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Conflict-Sensitive Business Practice: Towards the Integration of Conflict Assessment and Prevention in Extractive Industry Practice
by R. Goldwyn and J. Switzer

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Conflict-Sensitive Business Practice:

Towards the Integration of Conflict Assessment and Prevention in Extractive Industry Practice

Research Paper: Assessments, Communities and Peace – A Critique of Extractive Sector Assessment Tools from a Conflict Sensitive Perspective.

Working Document

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1. Introduction

For oil, gas and mining companies operating in areas of potential or open conflict, there are clear bottom-line and ethical drivers compelling them to manage their operations in such a way to avoid aggravating or triggering violence at the local and national levels. As the easy sources of valuable natural resources are exhausted, international firms are increasingly investing in frontier areas, which demand greater technical and political sophistication in order to succeed.

In order to contribute to the promotion of more peaceful societies around the world, two NGOs, International Alert and the International Institute for Sustainable Development, have been researching this dynamic and working with companies, governments and IGOs to develop better practice in areas at risk of conflict.

This paper has four main objectives: to provide an overview of current impact assessment practice; to provide an overview of conflict impact assessment approaches in the development and humanitarian sectors; to identify gaps in current environmental and social impact assessment from a conflict sensitive perspective; and to trace the outlines of a toolkit for the extractive sector, whose purpose is to fill in the gaps in private sector practice.

The paper was developed as part of IA and IISD's joint project to develop a Conflict – Sensitive Business Practice (CSBP) toolbox. The CSBP toolbox aims to assist extractive sector companies in minimizing their contribution to conflict and in helping them to contribute to long-term peacebuilding. CSBP– to be published in January 2005 - includes a generic conflict assessment and impact mitigation guideline, which will complement existing Environmental and Social Impact assessments. In addition to the conflict assessment methodology, it offers guidance on particular 'flashpoint' issues such as resettlement and community relations management, and on managing the evolving project footprint over the entire lifecycle of the project from a conflict-sensitive perspective.

Documents from the CSBP Toolkit and its development may be downloaded without charge from www.iisd.org/natres/security/cria.asp and from www.international-alert.org The work has been funded by the Canadian, Swedish, Swiss and UK governments.

Project Impact Assessment has become a business requirement in the extractive sectors

Environmental and social impact assessment (ESIA) is a necessary advance in extractive project planning. ESIA – an analytical tool to identify and mitigate project impacts - is the outcome of emerging standards of accountability, respect for human rights and pursuit of environmental sustainability. In the best case it is a demonstration by companies of their good faith efforts to understand and prevent project impacts from doing harm to the environment and affected communities.

The impacts of extractive sector projects – mining, oil and gas, forestry - are highly context dependent. Operations that may have serious and irreversible impacts in some places may be perfectly acceptable in others. In many instances, the benefits of going forward may outweigh considerations of serious harm. In many instances, the interests of those who must bear the consequences of the project are not accounted for in project approval negotiations and in the division of project benefits.

Environmental assessment, and to a much lesser extent social impact assessment (SIA), are requirements for the implementation of most extractive sector projects around the world, particularly in regions of environmental sensitivity. This has been driven both by national legislation and by adoption of impact assessment as a requirement for access to loans and insurance.

Some 100 nations have integrated into national laws mandates ensuring that Environmental Impact Assessments (EIA) of some form are required for major development projects[1]. International financial institutions and export credit agencies have for their part integrated requirements for such assessments into their conditions for access to insurance and other forms of project finance. This condition on access to capital has even extended into the private sector, through the launch of the Equator Principles by the leading private sector project finance institutions, committing these banks to ensuring that any projects they support follow the same minimum assessment standards as those endorsed by the World Bank and International Finance Corporation (IFC)[2].

The World Bank and IFC guidelines have thus become the *de facto* international minimum assessment standard. While for some the standard EIA is simply a checkbox to be completed on the road to regulatory approval and access to capital or insurance, many companies have made such assessments a core element in their project planning and stakeholder engagement processes. Even where regulatory and financial conditions are met, international and national advocacy groups may succeed in raising the bar in terms of the scope, depth, rigour and transparency of the resulting assessments. In short, if you are a responsible company planning a significant project somewhere, you will most likely carry out an environmental assessment of some sort.

Conflict is a growing issue for extractive sector investment

Extractive sector projects are increasingly being implemented in environmentally or socially 'risky' environments. The economically-competitive sources of minerals and petrochemicals located in OECD countries are running out, even while many nations formerly seen as politically stable – Indonesia, the countries of the former Soviet Union, and even Saudi Arabia – have become significantly more difficult places to operate. Oil sector investment is also growing in the Gulf of Guinea, in Sudan, in the Amazon – in parts of the world which in previous decades had been consigned to the margins of international investor attention. As the director of exploration for Shell Norway explained in a recent interview in reaction to concerns about declining oil reserves, "We're forced into new frontier areas, into deeper and

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[1] Sadler, B., Verocai, I, and Vanclay, F. Environmental and Social Impact Assessment for Large Dams. World Commission on Dams, November 2000
[2] http://www.equator-principles.com/

harsher conditions, and into potentially more politically and environmentally sensitive areas…It's by nature riskier…but the rewards could be higher"[3]

The race to the margins in resource exploration has been accompanied by several cases where corporations have been caught up in violent conflict. Examples cut across Africa, Asia and Latin America[4]. These cases reveal the overlap between corporate actors' sphere of influence and local and national level conflict in host societies.

Interactions between Business and Conflict are complex and vary over time

There are particular interactions between a project and its context in zones of potential or open violent conflict, of which extractive sector project managers ought to be aware[5]. Governance failures, from corruption and oppression to a failure to diversify the economy and generate jobs, are an important yet preventable contributor to many conflicts. Likewise, the mismanagement of community relations is the principal source of community-company conflicts. The flow of resources and finance into and out of conflict zones is the mechanism whereby violence can be sustained, or even become a means for profiteering by 'conflict entrepreneurs'.

Many managers fail to properly understand and address the evolving impacts of the context surrounding their projects. These external forces range from humanitarian needs and refugee inflows to threats from armed insurgent groups. Contexts are dynamic – countries can go from peace to war and back again over the lifecycle of a major project, with particular risks emerging during elections or other changes in power structures.

Project footprints are dynamic as well. The extractive sector project cycle has three distinct phases – Exploration and Development, Operation, and Closure and Reclamation. Each involves distinct activities with different vulnerabilities to, and likelihood of, sparking conflict. Construction and project closure are two particular times in the project cycle where rapid changes in staffing and financial flows can generate turmoil and in the extreme spark violence.

