



THE BUSINESS HUMANITARIAN FORUM ASSOCIATION

Tri-Annual Report

2015 - 2017

The Contribution of the Private Sector to Society



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The Business Humanitarian Forum Association
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"The Contribution of the Private Sector to Society."

Covering the three-year period from 2015 through 2017, this report marks a change of strategy for the BHF. Our main activity has been re-oriented to emphasize personal out-reach and consultation with a wide range of public and private sector organizations to achieve our mission, which has never changed since the BHF's founding in 1999. This mission is to encourage private sector support and public-private sector cooperation for economic and human development in post-conflict areas and poor countries where investment is needed. We are now seeking to do this by speaking and meeting with experts and executives from different countries and walks of life to advance discussions on issues and projects of shared interest to the private sector, UN agencies NGOs and academia.

The BHF firmly believes that through increased cross-sector understanding and cooperation, the public, private and non-profit sectors can improve conditions on the ground for local populations and actively support the job creation process, which is fundamental for poverty alleviation. These basic themes remain as relevant as ever. In this regard, we are very pleased to note that many new organizations have arisen in recent years to implement the very ideas and methodologies that the BHF pioneered and has long forwarded, thus multiplying the possibilities for achieving our goal.

As the BHF looks to the future, we plan to continue our new and cost-effective operational methodologies so as to better achieve our goals. Our website as well as this report describe these activities in more detail, showing how we are continuing to pursue our original mandate through new methods and partnerships. And we continue as well to look for even better ways to increase our collaboration with members of the BHF community and to continue consulting on new opportunities with companies and organizations that

are interested in improving their contribution to society.

Lastly, and on a personal note, it is with sadness that I and the BHF commemorate the passing in February, 2015, of John C. Whitehead, the BHF's Honorary Co-Chairman. Mr. Whitehead was a tireless supporter of the BHF and its mission, and he was always available for advice and guidance in achieving our goals. His constant encouragement was an essential sustaining force for the rest of us engaged in BHF projects and efforts to improve public-private cooperation. He is very sorely missed.

In this same vein, the BHF also notes with regret the passing of former UN Secretary General Kofi Annan earlier this year. Mr. Annan was instrumental in forwarding the principles of private sector activity as a fundamental force in developing societies and in reducing poverty. In recognition of his singular importance in this field, Mr. Annan was the recipient of the BHF's 2007 Russell-Whitehead Business Humanitarian Award.

We thank all of our partners and supporters for your sustained interest and support.

John J. Maresca
President of the BHF Association Council

A handwritten signature in dark ink, reading "John J. Maresca". The signature is fluid and cursive.

table of contents

A word from the President

Overview

- 1 Who We Are
- 1 Our Vision
- 1 Our Organization
- 1 What we do

Activities

- 2 Activities undertaken by the BHF

Public Affairs

- 4 Participation
- 4 Communication
- 4 Consultation

Annexes

- 5 Speech by Executive Director Jean Freymond
- 17 Organization
- 18 Partners and Donors

who we are

The Business Humanitarian Forum (BHF) Association was established in Geneva in 1999 by a group of senior representatives from the private sector and humanitarian organizations, and with the active support of former UN Secretary General Kofi Annan. Its mandate is to encourage and develop new and innovative ways to bring the resources, energy and creativity of the private sector to bear where it is needed most for job creation and humanitarian assistance. The BHF encourages ethically motivated support by the public and private sectors to achieve sustainable economic and human development in post-conflict areas and developing countries where investment is needed, focusing as well on building a socially responsible context for these activities.

our vision

The BHF seeks to bridge the gap of understanding and promote cooperation between humanitarian organizations and private business, encouraging both sides to work together to solve complex development problems. The BHF works to build awareness that business has strong, ethical long-term interests in supporting the work of the humanitarian community; both the private and public sectors have common interests in the stabilization of developing and post-conflict societies as well as in the encouragement of sustainable growth and development.

our organization

The BHF is a worldwide, non-profit, tax-exempt association based in Geneva. It is registered under the laws of Switzerland and the Canton of Geneva. It has two Honorary Co-Chairmen, George F. Russell, Jr. and the Honorable John C. Whitehead (who passed away in 2015), both of whom were cofounders of the BHF. It is managed by a BHF Association Council headquartered in Geneva.

what we do

- Advise organizations on establishing public-private partnership investment projects;
- Assist and encourage local entrepreneurs, particularly women entrepreneurs;
- Facilitate contacts and support between and among potential partners;
- Offer relevant advisory services, particularly concerning training;
- Convening contact group meetings and other forums to advance our objectives;
- Conduct public information activities that stimulate similar action; and
- Promote sustainable development, community responsibility and ethical conduct by the public and private sectors.

