

Finance for Peace

Peace Finance Impact Framework

Introducing a comprehensive framework to help investors align for peace impact and additionality

V 1.0 – for feedback – 14 October 2022

Finance for Peace – Background and rationale

- **Conflict and violence are rising**
- Currently, **most of the world's extreme poor** – some 1.8 billion people, almost a quarter of the world's population - **live in 57 conflict affected countries**
- Connected to this, **the SDGs aren't being achieved**
- Between 2012 and 2018, **Foreign Direct Investment (FDI) to fragile and conflict affected places has declined** by 53%, leaving a notable gap in investment
- Existing Blended Finance approaches are not filling the gap → **least developed countries have only attracted 6% of all the private finance mobilized by ODA**
- While businesses can evidently promote economic development, they can also reinforce marginalization, exclusion and create corruption and new grievances
 - Using geolocalized data on the presence of Multinational Enterprises (MNEs) on the African continent between 2007 and 2018, **Tommaso Sonno and Davide Zufacchi identified a positive causal link between the activities of MNEs and violent conflicts, particularly in primary, land intensive sectors.**

Commonly identified barriers to greater investment in FCS

The “Investing for Peace” (I4P) Feasibility Study by Lionshead and Pierre van Hoeylandt has documented the key barriers to greater investment in fragile and conflict affected settings:



The consequence is the **lack of an investable pipeline of meaningful scale** that DFIs and larger market investors can participate in

What are key gaps in current ESG/impact investment frameworks?

1

Existing frameworks are largely silent on peace and conflict issues and/or concerns.

2

Inconsistent application of double materiality. Need to shift from 'do no harm' to creating positive impact by 'doing good'.

3

Holistic, forward-looking, and adaptive approaches are needed to assess value and risks.

4

More intentional design and planning processes for impact is needed.

5

More context specific risk assessment related to peace and conflict dynamics is needed.

6

Limited or superficial focus on local needs, inclusion, engagement and participation which weakens due diligence, additionality, risk mitigation and overall prospects for sustainability.

7

Beneficiary voices are rarely collected or heard, hindering transparency and accountability.

8

Lack of specific and actionable guidance tailored to proposed principles and standards.

9

Better impact management and measurement connected to disclosure mechanisms needed.

10

The fitness of complaint and grievance mechanisms for emerging and fragile markets merits further consideration