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[3] Mouawad, J. New oil proves elusive and alarm bells ring. International Herald Tribune, 6 September 2004.
[4] See for example Human Rights Watch, *Sudan, Oil, and Human Rights* (New York: 2003); Essential Action/Global Exchange, *Oil for Nothing - Multinational Corporations, Environmental Destruction, Death and Impunity in the Niger Delta.* September 1999; United Nations, *Sierra Leone: Report of the Panel of Experts Appointed Pursuant to UN Security Council Resolution 1306* (New York: December 2000); United Nations, *UN Panel of Experts Report on Liberia* (New York: 22 April 2003); Global Witness, "All the Presidents' Men – The Devastating Story of Oil and Banking in Angola's Privatised War (London: March 2002); U.S. Senate Committee on Banking, Housing, and Urban Affairs, *The Financial War on Terrorism and the Administration's Implementation of Title III of The USA Patriot Act* (Washington, DC: 29 January 2002
[5] Nelson, J. *The Business of Peace: The Private Sector as a Partner in Conflict Prevention and Resolution* (International Alert & IBLF: London, 2000). Switzer, J. and Ward, H. Enabling Corporate Investment in Peace: An Assessment of Voluntary Initiatives Addressing Business and Violent Conflict. DFAIT/IIED/IISD, 2004.
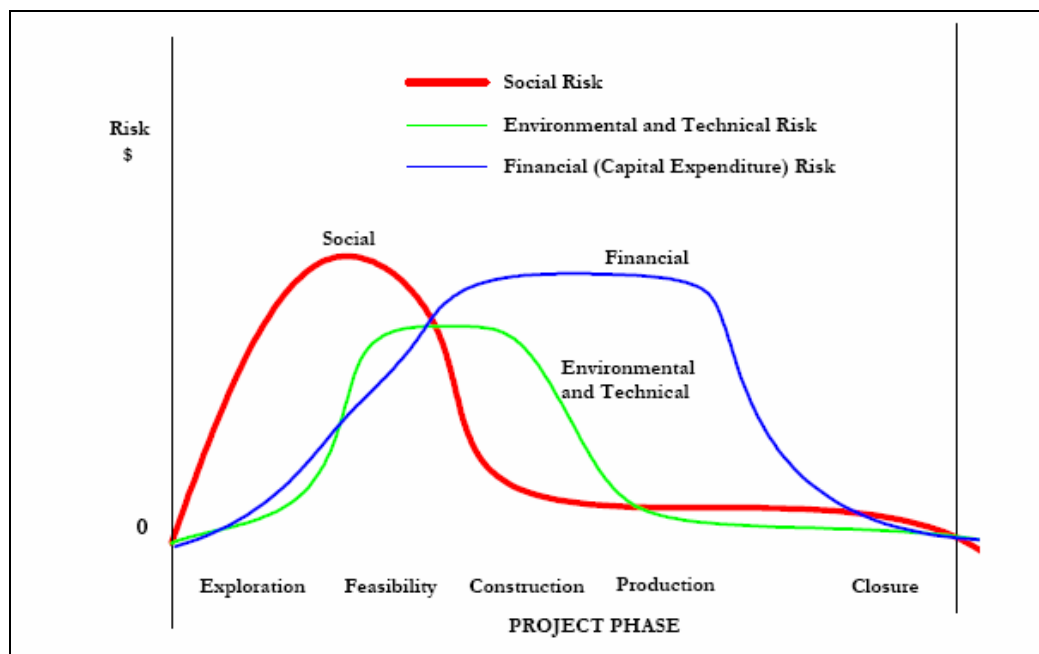
Box. Dynamics of Risk through Phases of the Extractive Sector Project Cycle[6]

Some will suggest that a good ESIA will capture all of the interactions brought out by a conflict impact assessment. While in theory this may be true, few appear to do so in practice. Moreover, just as an environmental or social impact assessment can quickly be ruled out in some situations, others – such in protected areas, World Heritage Sites or areas of extreme cultural sensitivity – call for higher standards of care than the average assessment would provide. As in the case of environmental assessment, a conflict impact assessment is more urgently required in some places and not in others.

There are three principal instances where a conflict impact assessment may be needed:
1. New project design in an area identified as 'at risk'
2. A change in project implementation stage with implications for staffing e.g. moving from exploration to site construction, with the massive upswing in staff that this entails; expansion of production; closure; etc.
3. A change in external conditions e.g. collapse of government, outbreak of local level violence, drought or flood, influx of refugees or small arms, election, revolution etc.

Companies need the tools to assess and manage these situations, so that negative impacts can be prevented, external changes can be planned for and adapted to, and limits identified. Surprisingly, however, in spite of the widespread concern about international security in recent years, private sector management tools for identifying and managing interactions between armed violence and operations remain in their infancy[7].

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[6] Davis, S. A Corporate Approach To Social Risk. SSDS, 1999. http://www.congo-online.com/products/documents/Library/lbdavis-002.PDF

[7] For some of the emerging tools in this domain, see Corporate Engagement Project, Collaborative for Development Action, at www.cdainc.com/cep/; Business and Peacebuilding Programme, International Alert, at www.international-alert.org; Conflict-Sensitive Business Practice toolbox, IISD/International Alert, at www.iisd.org/natres/security/cria.asp; UN Global Compact, at www.unglobalcompact.org/Portal/Default.asp; International Business Leaders Forum, at www.iblf.org; and the "Voluntary Principles on Security and Human

2. Conflict impact assessment in the development and humanitarian sectors

What are Conflict Sensitive Approaches?

Conflict Sensitive Approaches (CSAs) encompass a myriad of approaches, concepts, tools and methodologies that inculcate conflict impact awareness into development, humanitarian and peacebuilding work.[8] CSA seek to sensitise interventions to their operational context, avoiding negative and maximising positive impacts. It is a broad umbrella capturing different approaches such as 'Peace and Conflict Impact Assessments' and 'Do No Harm' (see below for further discussion of these), as well as less-known organic approaches developed by practitioners in the south.

The rationale for Conflict Sensitive Approaches to development and humanitarian assistance

Since the Biafra crisis in Nigeria in 1967, a critique of humanitarian assistance as feeding rather than alleviating conflict (e.g. Ethiopia and Somalia), and of development aid exacerbating tensions (such as Sri Lanka) has emerged, precipitating the development of tools to understand programming and projects and their relationships to conflict.

Much of the criticism of humanitarian aid stems from interventions misunderstanding the political economy of war, and the associated political economy of relief. Famine relief is now recognised as an instrument of war, in Ethiopia (1980-5) the most famine stricken areas were those under offensive – drought and poor harvest were contributory, not causal factors. In Somalia**,** following the military intervention in 1992, humanitarian assistance was drawn into a symbiotic relationship with the militias, high diversion rates and violence against humanitarians necessitated the use of security and haulage contractors whose interest lay in maintaining violence. In Eastern Zaire in 1994/5 there were several claims that humanitarian assistance supported militia groups associated with the Rwandan genocide.

Analysis of aid in Sri Lanka sharply contrasted the concentration of humanitarian assistance to the North East, and development assistance to the South, accentuating regional imbalances and thus contributing to conflict.[9] The analysis also revealed different operational approaches to conflict – the World Bank worked around conflict, (was blind to it), while agencies working in the North East such as CARE worked in conflict, (adapted programmes to work in a conflict context), while several bilateral donors, such as the UK, developed programmes to work on conflict, (e.g. initiatives on education with an explicit conflict focus).

Development assistance also holds a positive potential for securing peace. Originating in the Marshall Plan, economic, social and political development has been promoted as a crucial to the sustainability of peace. Recently in Afghanistan and Northern Ireland a 'peace dividend' of development resources has been a central component of post-conflict reconstruction. A positive impact of development assistance on peace is, however, not automatic. Unless it is specifically planned and implemented to address important aspects of the structural and proximate causes of conflict it runs the risk of exacerbating tension and even contributing to a rise in violence.

Rights for the Extractive Industries," initiated by the governments of the United States and United Kingdom, and supported today by the Netherlands and Norway as well.

[8] Peacebuilding is defined as: 'The employment of measures which consolidate peaceful relations and societal institutions in order to contribute to the creation of an environment which deters the emergence or the escalation of tensions which may lead to violent conflict.' K. Rupesinghe, *Civil Wars Civil Peace – An Introduction to Conflict Resolution* (1998).