During the period covered by this tri-annual report, the BHF's members have undertaken a number of activities to forward its Vision and its Mission. These activities are a product of the long experience of its members in carrying out projects, workshops and conferences on a wide range of BHF mission-relevant topics. This experience in turn has led to a distillation of the wisdom gained so that the consultative activities undertaken in the past several years would yield maximum gains for the parties with whom the BHF worked.

A summary of these activities – some of which have actually been ongoing for a longer period than that covered by this report – would include the following:

BHF representative was invited annually to speak, either as a featured speaker or on a panel, at meetings of AidEx. This organization, which is well funded by the private sector and thus able to have a significant impact, is active in third world settings assisting local enterprises with post-conflict rebuilding and economic security issues. The annual meetings were held at Palexpo in Geneva or in Brussels and were attended by a significant number of Geneva-based aid organizations and NGOs. The message of the BHF presentations was that business has a responsibility in relation to aid and assistance programs in the developing world, and that this role can be both self-serving and altruistic, so that the effort can be mutually self-sustaining.

The BHF also worked with the President of a worldwide organization called “Peace and Sports”, which is based in Monaco with Prince Albert as its Patron. A joint program was developed with two partners – The UN-mandated University for Peace (UPEACE) and the University of Monaco, with some financial support from the private sector. This program involved educating young people to work on sports as an instrument for societal development in the world's poorest countries and post-conflict areas - Africa, Haiti, parts of Latin America and elsewhere. The program seeks and receives support from the business world, demonstrating how responsible business can be brought successfully into developmental programs. The BHF continues to be involved in this program and monitors its progress and growth.

ABHF member was invited by the Banco do Brasil to help it to design a two- week training program for their nascent senior managers on responsible business. This program, which was always chaired by the BHF member, has been held repeatedly in such venues as Costa Rica and New York City. In regard to the latter venue, the BHF member obtained the cooperation of the US Council on International Business, which provided expert speakers on the various sub-topics in the training program. The Banco do Brasil has found this program of great assistance in forwarding its programs in developing countries and has made its premises a central part of their banking ideology.

The BHF philosophy and message was also forwarded and explained at many additional forums, panel meetings, conferences and other such gatherings, to include making individual speeches and presentations at seminars. A few of these numerous occasions would include the following:

a. Two presentations before the UN General Assembly at its annual meetings in New York;

b. The Geneva Centre for Security Policy on the topic of “Ensuring Stability in the Post-Cold-War Evolution To Free-Market Structures;

c. A Swiss Government conference to review the evolution from Cold War relationships to democracies and free-market structures throughout Europe;

d. The University of Houston on the situation for business in the Caspian region

e. A newspaper interview with the Houston Chronicle on the business role in reviving post-conflict economies;

f. Meetings with Ambassadors from the Balkan region in various Balkan countries, to include articles for local magazines and newspapers and speaking appearances;

g. Speeches and informal presentations that included BHF-related topics given in numerous venues, including Brasilia, Manila, Tokyo, Seoul, Addis Ababa, Dakar, a World Economic Forum meeting in India, Baku, Alexandria, the European Center for Peace and Disarmament in Belgrade, Pula, Podgorica, Istanbul, the American University of Paris, the Somerset Club in Boston, the University of Connecticut and Monaco;

h. Of special interest was a meeting at which a BHF member spoke on the topic of “The Proper Conditions for Business to Engage in Post Conflict Reconstruction”. Held in December 2017 in Cairo, Egypt under the auspices of the Arab Administrative Development Organization, the BHF speech reviewed elements concerning new patterns of economic development as carried out in partnership between government and the private sector. The speech was circulated to all members of the AADO, who came from virtually all middle eastern countries interested in public-private partnerships and corporate social responsibility (see copy at Annex).

Participation

In addition to the specific activities noted above, BHF members also participated in a wide range of events and meetings at which it informally provided its views and experience. The BHF also provided pro bono advice to private and public-sector start-ups on the best ways to achieve their goals.

Communication

Acknowledging the BHF's continuing role in the area of economic development, the UN Economic and Social Council (ECOSOC) has repeatedly voted to grant the BHF consultative status within the ECOSOC system. This allows BHF members to participate in the various ECOSOC meetings on economic issues and to provide its views and experiences for the record. By virtue of its consultative status, the BHF also enjoys enhanced access to UN officials as well as to UN offices and agencies dealing with these subjects. ECOSOC consultative status constitutes official UN recognition of the legitimacy and usefulness of the BHF's work in the economic reconstruction field and allows the BHF more effectively to participate in the UN's work in this area.

Consultation

BHf members have published several books and numerous articles on economic reconstruction in post-conflict areas. These are partially listed on the BHF website, but in their totality, they constitute an effective and widespread method of spreading the BHF's message about public-private partnerships for economic reconstruction.

