WORLD ECONOMIC FORUM

COMMITTED TO IMPROVING THE STATE OF THE WORLD

Global Agenda

Responsible Investment in Fragile Contexts

Prepared by the Global Agenda Council on Fragility, Violence & Conflict

May 2016

World Economic Forum
91-93 route de la Capite
CH-1223 Cologny/Geneva
Switzerland
Tel.: +41 (0)22 869 1212
Fax: +41 (0)22 786 2744
Email: contact@weforum.org
www.weforum.org

REF 280416

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Introduction

For companies assessing where to invest and do business, and for governments considering trade, diplomacy and the security of their citizens, it is critical to understand the forces that are causing fragility and driving violence and conflict and their long-term implications. The lines between conflict and non-conflict zones are increasingly blurred across all geographies – as are the boundaries between criminal, intercommunal and politically motivated violence. As this report stresses, the vast majority of lethal violence can be attributed to non-conflict situations. Most of the violent deaths occurring worldwide are the result of interpersonal violence, violent extremism, gang violence and economically motivated crimes. Cities, not battlefields or remote areas, have become the sites of highest violence and homicides. For companies, this has meant shifting some security resources normally focused on operations to protect assets in cities or employees travelling to cities on company business.

Operating in such contexts may demand multiple investments from companies, including heightened security measures, development of basic infrastructures and community outreach programmes. Certainly, assessing business climates and risk appetites are key considerations for many businesses, be they local or international. But there is important potential for these markets and their human and social capital. And in this regard, less widely appreciated is the potential for the private sector to play a greater part, including contributing long-term leadership on maintaining stability as part of core business in the international security landscape – a prerequisite for the world's continued social, political and economic progress.

The effect of not investing in these contexts is felt not only at the local level but also globally, and if there is one thing we have all learnt in recent years is that fragility travels. Stock market downturns in response to terrorist attacks highlight the potential vulnerabilities of the globalized economy to security risks. This reality collapses the notion that avoidance of investments in risky areas is a sufficient strategy for managing failing states. Cohesion and trust between countries and societies are also under threat.

Based on the important work of the World Economic Forum Global Agenda Council on Fragility, Violence & Conflict, we present here an exploration of some of the strategies to mitigate risks for companies investing in fragile environments, while stressing the importance of doing so to build long-term resilience. The World Economic Forum believes that these issues are important for our constituencies and we are committed to remaining engaged in advancing practical dialogues and initiatives.

Anja Kaspersen
Head of International Security
World Economic Forum

Foreword

We are witness to the impact of fragility, violence and conflict on a daily basis. Fragility exists to varying degrees in all countries and will continue to exacerbate geopolitical uncertainty and instability for the foreseeable future. Likewise, violence and conflict continue to impose a heavy humanitarian burden and act as a brake on resilience and socio-economic advancement.

Addressing the consequences of fragility, violence and conflict necessitates a thorough understanding of the causes. We must look beyond traditional analyses and comprehend the complexities of our operating environments, with public-private partnerships having immense potential to draw together the necessary resources, knowledge, capital and networks to mitigate fragility. Businesses operate in some of the world's most fragile contexts – many of which are emerging markets – so they bear a share of responsibility to strengthen resilience rather than adding to stress factors. Numerous companies are implementing strategies for positive impact into their core operations, taking their involvement beyond traditional CSR or philanthropy. There is a clear business case for doing so; fragility and violence are bad for business, whereas developing constructive relationships and strengthening the local socio-economic environment will benefit a business in the long term. At the same time, it is always important that unbiased and comprehensive assessments are made of the pros and cons of private sector investment.

The Global Agenda Council on Fragility, Violence & Conflict has been working since 2014 to underline the urgency of finding new ways to decrease vulnerabilities in fragile environments. This report profiles the experiences of a number of companies that operate in fragile, conflict-affected and violent contexts, drawing lessons that increase understanding of both the challenges and the opportunities for the private sector to bolster resilience and stability. The report draws on 12 case studies of responsible investment in fragile contexts to offer recommendations to the World Economic Forum's communities, Members, Partners and the broader public. In developing this report, the Global Agenda Council has worked with a number of companies, international organizations and other stakeholders, and the report has also been influenced by discussions at various events, including the World Economic Forum Annual Meeting 2016 in Davos-Klosters and the World Bank Group Fragility, Conflict and Violence Forum.

The World Economic Forum is in a unique position to connect corporate leaders with a variety of other stakeholders to share knowledge of the challenges posed by fragile situations and to co-create solutions, particularly at the local level. It can be a prominent platform to advance dialogue on how such environments can affect a company's bottom line, the opportunity costs of non-engagement and the methods to ensure that they invest in a way that does no harm. Considerations related to fragility and violence could be integrated into its flagship reports, such as the Inclusive Growth and Development Report, or the Global Risks Report. Regardless of whether we are primarily driven by profit or humanitarian objectives, fragility affects us all. There is immense potential to combine the complementary attributes of the private sector, civil society, governments and local communities to build resilience in the face of instability and violence.

Peter Maurer
President
International Committee of the Red Cross
Chair, GAC on Fragility, Violence & Conflict

Fragility is the New Normal

Business leaders engaged in an increasingly turbulent and complex world

Fragility, conflict and violence have implications for all governments, businesses and citizens and, given the current global context, it is likely that challenges related to instability and uncertainty will persist for the foreseeable future. These phenomena vary in intensity and degree depending on the country and city, and the extent to which people and institutions have the tools and capacity to manage or mitigate crisis. While the absolute numbers of outright wars and conflicts in the world is lower today than in the past, they continue to generate significant costs to government, business and societies alike. In addition, the prevalence of interpersonal violence is widespread, alongside a recent rise in violent extremism.[1] Even so, it is important to recall that a relatively small number of countries are dramatically more at risk of violent extremism and conflict than others.[2]

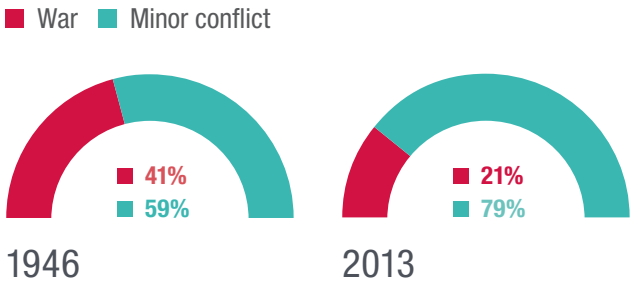
These "states of fragility", as described by the Organization for Economic Cooperation and Development (OECD), may be exacerbated by many different factors, including global and regional competition among great powers, political tension within countries, organized crime and terrorist networks, lack of access to justice, weak rule of law and legal institutions and limited trust between citizens and their governments, These "states of fragility" render specific countries and cities more or less vulnerable to social, economic and environmental shocks and hazards.

Concentrated poverty, inequality and exclusion are among the main drivers of fragility, regardless of a country's income-level status.[3] The underlying causes of fragility are often exacerbated by rapid but uneven population and economic growth, which leads to social exclusion and results in persistent extreme poverty in growing economies. In many fragile contexts, the "youth bulge" can be an additional destabilizing factor in the absence of economic opportunities and productive activity for local populations.

Conflict has become more protracted

Average length of conflict (years)

Conflicts are less intense



Source: Humanitarian Policy Group, Overseas Development Institute (2016) Time to let go: Remaking humanitarian action for the modern era, London, https://www.odi.org/sites/odi.org.uk/files/resource-documents/10422.pdf

[1] See OECD (2016 – forthcoming) States of Fragility. Paris: OECD. Between 2008 and 2015 the word has become moderately less peaceful, with the average score of deterioration at around 2.4% a year.
[2] See Muggah (2016) Terrorism is on the Rise – But There's a Bigger Threat that We're Not Talking About, World Economic Forum Agenda, 8 April, https://www.weforum.org/agenda/2016/04/terrorism-is-on-the-rise-but-there-s-a-bigger-threat-we-re-not-talking-about.
[3] See World Bank (2011) World Development Report. Washington DC: World Bank.

In some contexts, large-scale investment may represent an additional stress factor. Given the magnitude of change for local communities or national politics that may be associated, for instance, with a dam project, an open-pit mine, or industrialized farming. This can stress already fragile environments and amplify stresses that are not of a firm's making. Business investment is part of the fragile context and one of a multitude of factors that can shape a social and political system.

There are regions on every continent that are facing the prospect of endemic fragility and violence. Significant global attention is devoted to the ongoing wars in Afghanistan, Iraq, Libya, Syria, Yemen and the Great Lakes region of Africa.[4] However, political and social instability is not the preserve of low-income societies alone and also includes middle and upper-income countries rendered unstable by failures in achieving inclusive governance, tackling corruption, closing inequality gaps and other drivers. As the world population increasingly concentrates in urban environments, cities are especially vulnerable to increased fragility.[5]

Ultimately, the better we can understand not only what causes fragility but also the underlying reasons why, the more likely we will be able to design actions that go beyond addressing symptoms and can lead to meaningful change and resilience.