[9] Goodhand and Atkinson *Conflict and Aid: Enhancing the Peacebuilding Impact of International Engagement, A Synthesis of Findings from Afghanistan, Liberia and Sri Lanka* (2001)

Case Study – Nepal

Development and humanitarian aid to flood victims in 2002 exacerbated tensions through unintended impacts, such as re-building houses only for those who owned land, thus reinforcing economic disparities. Maoist activity increased in the project areas. Using a participatory PCIA workshop, involving community story-telling to unravel dividers and connectors in the community, individuals began to see their own potential role in peacebuilding within the wider conflict, and identify flood relief programmes that worked to both relieve the consequences of flooding and to address the wider structural causes of conflict.

The evolution of Conflict Sensitive Approaches

CSAs have evolved through various actors and approaches. One branch, 'Peace and Conflict Impact Assessments' (PCIA), has achieved considerable recognition despite the lack of conceptual clarity on its precise definition. Certain early PCIAs sought to assess the impact of development projects/ programmes on the social/political context.[10] Others have focussed on how interventions develop sustainable structures for peace, hypothesising a format that mirrors the EIA process and form.[11] However problems occur when converting the concept of PCIA, often developed by academics and experts in isolation from the target users, into useable frameworks. Another renowned branch of CSA is the 'Do No Harm' approach, which examines the conflict impact of interventions in building 'connectors' or worsening 'dividers' between various sectors of the community.[12] Over time tools have evolved from those measuring the negative impacts on development on conflict (after the event), to increasingly complex tools that seek not only to identify potential impacts, but develop measures to address them, prioritise & maximise opportunities for peace.[13]

A further milestone in the evolution of CSAs has been the OECD Development Assistance Committee's 'Guidelines on Conflict, Peace and Development Co-operation' (1997), and 'Helping Prevent Violent Conflict: Orientations for External Partners' (2001) which provided a macro policy commitment and framework for CSA. The UK government's Department for International Development has developed its own tool for strategic conflict assessment, as have other agencies, including USAID and the World Bank. These tools will be used to inform and direct these agencies overall development engagement across sectors in any given context.

No one tool has been able to fulfil all the aims of conflict sensitivity, thus a 'toolbox approach' has emerged. Various methodologies have grown in a more organic format with users customising tools or concepts to their specific context. Recent research in Kenya, Uganda and Sri Lanka reveals an array of indigenous tools and techniques for analysing conflict and sensitising programming.[14] There are also detailed manuals developed by in-house conflict specialists for field staff, tailored to their specific organisational context. Leading edge project-level CSAs incorporate conflict sensitivity throughout the project cycle,

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[10] See Reychler *Conflict Impact Assessment* (1998)
[11] See Bush, *A Measure of Peace* (1998)
[12] Anderson, *Do No Harm, Local Capacities for Peace Project* (1996, 1999)
[13] Gaigals & Leonhardt *Conflict Sensitive Approaches to Development* (2001)
[14] African Peace Forum (Kenya), Centre for Conflict Resolution (Uganda) Consortium of Humanitarian Agencies (Sri Lanka) Forum on Early Warning and Early Response (UK) International Alert (UK) and Saferworld (UK) developing a resource manual encompassing best practice in 'Conflict Sensitive Approaches to Development, Humanitarian Assistance and Peace-Building: Tools for Peace and Conflict Impact Assessment'.

essentially categorised as conflict analysis, conflict sensitive planning and implementation, and conflict-sensitive monitoring and evaluation. Development and testing of tools continues. Other strands of work have been to pool experiences in the practical implementation of conflict-sensitive approaches. Additionally there are efforts to share learning among practitioners, particularly through North-South partnerships. Academic debate continues on the methodological, institutional and political challenges involved in mainstreaming CSAs continues to evolve.

Underlying principles of Conflict Sensitive Approaches
The following principles have been drawn from existing impact assessment tools in the development sector, which can help strengthen private sector efforts:

- *Conflict analysis is necessary in certain situations.* Only by taking a structured conflict analysis can you assess and avoid negative impact, and maximise and assess positive impact;
- *Conflict is context-dependent and varies over time.* Each individual situation is unique and requires both specific analysis and periodic revision;
- *Participatory approaches strengthen the value of the assessment.* Stakeholders (project affected and interested communities) should set the agenda, take part in conducting the analysis and thus come to own both the process and the outcomes;
- *Inclusiveness is needed.* Be inclusive of issues and stakeholders;
- *Partners help.* Assessments should be relevant to, and bridge gaps between, different partners and sectors. Working with other (international) actors and through local experts can strengthen legitimacy.
- *The assessment itself can have unintended impacts.* The process of undertaking an assessment should itself be sensitive to unintended consequences, and to its impacts on expectations among affected communities.
- *Be accountable to stakeholders.* Project proponents should be prepared to be held accountable, and hold others accountable, for the wider impacts of the project, and for translating the assessment results into changed practice;
- *Independence and impartiality are needed for legitimacy.* The process whereby the assessment is undertaken should be seen as legitimate by all parties.

Key lessons that relate to developing the conflict impact assessment for business:

- Numerous tools have been developed as part of CSA, such as conflict mapping, which could easily and appropriately be transferred to the private sector context
- Some CSAs address interventions in a project cycle framework, which can similarly be transferred to the extractive sector project cycle
- Experience in applying conflict assessment in the development sector can inform efforts by project managers both to revise core business operations that affect the conflict dynamic (minimize and mitigate impacts) and to target their social investment and policy dialogue strategies, in order to address conflict drivers and to promote peace directly.

3. Business and Impact assessment

Introduction

Extractive sector companies developing major projects employ a range of techniques to assess the impacts of projects and the political risks associated with their development. This section of the paper reviews theory and practice in relation to the main assessment tools used – Environmental Impact Assessment (EIA), and Social Impact Assessment (SIA) and political risk analysis. In particular, it considers the extent to which the tools are or could be 'conflict-sensitive' (as set out in the preceding section)

The analysis is based on:

- Review of published EIA and SIA documents and un-published political risk analyses;
- Discussions with companies and consultants involved in EIAs, SIAs and risk assessments;
- Review of academic, practitioners and NGO evaluations, critiques and proposals concerning these tools.

For each of the three tools that are reviewed this section outlines key methodologies and approaches, the ways in which the tool fits into the company and host community decision-making frameworks, and summarises existing criticisms of the tools. In section 4 the paper outlines key critiques relevant to conflict sensitivity and sets out the scope for improvement.

The paper considers EIA, SIA and political risk analysis separately because of the important differences between them regarding various aspects. EIA is generally a regulatory requirement, SIA is sometimes required by government but more usually carried out by companies to meet their own and financing bodies' requirements whilst political risk analysis is generally a decision-making tool internal to companies and financial institutions. In terms of methodology, EIA is well-developed and SIA is newer in the private sector; EIAs generate public documents; SIAs may do, and political risk analysis is generally confidential to the company. Despite these differences it is important to recognise that there is a trend towards integration of EIA and SIA.