Arab Administrative Development Organization (ARADO)'s 17th General Annual Conference
"Partnership Between the Government and the Private Sector: New Patterns of Economic Development"
11th-12th December, Cairo, Egypt

Panel

"Corporate Social Responsibility and Private-Public Partnership in the Post-conflict Reconstruction Phase: Opportunities and Challenges"

Monday, December 11th, 2017, 14.15
Conference Room Andalusia, League of Arab States, Al Tharir Square

In light of the developments in the Arab region and the transitional phase from conflict to peace that some of its countries will experience, the panel will discuss, revisit and critique the concept of corporate social responsibility. It will look at how public and private businesses can work together to rebuild - in the large sense of the word - countries after conflict, beyond the idea of mere profit-making.

THE PROPER CONDITIONS FOR BUSINESS TO ENGAGE IN POST CONFLICT RECONSTRUCTION

DR. JEAN F. FREYMOND

CO-FOUNDER AND EXECUTIVE DIRECTOR, THE BUSINESS HUMANITARIAN FORUM¹

ABSTRACT: Post conflict reconstruction is a shared responsibility of all stakeholders, public and private, local and foreign. All do have specific and complementary roles.

Relaunching the economy and job creation are main dimensions of post conflict reconstruction, for which business is primarily responsible.

To fully and effectively engage business at all stages of the reconstruction efforts requires starting fast implementing a first set of framework conditions.

Business can only deliver in a sustainable manner what it is asked to, if it can operate in an economic manner, with the objective to at least break even, profit being in the long run an aim for both business and the State. Business can only create share value for society if it can operate soundly and successfully. In a post conflict reconstruction phase, it might first invest in society prior to any direct investment per se, so to assist in creating in advance the appropriate societal environment within which it will then operate.



¹ Established in 1999, the Business-Humanitarian Forum (BHF) has worked to bridge the gap of understanding and promote cooperation between humanitarian organizations and private business, encouraging both sectors to work together to solve complex development problems. BHF seeks to encourage private sector support and public-private sector cooperation for economic and human development in post-conflict areas and poor countries where investment is needed. BHF participates in the Global Compact since May 2003.

² Kurdish Syrian girls among rubble in the Syrian town of Kobane in March 2015. Photograph: Yasin Akgul/AFP/Getty Images (reproduced without permission)

We live on a schizophrenic Planet torn between tragedies and promising realities. In such a world, multilateralism is more important than ever, despite its so many flaws. Thus one should pay a tribute to the United Nations, as well as to all regional institutions, such as the ones hosting the Conference *Partnership Between the Government and the Private Sector: New Patterns of Economic Development*.

The United Nations in particular have played an important role in contributing to promote some of the ideas and concepts at the core of the panel *Corporate Social Responsibility (CSR)*³, the UN Global Compact's Ten Principles⁴, as well as somewhat *Creating shared*

³ **Definition of corporate social responsibility (CSR)** "Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders." UNIDO,(<http://www.unido.org/csr/o72054.html>)

⁴ **The Ten Principles of the UN Global Compact**

"Corporate sustainability starts with a company's value system and a principled approach to doing business. This means operating in ways that, at a minimum, meet fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption. Responsible businesses enact the same values and principles wherever they have a presence, and know that good practices in one area do not offset harm in another. By incorporating the Ten Principles of the UN Global Compact into strategies, policies and procedures, and establishing a culture of integrity, companies are not only upholding their basic responsibilities to people and planet, but also setting the stage for long-term success."

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

(<https://www.unglobalcompact.org/what-is-gc/mission/principles>)

values⁵ and its most recent incarnation, *Total Societal Impact*⁶.

⁵ Creating Shared Value

“Executive Summary

The capitalist system is under siege. In recent years business has been criticized as a major cause of social, environmental, and economic problems. Companies are widely thought to be prospering at the expense of their communities. Trust in business has fallen to new lows, leading government officials to set policies that undermine competitiveness and sap economic growth. Business is caught in a vicious circle.

A big part of the problem lies with companies themselves, which remain trapped in an outdated, narrow approach to value creation. Focused on optimizing short-term financial performance, they overlook the greatest unmet needs in the market as well as broader influences on their long-term success. Why else would companies ignore the well-being of their customers, the depletion of natural resources vital to their businesses, the viability of suppliers, and the economic distress of the communities in which they produce and sell?

It doesn't have to be this way, say Porter, of Harvard Business School, and Kramer, the managing director of the social impact advisory firm FSG. Companies could bring business and society back together if they redefined their purpose as creating “shared value”—generating economic value in a way that also produces value for society by addressing its challenges. A shared value approach reconnects company success with social progress.