The human and financial cost of fragility and violence

Fragility, conflict and violence are expensive, generating tremendous short-, medium- and long-term costs in human and financial resources. For example, the global humanitarian need for 2014 alone amounted to roughly $25 billion.[6] Estimates of the wider impacts of violence on the global economy range from $9.5 trillion to $14.3 trillion, depending on accounting methods.[7] There are also less tangible, but equally important, implications in relation to the undermining of the rule of law, increased transaction costs for business, depleted human capital – all of which have substantial negative effects for global prosperity, equality and the achievement of sustainable development. This is newly evident in Europe where a surge of refugees and migrants over the past year has tested and strained the capacities of governments and societies within the European Union.

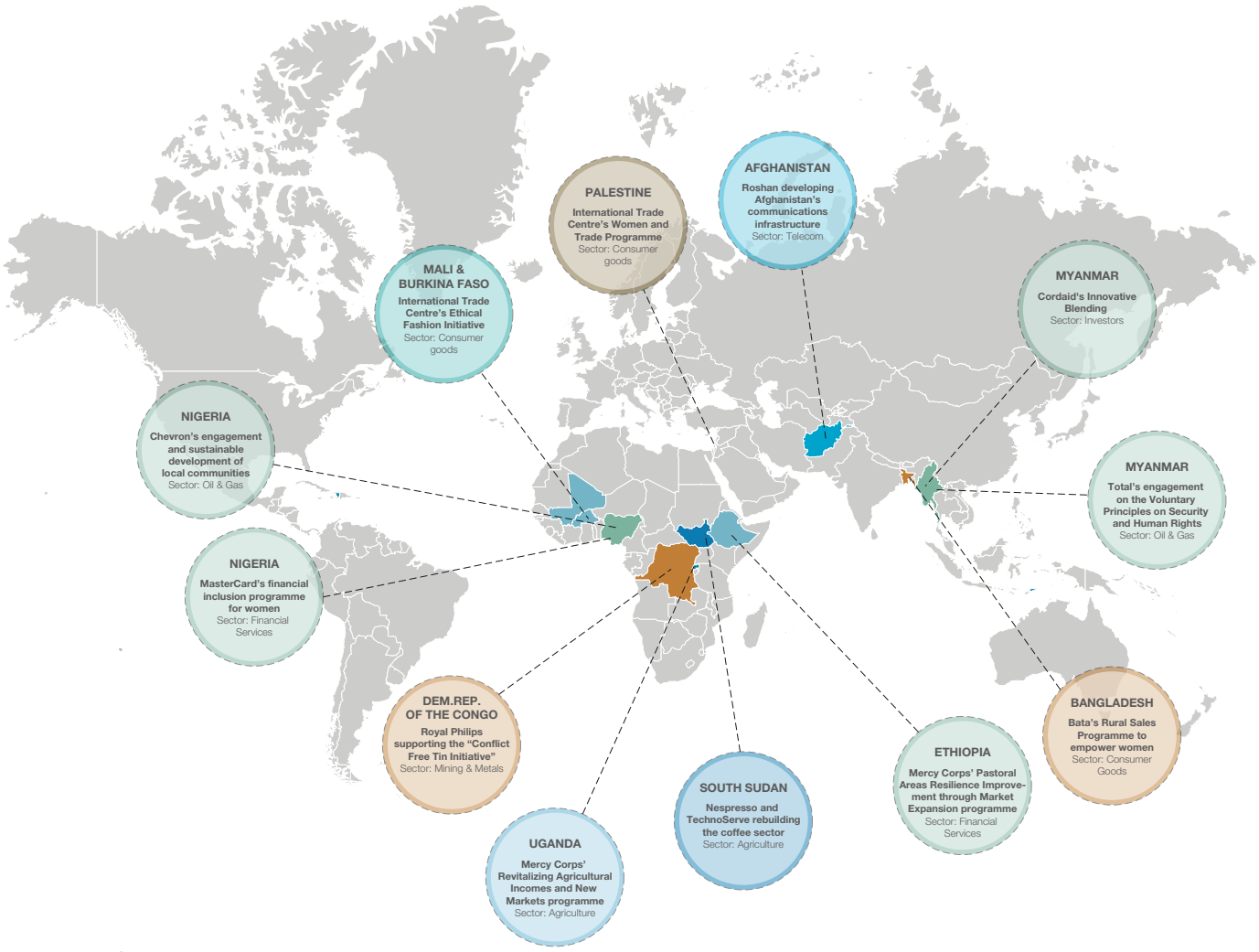
The human toll of fragility, conflict and violence is immense. An estimated 1.3 million people die every year due to warfare[8], crime and self-directed violence, accounting for 2.5% of global mortality.[9] People die either because they are killed "directly" due to physical injuries, or because they die "indirectly" due to preventable illnesses and disease. The number of internally displaced people due to conflict has increased significantly in the past decade – by 300% from 2004-2014 – and there are more refugees today than at any point since the Second World War.

In spite of these alarming figures, there is insufficient perceived urgency to design and fund new and productive solutions. Conventional measures to prevent conflict and mitigate fragility rely almost exclusively on international or non-governmental institutions and national governments. These actors are unable to address these complex challenges on their own. If we truly want to enhance the ability for communities and societies to thrive and achieve resilience, we will need more comprehensive and innovative solutions. These must include public-private partnerships and a greater engagement of the business sector. World leaders acknowledged this reality when they endorsed the 2030 Agenda for Sustainable Development in September 2015, which explicitly recognized the need for engagement and collaboration with the private sector.

[4] Instability is especially acute in the world's roughly 40 conflicts (UCDP 2015) and 33 fragile states (World Bank 2015).
[5] See Muggah (2016) How Fragile Are Our Cities, World Economic Forum Agenda, 9 February, https://www.weforum.org/agenda/2016/02/how-fragile-are-our-cities.
[6] See Development Initiatives (2015) Global Humanitarian Assistance Report 2015. New York: Development Initiatives, http://www.globalhumanitarianassistance.org/report/gha-report-2015.
[7] See Hoeffler and Fearon (2015) Benefits and Costs of the Conflict and Violence Targets for the Post-2015 Development Agenda. Copenhagen: Copenhagen Consensus, http://www.copenhagenconsensus.com/post-2015-consensus/conflictandviolence

[8] According to the most recent reports on conflict violence, civilians account for between 30%-40% of all violent deaths (ACLED 2015)
[9] See WHO (2014) Global Burden of Injury. Paris: WHO.

Insights from the Business Community



International and local businesses have a critical role to play in finding ways to minimize fragility and build resilience. A key reason, among others, is because fragility – including conflict and crime – is bad for business. It generates direct and indirect opportunity costs all along the value chain. Of course, business alone is not the answer. But it can, and must, be one part of a complex approach to engaging in fragile settings to improve local conditions and help tip the scales towards stability and prosperity.[10]

It is worth emphasizing that today's fragile environments include many emerging or frontier markets. There are enormous opportunities in many of them, especially when initiatives can positively harness young and urbanized populations, key natural resource endowments, and where connections to global markets can be secured. There are important, if under-recognized, opportunities for business to effectively and constructively operate and invest in fragile environments. Additionally, often businesses continue to offer services even in the direst circumstances, so it is crucial that they do so in a responsible manner that builds resilience and opportunities for sustainable growth and development.

The role of the Global Agenda Council on Fragility, Violence & Conflict

The council was established in 2014 to improve understanding and raise awareness of the connections between chronic violence, conflict and fragility.[11] A key priority of the Council involves exploring the positive contribution that responsible investment by businesses can have when working in collaboration with public institutions and civil society.

[10] See Keny-Guyer (2015) 4 ways business can strengthen fragile states, World Economic Forum Agenda, 14 December, https://www.weforum.org/agenda/2015/12/4-ways-business-can-strengthen-fragile-states.

[11] See http://www.weforum.org/communities/global-agenda-council-on-fragility-violence-conflict.

The council has found that private firms can foster stable, inclusive and prosperous societies that respect the rule of law and benefit from accountable governance. Both local and multinational businesses can play an important role, often working alongside each other to support and grow local and national economies and, in the process, help support efforts undertaken by other actors to reduce fragility and conflict.

