

The Role of the Private Sector in Post-Conflict Reconstruction

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"Thank you, and thanks to Professor Hieronymi for inviting me to address this conference.

Let me first say a few words about the context we are discussing, and why a greater business role is important in dealing with humanitarian challenges like that of post-conflict reconstruction.

The fact is that, unfortunately, the world's humanitarian problems are increasing, not decreasing. I mean the whole range of problems such as hunger, lack of safe water, AIDS, violence, etc.

Of course, resolving these problems is primarily the responsibility of governments, international organizations, and NGOs.

But the resources available to society for dealing with these problems are declining, and there is no indication that taxpayers will be any more willing to pay more to deal with humanitarian issues in the future than they have been up to now.

So one of the greatest problems the world faces is this: where will the resources come from to meet these humanitarian challenges?

At the same time, the private sector is the world's biggest allocator of resources, the world's biggest employer, creator of wealth and jobs.

The private sector is not the same thing as governments, international organizations or NGOs. Its function is to create wealth. It is the engine of wealth creation in our societies.

It therefore functions with different objectives, criteria and considerations than governments or humanitarian organizations.

This does not mean that business is somehow immoral. Of course, there are scoundrels everywhere, including in the world of business. But the private sector in general is an ancient and honorable component of society. And businesses already do try to help with humanitarian problems, through what is called business philanthropy. Companies often make voluntary philanthropic donations for humanitarian causes, especially in the communities where they work. Bear in mind that the private sector is extraordinarily varied, dynamic and creative. It is constantly developing new approaches and new products to improve living standards.

And its resources are enormous. Every year the private capital available for investment in the world increases by more than \$1 trillion, and more than half of the world's 100 biggest economies are not countries at all -- they are companies.

Foundations established by successful businesspeople finance most of the world's NGOs. Taxes paid by businesses finance many governmental or international humanitarian activities.

The challenge now is how to bring more of the private sector's resources, energy and creativity to bear on the world's humanitarian problems. This is one of the most important issues of the 21st century.

This task is not so much a matter of convincing businesses that they need to play a role, but rather of encouraging greater involvement, guiding this involvement in the most constructive directions, and facilitating it so that it is not difficult for companies.

The BHF was created in 1999 to do just this. Its aim was to promote better dialogue and cooperation between humanitarian organizations and the private sector, with a view to achieving the goal of increasing private sector support for humanitarian work.

The purpose of the BHF since that time has been to harness business interest for dealing with the world's worst humanitarian problems.

Much of this effort has been, and continues to be, a matter of consciousness-raising. People need to be made aware of the positive potential of this effort.

But the BHF has had a special focus on post-conflict situations, because the post conflict period is where business investment is most needed, and most hesitant.

Business investment is essential in post-conflict periods because it creates jobs, gives hope, and gets the economy moving again. Emergency assistance helps to stabilize a post-conflict society, but until the economy is regenerated through investment, there can be no permanent solutions.

I am not speaking here of just the major investments by multinational companies, but of the whole range of investments, from the biggest right down to a micro-finance loan to a local citizen to set up a small handicraft shop.

Two key goals in post conflict reconstruction are: shortening the period during which emergency aid is required, in order to control the costs of the operation, and achieving real sustainability for the peace.

Both of these objectives are served by early private sector investment.

But businesses are hesitant to invest immediately after conflicts because of the uncertainties inherent in such situations -- instability, lack of security and difficulties in

earning a fair profit. Think of the situations in, let's say, Kosovo or Afghanistan, and ask yourself whether you would invest your savings in these places. It's the same issue for business.

The problem of attracting investment to post-conflict areas is compounded by the different approaches of official organizations and businesses. Civil servants, international organizations and NGOs typically look at overall policies, framework conditions, and broad issues.

Businesses need the assurance of a political and legal framework in which they can work, but they focus on specific business opportunities which fit their own business model. Economic policies are just a general basis for a specific business operation.

It is this difference in outlook that makes public-private cooperation difficult to develop, and is the very precise focus of the BHF.

We seek to overcome this difference, to find joint objectives which are attractive both to international organizations and businesses, and to create public-private cooperation for specific business projects that contribute to recovery.

These projects, based on our model, take advantage of business philanthropy, as well as the growing desire of businesses to behave responsibly, to accomplish humanitarian objectives in societies which need help.

They create local ownership and jobs, and contribute to re-starting economies which have been devastated by conflict.

They will be models of corporate responsibility as well as worthwhile investments. They will offer employment opportunities for women; in fact, one of our entrepreneur partners is an Afghan woman returning to Kabul after years as a refugee abroad, to re-establish a family business which will employ women.

These specific projects cannot be created by establishing general principles; they cannot even be created by establishing good general working conditions for business, although such conditions are an essential basis for investment.

Specific business projects can ONLY be created by bringing together interested investors and business opportunities which are of interest to them.

These kinds of projects can only be done effectively by a private organization which can cut through all the bureaucratic red tape to make these projects a reality.

It should also be pointed out that local entrepreneurs and investors do exist in these post-conflict situations. The experience of Commerzbank in Kosovo is instructive. After the conflict there were no banks in Kosovo, because all the banks there had been branches of Serbian-controlled banks. When Commerzbank opened a branch in Pristina, millions of

Deutschmarks were deposited by Kosovars who for ten years had been unwilling to deposit their savings in Serbian-controlled banks

Putting together these investment projects takes an enormous amount of work, but there is no other way to attract investment to post-conflict regions, which are not usually the primary objective regions for business investment.

The BHF is doing this in Afghanistan, in partnership with the UN Development Program. We have developed a unique model which builds on a philanthropic donation by an established business, recruits interested local investors, makes use of the credibility of an international organization and the support of the local authorities. The work of putting the project together ? perhaps the hardest part ? is done by the BHF.

One such project will result in a generic medicines production facility in Afghanistan, which will produce medicines to meet local needs. Other projects will address the need for flour milling, housing, electrical power, building materials, and so forth.

This approach, and the BHF model, can be replicated elsewhere. Projects of this kind are most urgently needed in post-conflict situations, but can also make a valuable contribution in other situations of economic development.

We are constantly looking for businesses which are interested in participating in this type of activity, and for opportunities for putting together worthwhile projects.

We are also looking for opportunities to educate both civil servants and businesspeople in the need for public-private cooperation, offering our model as a basis for cooperation which works.

Thank you."