Firms can do this in three distinct ways: by reconceiving products and markets, redefining productivity in the value chain, and building supportive industry clusters at the company's locations. A number of companies known for their hard-nosed approach to business—including GE, Wal-Mart, Nestlé, Johnson & Johnson, and Unilever—have already embarked on important initiatives in these areas. Nestlé, for example, redesigned its coffee procurement processes, working intensively with small farmers in impoverished areas who were trapped in a cycle of low productivity, poor quality, and environmental degradation. Nestlé provided advice on farming practices; helped growers secure plant stock, fertilizers, and pesticides; and began directly paying them a premium for better beans. Higher yields and quality increased the growers' incomes, the environmental impact of farms shrank, and Nestlé's reliable supply of good coffee grew significantly. Shared value was created.

Shared value could reshape capitalism and its relationship to society. It could also drive the next wave of innovation and productivity growth in the global economy as it opens managers' eyes to immense human needs that must be met, large new markets to be served, and the internal costs of social deficits—as well as the competitive advantages available from addressing them. But our understanding of shared value is still in its genesis. Attaining it will require managers to develop new skills and knowledge and governments to learn how to regulate in ways that enable shared value, rather than work against it.”

Michael E Porter and Mark R. Kramer, “Creating Share Value. How to reinvent capitalism – and unleash a wave of innovation and growth”, *Harvard Business Review*, January-February 2011.

See also, Mark R. Kramer and Mark W. Pfitzer, “The Ecosystem of Shared Value”, *Harvard Business Review*, October 2016. This last article has as point of departure the fact that “companies must sometimes team up with governments, NGOs, and even rivals to capture the economic benefits of social progress”, in other words, partner.

⁶ Douglas Beal, Robert Eccles, Gerry Hansell, Rich Lesser, Shalini Unnikrishnan, Wendy Woods, and David Young, *Total Societal Impact: A New Lens for Strategy*, The Boston Consulting Group, October 2017.

« ***What Is Total Societal Impact?***

Every company has positive and negative economic, social, and environmental effects on the world. We refer to the aggregate of these as its total societal impact. TSI is a collection of measures and assessments, not a single metric. Companies should use TSI to help shape strategy.

A company's TSI includes the impact of its products and services, its operations, and its corporate social responsibility initiatives. It also includes the result of explicit decisions the company makes to adjust its core business to create positive societal benefits. Activities related to TSI often have a material impact on total shareholder return (TSR)—but not always.

Do those concepts apply in the context of post conflict reconstruction? Would they be relevant in the Middle East & North Africa region?⁷ Most probably. For companies having integrated them into their overall strategies and which consider them as a pillar of their operations, CSR or creating share values make sense. It has nothing to do with charity or philanthropy, in which companies can engage in, but in a separate perspective⁸.

TSI encompasses numerous elements. Examples include:

- *The intrinsic benefit to society of a product or service (a drug that saves lives, for instance, or a bank loan that enables a farmer to buy a plow)*
- *Business practices, including strict adherence to ethical business rules and inclusive hiring policies, that directly or indirectly affect societies in the countries and communities where the company operates*
- *The jobs created as a result of the materials a company purchases and services associated with the company's supply chain*
- *The impact on the environment—both negative (such as the environmental footprint of operations) and positive (such as innovations that reduce pollution)*

Impact is not an easy thing to measure. It is topic- and industry-specific and often requires data from outside the company. Many companies measure the outcomes of their efforts—but have difficulty measuring the ultimate societal impact. In the case of efforts aimed at expanding financial inclusion for women, for example, it may be fairly easy to measure an outcome, such as the number of women who join the banking system. The impact, on the other hand, which may be a decrease in gender income inequality, may be more difficult to measure.

No doubt, companies will make progress in identifying and tracking impact in the future. The objective, however, is not to come up with a single metric like TSR but to understand how a company's actions connect to impact and to adjust strategy to maximize TSI for the benefit of TSR.



⁷ For the economic aspects of post-conflict reconstruction in the Middle East & North Africa region, see Shanta Devarajan, Lili Mottaghi. 2017. "The Economics of Post-Conflict Reconstruction in Middle East and North Africa." *Middle East and North Africa Economic Monitor* (April), World Bank, Washington, DC.

⁸ Example of such philanthropic engagement, the support provided to Luminos Fund by UBS through UBS Optimus Foundation for the launching of a *Speed School program* in Lebanon, aiming at reaching 3,600 children in Lebanon by 2019. UBS decision is based on the following rationale:

- *"Lebanon, which has a population of 4 million, hosts 1.5 million displaced Syrians, including 250,000 out-of-school children. This adds strain to an already over-burdened public school system*
- *Although the Lebanese government has committed to enrolling all displaced Syrian children in their public school system—which is free and compulsory—there are still numerous barriers, including a lack of awareness, language barriers, safety concerns, and family engagement*

Philanthropy and charity means spending at most a couple of millions of dollars. Usually much less. Creating share value is thought of in the perspective of millions, tens and hundreds of million or even the billion one might consider investing over decades. It is business and implies for a company to operate in a sustainable manner. This requires a return on investment, a notion not well reflected in the concept of profit, too loaded with emotion, but better in the idea that the purpose of business is to achieve in the long run a fair and equitable return on investment which matches the risk taken.

