peacebuilding. [www.berghof-handbook.net/documents/publications/killick\\_etal\\_handbook.pdf](http://www.berghof-handbook.net/documents/publications/killick_etal_handbook.pdf)doi: [www.berghof-handbook.net/documents/publications/killick\\_etal\\_handbook.pdf](http://www.berghof-handbook.net/documents/publications/killick_etal_handbook.pdf) . Accessed 24 January 2014.

South African Business Trust to Colombo in 2001 to examine how the local business association in Sri Lanka can support the peace process. The members of the Sri Lankan business association travelled to South Africa later in 2002 to learn from their experiences in South Africa. The association first launched a public awareness campaign by urging citizens to voice their opinions on the need for peace. In November 2002, a number of local business leaders established the Business for Peace Alliance (BPA) in Sri Lanka with an aim to support peace and socio-economic development in Sri Lanka<sup>52</sup>. BPA is a non-partisan network with a motto of "Peace is necessary for the economic development of the regions, and economic development of the regions is necessary for sustaining peace in the country"<sup>53</sup>.

This is certainly one of the good examples of business taking a peacebuilding role. This is the third track of the "Multi-Track Approach" which was introduced by Diamond and McDonalds in the 1990s<sup>54</sup>. "Multi-Track Approach" is an approach to conflict resolution initially started with 4 (four) approaches as follows:

Track 1: Traditional Diplomacy

Track 2: Unofficial efforts by governments

Track 3: Business, Individuals and Organisations

Track 4: Private citizen

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<sup>52</sup> Detailed information can be obtained from <http://www.bpa-srilanka.com/> Accessed on 11 June 2014.

<sup>53</sup> Information collected from the BPA website: ANDERSON, J. J., EVERS, T. & SJÖSTEDT, G. 2010. Private sector actors and Peacebuilding.. <http://www.bpa-srilanka.com/>, Accessed on 11 June 2014.

<sup>54</sup> DIAMOND, L. M., JOHN 1996. *Multi-Track Diplomacy: A System Approach to Peace*, Kumarian Press. Multi-Track Diplomacy: A System Approach to Peace (3rd Edition ed.): Kumarian Press.

The approach was later on reinforced with 5 (five) more tracks and is consists of 9 (nine) tracks to date. The additional 5 (five) tracks are as follows:

Track 5: Research, Training and Education

Track 6: Activism

Track 7: Religion

Track 8: Funding

Track 9: Communications and Media

Diamond and McDonalds argues that all tracks are interlinked and all tracks are equally important. This relationship among the tracks was transformed into the following graph (See Figure1.3)<sup>55</sup>.

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<sup>55</sup> INSTITUTE FOR MULTI-TRACK DIPLOMACY. Available: <http://www.imtd.org/index.php/about/84-about/131-what-is-multi-track-diplomacy> [Accessed 28 November 2014 2014]. <http://www.imtd.org/index.php/about/84-about/131-what-is-multi-track-diplomacy>. Accessed 28 November 2014.

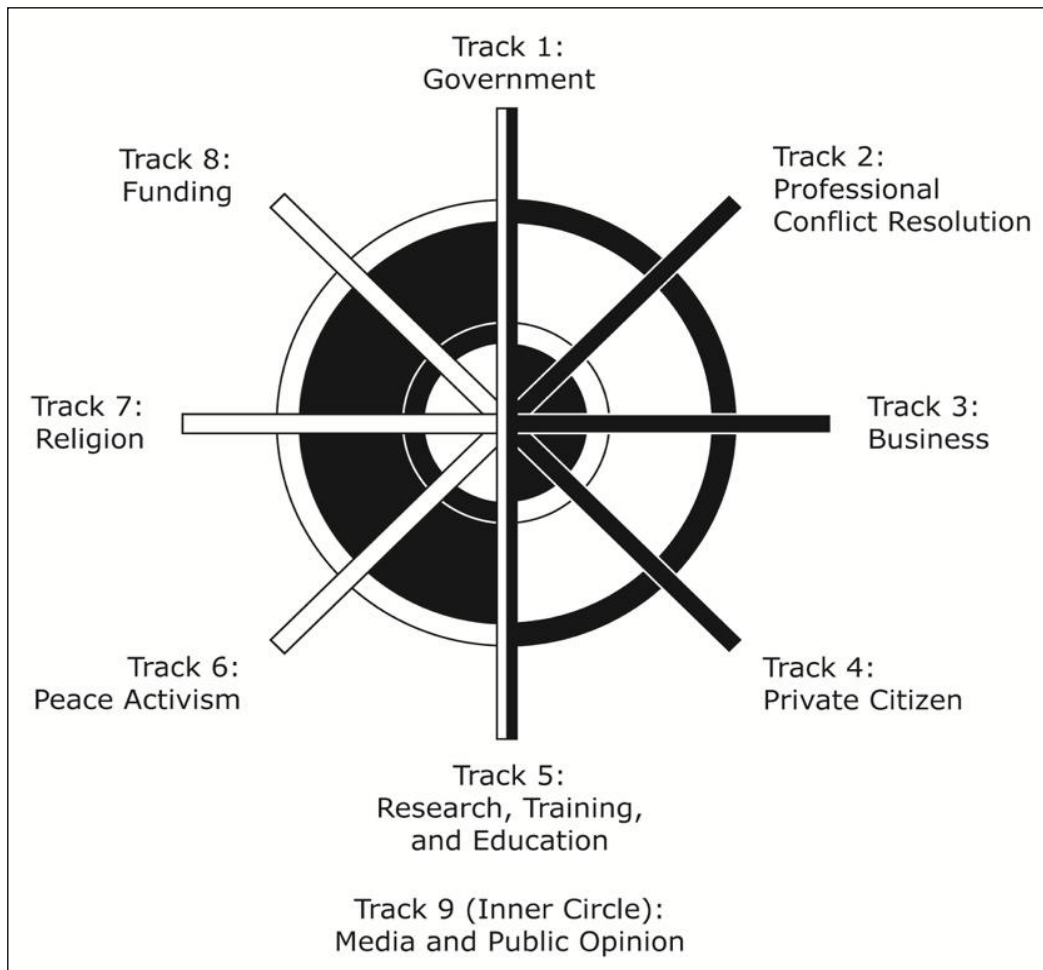


Figure 1.3 Multi-Tracking Approach<sup>56</sup>

(Source: Institute for Multi-Tracking Diplomacy, 2014)

In addition to the “Multi-Track Approach”, many scholars have recognised the important role of business in conflict resolution and peacebuilding. Zandvliet<sup>57</sup> and Nelson<sup>58</sup> have greatly contributed to the recognition of this importance in their respective research articles, which will be examined in Chapter 2. The International

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<sup>56</sup> Ibid.

<sup>57</sup> ZANDVLIET, L. 2006. Opportunities for Synergy: Conflict Transformation and the Corporate Agenda. *Berghof Handbook for Conflict Transformation*.

<sup>58</sup> NELSON, J. 2000b. The Business of Peace: The private sector as a partner in conflict prevention and resolution. The Prince of Wales Business Leaders Forum, International Alert, Council on Economic Priorities.