As part of these efforts, the Global Agenda Council has encouraged an ongoing conversation with a number of global private companies, civil society and international organizations. It has collected valuable experiences, written by the respective companies and organizations, from 12 fragile and conflict-affected settings where international companies are heavily engaged. These include:

- Roshan Telecommunications in Afghanistan
- BATA Brands SA in Bangladesh
- Royal Philips Electronics in Eastern DRC
- Mercy Corps and the PRIME initiative in Ethiopia
- International Trade Centre's Ethical Fashion Initiative in Mali and Burkina Faso
- Cordaid Investments in Myanmar
- Total in Myanmar
- MasterCard and Mercy Corps in northern Nigeria
- Chevron in Nigeria
- International Trade Centre: Empowering women embroiderers in Ramallah
- Nestlé Nespresso SA and TechnoServe in South Sudan
- Mercy Corps and the Gulu Agricultural Development Company in Uganda

This report highlights several lessons emerging from their experiences.[12] The goal is to better understand how multinational firms, small and medium-sized enterprises, civil society and local communities are able to mobilize for positive impact in the most adverse conditions. Taken together, the council found that the private sector is presented with many opportunities to contribute to stability and improving economic and social conditions in fragile settings while simultaneously avoiding unintentional harm.

A few insights stand out:

First, a "positive business case" is essential for successful investment in fragile, conflict and violence-affected settings. Altruism alone is insufficient, nor should it be expected – companies must see the business case in altering their *core operations* to improve their impacts on the societies in which they operate. A "triple win" scenario should generate not only financial returns for the companies but also benefits to the local communities and governments. The development of a coffee export market by Nespresso in South Sudan, Roshan's catalysing of the mobile telecoms market in Afghanistan, the establishment of farmer collectives in Uganda by Mercy Corps, and the redevelopment of abandoned communications infrastructure in the Niger delta by Chevron all contributed to the bottom line for business while simultaneously generating new employment opportunities for local communities and increased tax revenues.

Second, to guarantee longer-term sustainability, a functioning state with the right institutions needs to be in place. Coherent responses should consider state and institution building as part of the solution. Businesses operating in regions should work towards an integrated response, which also means investing in regional frameworks for resilience, and initiatives that build the capacity of local institutions and regional economic communities. In this, effective and proactive coordination among multiple stakeholders is necessary.

Third, the private sector lends a specific skill set and portfolio of experience that can support fragile governments and societies. For example, as our case studies highlight, some businesses have knowledge of ways to encourage financial inclusion for vulnerable members of society, access to global value chains for small and medium-size producers, jobs and opportunities for youth skills development, and the ability to improve the delivery of basic services in hard-to-reach communities. Ultimately, however, successful initiatives demand a high degree of situational awareness, sensitivity to the local context, an appetite for risk and a robust commitment to the highest ethical standards. Companies must abide by existing international and domestic laws and practices if they are to have a lasting positive impact. It must be acknowledged that as much as our case studies demonstrate a desire to have positive impact, large-scale investments can also be a source of fragility. And patience is required in the face of likely setbacks, knowing the potential for longer-term gains. In turn, local communities, governments and development actors need to recognize that businesses can play an important role and that it is reasonable that they seek to make an appropriate financial return.

Fourth, the private sector can work hand-in-hand with the public sector and civil society to kick-start important innovations and rapid growth. Put succinctly, public-private partnerships are excellent ways to drive positive development and we are seeing more mature conversations and collaborations between large international businesses and civil society than in the past. However, this requires a high degree of flexibility and agility from all partners. Businesses must recognize that their operations are an integral part of any investment context. National governments must demonstrate a commitment to create the appropriate enabling context, including laws and infrastructure, to spur proactive partnerships, including a transparent and appropriate legal framework and investment in infrastructure. Local civil society groups and international non-governmental organizations can help make valuable connections between business, government and local communities and ensure accountability of business and government partners to adhere to international norms,

[12] A summary of this report is also available at http://www3.weforum.org/docs/GAC15_Fragility_Violence_Conflict_States_Fragility_pager_2015.pdf. See also Golberg and Muggah (2016) Six Lessons for Companies Operating in Fragile and Conflict-Affected Settings, World Economic Forum Agenda, 1 March, https://www.weforum.org/agenda/2016/03/6-lessons-from-companies-operating-in-war-torn-communities.

goals and commitments. And these undertakings are more likely to succeed when international donors (both multilateral and bilateral) can provide the necessary financial guarantees and political confidence required for business to mobilize in volatile settings, including investment in national institutional and local authorities It is also clear though that new instruments are needed for supporting private sector development in isolated and emerging economies, to encourage and enable capital and skills investment.

Fifth, local businesses and communities must be actively included in any solution. The local private sector is the engine of economic growth. At least 70% of jobs globally are generated by small and medium-sized enterprises and these local entities often prove extremely resilient in fragile contexts.[13] Large international business can support these local enterprises, for example, by exploring potential ways to connect them with global value chains. Both large and small enterprises with invaluable knowledge of local actors and conditions can also provide essential last-mile services and, more importantly, provide opportunities for youth, women and excluded communities through vocational and other training, as the work of Nespresso in South Sudan, Roshan in Afghanistan and Heritage Touch in the West Bank shows. There is also a strong business case to generate positive relationships with local communities because this will reduce the risk of conflict that can have drastic costs, both humanitarian and financial.

Finally, business can contribute to the transparent and effective management of revenues from the export of natural resources. Both Philips' Conflict-Free Tin Initiative and Chevron's work in developing the Global Memorandum of Understanding model in Nigeria (albeit not without controversy) illustrate how the private sector can help resource-rich countries to leverage their natural wealth to achieve development. However, there should be regular communication with local communities and extraction activities, which need to adhere to international legal standards to respect the rights of local populations. Company operations should also be accompanied by investments in human, physical and institutional capabilities to encourage diversified economies.

[13] International Trade Centre, SME Competitiveness Outlook 2015, http://www.intracen.org/SMEOutlook/.

Case Studies

1

Afghanistan

Roshan: Empowerment through Ethical and Innovative Telecommunications in Afghanistan

Background to Roshan: Roshan is Afghanistan's leading communications provider and the market leader as well as the country's single larget private investor and taxpayer. Roshan's majority shareholder is the Aga Khan Fund for Economic Development (AKFED). Roshan's core values have meant that the company has become a benchmark of corporate governance and ethical business conduct.

Challenges: In 2003, there were barely 100,000 functioning phone lines in Afghanistan for a population of 23 million people. To build a telecommunications network from scratch, Roshan faced incredibly daunting challenges: warfare, lack of security, landmines, chronic and widespread poverty, non-existent or damaged infrastructure, low literacy rates (30%), non-existent regulation and rampant corruption.

Role of Roshan: From the onset, the company drew a hard line to conduct business in an ethical manner, working to break the cycle of corruption which was the norm. Roshan's leadership also identified the development of the Afghan workforce as a major priority that would be pivotal to the company and the country's shared success. The company had to quickly recalibrate its expectations to meet the talent that was available and invested on average over $2,000 per employee annually in training and mentorship. Roshan has also empowered women, who are often not allowed to work outside their homes. Senior leaders personally went into communities and met parents to assure them of their daughters' safety, offering secure daily transport to and from the office. Roshan was the first Afghan company to implement a sexual harassment policy, best labour practices, and to offer pensions and health insurance.

Results and social impact: Today, more than 97% of Roshan's 900 employees and over 73% of the senior management team are Afghans. By training its employees to world-class standards, Roshan is building Afghan capacity and enabling the rise of the new generation of young Afghan leaders. Women comprise around 20% of Roshan's workforce and over 17% of Roshan's senior management team. In addition, Roshan has leveraged its technology to contribute to the improvement of healthcare. The company's unique telemedicine programme has served more than 14,000 patients and facilitated essential training for over 4,000 healthcare providers. Roshan also introduced Afghanistan to mobile money technology – M-Paisa – which has extended financial access in a country that was 97% unbanked and provided safe banking amid a corrupt, unstable and inaccessible banking system. Roshan's operations have influenced an entire ecosystem and created an environment that has attracted other telecommunications companies to invest in Afghanistan.

Keywords: socio-economic development, telecommunications, mobile, telemedicine, security, innovation, investment, Afghanistan
Sector: Telecommunications

Link to full case study

2

Bangladesh

Bata Rural Sales Program: Empowering Women at the Bottom of the Pyramid in Bangladesh

Background to the Bata Shoe Company: Family-owned Bata Shoe Company is one of the world's leading manufacturers and retailers of quality footwear and accessories. Since its founding, the company has consistently demonstrated its commitment to community-oriented and innovative business models in the belief that capital is not just money, buildings or technology, but more importantly, people, knowledge and core values. Bata's Rural Sales Program (RSP) is a social enterprise that aims to integrate underserved and vulnerable populations into companies' value chains as distributors and bring important goods to hard-to-reach communities.

Challenges: In many emerging market countries in which Bata works, women lack access to decent work and face occupational segregation and gender wage gaps. In many places in Asia, Latin America and Africa they are denied access to basic education and are under-represented in economic processes. Participation of women in mainstream economic activities allows societies to be more dynamic and sustainable. It is also impossible to achieve the target of a poverty-free society without incorporating women in the mainstream economy.