For companies having subscribed to the creating share value concept - most are large, some the largest on the planet, but they are not many, - the concept makes a lot of sense. How can one do business in a sustainable manner in a failed societal environment or in an environment which is not, or not enough conducive to business? If the societal environment in which one operates is characterized by flaws, can one as a company, contribute to address those flaws? A modest contribution perhaps, but if well targeted, a contribution which can have a significant impact.

A large majority of companies having incorporated creating share values in their overall policies or committed to operate responsibly in accordance to the UN Global Compact Ten Principles⁹, will make sure they do in practice follow systematically those principles, irrespective of the context, including in post conflict situation. For those companies, in

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- *Currently only half of displaced Syrians in Lebanon are attending formal school.*"

(<https://www.ubs.com/microsites/optimus-foundation/en/global-giving/switzerland.html>)

On the overall approach of UBS, see *Mobilizing private wealth for public good. UBS White Paper for the World Economic Forum Annual Meeting 2017*, January 2017.

(https://www.ubs.com/global/en/about_ubs/follow_ubs/highlights/mobilizing-private-wealth-for-public-good.html)

Another example is provided by Adecco which through the Adecco Group Foundation "will join the International Committee of the Red Cross's (ICRC) Corporate Support Group, with both organisations working together to drive social inclusion and the reintegration of people with a disability into the labour market in areas affected by armed conflict." (<https://press.adeccogroup.com/news/the-adecco-group-foundation-partners-with-the-international-committee-of-the-red-cross-to-help-people-affected-by-armed-conflict-7a03-2cb12.html>)

A further example is to be found in the Report, *Our Social Impact, An Update*. McKinsey&Company, 2018, p. 17.

« Helping refugees in Jordan and Lebanon

Jordan (population: 7.6 million) hosts more than 650,000 Syrian refugees. We supported the United Nations Development Program and the UK government to encourage the private sector to be part of the response to the refugee crisis. Partnering with the International Rescue Committee and other organizations, we identified projects that would create jobs for refugees and host communities and growth for Jordan.

Five years ago in Lebanon (population: 5.9 million), which is host to 1.1 million Syrian refugees, Syrian expatriates founded an NGO, Basmeh & Zeitooneh ("basmeh" means "smile" and "zeitooneh" means "olive"). We worked with the group to help expand schooling, develop new teaching materials, and provide lower-cost teacher training. »

For critical voices on business in post conflict environments, see Annie Kelly, "Can a business ever source responsibly from a war zone?", *The Guardian*, 22 March 2016.

<https://www.theguardian.com/sustainable-business/2016/mar/22/conflict-war-zone-business-buying-sourcing>

⁹ Some 4'500 companies and 5'200 small and medium size enterprises are participants in the Global Compact. (<https://www.unglobalcompact.org/>)

principle, from a societal responsibility perspective, one does not operate differently in different settings, even in drastic dissimilar ones, e.g. countries devastated by war. It is a matter of business. It is a matter of reputation. For sure the context is to be taken into consideration, for example, the increased risks and all the added challenges to be faced when operating in a destructed environment. But from a CSR angle, there should be no variance. One does not corrupt when one operates in an environment reconstructing itself. On the contrary.

When addressing the challenge of post conflict reconstruction, companies might initially consider charity or philanthropy. And indeed often, the humanitarian tragedies prompt them to do so. But when considering the business role a company might play in reconstruction, business considerations will be contemplated first.

The first question asked by the investor is likely to be, can one invest, either capital or human resources, with calculated risks, and with a reasonable potential for a return on investment in a foreseeable future. This is what can be called “the capital boomerang”. The money invested must come back. It is a matter of sustainability.

When faced with immediate humanitarian tragedies, one is often prompted to raise the question of “how to garner and where to locate the necessary resources to meet the humanitarian challenges”¹⁰ wondering how much to expect from the private sector. The answer is not to assume anything substantial from companies which feels socially responsible. Company philanthropy will be a drop in the water when looking at the needs, even if companies are highly socially responsible.

What might be expected and explored is whether there are companies socially responsible which might invest substantially, if not immediately, at least in a foreseeable future. For a country for a declared socially responsible company to envisage investing sends a strong signals and might provide some guarantee of the recovered solidity of its economy.