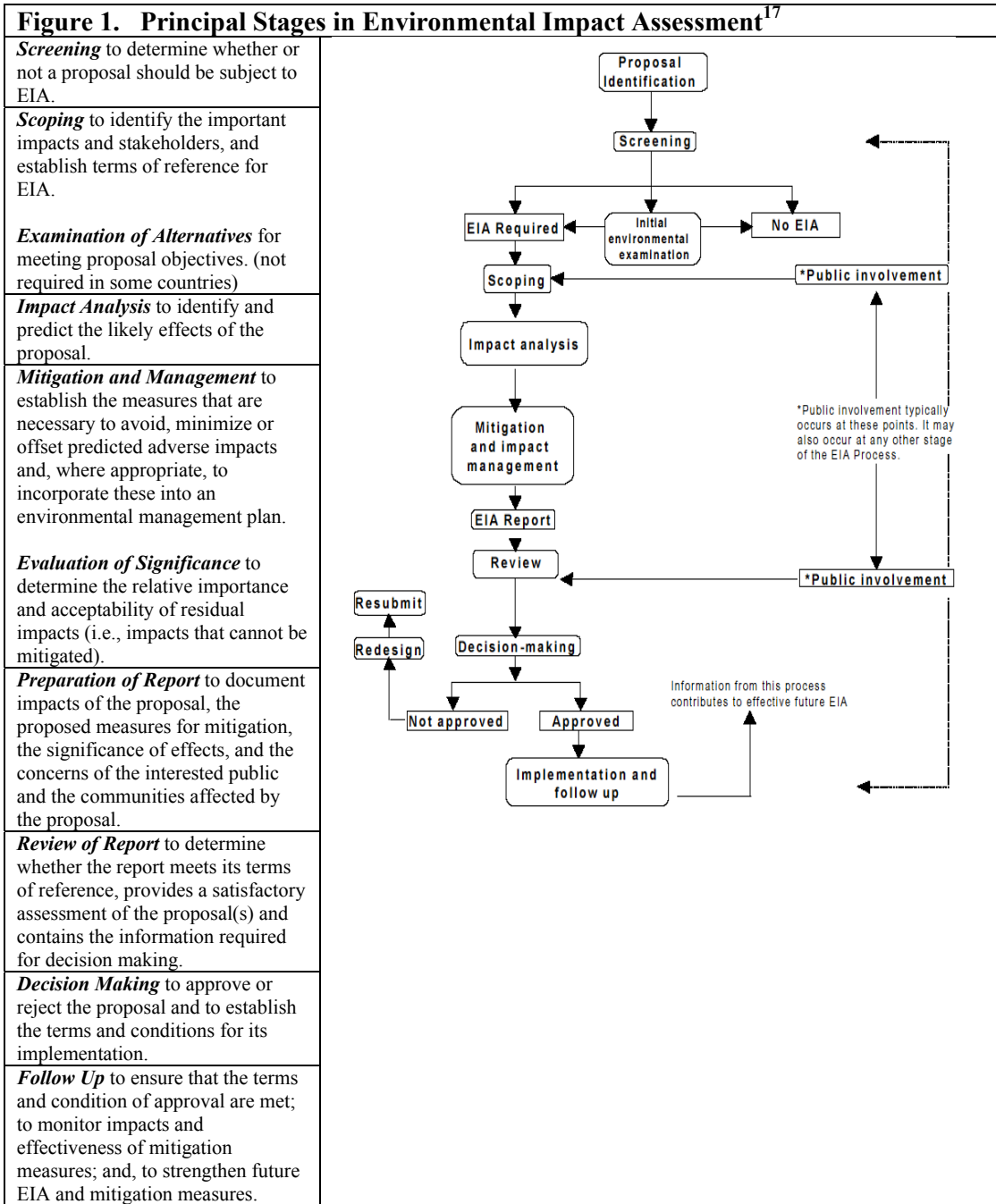### 3.1 Environmental Impact Assessment

Introduction

EIA is 'the process of identifying, predicting, evaluating and managing the biophysical, social, health and other relevant effects of development proposals prior to major decisions being taken and commitments made'[15]. While its ultimate objective may be to maximise the positive impact of a development proposal on the full range of development objectives (environmental sustainability, economic return, poverty reduction, cultural diversity and integrity), in practice its application has been limited to 'prevent[ing] or minimis[ing] the adverse effects of major development proposals, such as power stations, dams and reservoirs, or industrial complexes'[16].

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[15] Principles of Environmental Impact Assessment Best Practice. International Association for Impact Assessment / Institute of Environmental Assessment UK, 1998.
[16] Environmental Impact Assessment Training Resource Manual, Second Edition. UNEP, 2002:105.

Methodology

The EIA process usually follows the series of steps described in Figure 1:

Figure 1.   Principal Stages in Environmental Impact Assessment[17]

Screening to determine whether or not a proposal should be subject to EIA.	
Scoping to identify the important impacts and stakeholders, and establish terms of reference for EIA.	
Examination of Alternatives for meeting proposal objectives. (not required in some countries)	
Impact Analysis to identify and predict the likely effects of the proposal.	
Mitigation and Management to establish the measures that are necessary to avoid, minimize or offset predicted adverse impacts and, where appropriate, to incorporate these into an environmental management plan.	
Evaluation of Significance to determine the relative importance and acceptability of residual impacts (i.e., impacts that cannot be mitigated).	
Preparation of Report to document impacts of the proposal, the proposed measures for mitigation, the significance of effects, and the concerns of the interested public and the communities affected by the proposal.	
Review of Report to determine whether the report meets its terms of reference, provides a satisfactory assessment of the proposal(s) and contains the information required for decision making.	
Decision Making to approve or reject the proposal and to establish the terms and conditions for its implementation.	
Follow Up to ensure that the terms and condition of approval are met; to monitor impacts and effectiveness of mitigation measures; and, to strengthen future EIA and mitigation measures.	

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[17] Adapted from Principles of Environmental Impact Assessment Best Practice. International Association for Impact Assessment / Institute of Environmental Assessment UK, 1998. and Environmental Impact Assessment Training Resource Manual, Second Edition. UNEP, 2002:114.

An environmental impact is a predicted positive or negative change in a parameter as a consequence of a project, as compared with the parameter were it is unaffected (see box below). If a decision is taken to proceed with a full EIA, the assessment team will gather 'baseline data' on existing biophysical, social and economic aspects and trends that would likely be affected by the project. Through manipulation of this baseline data using cause-effect and other models, it is possible to compare the likely impacts of the project with alternative options for meeting the same objectives.

Common factors in assessing the magnitude of environmental impacts

- Nature – positive/negative; direct/indirect/cumulative
- Magnitude/severity – high, moderate, low
- Geographic extent/location – local, regional, trans-boundary or global
- Timing – immediate/long term
- Duration – temporary/permanent; intermittent/continuous
- Reversibility – reversible/irreversible
- Probability/uncertainty – likelihood of occurrence, degree of confidence in prediction.

The project proponent, following guidelines established by a responsible government authority, typically convenes a multi-disciplinary team to carry out the EIA. The government authority is often, but not always, the authority with the responsibility to approve or reject the development proposal.

The scoping phase is used to ensure that all issues likely to be of significance are addressed by the EIA. In this phase, the project's space frame (area of responsibility for impacts) and time frame (duration of responsibility for impacts) are defined. Scoping has been described as the 'linchpin' of effective EIA.[18]

Following the analysis of impacts, a series of mitigation measures to avoid, reduce and remedy these potentially adverse impacts to acceptable levels is prepared.[19] These may be either structural (design or location change, treatment options, etc.) or non-structural (legal improvements, economic incentives or training).

The significance of 'residual' environmental impacts – those adverse impacts that cannot be reduced to acceptable levels – is determined by considering jointly their magnitude, and their importance (the value attached to resource losses, environmental deterioration, or alternative uses that are foregone as a consequence of the project). This value is determined on the basis of regulatory limits, and on the basis of community or public concerns.