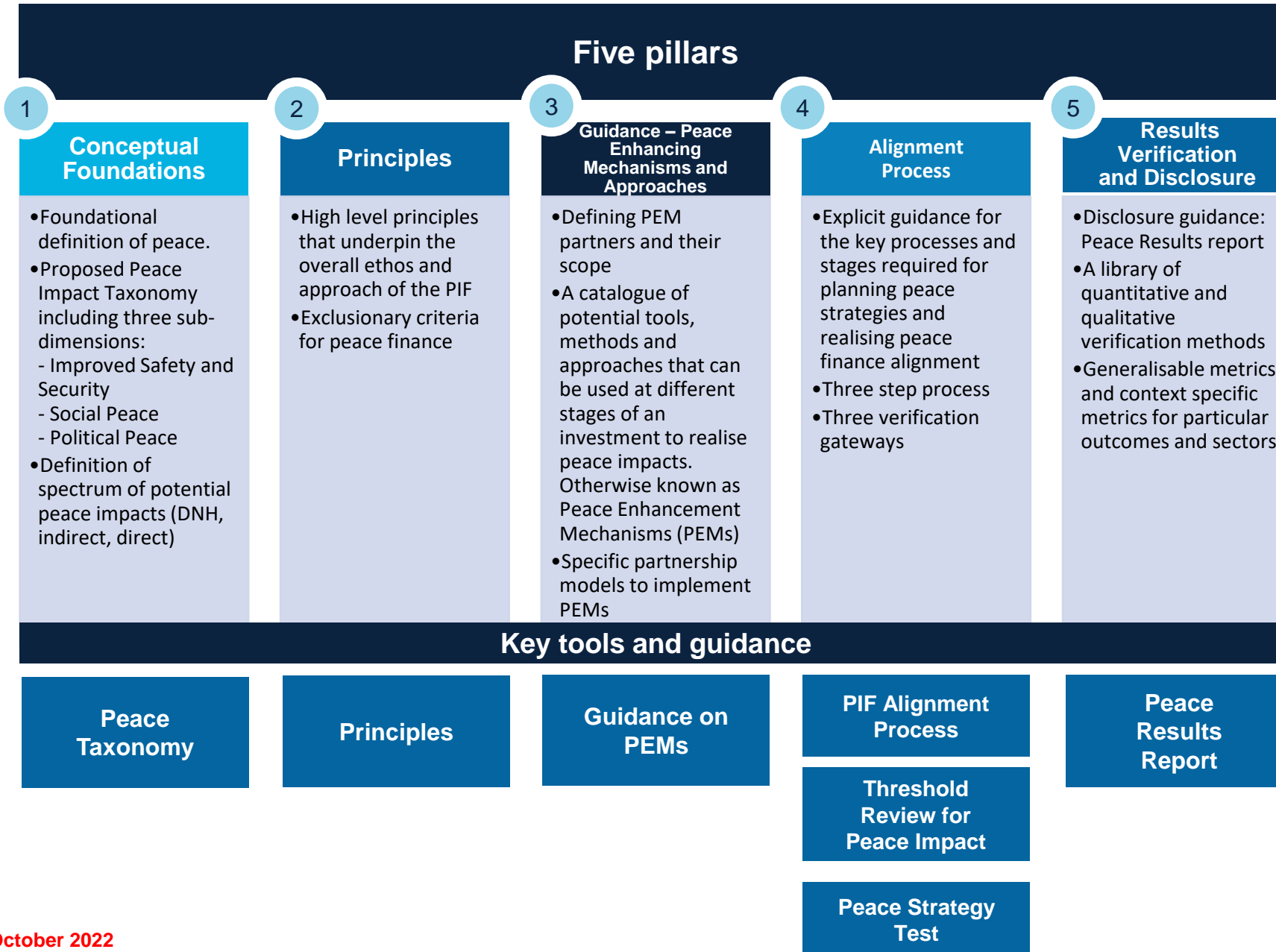
What should be the scope of a Peace Finance Impact Framework?

Based on the mapping conducted, we believe that a proposed Peace Finance Impact Framework (PFIF) should consist of at least **five key pillars**:

- (1) Conceptual Foundations**
- (2) Principles**
- (3) Guidance – Peace Enhancing Mechanisms and Approaches**
- (4) Alignment Process**
- (5) Results verification and disclosure guidance**

→ **Each pillar goes to form an interrelated, overarching framework for relevant actors to feedback into, develop and refine over time.**

Peace Finance Impact Framework (PFIF)



Pillar 1: Identifying a Peace Taxonomy

A Peace Taxonomy is required to **help investors and businesses be specific about the types of changes they seek to make** and provide clarity as to what peace does and does not mean. The PFIF presents **three Peace Impact dimensions**:

(1) Support to Improved safety and security

(2) Support to Social peace

(3) Support to Political peace

Degree of their contribution defined by:

(1) Do no harm

(2) Indirect Positive Contribution

(3) Direct Positive Contribution

Identifying the sub-dimensions of a Peace Taxonomy

PEACE DIMENSION 1: SUPPORT TO IMPROVED SAFETY AND SECURITY

- 1.1 Contribution to mitigation of direct interpersonal violence in the community.
- 1.2 Contribution to mitigation of sexual and gender-based violence (SGBV) in the community or household.
- 1.3 Contribution to the mitigation of abuse and all forms of violence against children.
- 1.4 Contribution to mitigation of collective and intercommunal violence.
- 1.5 Contribution to cessation of Armed conflict, State-sponsored violence, or violence by non-State actors.
- 1.6 Contribution to lower fear of violence in above categories.