Does the fact that a company willingly obeys the rules and principles of social responsibility do not make the decision to invest in a country in a phase of post conflict reconstruction more difficult? Will a company be able to fully respect the rules and principles it intends to obey to? To operate, will the company not be forced to corrupt? In an environment likely to be volatile for a long period of time, which possible situation may the company likely confront? How long are the present authorities going still to be in place? Are those authorities continue to be seen as legitimate in the eyes of the international community? The case of Lafarge in Syria¹¹ caught in problematic interaction with Daesh, provides an illustration of the dilemma companies might face when investing in unstable environments.

In short, having adopted the concept of CSR might prompt a company to be more hesitant, if not reluctant to invest, the risks factors, including the reputational risk constituting major impediments.

¹⁰ "Corporate Social Responsibility and Private-Public Partnership in the Post-conflict Reconstruction Phase: Opportunities and Challenges. Concept Note" ARADO and UNESCWA, 8.9.2017.

¹¹ On Lafarge in Syria, see Mathilde Golla, « Financement du terrorisme en Syrie: la chronologie de l'affaire Lafarge », *Le Figaro*, 10.12.2017.

The situation is not the same for each company. The nature of the business and the size of the investment play significant roles. The risk is low for a company like Coca Cola, participant in the Global Compact for more than 10 years, among the first business to reinvest in a war torn society, as it requires limited investments to operate. Companies in oil, gas and mining also tend to reenter rapidly, as they extract natural resources to be exported. Companies active in other sectors, which markets are primarily local are naturally more cautious. Lafarge again provides an interesting case. It invested around 600 million Euro in a plant producing cement in Jalabiya (Syria), which opened in May 2010. Would it invest today, even if the demand for cement is likely to be immense?¹²

This raises the important question of WHEN! Post conflict reconstruction is a process and a very long one. The humanitarian needs are the highest and huge when the situation is the most catastrophic and chaotic¹³. At this very early stage of the process, companies might be

¹² On the conditions to invest in conflict affected areas, see *Doing business in conflict-affected countries*, posted October 15, 2015, by the Human Rights and Business Dilemmas Forum, held under the auspices of the Global Compact. It constitutes an "introduction to and analysis of the dilemma. It does so through the integration of real-world scenarios and case studies". (<https://hrbdf.org/dilemmas/business-and-peace/>)

¹³ On the gigantism of the challenge of post conflict reconstruction, cf. *The Toll of War. The Economic and Social Consequences of the Conflict in Syria*, Washington, D.C., The World Bank, 2017.