Because public perception (particularly over impacts on human health) is an important element in project acceptability, the EIA process should ensure 'appropriate opportunities to inform and involve the interested and affected publics, and their inputs and concerns should be addressed explicitly in the documentation and decision making'.[20]

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[18] Sadler, B. http://erin.gov.au/assessments/eianet/eastudy/aprilworkshop/paper1.html. See sections on scoping and preparation of TORs highlighted in World Bank. Third Environmental Assessment Review. 2002.
[19] Davy, A. "Environmental Management Plans" in Environmental Assessment Source Book Update No. 25, January 1999.
[20] Principles of Environmental Impact Assessment Best Practice. International Association for Impact Assessment / Institute of Environmental Assessment UK, 1998.

Participation is important as well for ensuring the credibility and public acceptability of the outcome, but it is not sufficient. To enhance the perceived legitimacy of the EIA, clear professional standards, transparency, rigorous science and independent checks and appeals processes are typically required.

Last, the EIA process must be cost and time efficient. The cost burden it imposes on the project proponent should be consistent with meeting the EIA process requirements and objectives, without preventing worthy development efforts from going forward.

Issues associated with EIA
Concerns about the effectiveness of EIAs typically fall into the categories presented below.

Common criticisms of Environmental Impact Assessments
- Lack of independent review process and compliance assurance mechanism
- Flawed engagement with stakeholders (unequal power, expertise, resources)
- Pro-project bias and susceptibility to political pressure, leading to understatement of environmental impacts
- Excessive cost and time loss for project proponent during preparation, and approval phases
- Lack of assessment of alternatives to proposed project
- Failure to integrate EIA across entire project cycle, thus not including closure and site restoration
- Initiation of EIA independent from or late in the decision-making process, when design already nearing completion, with no impact on approval
- Susceptibility to cheating and corruption
- Reports are massive, technically complex, poorly organized, and thus difficult to read
- Cumulative effects and other factors, such as social and health impacts and risks, are not considered or inadequately treated
- Failure to consider indirect effects on systems and communities outside of project 'space frame'
- Low standards/qualifications of those undertaking studies
- Unduly negative: positive impacts on environment, health, poverty reduction, and social development are not included
- Regulations may prescribe a narrow scope with companies and/or government reluctant to include wider issues in the assessment.

Particular challenges are faced in relation to EIAs for projects carried out in developing and transition economies (see boxes below). While progress has been made in many cases since the reviews cited below, the critiques they raise remain relevant:

- The World Bank discovered during a 1997 review of Environmental Assessment practice that only 25% of EIAs carried out for projects with 'widespread and adverse impacts on human populations or environmentally important areas, extending beyond the site of the project and likely irreversible had "high" impact on project design'.[21]

- A detailed survey of EIA application in 24 Latin American and Caribbean countries over two decades by the Inter-American Development Bank in 2001 revealed 'major weaknesses in a) defining the coverage and scope of EIA studies;

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[21] Second Environmental Assessment Review (1997), cited in "Third Environmental Assessment Review (FY 96-00)". World Bank. 2002:7.

b) standardising review methods; c) monitoring environmental management plans; and d) involving the local community in all stages of the process'.[22]

Allegations related to EIA of Inco/Goro Nickel Mine, New Caledonia, 2002[23]

In a review of the EIA of a major nickel mine proposed for development in a potential World Heritage Site, a prominent NGO alleges that the EIA:
- Is massive, poorly organised, available only in French, and leaves only one month for public comment
- Is 'systematically favorable to the project'
- Contains 'unverifiable data'
- Fails to use standard models for fate and transport of effluent chemicals and heavy metals
- Inadequately studies and plans for hazards
- Inadequately surveys baseline status of flora and fauna
- Fails to consult local experts.

Allegations related to EIA of the Baku-Tiblisi-Ceyhan and South Caucasus Pipelines in Georgia, 2002[24]

An independent commission established by the Dutch and Georgian governments to review the EIA of the BTC Oil Pipeline and South Caucasus Gas Pipeline in Georgia, found that 'essential information for well-informed decision-making on both projects' was missing. The commissioners found the EIA:
- Lacks a Management and Monitoring Plan
- Needs clarification on the methodologies employed for valuing and weighting criteria
- Is unclear whether and how affected people's attitudes had been taken into consideration.

3.2 Social Impact Assessment

Introduction
Social impacts are defined as 'all social and cultural consequences to human populations of any private or public actions that alter the ways in which people live, work, play, relate to one another, organise to meet their needs, and generally cope as members of society'.[25] They include not only demographic and socio-economic changes (to livelihoods, access to infrastructure; changes to power structures and institutions), but also changes to norms, values, beliefs and perceptions (fear, stress, anxiety and uncertainty).

Social Impact Assessment (SIA) has roots both in EIA (as part of the effort to widen the scope of assessment in response to criticisms such as those outlined above) and in the

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[22] Espinoza, G. and Alzina, V. Review of Environmental Impact Assessment in Selected Countries in Latin America and the Caribbean. IADB/CDB, 2001. http://www.iadb.org/sds/doc/ENV-RevEnvImpactAssesslLAC-E.pdf
[23] Gorson-Fried, S. (ed.) A Done Deal? Inco Goro, the Environmental Impact Assessment Process, and Public Finance in Kanaky/New Caledonia. Environmental Defense, 2002. www.environmentaldefense.org/pdf.cfm?ContentID=2524&FileName=KNCdraftMining.pdf
[24] de Zeeuw, D. et. al. Advisory Review of the Environmental and Social Impact Assessment Reports for the Baku-Tbilisi-Ceyhan Oil Pipeline and the South Caucasus Gas Pipeline in Georgia. Dutch Commission for Environmental Impact Assessment, 2002.
[25] Inter-organisational Committee on Guidelines and Principles for Social Impact Assessment (1994) Guidelines & Principles for Social Impact Assessment (page 2)

participatory assessments that are widely used in development projects as part of the planning process. SIA is well established in relation to planning public and private sector projects in Australia, Canada and the USA. Companies are making increasing use of SIA in the development of major projects in developing countries as well. SIA is less well developed than EIA. There are competing perspectives on the purpose of SIA, and on its content.

Three primary objectives of SIA can be identified:[26]

- Part of democratic process – ensure equity and transparency in decision making
- Better decision-making – incorporate local knowledge
- Risk management – identify impacts and define preventative/mitigatory measures.

The content of an SIA reflects the relative priority it gives to the objectives above. Following are some leading approaches:

- *Community focused SIA.* Frank Vanclay and the International Association of Impact Assessment has defined SIA as: '…the process of analysing (predicting, evaluating and reflecting) and managing the intended and unintended consequences on the human environment of planned interventions (policies, programmes, plans, projects) and any social change processes invoked by those interventions *so as to bring about a more sustainable and equitable biophysical and human environment."*[27]

- *Project focused SIA.* **T**he practice of companies, practitioners, and financiers, which seeks to make SIA a tool for better decision-making in projects. For instance Shell Exploration & Production notes: "The role of SIA is to identify and assess the potential social impact of a proposed project, evaluate alternatives and design appropriate mitigation, management, and monitoring measures."[28]

SIAs may be stand-alone documents or incorporated within an ESIA. They may be single documents or comprise a set of documents such as impact assessments, re-settlement action plans, compensation plans etc.