PEACE DIMENSION 2: SUPPORT TO SOCIAL PEACE

- 2.1 Contribution to Vertical Social Cohesion (State and Society Trust)
- 2.2 Contribution to Horizontal Social Cohesion (Trust between groups)
- 2.3 Contribution to equitable access of resources and basic services, income and goods (education, health, housing, work, etc.)
- 2.4 Contribution to gender and intergenerational equity
- 2.5 Contribution to better governance of public services and more trustworthy delivery of basic services.
- 2.6 Contribution to redress of patterns of economic exclusion for marginalised or excluded communities or groups
- 2.7 Contribution to the free flow of information, greater transparency, accountability and reduced corruption in public and private institutions.

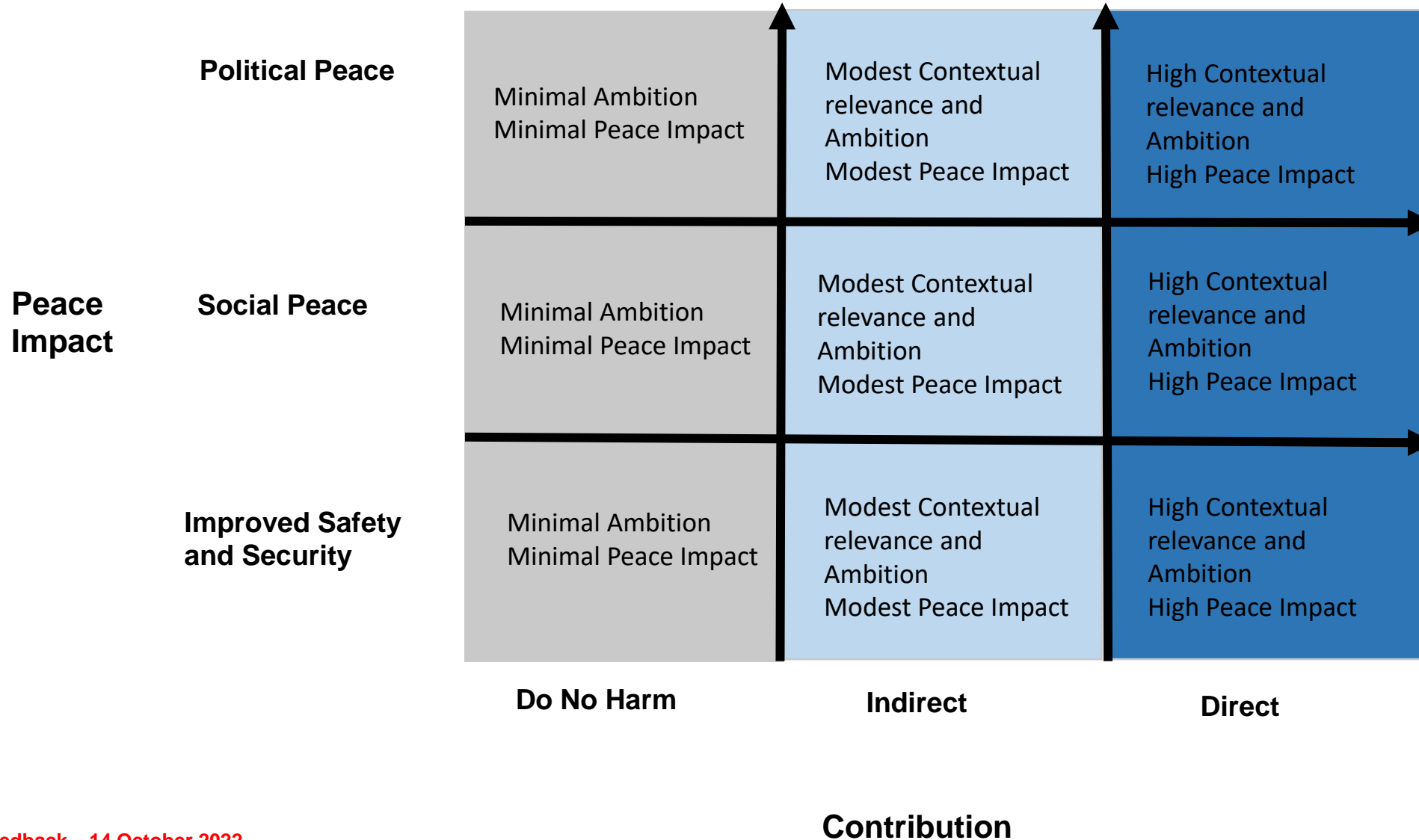
PEACE DIMENSION 3: SUPPORT TO POLITICAL PEACE

- 3.1 Contribution to improved diplomatic relations between States, and non-State actors.
- 3.2 Contribution to development of infrastructure or provision of goods and services that support a formal peace process either defined in a peace agreement and/or a recognised part of a peace process.
- 3.3 Contribution to improvement of dispute resolution mechanisms, whether formal or informal and improved perception of justice and human rights issues.

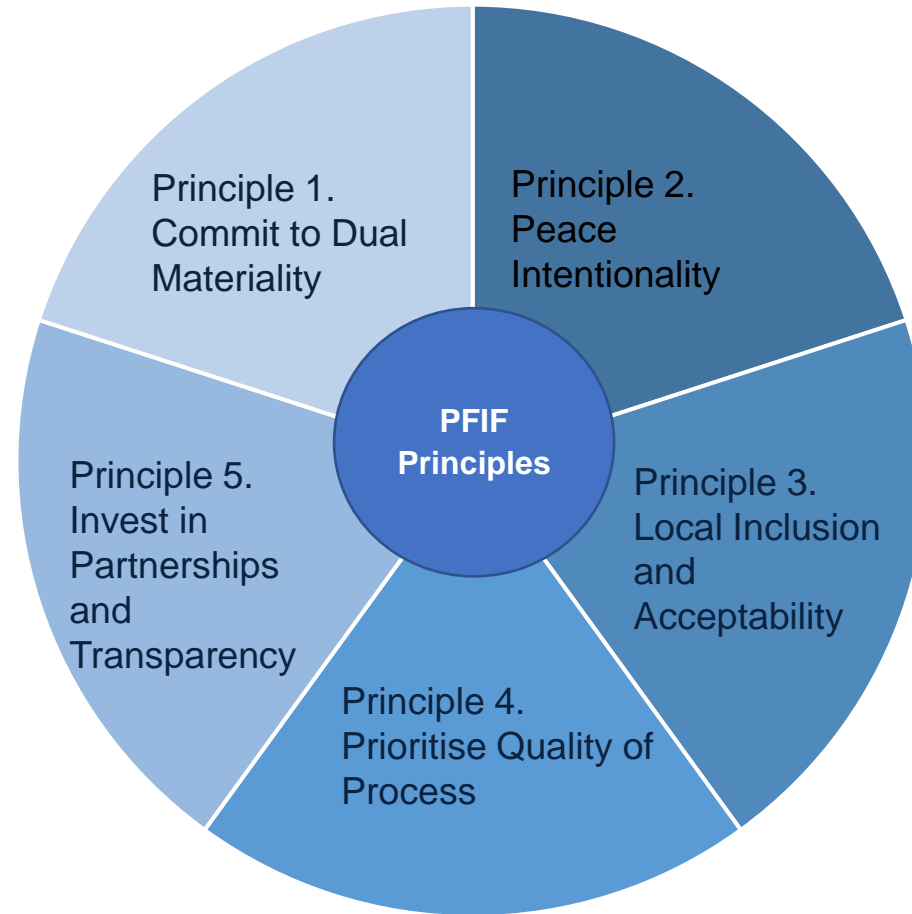
Peace Taxonomy - identifying a continuum of contribution