Role of the Bata Rural Sales Program: In Bangladesh, employment opportunities for women living in rural areas are extremely limited. What is more, these rural communities often do not have easy access to basic products such as shoes. To address these issues, in 2005 Bata developed with CARE Bangladesh an established humanitarian organization dedicated to fighting poverty, the Rural Sales Programme (RSP). Bata engages engages marginalized women by providing them entrepreneurial skills and income-generating opportunities, while simultaneously reaching new underserved customers in the extreme periphery of the country. The company piloted a sales model where a network of destitute women in rural communities ommunities are trained to become entrepreneurs and earn a living from selling affordable ($1) flip-flops manufactured in Bata-owned factories in Bangladesh.

Results and social impact: The RSP has reached 2,200 women in 28 rural districts in Bangladesh and is projected to reach 5,000 more. Other multinational and domestic companies working in Bangladesh, such as BIC, Unilever and Renata Limited, have joined the venture, enabling the expansion of products and market coverage, while providing the rural poor with a dignified source of income and advancing important development goals such as gender equality and sustainable livelihood creation. This project created a breakthrough in traditional living for rural and semi-urban women in Bangladesh. It increased their bargaining power, empowered them to participate in many forms of economic activities, upheld their livelihoods, provided access to modern technologies especially in communication, and connected them to ever-changing world dynamics. Each woman now earns earns between USD 80-120 a month when the minimum wage in Bangladesh is approximately USD 70.

Keywords: skill-building, bottom of the pyramid, employment, empowerment, Bangladesh
Sector: Retail, consumer goods & lifestyle

Link to full case study

3

The Democratic Republic of the Congo

Philips and Support of the Conflict-Free Tin Initiative

Background to Philips: Royal Philips of the Netherlands is a diversified technology company, focused on improving people's lives through meaningful innovation in healthcare, consumer lifestyle and lighting. Philips strives to make the world healthier and more sustainable through innovation. Its goal is to improve the lives of 3 billion people a year by 2025.

Challenges: The illegal trade in metals and minerals in the Democratic Republic of Congo (DRC) has been an important source of income for armed groups. The DRC conflict is the deadliest conflict in the world since the Second World War, with over 5 million casualties. The US Dodd-Frank Act, passed in July 2010, requires that companies publicly traded in the United States disclose the use of tantalum, tungsten, tin and gold (the "3TGs") and whether they are sourced from Central Africa. There were concerns that the Dodd-Frank Act would result in a "de-facto" ban, as companies are concerned that the minerals are linked to the conflict.

Role of Philips: The Dutch government wanted to contribute to breaking the cycle of war economies. The government and several multinationals, including Philips, Tata Steel and Cookson, developed a public-private initiative to source conflict-free tin from the Kivu provinces in Eastern DRC. The Conflict Free Tin Initiative (CFTI) helps rebuild the international market for conflict-free minerals from the eastern DRC. In its first phase, the CFTI puts in place new controls and traceability systems which help ensure that the minerals are conflict-free and catalyses demand. It offers a first step towards renewed economic activity and hope to the masses of unemployed miners. It is the intention that the initiative will subsequently focus on other sustainability issues.

Results and social impact: In September 2012, Philips ordered 20 tonnes of solder from its solder manufacturer, which in turn placed an order with the tin smelter, which in turn ordered minerals from a selected mine in East Congo. Since the Philips order, a mine has reopened and e-opened and started offering work to more than 800 miners. Furthermore, economic activity started to develop to develop around the mine, such as women offering micro-credit to miners. Many companies joined the initiative to order tin from the system as well. The project shows that through cooperation with the government and NGOs, the private sector can use its purchasing power to do good and improve people's lives, also deep in the supply chain.

The CFTI represented an important milestone towards conflict-free mineral trading in the DRC, proving that due diligence and traceability is possible, even in the most challenging circumstances. Incidents occurred and were investigated and mitigated through a transparent system that involved communities, supply chain participants and the government. Traceability was an essential contributor to formalization of mining and it became a springboard to enable miners to work in improved conditions. The CFTI concluded in 2014 and the iTSCi Programme continued to ensure conflict-free sourcing from the region. In July 2015 iTSCi and Pact announced a follow-on project with the Ministry of Foreign Affairs of the Netherlands to achieve "Scaling up Mineral Trade" in the Great Lakes Region of Central Africa.[13]

Keywords: conflict-free, supply chain, traceability, economic activity, Democratic Republic of the Congo
Sector: Mining & metals

Link to full case study

[13] The iTSCI system is now operational in DRC (Katanga, Maniema, North Kivu and South Kivu), Rwanda and Burundi, and covers the scope of the 3Ts (tin, tantalum, tungsten). There are currently 1,483 mine sites in the system, out of which 865 are active, with 67,130 miners recorded in the system (data from October 2015).

Box 1: Amnesty International

Lessons learnt from investing in fragile states

While foreign investment has the potential to aid development and bring social and economic benefits for fragile states, investment without adequate regulation and accountability can have a devastating impact on human rights.

Amnesty International has documented various cases[14] where foreign companies have exploited a country's fragility to maximize profits at the expense of stability, growth or human rights. This includes toxic waste dumping in Côte d'Ivoire, serious human rights violations in a Myanmar mining project and extensive oil pollution in Nigeria. The last two cases involve ongoing human rights abuses over a significant period of time and successive governments.

Companies have a responsibility to respect all human rights wherever they operate. They must fulfil this responsibility by exercising due diligence to become aware of and prevent human rights abuses, and by taking action when abuses occur. This responsibility is independent of a country's own human rights responsibilities and exists over and above compliance with national laws.

The greater human rights risks associated with fragile states mean that companies should take extra care when operating in these countries. Unfortunately, as Amnesty's research indicates, companies do take advantage of this fragility. Fragile states typically have weak legal frameworks and lack resources to enforce laws. In comparison, companies providing foreign investment can be relatively powerful actors and exercise undue influence over governments. The challenges that fragile states face in regulating companies – because they lack the will or ability to do so – mean that people living in these countries are more likely to experience corporate-related human rights abuses and are less able to access remedy.

To tackle this accountability gap, governments should ensure that companies respect human rights and are held to account when they do not. This applies to both the home states where foreign companies are based as well as the host states where they operate. In particular, the recent changes in government in Myanmar and Nigeria present a vital opportunity to tackle the negative human rights impacts of foreign investment.

[14] **Cote d'Ivoire:** Amnesty International's September 2012 report *The Toxic Truth*: www.amnesty.org/en/documents/afr31/002/2012/en/
Myanmar: Amnesty International's February 2015 report *Open for Business? Corporate Crime and Abuses at Myanmar Copper Mine*: www.amnesty.org/en/documents/ASA16/0003/2015/en/
Nigeria: *Petroleum, Pollution and Poverty in the Niger Delta*, June 2009: www.amnesty.org/en/documents/AFR44/017/2009/en/; *Bad Information: Oil Spill Investigations in the Niger Delta*, November 2013: www.amnesty.org/en/documents/AFR44/028/2013/en/; *Clean It Up: Shell's False Claims About Oil Spill Response In The Niger Delta*: November 2015, https://www.amnesty.org/en/documents/afr44/2746/2015/en/.

Box 2: Organization for Economic Cooperation and Development

States of Fragility 2016 Report, forthcoming

At the moment, 1.5 billion people – one person in five – live in fragile and conflict-affected countries. According to the OECD *States of Fragility* report, overseas development assistance (ODA) constitutes the single largest proportion of funding for some of the most fragile settings. Indeed, nine out of the 10 most aid-dependent countries are fragile, with Liberia, Kiribati and the Central African Republic at the top of the list. Aid to fragile states has risen steadily since 2000 and is close to reaching 50% of all aid disbursed worldwide, or roughly $47 billion in 2014.

The distribution of ODA to fragile and conflict-affected states is still highly uneven. Inhabitants of small island states such as Tuvalu received up to $3,477 per capita. Meanwhile, Bangladeshis, Nigerians and Pakistanis received less than $20 per head. Geographically, fragile states in the Middle East received most aid in 2014, especially Afghanistan and Syria. The United States is still the largest donor to fragile and conflict-setting countries, though Arab donors such as United Arab Emirates and Saudi Arabia are increasingly playing an important role.

The *States of Fragility* 2016 report shines a spotlight on the trends and drivers of violence and conflict. It shows that after years of declining intensity and frequency of violence since the 1990s, there are signs of growing insecurity and instability in specific regions. Over the past 15 years, 53 countries were affected by some degree of political violence amounting to a total population of 3.34 billion. What is more, fragility, conflict and violence are increasingly urbanized: in India, 75% pf reported riots and protests were concentrated in cities.

