

# PEACEFUL ECONOMIES: THE ROLE OF BUSINESS IN PAKISTAN

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*20* Years  
1992 – 2012  
Bridging Research Policy Gaps



**SDPI**  
Sustainable Development Policy Institute

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## BACKGROUND:

While businesses stimulate economic growth, it is also important to understand that their role extends much farther in to the society. The idea most commonly used to link the role that businesses could play in terms of contributing to the needs of the society is that of Corporate Social Responsibility (CSR). There is, however, no fixed definition of CSR and the contribution of businesses could vary over time and places. It is therefore important to have a structure of business practices in place that caters to the specific needs of a certain society. The process of determining these practices should ideally have representation from all stakeholders involved, business and community alike.

It is also important to understand that growth should not be a uni-dimensional process, as is often assumed. Rather, it should be a more inclusive process, that brings into its fold all and equally. There is a strong likelihood of ensuing conflicts, as is there evidence thereof, if there are those left unprivileged from the opportunities that come with economic growth. Literature suggests there are strong economic reasons behind conflicts in a society. It is these economic reasons behind conflicts where perhaps the role of business amplifies. This study is an attempt to explore this connection between business and conflict; whether there is one, and if there is, what are the possible ways of quelling these conflicts without jeopardizing the opportunities of economic growth that businesses create.

There is also evidence of how CSR initiatives by enterprises working in conflict zones have contributed to peace by addressing the causes of conflicts between conflicting parties, bringing them together, and then fostering better relationships between them. Businesses often find themselves as direct stakeholders in community problems, sometimes preventing, and at times, contributing to proliferation of conflicts within the community. Given the rise of private sector in Pakistan (particularly in the services sector) over the last decade, this investigation intends to probe the role of businesses as agents of peace in the context of internal conflicts and external threats in Pakistan. Our proposed research will also provide an empirical entry-point into the discussion on peace-conducive measures at government and non-government tiers, and form the basis for subsequent advocacy towards a more responsible private sector. More importantly, by studying the community's perceptions on the role of businesses and responsible business practices, we aim to inform the private sector on their individual and institutional capacity building needs with regard to corporate social responsibility and peace building.

In this context, SDPI in Islamabad has partnered with International Alert and Responsible Business Initiative (RBI) to conduct a series of initiatives on the role of businesses in Pakistan with regard to local conflicts prevailing in the country. As part of these initiatives, Consultative Meetings have been held in Islamabad and Karachi with representation from government, business, and communities. To strengthen the scope of our research beyond the house-hold level community survey, we have also conducted Key Informant Interviews with relevant stakeholders. As part of the project activities, a workshop is also planned to be held in December. The purpose of this workshop is to build on to the information we have collected from our research so far. With participation of relevant stakeholders, we expect to have valuable inputs for our research from the discussion and activities at the workshop.

Literature suggests that through a broader CSR framework that addresses the social and economic needs of communities, businesses can help redress issues that can potentially lead to conflicts in the society. Literature also suggests that poverty is one of the primary reasons leading to conflicts in the society, and that businesses can help reduce poverty (thereby reducing the likelihood of conflict) by generating livelihoods and investing in social infrastructure for the communities where they operate. Studies conducted by International Alert in different conflict zones, including Sri Lanka, Nepal, and Columbia, indicate the need for a more equitable and just economic distribution in order to ensure strategic peace. For example, the Nepalese Chamber of Commerce actively engaged in negotiations that prevented the closure of industries threatened by the Maoist regime and addressed their political and labor related demands. Another company in the country, The Three Sisters' Trekking Agency started training and employing underprivileged women, thereby improving their socio-economic conditions and averting the possibility of class and gender based conflict. Similarly, in Sri Lanka, members of the business community came together and formed The Business for Peace Alliance, that promotes inter-ethnic business ties and trust-building in an ethnically diverse Sri Lanka. The Sri Lanka First campaign, an initiative of large businesses based in Colombo, helped mobilize support for a pro-peace government that ultimately led to the signing of a ceasefire agreement in 2002<sup>1</sup>. In Pakistan, Saga Sports, a producer of hand-stitched footballs, set an example by adhering to a values-driven community production model it structured for itself. In an industry with stark examples of child labor and appalling work conditions, the company established village-based production units that not only complied with international labor standards but also generated stability by creating as much as 9000 regular jobs. However, in 2007, the company lost its business due to violation of standards set by itself<sup>2</sup>.

Results from the activities so far supplement the need for an active discourse on the role of business in influencing public policy for economic governance reforms that can help mitigate local conflicts in Pakistan. This was reiterated in both the Consultative Meetings conducted under the scope of the study. While the Key Informant Interviews reveal that businesses do sometimes lead to conflict, the Consultative Meetings brought forward recommendations from relevant stakeholders regarding a peace-conducive environment whereby both businesses and communities can benefit from each other. The Consultative Meetings also brought to light a few cases where businesses, through their CSR measures, have contributed to community development in conflict sensitive underprivileged areas in Pakistan, thereby preventing the likelihood of conflict in those areas. The household level survey-with a 800 sized sample across four provinces of Pakistan-shows that a large percentage thinks of unemployment, lack of social services, and high cost of living as the main issues facing the country. Over 50% of the respondents believe that business should care of local area development, while cumulatively, over 35% think that unemployment, lack of social and health services, and lack of energy are some of the most pressing issues where business can help. Discussions with Key Informants also revealed that there is a very strong politico-economic context of local conflicts in Pakistan, whereby businesses partner with local influence groups to pursue activities that may have