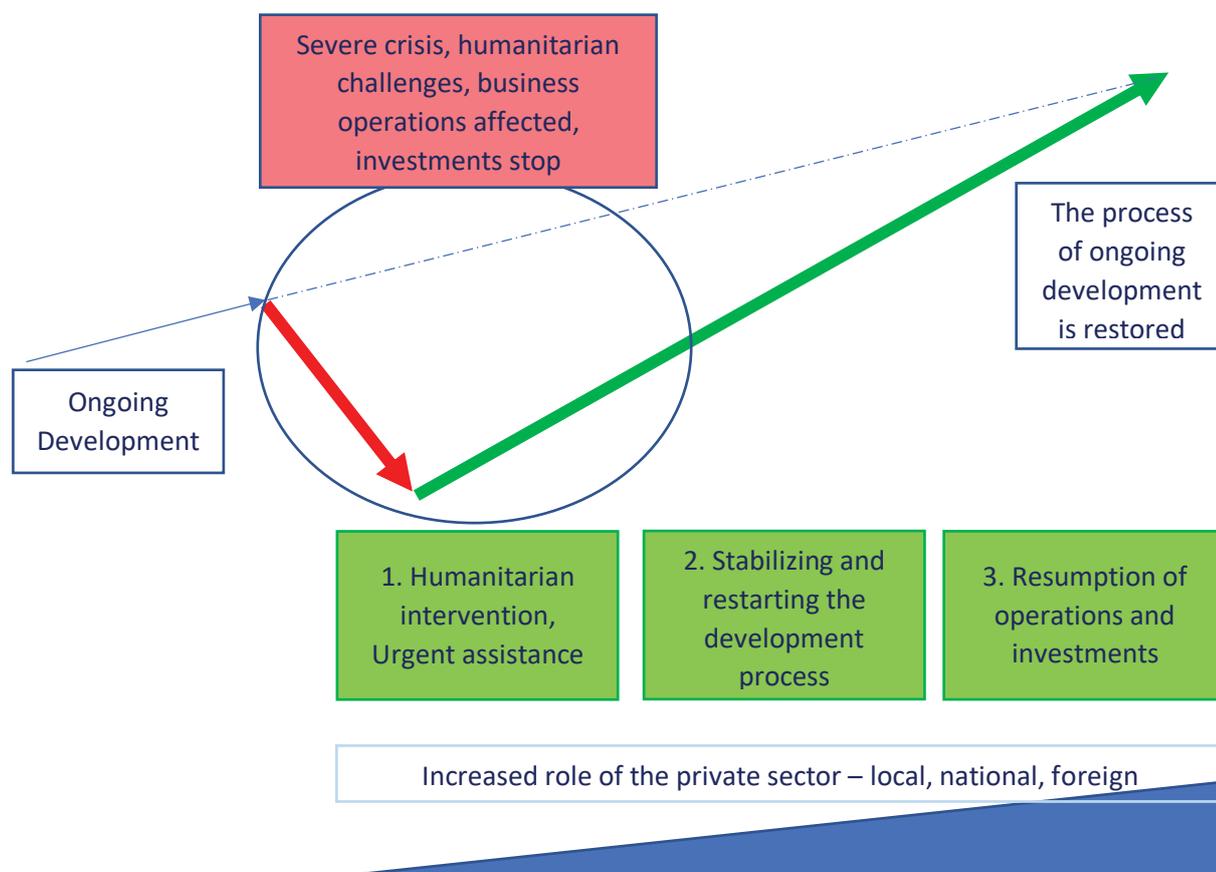
Key Findings

"This study assesses the economic and social consequences of the Syrian conflict as of early 2017. The conflict has inflicted significant damage to the Syrian Arab Republic's physical capital stock (7 percent housing stock destroyed and 20 percent partially damaged), led to large numbers of casualties and forced displacement (between 400,000 and 470,000 estimated deaths and more than half of Syria's 2010 population forcibly displaced), while depressing and disrupting economic activity. From 2011 until the end of 2016, the cumulative losses in gross domestic product (GDP) have been estimated at \$226 billion, about four times the Syrian GDP in 2010.

- *Disruptions in economic organization have been the most important driver of the conflict's economic impact, superseding physical damage.* The conflict has not only ended lives and destroyed productive factors; it has also severely diminished economic connectivity, reduced incentives to pursue productive activities, and broken economic and social networks and supply chains. Simulations show that cumulative GDP losses due to such disruptions in economic organization exceed that of capital destruction by a factor of 20 in the first six years of the conflict. This is mainly because a "capital destruction only" shock works like some natural disasters (unanticipated and sudden onset): in a well-functioning economy, its effects on investments are limited (only a 22 percent reduction in simulations). Thus, capital is rapidly rebuilt and further economic repercussions are contained. In comparison, disruptions in economic organization decrease investments significantly (a simulated 80 percent reduction) by reducing profitability; therefore, the initial effects are propagated strongly over time. This contrast between different types of shocks helps us to put future reconstruction efforts into perspective. Without rebuilding economic institutions and restoring economic networks, replacing the capital stock by itself will not go far in helping the economy recover.

- *The longer the conflict continues, the more difficult the post-conflict recovery will be.* Although the rate of deterioration moderates over the course of the conflict, the effects become more persistent. Should the conflict end in its sixth year (baseline), GDP recoups about 41 percent of the gap with its pre-conflict level within the next four years. Overall, the cumulative GDP losses will reach 7.6 times the 2010 GDP by the 20th year. In comparison, GDP recoups only 28 percent of the gap in four years if the conflict ends in its 10th year (alternative scenario), and cumulative losses will be at 13.2 times the 2010 GDP. Simulations also show that outmigration could double between the sixth year of the conflict and the 20th year, in the case of a continued conflict. These results do not capture many other complications, like political economy challenges such as conflict-driven grievances. Adding these factors would only reinforce the main findings of the report: the longer the conflict persists, the deeper the grievances and divisions will run in the Syrian society, rendering it very difficult to build efficient institutions and effective economic mechanisms."

generous and provide humanitarian contributions in the form of funds, products or services or in backing some very specific projects. But those contributions are likely to always be limited, not of a strategic significance. Expectations should be low.



So when can one expect the foreign private sector to step in? When are companies, besides charity, going to think business and invest resources?

Business might consider investing during the process of post conflict reconstruction, not at an early stage, but later on, very likely only when appropriate framework conditions - or considered as appropriate - are again in place. Although assessments from companies to companies will differ, one can say that some framework conditions are the same for everyone.

1. Conditions related to security and stability, as well as to the reestablishment of the authority of the State, and the restoration of the rule of law.
2. Conditions to do business

In order to ensure the economic reconstruction, the State has to ensure proper conditions to do business. Those conditions are well reflected in the annual World Bank Report, *Doing Business*¹⁴, in which countries are ranked according to selected criteria,

¹⁴ *Doing Business 2018. Reforming to Create Jobs. Comparing Business Regulation for Domestic Firms in 190 Economies*, Washington, D.C. The World Bank, 2017.