There are important reasons to focus prevention and reduction efforts in cities. The real and perceived sense of insecurity in urban spaces is increasingly noted. In Nairobi, for example, up to two thirds of residents living in informal settlements and slums report that they do not feel safe in their neighbourhoods. Such dynamics are especially germane to public policy-makers and private actors as they consider solutions. Data-driven and innovative approaches to addressing the many risks associated with fragility and conflict will be urgently required.

4

Ethiopia

Mercy Corps: Catalysing Market Systems in Ethiopia

Background to Mercy Corps: Mercy Corps is a global organization that helps people survive and get back on their feet when economies collapse, natural disaster strikes, or conflict erupts. Mercy Corps believes that a better world is possible through partnerships with communities, civil society, governments and the private sector.

Challenges: In Ethiopia, only 14% of the adult population have access to financial services – as low as 1% in rural areas. The financial sector is highly regulated and closed to foreign investors. Weak vertical linkages and information flows offer few opportunities for knowledge transfer and limit the market's reach to rural producers. In this environment, it is difficult for households to secure livelihoods, expand businesses and become more resilient to increasingly frequent natural disasters.

Role of Mercy Corps, in partnership with Somali MFI and BelCash: With the support of the United States Agency for International Development, Mercy Corp's Pastoral Areas Resilience Improvement through Market Expansion (PRIME) initiative uses a market facilitation approach to support people transitioning out of pastoralism. Mercy Corps partnered with Somali MFI, a local Sharia-compliant microfinance organization, and BelCash, an Ethiopian subsidiary of a Dutch mobile banking company, to address financial inclusion. Mercy Corps acts as network facilitator, linking BelCash and Somali MFI, as well as supporting efforts to change national regulations. A $6 million Innovation Investment Fund was also created to support medium- to large-scale enterprises operating within or directly benefiting pastoral areas. The fund leverages capital for investments that improve market linkages, generate employment and bridge the gap in access to finance. By "buying down" no more than 50% of the risk for businesses to expand in pastoral areas, PRIME is creating a pathway to profitability and growth for specific key value chain firms, and setting an example and incentive for other investors to crowd into the market.

Results and social impact: The Innovation Investment Fund's activities were instrumental in key policy changes within the Ethiopia government. To date, the Innovation Investment Fund has invested $5 million in seven businesses in Ethiopia, with private sector cost share of $24.8 million, or approximately 80%. Similarly, PRIME has provided over 11,000 households access to financial services. By designing a market facilitation approach that partners with the private sector through shared risk, Mercy Corps is changing the face of economic development in Ethiopia. The initiative is catalysing sustainable improvements in industry capacity, expanding supply chains, increasing sector competitiveness and strengthening the financial services industry.

Keywords: market facilitation, access to finance, rural inclusion, Ethiopia
Sector: Financial services

Link to full case study

5

Mali & Burkina Faso

International Trade Centre's Ethical Fashion Initiative (EFI): Improving Textile Markets in Mali and Burkina Faso

Background to EFI: Textile buyers are often reluctant to source from Africa, mainly because of inconsistent quality and non-delivery risks. The International Trade Centre's Ethical Fashion Initiative (EFI) is working to offset these perceptions in Mali and Burkina Faso. The EFI co-manages the *Groupement d'Intérêt Economique Commerce et Artisanat pour le Bien-Etre Social* (GIE CABES), a transnational consortium of artisanal cotton-weaving micro-enterprises. EFI and GIE help the people running these micro-enterprises – most of whom are women – to distribute to high-end fashion brands overseas such as United Arrows (Japan) and Vivienne Westwood (UK).

Challenges: In Mali, political crisis, the outbreak of Ebola and a string of terrorist attacks have severely affected the economy, and Mali's traditional weaving areas are some of the hardest hit by insecurity. The GIE CABES' informal textile micro-enterprises also face issues in production organization and technical know-how that complicate integration into international markets. They also face cash flow problems because many women must direct their earnings towards the family instead of the business. Additionally, Malians now often find it difficult to obtain visas to participate in international fairs – a key mode of connecting to potential clients. Supplies of cotton have also become irregular, which has reinforced business volatility.

Role of EFI: EFI has run workshops and continuous mentoring to support GIE members to more effectively tap into the international market. EFI has provided extensive technical assistance geared around new products, delivering consistent quality, improving financial skills and boosting productivity. It has also helped GIE members develop a better understanding of the opportunities created by regional and national trade, as well as of the sociological and geopolitical issues that are affecting their businesses.

Results and social impact: The improvements in design, technological innovation and competitiveness fostered by EFI have increased sales, jobs creation and earnings in the handmade textile sector in Mali and Burkina Faso. Despite political instability, EFI and GIE have helped weavers to pursue trade activities without interruption, earning a reputation of reliability with international buyers. Weavers and their communities now have better access to basic needs, and women in particular have been beneficiaries of these interventions, with greater economic empowerment translating into an important role in the decision-making process of their communities.

Keywords: micro-enterprise, women, capacity-building, Mali, Burkina Faso
Sector: Retail, Consumer goods & lifestyle

Link to full case study

6

Myanmar

Innovative Blending in Fragile Contexts: Cordaid Investments in Myanmar

Background to Cordaid: Cordaid Investment Management B.V. (CIMBV) is a responsible social impact investor, with currently EUR 63 million assets under management, spread over 23 developing countries in Asia, Africa and Latin America. CIMBV is the asset management branch of the Cordaid Foundation, who has worked for over a century with more than 600 partners in 38 countries to fight poverty and exclusion in the world's most fragile societies and conflict-stricken areas. CIMBV currently manages three funds: the Stability Impact Fund Africa, supporting entrepreneurs in fragile contexts, the Rural and Agricultural Fund, and the Health Investment Fund.

Challenges: The microfinance sector in Myanmar was (and still is) severely underdeveloped. Financial inclusion was extremely low, with only 20% of the adult population having access to financial services. This lead to most people relying on the informal sector, borrowing from money lenders or pawnshops, often against exorbitant rates. Therefore, there was a high demand for (international) funding for microfinance institutions (MFIs) that wanted to reach these people, especially to grow and expand into the more remote rural areas. However, even impact investors were hesitant to provide financing to these MFIs, merely due to an inhibitory and complex regulatory context and an extremely volatile local currency. This on top of several other challenges linked to investing in fragile contexts, such as political instability and ethnical, natural and operational risks.

Role of Cordaid: After a careful evaluation, weighing both the risks and the potential for impact, CIMBV decided to move forward with the first investment, despite the challenges. However, at that exact time, the government of Myanmar decided to place a cap on the interest rate that foreign investors were allowed to charge, which was below the interest rate that we had set. This cap on the rate in local currency meant a near stand-still of foreign investment into the Myanmar microfinance market. After careful and extensive deliberation CIMBV decided to lend in MMK at the lower rate, thereby taking on the full currency risk. The cap stayed in place, and the Myanmar Kyat devaluated substantially, so that CIMBV actually ended up losing money on our first loan in Myanmar. It was around that time that LIFT, a consortium of international donors in Myanmar, announced their call for financial inclusion.

Results and Social Impact: A unique partnership was created between CIMBV (the impact investor), LIFT (the donor) and TCX (the hedging facilitator from the private sector), in which financial security was combined with social impact in Myanmar. LIFT generously provided the funding for covering the largest risk we were facing as an impact investor, namely the currency risk, in addition to reducing credit risk by providing a grant for additional capacity building to strengthen the microfinance institutions. TCX provided the financial mechanism and expertise for the hedge, and as a result, CIMBV was able to commit funding for investments to the development and strengthening of the Myanmar microfinance sector. Using grant funding or approaching donors for first-loss positions and/or to provide hedging could be an important step forward in persuading (impact) investors to invest in fragile contexts. As for the Myanmar microfinance market, things are looking up. Based on CIMBV's proposed structure, TCX and LIFT have come to an agreement at larger scale, to provide a hedging facility for other impact investors. This is hopefully a large catalyst for further investment into the sector.

Key words: blending, currency risk, fragility, innovative financing, responsible impact investment, Myanmar, Cordaid
Industry: Investors

Link to full case study

Box 3: African Development Bank

The importance of approaching fragility by assessing multidimensional risk

The African Development Bank Group (AfDB) has been a pioneer in seeking to abandon the binary view of fragile vs non-fragile countries. Under its 2014 Strategy, it recognizes that no country is immune to issues of fragility and that these are not limited by state borders. The AfDB approaches fragility from a multi-dimensional risk perspective to gain a better understanding of the issues and actors in a country and region. The AfDB applies a "fragility lens", systematically assessing the political, security, economic, social and environmental risks to guide its strategic and operational engagement.