Type of Contribution	Definition
Do No Harm	An approach that does not have any short, medium, or long term unintended consequences and does not exacerbate conflict dynamics.
Indirect Positive Contribution	Indirect positive contributions occur through process driven approaches and outputs where those impacts are secondary to the direct outputs of the business, but nonetheless contribute to mitigating conflict drivers or improving peace drivers.
Direct Positive Contribution	Direct positive contributions occur when the business outputs of the proposed investment directly contribute to mitigating an identified key conflict driver or improve the capacity of a peace driver.

Peace Impact Matrix



Peace Finance Impact Framework – Principles



Pillar 3: Peace Enhancing Mechanisms and Partnerships

1

Peace Enhancing Mechanisms (PEMs) are a catalogue of **potential tools, methods and approaches that can be used at different stages of an investment to realise peace impacts.**

Examples include:

- Participatory action research
- Community centred development
- Participatory governance
- Benefit sharing mechanisms
- Community dialogue platforms
- Insider mediation networks
- Multi-track engagement platforms

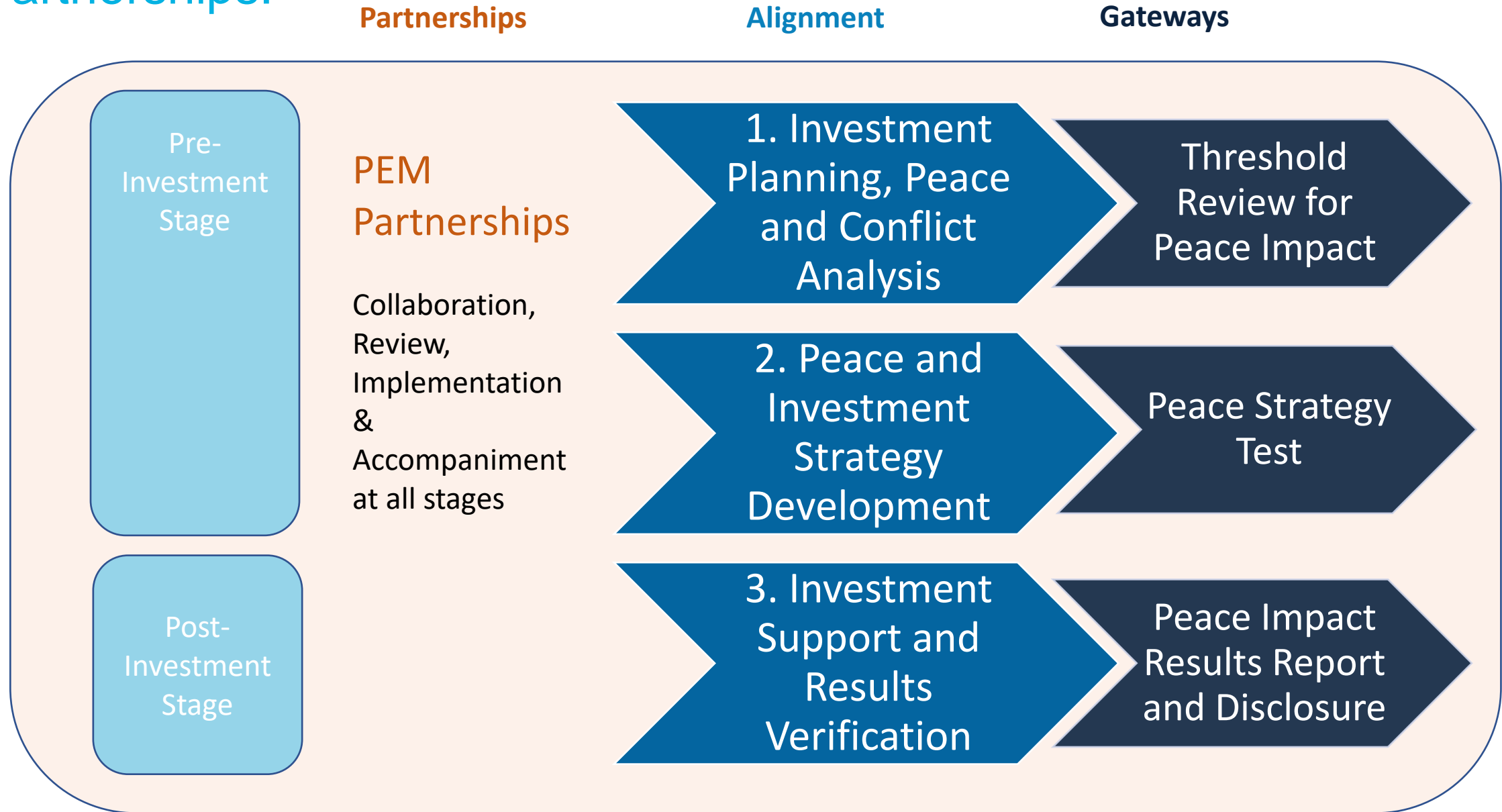
2