Methodologies
SIA does not have a single theory underpinning it, but is instead a collection of techniques to conduct a rational debate about the effects of a proposal. Techniques can be categorised as 'technocratic' (expert driven and output focused) or as 'participatory' (ivalue-laden and process driven).[29] Review of published SIAs shows that both technocratic and participatory techniques are used, with an emphasis on the technocratic. Variations between and within companies highlight the fluid nature of SIAs, although several themes can be drawn out:

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[26]Adapted from Vanclay (1999)
[27] IAIA conference (2002) cited in Vanclay (2002) p190 emphasis added
[28] Shell International Exploration & Production BV (2003) Impact Assessment Guidelines, Social Impact Assessment Module EP 95-0371 (piii)
[29] Macfarlane, M., (1999) An Evaluation of Social Impact Assessment Methodologies in the Mining Industry PhD Thesis, Warwick University..

- *Project orientation*. Corporate SIAs are project-oriented, and represent a discrete step in the project cycle, with the project firmly as the locus and community intereaction framed in relation to it.[30]
- *Defining impacted communities*. While the definition of 'project affected communities' is drawn broadly (in terms of the issues arising from a project defining those who are impacted), this is often translated in practice to a rigid corridor along a pipeline or skirting a mine.
- *Terms of reference*. In some companies these are set without community involvement. In others, the scoping stage allows communities to input into the terms.[31]
- *Steps in an SIA*. These are comparable between many companies, following a process of scoping, baseline data generation, predicting impacts, evaluating significance, and developing mitigation strategies.
- *Form of consultation*. These range between one-way communications (such as informing communities about the project at the early stages of the consultation) to two-way communications (such as workshops to review the proposed mitigation measures).
- *Inputting of community concerns into project design*. Some SIAs give no indication as to how community concerns are captured and incorporated into project design. However, others do – Anglo American's 'Open Book Consultation' which logs concerns raised in meetings or correspondence, tracks them through the project and mitigation design process, and responds in writing with proposed measures, is a good example of incorporating community concerns.

Issues associated with SIA

The technocratic approach is criticised for excluding community input and values. Experts come in with the initiative, expertise, finance and power. They define the terms of consultation, control the process, and impose the solutions. Public involvement is generally sought to validate lists of impacts and mitigation measures defined by the company/consultants. Public opposition to a project is often rooted in the intangible elements of a development, missed by analysis that neglects the subjective meaning of change, and how change differentially impacts across a community.

Technocratic approaches are also criticised as antithetical to sustainability:[32]

> 'For many Aboriginal people, impact assessment has become just another of the many structural impediments to Aboriginal participation in regional development planning – another item on someone else's agenda to which they must respond.'[33]

On the other hand, there are also many critiques of participatory approaches to SIA. Impacts will affect members of the community differently, yet participatory techniques often do not succeed in reconciling the different perspectives. As a result, these can obscure internal

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[30] However Social Management Plans are subsequently implemented as a continuous process

[31] IFC Guidelines suggest that the community should play a role in defining the Terms of Reference (IFC Environment Division: Doing Better Business Through Effective Consultation and Disclosure, A Good Practice Manual (1998)

[32] Danielson & Lagos (cited in Sonnenberg & Munster) note that sustainability requires consensus rather than imposed solutions

[33] Howitt (1993) p129 emphasis added

divisions in communities such as class, gender and caste; represent mainly the views of the elite and powerful; promote the general over the particular; and disguise differences, conflicts and minority views. It is also questionable how well an uninformed public can identify potential impacts. Visits to comparable sites have been used to address this concern as have deliberate steps to set up intermediary organisations that provide technical advice to communities and help express their concerns effectively.

Participatory techniques are time consuming, for both the company and the community. They may collapse once compliance is achieved. Through raising consciousness of potential impacts they can themselves act as social change processes, causing increased anxiety and fear.

3.3 Political risk analysis

Introduction
Risk is the likelihood of exposure to events that would have an impact – either positive or negative – on a company's objectives. It has two key parameters: impact and likelihood, and takes a variety of forms, such as technical, financial, social or poltical. Risk is fundamentally tied to a risk-reward ratio, in which greater risk equates to greater rewards. Political risk is defined as decisions and events that 'concern the authoritative allocation of values and resources or that otherwise involve issues of legitimacy, authority or use of force".[34] Political risk analysis seeks to understand if, and, or how, goals of the project or contract will be affected by a change in the political environment, and what can be done to affect the likelihood or impacts. The results of political risk analysis are typically confidential.

Methodologies
There are a variety of political risk assessment methodologies. A mixture of qualitative and quantitative techniques are applied. Some companies use both. Examples include the RISQUE method[35] and the Total Risk Assessment Methodology.[36] There is no conventional point in the project cycle at which they are undertaken. Political risk assessments are country, region and/or project orientated according to the requirements of the company and the stage of project development. The more defined the project becomes, the more specific a risk assessment can be. The research reveals a broad typology of approaches:

- *Country level analysis via interviews prior to project definition.* Undertaken in-house at some point during pre-production, involving 40-50 interviews in district/country capitals with politicians, bureaucrats, NGOs and media. The output is a confidential report with a qualitative analysis of whether the company can operate in that situation, including analysis of the political

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[34] Lax (1983) Political Risk in the International Oil and Gas Industry page 8
[35] The RISQUE method developed by Bowden, Lane & Martin, and applied by URS, uses an **expert panel** to identify and characterise risk events, using an **event tree** for each event determining likelihood, scale, trigger and potential timing of occurrence. These are quantified, modeled and prioritized through risk quotients (likelihood x cost) and exposure profiles. Cost Benefit Analysis is used to define and evaluate alternative risk treatment strategies.
[36] The Total Risk Assessment Methodology, developed by Control Risks Group, uses a qualitative approach to establish a 'risk landscape' and evaluate these using hierarchies of likelihood and impact. Key risks and risk triggers are analysed in depth, as are controls (existing or potential). Additionally a 'Power mapping' may be undertaken to understand networks of alliances and connections underpinning political decision making in a country on a specific issue.

environment, obstacles to peace, to the project, and to the development of a community relations programme.

- *Country level analysis via interviews working to a checklist with project define.* When moving into the pre-feasibility stage, desk-based study and in-country interviews are undertaken to uncover potential 'show-stoppers' that could de-rail the project. Interviewees include partners, international banks or loan institutions, multilateral agencies, local UN offices, academics, NGOs, investment risk ratings agencies, DFID/FCO/DTI and relevant embassies. The output is a completed (pro-forma) checklist, with variables graded need-to-know/threat or opportunity/potential show stopper.

- *Expert discussion groups.* A two-day workshop is convened in the home country with experts on the region, including employees, academics, NGOs and the Foreign Office, addressing risks, hazards, impacts and potential mitigation with an internal discussion relating the issues raised to the project.

- *Scenario forecasting.* A two-day workshop is convened, bringing external experts together with staff from Human Resources, Sustainable Development, Legal, Head Office and Regional teams in a brainstorm to understand the key drivers and major uncertainties in a society. This is then plotted on a grid (with optimistic and pessimistic projections for each of the drivers and uncertainties plotted against one another) followed by a discussion to explore what could create each of those scenarios.

- *In-depth study of company's capacity to manage.* Undertaken at the feasibility stage, this is an in-depth examination of the company's ability to manage a situation, including ability to garner information, strategic thinking ability, legal tools available and international financial institution involvement.

- *Continuous and evolving.* Constant revision and re-modelling of security risks, the potential for violence, the capacity of security forces and legal institutions, and understanding of the root causes of conflict.