The private sector is a strategic partner for the bank's engagement in fragile situations. Not only is it a core contributor to growth and economic production that significantly reduces the likelihood of a country's relapse into conflict but also its opportunity-seeking character enables it to exist in situations where government institutions have all but collapsed. For instance, in Somalia, both the domestic and foreign private sector have found ways to survive and even prosper in parts of the country, notably Somaliland, despite governance challenges. Its role becomes ever more important, once countries transition out of fragility, stabilizing the economy and society and creating much needed jobs.

In view of the higher risk of doing business in these countries, the AfDB is making use of a wide range of instruments to promote private sector growth, including Partial Risk Guarantees and Partial Credit Guarantees, Private Equity Investments, and Trade Finance. In 2015, the AfDB launched a pilot credit enhancement initiative seeded with $230 million aimed specifically at increasing private financing in low-income countries notably those with fragile situations – the Private Sector Credit Enhancement Facility. As a partial risk participant, it has the capacity to cover up to a total of $700 million of credit default exposures thus enabling the AfDB to finance at least $1.4 billion of non-sovereign guaranteed projects in low-income countries. With demand exceeding supply, today the Facility finances power-generation projects in Côte d'Ivoire and Sierra Leone, as well as agribusiness and other industrial plants in the Democratic Republic of the Congo and Mali. Building on its track record, country knowledge and perception as a trusted broker on the continent, the AfDB will further boost private investments in fragile situations through this Facility. By using its approach of assessing multidimensional risk, the AfDB aims to support investment that is responsible and enhances resilience.

Box 4: Inter-American Development Bank

Unfinished business: mobilizing private sector efforts to respond to fragility and uncertainty

The past decade has been exceptional for Latin America and the Caribbean (LAC). Between 2004 and 2014, most of the economies of the region experienced annual growth rates close to 4%. Such rapid growth was the result of high levels of investment and trade as well as a decline in unemployment and financial stability. Latin Americans are healthier and more educated than ever. The amount of people living on less than $1.25 a day was halved by 2008, seven years in advance to what was targeted in the Millennium Development Goals.

Moreover, the past decade was also exceptional because crime and violence levels in LAC became disproportionately high: so high that it is considered to be at epidemic levels. Throughout the past decade, with a homicide rate of over 20 per 100,000 inhabitants, LAC established itself as the most murderous place on earth, with violence levels continuing to intensify in some countries. Even though the region is home to less than 9% of the world population, it accounts for 33% of the world's homicides.[15]

It is not surprising that crime imposes significant costs on the economy and threatens the development of cities and even entire countries: it affects the behaviour of individuals; constrains the investment decision of firms; erodes the trust in institutions responsible for ensuring safety; and distorts the allocation of public and private resources. A recent Inter-American Development Bank (IDB) study[16] estimates that crime absorbs on average 3% of the GDP of Latin American countries (IDB 2015). It also increases the cost of doing business and lowers productivity. A vast majority of firms (35.9%) operating in LAC identify crime, theft and disorder as their major constraint for doing business (World Bank Enterprise Survey 2010), and about 61% of businesses in LAC also pay for security.

Ultimately, the challenge LAC countries are facing is in responding to vulnerable and fragile societies. And governments in the region are pursuing strategies and tactics to deal with crime and violence.[17] The following experiences from LAC and the IDB could potentially inspire, motivate and serve as examples to other sub-regions of the world with similar challenges and catapult them to experiment with new approaches and find their own solutions to reducing violence. For example:

The private sector can help strengthen local economies and build resilience.

– In Colombia, the National Business Association of Colombia supported peace-building by continuing their activities in violent areas creating employment opportunities and raising awareness of the important role that employers play in the development of the nation.

Businesses can engage with and build trust among various stakeholders.

– Business leaders in Ciudad Juarez in Mexico established a Social Trust Fund for Social Development and Citizen Safety (FICOSEC). This effort brings together public and private actors to develop strategic crime prevention programmes, promote community engagement and provide oversight mechanisms which aim to improve community trust and cohesion.

Public-private partnerships can provide innovative sources of financing.

– There are innovative financing mechanisms such as Social Impact Bonds (SIBs) that the private sector can leverage to improve the impact of crime prevention and social rehabilitation programmes. Social investors partner with governments to provide working capital for social programmes. There are examples of SIBs in the region that aim to reduce recidivism among young offenders and improve the employment and educational outcomes of young people in Chile and Colombia, among others.

– Argentina, Colombia, Chile and Uruguay put together a regional platform (SOCIALAB) that supports entrepreneurship, technology and business creation. Its methodology is to connect and pool the skills of and synergies between academic institutions, private companies and the public sector to assist at-risk young entrepreneurs from local marginalized communities.

[15] See the Homicide Monitor at www.homicide.igarape.org.br. Also consult UNODC's dataset on homicide at https://www.unodc.org/gsh/

[16] https://publications.iadb.org/handle/11319/7246

[17] Muggah (2015) How Can we Make Latin American Cities Safer? World Economic Forum Agenda, 7 May, https://www.weforum.org/agenda/2015/05/how-can-we-make-latin-american-cities-safer. See also Muggah (2015) How Citizen Security is Changing Across Latin America, Sin Miedo, http://blogs.iadb.org/sinmiedos/2014/03/27/how-citizen-security-is-changing-in-latin-america-and-the-caribbean/.

7

Myanmar

Investing in Fragile Contexts: Total in Myanmar

Background to Total: Total E&P Myanmar (TEPM) is a company with more than 300 employees that has an offshore gas field which produces gas sold to both Myanmar for distribution in Yangon and to the Thai state for distribution in Bangkok. TEPM operates the Yadana gas field (under a production-sharing contract) with a 31.2% interest.

Challenges: Total's presence in Myanmar has been contested by human rights activists and NGOs, who have accused the company of cooperating with the former junta that was accused of widespread human rights abuses. Ensuring that Human Rights are respected requires reinforced vigilance and commitment, particularly in the context of Myanmar.

Role of Total: Since 2003, TEPM has undertaken human rights training of its employees and relevant stakeholders in Myanmar in collaboration with the Danish Institute of Human Rights and the ILO on good labour practices, with a focus on forced labour, to raise awareness of the population on their rights. Further, TEPM engages with the Collaborative for Development Action (CDA), a US non-profit organization expert in community relations and company community conflict.

As a member of the Voluntary Principles on Security and Human Rights (VPSHR), TEPM took steps to make its Myanmar stakeholders more aware of the rules governing security and human rights in the regions where it is operating. TEMP has also been strongly promoting greater transparency in the extractives industry in Myanmar. TEMP has been fully committed to the implementation and success of the Extractive Industry Transparency Initiative (EITI) and has leveraged its relationship with the Government to explain the benefits of Myanmar joining EITI.

Results and social impact: The VPSHR training aimed to ensure that each person involved in enforcing the security of a region or facility fully understood how to react in the event of forced entry or violence. Concrete scenarios were examined and discussed at the seminars. Myanmar committed to joining the EITI in late 2012 and was admitted as a candidate country by the International EITI Board in July 2014. The country then hosted the meeting of the International Board in October 2014 in Nay Pi Taw, when participants also visited the Yadana pipeline area and took stock of the CSR initiatives first-hand.

Keywords: human rights, security, training, Myanmar
Sector: Oil & gas

Link to full case study

8

Nigeria

MasterCard and Mercy Corps: Empowering Young Women in Northern Nigeria

Background to MasterCard and Mercy Corps: MasterCard has been working with the Nigerian Identity Management Commission to launch the broadest financial inclusion programme in Africa – a biometric-based identity card plus payment (NeID) for Nigeria's 173 million citizens. Mercy Corps is an international development organization that has a long history of addressing the unmet needs of disempowered women and girls, and has analysed ways to mitigate their marginalization through financial inclusion and entrepreneurship training.

Challenges: Poverty, violence and illiteracy plague parts of northern Nigeria, disproportionately affecting women and girls. Many women wish to grow businesses, but a lack of formal identification is a key barrier. Nigerian law requires a person to present official identity documents (birth certificate, passport, etc.) to open a savings account or apply for credit from a financial institution. However, of 2,000 adolescent girls in northern Nigeria who were profiled by Mercy Corps, only half had a birth certificate and 30 % had no formal ID at all.

Role of MasterCard and Mercy Corps: Recognizing that a legal identity empowers individuals by providing easy access to critical public and private services, MasterCard sought to enable the most vulnerable but potentially the most dynamic members of society – women – with the NeID card. MasterCard partnered with Mercy Corps, which had in-depth knowledge of the needs of young Nigerian women. Together, MasterCard and Mercy Corps could help women overcome the obstacle of identification and provide the critical skills training to enable them to grow their businesses and pull themselves and their families out of poverty.