In order to implement PEMs, new partnership models are required between companies and investors:

- Relevant Finance ministries or national ministries of peace
- UN agencies
- Civil society
- Local business networks, employer and employee organisations
- Blended finance partnerships with DFIs
- Grant financed partnerships based on donor country strategies

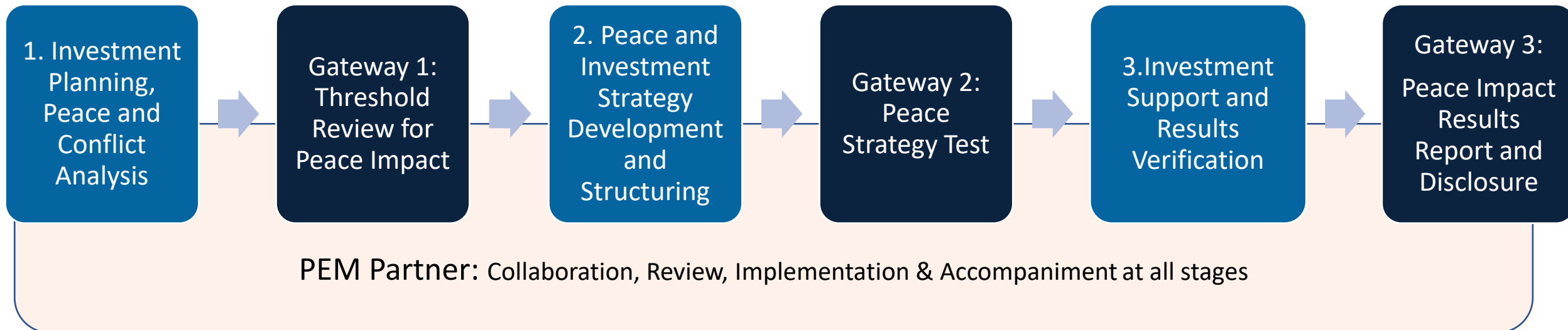
- An effective **PEM partner** not only may implement and accompany peace-making or peacebuilding activities in developing and fragile settings, it may also **bring critical networks and contextual knowledge** related to the country or specific communities. **PEM partners may also function as intermediaries and ‘bridge builders’** between the local communities and investors who tend to be from outside the context.
- **By working with a PEM partner, the investor should be able to ascertain and report on the ways in which the proposed business activity is in fact peace-supporting, or not.**

Pillar 4: Overview of Peace Investment Alignment, Gateways and Partnerships:



The Peace Finance Impact Framework Alignment Process

Key Alignment Steps with the PIF
Gateway verification points
Accompaniment from PEM partners



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