Many companies commented that risk assessments occur throughout the project cycle, taking different forms in different situations. Security departments play an important role in screening potential projects and partners.

4. Analysis

We have described the standard tools for project assessment – Environmental, Social, and political risk assessment – as well as some new conflict analysis tools from the development sector, and laid out some of the primary critiques for each tool as currently applied. Many of these critiques, if adequately addressed, would no doubt enhance the performance of these tools in reducing conflict, though that would not be their principal aim. In what follows, however, we confine ourselves to discussing the principal limitations of these tools in identifying sources of, and presenting responses to, violent conflict. We divide our suggested responses to these limitations, between those actions that might require modification of existing tools, and those that might imply a fundamental rethinking of practice.

4.1 Broaden scope and link assessments
Companies, as the drivers of the project, largely define the terms of reference, scale, techniques, and timing of assessments, except where required as a condition of finance or law. Timeframes can limit the value of assessments if they are too short for iterative consultation, or base themselves on narrow or inflexible terms of reference. A narrow scope results in many impacts being excluded from assessment, with potentially severe societal implications should those impacts materialise in a conflict-prone setting. Areas where scope might be broadened and assessments linked to better address conflict issues are detailed below.

Integrate conflict analysis tools
While assessments do identify relevant variables to conflict, they are not systematically analysed through a conflict framework. Conflict analysis is a well-developed area of research, and several standard diagnostic techniques might be integrated into the assessment process. Key areas should include actors (their inter-relations, constituencies and motivations), root causes, triggers and accelerators. **CSBP will integrate standard conflict analysis tools with EIA, SIA and PRA.**

Conflict Analysis Tools[37]
Conflict Mapping
Armed Group Analysis
Stakeholder Analysis
Conflict Timeline
Conflict Tree
ABC Triangle (Attitude-Belief-Contradiction)
DSC Triangle (Direct-Structural-Cultural Violence)
Relief Access Mapping

Recognise and respond to impacts across the project cycle
While most companies do consider how the conflict context will create risks for a project, few consider how the project will affect the conflict context, (i.e. *a project-specific conflict analysis*) nor explore the interactions and feedback between the two. Further, project-area conflict analysis seems to slip between the gaps of political risk analysis (greater focus on macro conflict issues) and SIAs (which, in spite of a local/micro focus, often does not address project-generated conflict explicitly). Many also fail to consider the potential impacts of the

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[37] See Le Billon, P. et. al. "The Political Economy of War: What Relief Agencies Need to Know" ODI/HPN Paper No. 33, 2000. http://www.odihpn.org/pdfbin/networkpaper033.pdf

assessment process and the mitigation strategies on affected communities. The process of interviewing community members may put them at risk of violent reprisal,[38] for example, while the rewarding of jobs and contracts to armed groups of saboteurs in order to buy their acquiescence may reward predatory behaviour and encourage further violence.[39] CSBP will **seek to ensure that assessment and subsequent mitigation processes are conflict-sensitive as well.**

Address environmental sources of conflict
Competition over scarce or highly valued natural resources (e.g. water, timber, diamonds) can trigger or fuel violent conflict. Particularly in projects involving communities directly dependent on ecosystem products and services, social stability is strongly tied to the state of natural resources these communities exploit to subsist. 'To date there has not been an adequate framework for integrating biophysical and social impact assessment.'[40] **CSBP will strive to identify and prioritise project-related environmental impacts with negative consequences for social stability, and suggest relevant mitigation strategies.**

Links between environmental impacts and conflict
- Control over land area (indirect competition over resources)
- Right to participate in decisions of share benefits from the exploitation of resources (contested governance and benefit sharing)
- Direct environmental impacts (threats to livelihoods, health, culture)
- Indirect environmental impacts (increased immigration, increased resource consumption).

Address environmental risks increased by conflict
Certain environmental risks are exacerbated by the presence of conflict. The primary source of terrestrial oil spills, for example, is alleged by leading experts to be sabotage of oil pipelines.[41] The capacity of response teams to respond to such sabotage, as well as to industrial accidents, is hampered by insecurity in the region. These risks are frequently overlooked in EIA and SIA, though commonly identified in PRA.[42] As a consequence, **CSBP will seek to identify those environmental risks most exacerbated by social instability, and lay out strategies for addressing these risks.**

Identify peacebuilding opportunities
Shared concerns, whether to do with human health, common religious interests or shared natural resources, can create avenues for reinforcing intergroup cooperation. Widely shared environmental concerns, include animal health, surface and groundwater use, land use, biodiversity conservation and exploitation of shared valuable resource stocks or sites. They often cut across ethnic, religious and tribal lines, particularly where the resources are critical

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[38] Kapelus, P. Interview.
[39] Zanvliet, L. Interview.
[40] Slootweg, R., Vanclay, F. and van Schooten, M. Function Evaluation as a Framework for the Integration of Social and Environmental Impact Assessment. Impact Assessment and Project Appraisal, Vol. 19, No. 1, March 2001:19-28.
[41] de Zeeuw, D. et. al. Advisory Review of the Environmental and Social Impact Assessment Reports for the Baku-Tbilisi-Ceyhan Oil Pipeline and the South Caucasus Gas Pipeline in Georgia. Dutch Commission for Environmental Impact Assessment, 2002:13. No supporting source available.
[42] "The Commission…question[s] if the significance of the impacts of oil spills due to terrorism or sabotage is determined…[these] should be linked to the sensitivity of the area." de Zeeuw, D. et. al. Advisory Review of the Environmental and Social Impact Assessment Reports for the Baku-Tbilisi-Ceyhan Oil Pipeline and the South Caucasus Gas Pipeline in Georgia. Dutch Commission for Environmental Impact Assessment, 2002:13

to life, as evidenced by the remarkable water-sharing rules adopted by migratory herders in the Sahel.

Levels of cooperation can be framed in terms of the depth of commitment required from the parties, from sharing knowledge, to joint participation in capacity building programs, and from collaborative monitoring and 'joint declarations', to the establishment of formal accords and dispute resolution mechanisms. **CSBP will seek to identify common concerns between competing interest groups, and present opportunities to harness these for peacebuilding.**

4.2 Set thresholds and stick to them
There are some conflict scenarios in which a company cannot make a positive contribution. Such *t*hresholds, or 'showstoppers' that justify halting a project, have yet to be defined. Objective definition of thresholds would be particularly valuable where communities are not able to challenge a development for fear of repression, and where national governance structures are particularly weak. **CSBP will aim to provide a means to enunciate 'no go' thresholds in terms of conflict, and help managers clarify these thresholds across the entire project cycle.**

4.3 Community consultation, engagement and decision-making
The form of consultation presents considerable challenges, particularly in conflict zones, i.e. can community meetings be convened at all? How should the company determine who should be at the table? Can the consultants meet with actors the government considers 'illegitimate' or 'subversive'? The conflict practitioner's approach is to view consultation as a fluid, open-ended process of relationship-building, fostering ownership of the process and the analysis by the participants. Conversely assessments tend to follow a linear approach, requiring particular steps fixed in time and space by contracts and with cost implications for slippages. **The CSBP approach will be founded on community consultation in a 'track two' perspective – consultation as a tool for trust building between groups.** As such it will be more of a process and less a series of discrete meetings aimed at fulfilling particular milestones[43]