Results and social impact: While Mercy Corps has succeeded in registering more than 6,300 adolescent girls for NeIDs, only a small number of them have received their cards. For a population half the size of the United States, with arguably much more limited infrastructure, the task has been monumental. However, the partners remain committed. Not only are more women now achieving financial inclusion through access to products and services, they are also using those products and services more productively, thanks to education and skills-building provided by Mercy Corps.

Keywords: gender, identity, youth, financial inclusion, Nigeria
Sector: Financial services

Link to full case study

9

Nigeria

Investing in Community Development: Chevron Nigeria

Background to Chevron in Nigeria: Chevron is one of the world's leading integrated energy companies and is involved in virtually every facet of the energy industry. It has a diverse and highly skilled global workforce of approximately 64,700 employees. Its business operations traverse 100 countries. Chevron Nigeria Limited (CNL) has continued to operate in the country through 55 years of a variable social, political and economic history, including eight military coups, a 30-month civil war, intermittent ethnic conflicts and militant insurgencies. CNL has established itself ahead of competition in managing the social, economic and environmental challenges associated with doing business in a fragile context.

Challenges: Nigeria has a high rate of unemployment and poverty, and outbreaks of violent, inter-ethnic conflicts are rife. Governance and transparency is sometimes a challenge. In 2003, a series of increasingly violent clashes between two age-long ethnic rivals in the Niger Delta area – where most of the oil exploration and production takes place – came to a head. Several villages were destroyed in the fracas and many community members lost their lives. The use of small arms and improvised devises by militant gangs, oil theft and pipeline sabotage would later compound the situation. CNL airlifted nearly 3,000 displaced villagers from communities closest to its operations, evacuated its own staff from its swamp locations and shut in about a third of its production until the situation became safer and more stable.

Role of Chevron: During the intervening 18 months, intensive stakeholder engagement and a holistic risk assessment led to the establishment of the Global Memorandum of Understanding (GMoU) model in 2005. The GMoU model is based on the CNL process of managing social performance as an integral part of ensuring business performance. The formula is: integrating stakeholder engagement, social risk assessment and social investment lead to improvement in social performance. The GMoU model calls for a multistakeholder approach to community engagement and sustainable development. Five years after launching the GMoU model, the Foundation for Partnership Initiatives for the Niger Delta (PIND) was established. It is a not-for-profit foundation located in Nigeria to serve the entire Niger Delta beyond the communities in the areas where CNL has its operations. Chevron has committed $90 million to the initiative over 10 years, from 2010 to 2019.

Results and social impact: The implementation of the GMoU model has helped to manage violent conflicts and address lack of community capacity, unemployment and other social risks. The GMoU has been in operation for 10 years, has established CNL as industry leader in social performance in Nigeria and has been adopted by other companies in Nigeria. PIND complements Chevron Nigeria's existing social investment efforts by working to address systemic causes of social problems in the Niger Delta region. Among the tangible outcomes of the company's efforts is a measurable improvement in the security of the operating environment, a substantial improvement in the health, education and economic well-being of local communities and a remarkable improvement in the cordial relationship between the local communities and the company.

Keywords: social investment, governance, community engagement, Nigeria
Sector: Oil & gas

Link to full case study

10

Palestine

The International Trade Centre: Empowering Women Embroiderers in Ramallah

Background to the International Trade Centre (ITC): In early 2014, the Women and Trade Programme of the International Trade Centre (ITC) launched a project on "Enhancing women SME development in the state of Palestine" (EWED). Through workshops and training activities, ITC works to improve the capacity of institutions such as the Business Women Forum, a Palestinian non-profit association that advocates for women's economic empowerment.

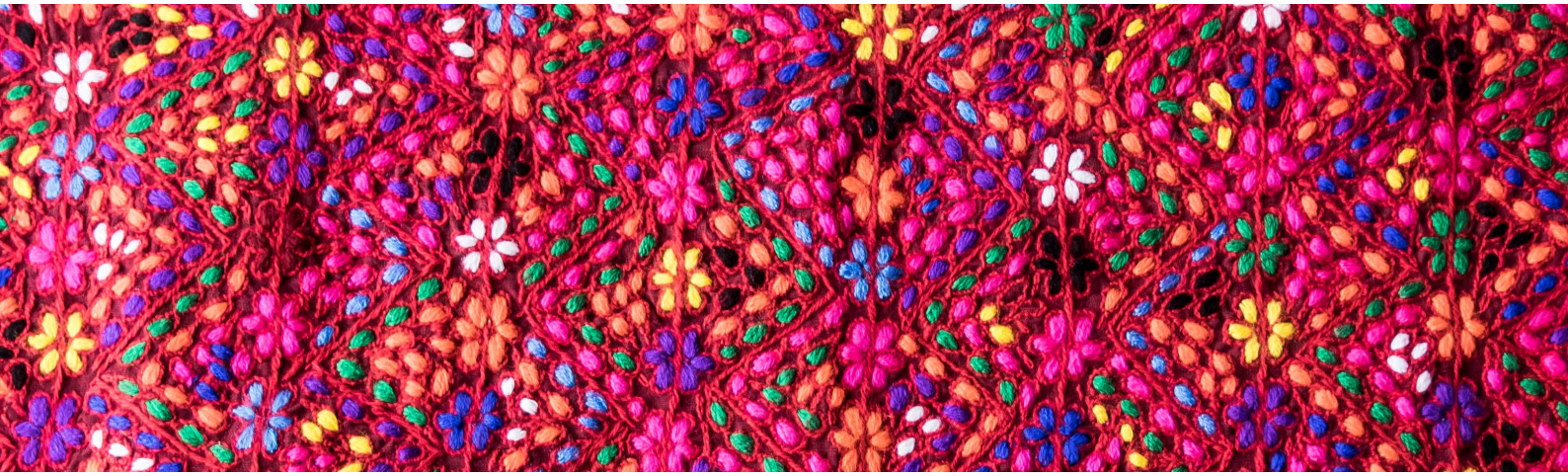
Challenges: Many Palestinian businesswomen face societal restrictions, unequal economic opportunities and bias in the marketplace, which restrict their ability to market products in Palestine and abroad. These reinforce other challenges such as weak domestic demand and difficulties meeting international health, safety and other product requirements. Finding investors to finance raw materials and machinery, as well as difficulties importing raw materials, exacerbate entrepreneurs' limited bargaining power vis-à-vis suppliers, inflating costs. Limited business networks also often make it hard for Palestinian small and medium-sized enterprises (SMEs) to pick up speed and fully realize their potential.

Role of the ITC and local institutions: The ITC provided advisory services through the Business Women Forum as well as directly to 21 selected women-owned businesses, helping them to improve their competitiveness by diversifying production, improving product quality and design, and upgrading business and strategy plans for the international market. By facilitating their participation in various international exhibitions and trade fairs, the ITC helped women entrepreneurs connect to potential international buyers.

Results and social impact: Naima Zeyad is one woman whose company, Heritage Touch, has overcome several business-related obstacles through support from the ITC and the Business Women Forum. The increased demand for products from Zeyad's business has allowed her to open a new showroom and workspace in Ramallah where customers can view her collection and women can gather in a safe place to produce her products. The ITC is enabling women-owned businesses such as Zeyad's to preserve Palestinian culture and art by turning traditional techniques into marketable products worldwide. As the ITC project manager Eman Beseiso said: "Women entrepreneurs are enhancing their capacities and international competitiveness, finding buyers and accessing new markets. We believe this will contribute to the Palestinian government's vision of 'Export-Led Prosperity, Made in Palestine'."

Keywords: capacity-building, women, international markets, small enterprise, Palestine
Sector: Retail, consumer goods & lifestyle

Link to full case study



Box 5: Humanitarian Policy Group

Role of the private sector in humanitarian action: Yemen and Somalia

Conflict creates not only challenges but also opportunities. Recent research by the Overseas Development Institute (ODI) has in Yemen and Somalia identified three cross-cutting roles of private sector engagement in humanitarian action: as facilitators of access; as intermediaries with international and local actors; and as distributors of humanitarian aid.

In Yemen, some businesses have had to halt all operations – for example, in the oil and gas sector, where exports have been suspended. By contrast, the Al-Kuraimi Islamic Microfinance Bank used its networks across Yemen to distribute cash to affected people despite the economic blockade, and even in Houthi-controlled areas. Businesses have also acted as intermediaries by collaborating with humanitarian actors such as the Red Cross/Crescent and linking them to community actors to enable access and the distribution of medicine and food.

Two of Yemen's biggest businesses – the **Hayel Saeed Anam Group (HAS)** and **Thabet Group** – have played a major role in distributing food and resources in the country through their charitable arms and connections. In Somalia, the private sector has played a fundamental role in the absence of a government. As well as directly providing livelihoods through employment in sectors such as livestock and charcoal, it has a long-established role as a contractor to international agencies in delivering humanitarian commodities. Cash-based interventions by aid agencies have been another area of collaboration with the private sector. A typical model involves NGOs identifying beneficiaries, with Somali hawala (money-transfer firms) handling the physical movement of cash and often its distribution to selected individuals.