Doing Business measures aspects of regulation affecting 11 areas of the life of a business. Ten of these areas are included in this year's ranking on the ease of doing business: starting a business, dealing with construction

including conflict affected countries. As regards selected countries in the Middle East & North Africa region, Jordan ranks 103, Egypt 128, Lebanon 133, Iraq 168, Sudan 170, Syria 174, Libya 185, Yemen (rep) 186, South Sudan 187, Somalia 190.

Improving the conditions to do business should be for any state emerging from conflict a priority.

3. An overall economic environment characterized by signals that reconstruction is on its way, economy picking up, investments decided, including investments by the World Bank and other Development Bank. A company will not invest if it is the only one to do so.

When is a conflict over? When does one enter the initial post conflict phase? No one is likely to come with a clear answer. There is none. One can speak of a grey zone typified by the fact that the conflict has not yet ended and continues. Society is still in conflict, but it emerges from the worst. The storm is over. Winds are still blowing, with some light rains. A rainbow might be seen.

From a large company's perspective, one can only watch and see, and assess whether security and stability are such that engaging, or reengaging can be envisaged. It seems to be an impossible challenge to address, as security and stability depends very much on the functioning of the economy being restored. Very much requiring the circle to be square.

Thus it is essential to remember the significance of the local and domestic economy. If post conflict reconstruction depends very much on the economic reconstruction, then the local entrepreneurs are central. Therefore the imperative to promote in an inclusive manner entrepreneurship, creating the conditions for local micro and very small entrepreneurs to start and operate a business, so to lead to the rebuilding of the economic fabric of the society.

The displaced persons, the refugees in camps, women in destroyed villages and cities launching micro and very small enterprises are as important if not more than large foreign companies investing, as it creates a momentum rooted locally, and particularly a psychological momentum. All participate in the creation of what is so often missing in post conflict situation, hope, while reinitiating a vital economic process, with money circulating again, even if in a very limited quantity.

From the perspective of companies approaching business from a share value perspective, this is of chief importance. Contributing to recreating the local economic fabric of a society makes a lot of sense. Fostering inclusive small entrepreneurship can be decisive. It requires education, vocational education, business support and finance. This constitutes among the main conditions triggering the economic development of societies, the very kind of societies within which foreign companies can operate successfully.

Again, one should not expect business to be philanthropic. But when speaking about promoting very small entrepreneurs, one is beyond philanthropy. One is speaking of creating

permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. Are central to this

the conditions for countries' economies to be receptive to foreign investments, for no foreign companies will invest in a county where the local economic fabric is in a shamble.

Investing in creating the conditions for a society to be receptive to one's investment at a later stage is not charity. It is part of an investment, an advance early part. It is what creating share values is all about.

Is this investment in entrepreneurship, and in general in education, worth making? When thinking about the countries in the Middle East & North Africa region, the answer can only be a positive one. This region, cradle of humanity, has an impressive potential, starting with its human resources. The millions of people, caught in the middle of wars who have struggled with dignity in the most challenging circumstances are the ones who will be central in reconstructing their communities and their country.



15

One could only be impressed by the flow of refugees in the Balkans, entire families with kids keeping high their humanity. One can only be admiring when visiting refugees camps to witness women at work behind a sewing machine or to have to answer to parents whose first question is often: Where is the school for my kids?¹⁶

So there can be no doubts that investing in people is a priority in reconstruction, and will contribute much to lead to what they aspire at, freedom from want, freedom from fear.¹⁷

¹⁵ Leonhard Foeger / Reuters (Le Monde, 24.9.2015) - (reproduced without permission)

¹⁶ On the vital importance of education, and the challenges to get educated in time of conflict and post conflict, cf. Sean Coughlan, « The world's toughest place to study », *BBC*, 28.3.2018.

¹⁷ Two of the four freedoms in Franklin D. Roosevelt stated in his Freedoms speech, the 1941 State of the Union address, in which he proposed four fundamental freedoms that people "everywhere in the world" ought to enjoy: Freedom of speech. Freedom of worship. Freedom from want, Freedom from fear.

Post conflict reconstruction constitutes a gigantic task. It embraces so many interconnected dimensions. One of them is fundamental, the economy. Without the economy going again, there will be no jobs, no development, no prosperity. The engine of the economy are the entrepreneurs, the local one, the very small ones who are in majority, and larger ones, be they local or foreign. If the conditions are proper, they all will participate in the reconstruction.

In the end, the reconstruction is not about the economy recovering, it is about the people whose despair has been so widespread and which are so eager to hope again. In the end, reconstruction means nothing more than bringing back smiles on the face of people, and first of all on the face of kids.

Cairo and Geneva, December 2017

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