The content of consultation similarly presents challenges. To be effective, conflict analysis tools require the engagement of local actors in defining the structures, actors and dynamics of the conflict. By building consensus on these elements, the stakeholders take a crucial step towards conflict resolution or transformation. Local engagement also provides important insights, and a key opportunity for building partnerships. **To understand and address conflict, CSBP will seek to incorporate participatory conflict analysis at the community level, engaging local actors in a consensus building approach to analyse conflict. In situations where open consultation is impossible, it will seek to offer alternative mechanisms for consultation that strengthen the community's role in decision-making without placing groups at risk.**

The impact of SIAs and EIAs on decision making is mixed. In practice, the decision to implement a project is financial (for the company) or political (for the government), in which politicians will weigh the impacts and interests of various groups proposing or affected by the project. In such situations the local is pitted against the national, and SIAs do not contribute to resolving the conflict between local and national interests. 'National governments reap the

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[43] 'Track two' refers to unofficial, informal interaction between members of adversarial groups that emphasises relationships and policy changes developed at a grass-roots perspective, complementing more overt and official channels.

most benefit from these projects, while social and environmental costs tend to be borne by local communities.'[44] This can be a trigger for violence. For the company, relinquishing a degree of control to allow people a role in decision-making invites transparency and trust, fostering legitimacy, relieving anxiety, and valorising community perceptions and significance ratings. Communities appear to be more accepting of change if they have been involved in the process of decision-making in a transparent and empowered manner. **Developing a context-specific CSBP methodology will require managers to make explicit decisions regarding the nature of community involvement in decision-making, ranging from their engagement in decision support processes up to larger siting or go/no go decisions. A core objective will be to ensure broad community support for the process and its outcomes, without which the project itself can be placed at risk.**

4.4 Link assessment results to actions taken

There is often a failure to link the results of the political risk analysis to the prevention or mitigation strategies elaborated in the SIA. Both regulation and conditions of finance are key to embedding mitigation and prevention in project design. In the absence of such drivers, the involvement of external partners in monitoring and evaluation is needed. Placer Dome's Porgera mine in Papua New Guinea has established an 'Environmental Advisory Komiti', comprising NGOs, government and company representatives, to monitor the implementation of environmental management commitments. **CSBP will seek to forge links between analyses throughout the project cycle and to suggest mechanisms for conflict prevention, mitigation and monitoring/evaluation.**

4.5 Respond to dynamic situations

Conflict-prone environments are unstable and can change rapidly, while assessments and mitigation strategies are static or slow processes that often fail to ensure continual monitoring and revision throughout the project cycle. Annual or bi-annual reviews do not flexibly cope with quickly changing scenarios, while one-off contracted-out analyses do not contain mechanisms for review and updating. **CSBP will include a strategy for continual review of the context and feed this into regular review of prevention and mitigation strategies.**

4.7 Identify and respond effectively to flashpoint situations

Project-related displacement, resettlement, closure, and compensation are flashpoints for conflict. During resettlement the rules of resource allocation often get re-written, with shifts in wealth and power and unequal treatment of re-settlers by companies. For instance, the construction of the Bujagali dam in Uganda has created serious cleavages and rising tensions in affected communities, because different education levels of community members affected their ability to negotiate with the company and thus the level of compensation they individually received.

Assessments typically conceive of conflict in resettlement and compensation cases as 'stress related' rather than resulting from community dislocation, and from changes wrought on community dynamics by the distribution of economic payouts. **As a crucial and sensitive element of large-scale project development, CSBP will need to specifically address closure, construction, resettlement and compensation, among other flashpoints .**

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[44] McPhail, K. "How Oil, Gas and Mining Projects Can Contribute to Development". *Finance and Development*, (Washington: IMF, December 2000, Vol. 37, No. 4).

5. Concluding remarks

The Conflict-Sensitive Business Practice toolbox

This paper is the first stage in attempting to define a CSBP toolbox to assist extractive sector companies in understanding and mitigating both the negative impacts of their investments on vulnerable communities and the threat posed by conflict to their operations. The CSBP methodology is envisaged as complementary to existing Environmental and Social Impact Assessments (ESIA), political risk assessments and other related tools. Our CSBP methodology will offer principles and processes which build on current good practice in impact assessment by combining some of the most innovative thinking from both the private sector and the field of conflict prevention and resolution. Other initiatives are underway to develop similar practices, ranging from human rights impact assessment to explicit efforts to deal with conflict.

CDA Corporate Engagement Project

The Collaborative for Development Action has initiated a multi-year process which through externally-funded field assessments carried out in partnership with mining, timber and oil & gas companies, seeks to understand how specific corporate operations affect conflict and how conflict affects corporate operations, and to evaluate the company's social investment efforts as a conflict management tool.

From field insights, CDA is preparing issue papers that provide generic guidance to field managers on best practice. The resulting issue papers focus on assessing and managing community level impacts, strengthening peacebuilding through social investment and NGO partnership efforts, measuring the effectiveness of resulting interventions, and driving conflict sensitivity through internal incentives.

The field visits are carried out in close cooperation with company staff, and while staff time is funded by the Corporate Engagement Project's donor governments, coverage of the costs of field visits and financial contribution to CDA are expected from the participating company.

Each site visit is carried out by a team of 2-3 over 10-14 days, divided evenly between interviews with staff and external stakeholders. Products include an oral and written briefing for management, covering the sources of intergroup tensions and conflicts, operational interactions with those conflict drivers, stakeholder perceptions of the company, options for improving those perceptions and local tensions, and a forward-looking assessment of expansion or reduction of project activities and options for managing these effectively.

In contrast to the CSBP Toolkit, which is modelled on existing corporate impact assessment practice and seeks to embed itself across project management, the CDA approach is 'one-off' and driven by an external expert. Both approaches are valid and have their place in moving

conflict sensitivity from an aspect of crisis management to one of proactive social risk management.

Source: Collaborative for Development Action, www.cdainc.com/cep

CSBP is a companion to, but different from, efforts to build human rights sensitivity into company practice. Proactive engagement by companies in support of human rights will naturally have positive impacts on social stability. But conflict sensitivity is a distinct and explicit focus on a measurable outcome, which relates directly to the safety and continuity of operations in a high-risk environment. While there is a clear ethical driver, the business case for conflict sensitivity in particular regions is a recognition that the capacity to do business is linked to the broader social fabric, as recent events in the Niger Delta underscore. 'We are all in this together' could be the motto of a manager striving to sell conflict sensitivity in-house.

The value of the CSBP methodology will be most pronounced in countries at risk of, affected by or emerging from violent conflict. Its primary function is the conflict sensitisation of corporate operations over the full-time continuum of a company's investment in a given project, including analysis, project planning and implementation, and evaluation. CSBP itself will be a generic methodology, but one which is designed to be easily integrated into individual companies' own processes and adaptable for specific country contexts. Although avoidance and reduction of violent conflict is the main focus, it is hoped that some of the underlying principles of CSBP will also influence the way companies operate in less sensitive areas.

We recognize that the evolution of conflict-sensitive business practices has only begun, and welcome others in the elaboration and diffusion of the tools and approaches we have only begun to sketch out. The CSBP Toolkit will be launched in January 2005

Documents from the CSBP Toolkit and its development may be downloaded without charge from www.iisd.org/natres/security/cria.asp and from www.international-alert.org The work has been funded by the Canadian, Swedish, Swiss and UK governments. Those seeking further information are encouraged to contact Nick Killick at International Alert [nkillick@international-alert.org] or Jason Switzer at IISD [jswitzer@iisd.org].