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<sup>1</sup> "Local Business, Local Peace: The Peacebuilding Potential of the Domestic Private Sector, Case Study South Africa," International Alert, London, 2006, available at [http://www.international-alert.org/sites/default/files/publications/27\\_section\\_2\\_South\\_Africa.pdf](http://www.international-alert.org/sites/default/files/publications/27_section_2_South_Africa.pdf)

<sup>2</sup> "Responsible Business Guide: A Toolkit for Winning Companies", Responsible Business Initiative, Pakistan, 2010, available at [http://www.rbipk.org/new/images/stories/RBI-Responsible\\_Business\\_Guide\\_Nov\\_2010.pdf](http://www.rbipk.org/new/images/stories/RBI-Responsible_Business_Guide_Nov_2010.pdf)

negative implications for the community at large but maximize their own profits. However, business expansion is still considered to be beneficial for communities, if only pursued in a manner that is more inclusive of communities and does not disregard communal and environmental factors. Even the household level survey suggests the same, with almost all agreeing (63% agree, 24% somewhat agree) with the notion that business expansion will be beneficial for their communities.

## ORGANIZERS

**INTERNATIONAL ALERT-LONDON:** Based in London, International Alert is a 26 year old independent organization actively involved in peace-building through dialogue, research, trainings, and partnerships. Under its Economy and Peace-building program, IA has been working on a range of initiatives meant to achieve peace through economic development and vice-versa.

**SDPI ISLAMABAD:** SDPI is the oldest and one of the most respected think tanks in the country, actively involved in research, advocacy, and capacity building on a wide range of issues, including economic development, peace and conflict, food security, environment, and sustainable livelihoods. Recently, SDPI also launched two other studies on Corporate Social Responsibility, “Corporate Conscience: CSR in Pakistan – A study” and “Corporate Social Responsibility: Studying the Sugar Production Process in Pakistan”.

**RBI PAKISTAN:** Responsible Business Initiative Pakistan has been actively engaged in advocating ethical behavior and fair competition practices among businesses through its research findings and examples of good practice from the region. RBI is also involved with appraisal, benchmarking, training, and capacity-building in the business sector since 1997.

## OBJECTIVES:

- Identification of issues leading to conflict among communities
- Identification of conflict-sensitive business practices
- Identification of areas where businesses can contribute in mitigating conflicts
- An active discourse on the role of businesses in the resolution of community problems and conflicts in areas where they operate
- Informing businesses on the expansion of CSR initiatives beyond philanthropy and social welfare activities to include measures for preventing and mitigating conflicts.
- Informing businesses on their capacity building needs with regard to CSR initiatives meant for peace-building and conflict resolution activities.

## EXPECTED OUTCOMES FROM THE WORKSHOP:

- Community perspectives on the role of business for peacebuilding in Pakistan
- Business perspectives on the role of business for peacebuilding in Pakistan

- Mapping out conflict proliferating/mitigating business practices in Pakistan
- Avenues for business-community partnerships for peace in Pakistan
- Deliberations on economic governance reforms that suppress local conflicts in Pakistan
- Pakistan specific business practice model for Corporate Social Responsibility
- Conflict resolution strategies for local conflicts in Pakistan, with representation from communities, public, and the private sectors.

As mentioned above, we intend to build on to our research with the activities and discussion from this workshop. The working groups are expected to present their cases, recommendations and suggestions at the end of the group exercise. Deliberations from the other panels mentioned below will likewise feed into our research.

The Meeting is structured to have the following five sessions:

- **THE ECONOMICS OF PEACE:** More than being an action plan, peace needs to be viewed as a process that can prevent conflicts going forward. This process of maintaining long-term and sustainable peace needs to see more closely at the economic reasons as well as costs of conflicts; who are the spoilers in peace, what do they have to gain from sustained conflict, do the costs of conflict outweigh its perceived benefits (to those who stand to gain from conflicts)? More importantly, to ensure sustainable peace in the society, it is imperative to have a socio-economic structure that ensures that opportunities are available to all and equally.
- **CAN BUSINESS HELP IN PEACEFUL ECONOMIES: PERSPECTIVES FROM COMMUNITY:** The role of businesses in the society extends beyond providing goods and services. Sometimes, in their drive to maximize profits, businesses pursue practices and activities that are not in the favor of other stakeholders, who are often not even taken into account. On the other hand, there are also instances of responsible business practices that have helped prevent conflict situations. In order for communities to seek business partnerships for peacebuilding, it is important to understand the role and place that businesses in Pakistan have in local conflict proliferation/mitigation.
- **CAN BUSINESS HELP IN PEACEFUL ECONOMIES: PERSPECTIVES FROM BUSINESS:** How have businesses helped bring peace or prevented conflict situations by taking a more responsible stance in the society? Have they even had an interest in preventing conflicts? Have they taken a more proactive stance with regards to resolution of local conflicts in Pakistan? How are businesses in the country affected by local conflicts? Will expansion of businesses lead to peace in the country, or are some business interests at odds with long-term peace?
- **GROUP WORK:** This exercise will focus on: 1) Understanding the context of local conflicts in Pakistan, 2) Identifying the stakeholders in conflict situations, and 3) mapping their connections. This will then feed into how community-business partnerships can be built to help resolve issues leading to the identified conflicts.
- **COMMUNITY-BUSINESS PATHWAYS TO PEACE:** This session will present a summary of recommendations from the workshop and the activities undertaken as part of the project so far.

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