In both Yemen and Somalia, local businesses – and the people working within them – have the knowledge and networks to turn things around, and have shown that they are well-positioned to play an important and much needed humanitarian role.

Box 6: International Dialogue on Peace-building and State-building

Investing in peace consolidation: why and how investors can engage in countries affected by conflict and fragility

Attracting and retaining domestic and foreign investment in fragile environments is a challenge. But it is vital, particularly in sectors and in companies likely to contribute to job creation and longer-term prosperity. For this to happen, we need a new narrative that changes investors' perceptions of the challenges of investing in companies that operate in fragile contexts and highlights the opportunities that these contexts potentially afford, both in terms of financial returns and for peace consolidation.

Investments in certain sectors, notably infrastructure development, improving access to social services, the energy and IT sector, and agribusiness sectors can contribute to peace consolidation and offer prospects for high returns on investment. When investors do not abide by International Environmental, Social and Governance standards for responsible investment decide to divest, on the contrary, they are likely to do harm.

The main impediments are real and perceived high risks (i.e. reputational, financial and contextual) and an information gap. Even when political turmoil has subsided or countries have emerged from conflict, many continue to suffer from an image problem and are perceived as not being investor-friendly or worthy. Histories of conflict and instability, and the difficulty of gaining access to accurate information, constrain balanced investor decision-making. Innovative approaches are needed to attract investors. For example:

- Certification schemes to ensure that investments are channelled to companies that are compliant with existing standards and due diligence for responsible investment (such as the Principles for Responsible Investment (PRI), UN Guiding Principles on Business and Human Rights and OECD Guidance for Multinational Enterprises)
- Accountability and guarantee mechanisms that can protect investments from financial and reputational risks, building on existing models (e.g. Multilateral Investment Guarantee Agency (MIGA) and public-private partnerships)
- New financial tools, modelled on the innovative financing pioneered by environmental and social bonds
- Providing investors with country- and sector-specific information on investment opportunities and challenges, and backing up financial analysis with conflict-sensitive political economy analysis

11

South Sudan

Nespresso and TechnoServe: Rebuilding the Coffee Sector in South Sudan

Background to Nespresso and TechnoServe: Headquartered in Lausanne, Switzerland, Nespresso operates in 64 countries, with more than 12,000 employees. The Nespresso AAA Sustainable Quality™ Program was launched in 2003 in collaboration with the NGO The Rainforest Alliance. It empowers coffee farmers by providing farmers with training, finance and technical assistance to improve coffee quality, sustainability and productivity, investing in community infrastructure, and paying cash premiums for superior coffee and best agricultural practices. TechnoServe is a global non-profit organisation specializing in business solutions to poverty.

Challenges: In 2011, Nespresso began exploring the newly independent South Sudan as a potential new coffee terroir. The country's coffee industry had been decimated by years of civil war. Thousands of trees had to be replanted. Farmers lacked access to basic inputs and technical support, and there was little infrastructure to either process the coffee to a high standard or transport it out of the country.

Role of Nespresso and TechnoServe: Nespresso considered a number of models to develop the coffee market in South Sudan. Recognizing that farmer empowerment was key to the project's success, Nespresso ultimately chose a "bottom-up" model based on community ownership. Nespresso enlisted TechnoServe as an implementation partner because the non-profit was known for its "shared value" approach to international development. Coffee wet mills were set up and owned by coffee farmers themselves, with a business plan that enabled them to repay cap-ex loans and sustain profitable operations without subsidies within three years. Nespresso and TechnoServe are now working with several hundred smallholder farmers to improve the quality and quantity of their coffee harvests through better agronomic practices, learned through hands-on training sessions delivered by trainers who are recruited within the farming communities. Cooperatives, owned and run entirely by farmers, process their members' coffee to a high standard, then sell it on to be hulled and screened to meet Nespresso quality requirements before export to Europe. Each cooperative elects an oversight committee to ensure transparent governance, and receives training on proper financial and operational management.

Results and social impact: In October 2015, the coffee from South Sudan hit the market in France for the first time. The coffee has not only had great commercial success but also a transformative influence on South Sudanese communities. Nespresso and TechnoServe are now seeking to scale up the programme to reach 15,000 farmers over the next 10 years, setting up the foundation for an industry with the potential to benefit 50,000 farmers and 250,000 people. This would provide a "grassroots" form of wealth generation and economic development, in contrast to the country's centralized oil sector, which currently accounts for 99% of the country's exports.

Keywords: coffee, Nespresso, TechnoServe, agriculture, shared value, development, South Sudan
Sector: Agriculture, food & beverage

Link to full case study


© TechnoServe

12 Uganda

Mercy Corps: Economic Prosperity and Food Security in Northern Uganda

Background to Mercy Corps: Mercy Corps is a global organization that helps people survive and get back on their feet when economies collapse, natural disaster strikes, or conflict erupts. Mercy Corps believes that a better world is possible through partnerships with communities, civil society, governments and the private sector.

Challenges: Ugandan farm yields are low, food is in short supply and malnutrition is common. Poor-quality seeds and recurrent climate shocks have reduced harvests. The war and repeated resettlement resulted in a pronounced skills gap so many farmers lack the knowledge or financial capacity to recover from agricultural shocks and stresses.

Role of Mercy Corps: With generous support from the United States Department of Agriculture, Mercy Corps' Revitalizing Agricultural Incomes and New markets (RAIN) initiative is generating economic prosperity and improving food security in northern Uganda by enhancing farmers' profitability and productivity, catalysing local business and expanding access to financial services. The Mercy Corps' market systems approach addresses the underlying systemic constraints that hinder participation in targeted markets. Mercy Corps engages farmers, agri-businesses and financial institutions while fostering collaborative partnerships with government, major agricultural companies, local media, associations and other relevant players. Mercy Corps supports farmers in a variety of ways, including increasing crop yields through improved equipment; higher-quality inputs, through improved business models, local agent and supplier networks and embedded services; as well as access to commodity and cross-border markets, information and reduced transaction costs.

Through market analysis, Mercy Corps recognized the need to develop a buyer-led structure for the provision of farmers' trainings and information services. However, no large Ugandan agriculture buyers were active in the region. Mercy Corps persuaded one Ugandan company, Gulu Agricultural Development Company (GADC), to expand its services and buying operations to Lamwo district, where it could focus on sesame production.

Results and social impact: GADC has developed contract farming arrangements with local farmers and has spurred a local sesame boom. Over 17,000 farmers have registered with GADC, representing a third of all farmers in the target area. Large buyers have been attracted to the region because of the high quality product now available in large quantities and the stable group structure. By taking a systems approach, the initiative has improved the business performance of 61,520 smallholder farmers, 151 agri-businesses, three financial institutions, 660 Village Savings and Loan Associations, and four radio stations. It has also built the capacity of the Lamwo District Ministry of Agriculture to support ongoing development and commercial sustainability. By 2014, more than three-quarters of the targeted smallholder farmers reported an average increased income of 63%. Over time, efforts like this will help transform northern Uganda into a more stable and blossoming economy.

Keywords: capacity-building, food security, market access, Uganda
Sector: Agriculture, food & beverage

Link to full case study

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Acknowledgements

The editors of this report included Elissa Golberg, Andrej Kirn, Peter Maurer, Robert Muggah, Achim Wenmann and Rolf Soiron. The Global Agenda Council would like to thank Deji Haastrup, Shainoor Khoja, Simon O'Connell, William Farrell, Wasana Punyasen, Nicole Voillat, Sonia Kalauzova, Paul Musser, Sasha Kapadia, Arancha González, Nneka Henry, Daniel Weston, Alexandre Couesnon, Melina van Scharrenburg, Laure Wessemius and Karen Mol for their contributions to the case studies. For the text box contributions, we would like to thank Frederik Teufel, Nathalie Tatiana Alvarado, Jana Hofmann, Rachel Scott, Donata Garrasi, Kathryn Nwajiaku, Sara Pantuliano, Sherine N. El Taraboulsi, David Griffiths, Lucy Graham and Tirana Hassan. With special thanks to Carl Björkman from the World Economic Forum, and Claude Voillat, Juan Luis Coderque Galligo and Romily Faulkner from the ICRC for their invaluable support and advice.

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Anja Kaspersen, Head of International Security, World Economic Forum, Switzerland

Andrej Kirn, Community Lead, International Organizations and Government Affairs, World Economic Forum, Switzerland

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World Economic Forum
91–93 route de la Capite
CH-1223 Cologny/Geneva
Switzerland

Tel.: +41 (0) 22 869 1212
Fax: +41 (0) 22 786 2744

contact@weforum.org
www.weforum.org