Finance for Peace

Peace Finance Impact Framework Guidance Notes

Introducing the Peace Taxonomy

PART 2

Version: 1.0
August 2024

Contents

Understanding Peace Impacts: Introducing the Peace Taxonomy 3

Negative peace and positive peace 3

How peace impacts are achieved 5

Introducing the Peace Taxonomy 7

Peace impact dimension 1: Safety and security 8

Peace Impact Dimension 2: Social Peace 15

Peace Impact Dimension 3: Political Peace 28

Understanding Peace Impacts: Introducing the Peace Taxonomy

Before an issuer begins the process that leads to Certification of a Peace Bond or Peace Equity investment, it should understand what is involved. This section explains the concepts of 'negative peace' and 'positive peace' and their place in Peace Finance before introducing the Peace Taxonomy.

Negative peace and positive peace

Negative peace is the absence of violent conflict or fear of violence. Johan Galtung defined it simply as the absence of personal and institutional violence.[1] Immediately after a conflict, negative peace is often the primary focus of policy because it is crucial to prevent violence from restarting.

Positive peace is a more comprehensive idea. Efforts to establish positive peace prevent conflict but also promote attitudes, institutions and structures that foster harmonious societal interactions. Galtung considered that positive peace is the integration of social justice and equality in the fabric of society.[2] Actions to achieve it address societal concerns such as safety, social justice, equality, mutual trust and wellbeing. The concept aligns with the Sustainable Development Goals (SDGs), which emphasise sustainability, inclusiveness and gender equity. Definitions of positive peace are diverse and often contested, reflecting its complexity and the variety of contexts in which it is applied.

Peace Finance

Peace Bond and Peace Equity investments can support both negative and positive peace. They channel capital into projects that may address immediate conflict-related challenges but may also establish conditions for long-term, sustainable peace.

> **Example.** A Peace Bond might fund communities to reintegrate former combatants after a conflict (negative peace); it might also invest in local education and community development programmes that strengthen long-term social resilience (positive peace).

1 Galtung, J. (1969), 'Violence, Peace and Peace Research', Journal of Peace Research 6/3.

2 Ibid.

‘Political peace’ and ‘social peace’

It is important to distinguish political peace (formal kinds of conflict resolution) from ‘social peace’ (informal kinds of conflict resolution that transform interpersonal and community relationships). ‘Political peace’ interventions may be supported by a peace agreement, legal reforms or a UN Security Council mandate. They are inherently political, generally visible, usually high profile in nature, and might include support to implement a peace agreement. ‘Social peace’ actions transform relationships: they increase the capacity of a society and its institutions to sustain peace, restore or create social cohesion, and encourage trust between the public and the state and between different social groups. ‘Political peace’ and ‘social peace’ actions and impacts are frequently entwined; and both are required if peace is to be durable and sustained. However, even though they cannot be separated and almost all political peace outcomes sit on a bedrock of social peace, many people think at once of formal political solutions rather than social reforms when ‘peace’ is invoked in fragile settings.

> **Case study.** Consider a Peace Equity investment in a region that has experienced ethnic tensions. It might finance legal reforms to enhance governance (political peace); it might also finance community centres that promote inter-ethnic dialogue and reconciliation (social peace).

Box 1. Key definitions

Peace can take various forms. Peace investors need to be able to identify and distinguish between different kinds of peace-positive activity. The Peace Taxonomy (discussed in the sections that follow) distinguishes between negative and positive peace, and recognises two categories of positive peace: social peace and political peace.

- **Social peace** is achieved when a society is socially cohesive, and when relations of trust exist between the state and those it governs, between different social and identity groups (castes, tribes, races, ethnicities, religions, classes, genders, etc.), and within institutions. A society at social peace facilitates non-violent resolution of grievances and transforms adversarial relationships into cooperative ones.
- **Political peace** occurs when conflicts are resolved by formal political interventions. These are often supported by legal frameworks, such as peace agreements and legislative reform, or international mandates like those of the UN Security Council.
- **Negative peace** describes conditions of ‘safety and security’: it is the absence of physical violence or the threat of it.

Issuers and investors who reflect on these types of peace and their implications can make informed decisions to promote short-term stability or long-term peacebuilding objectives. Because they consider the broader systemic impacts of their investments, they can contribute more effectively to durable peace and in so doing make their investments more sustainable.

How peace impacts are achieved

Many impact and environmental, social, and governance (ESG) frameworks consider 'impact' primarily in terms of material outputs. They tend to measure the effect of public and private sector investment on peace in terms of employment creation, the provision of goods and services, access to resources or other tangible outcomes. While material improvement is undeniably an essential component of development and peace, however, societies do not achieve or sustain peace solely by accumulating material goods and services.

The experience of grant-making and international development organisations shows that peaceful economic and social progress is also influenced by how societies deploy, develop and distribute goods, services, resources, and capital; and by whether all the members of those societies have fair access to the benefits of investment and can participate in decisions that affect them. Successful development and peace depend critically on non-material factors, such as confidence in the social contract and social trust and cohesion, within and between groups and between the people and those who govern them.

Investments in water, health, education or infrastructure improve the water supply, food and electricity production, vaccination capacity, and educational resources. If they are distributed fairly, these assets will increase confidence in government, reduce competition for resources and multiply economic opportunities. By flattening inequalities and bringing tangible benefits to most people, they will tend to reduce grievances. The effect will be to improve conditions for peace. But equally, the same investments can exacerbate conflict dynamics if they reinforce inequality, disregard cultural nuances, distribute resources unevenly, or deliver services of poor quality.

In short, the potential of an investment to promote peace is shaped by its objectives but also by its implementation: by how it is presented and operationalised, by how it manages risks and harms, by how it involves those whom its operations affect, and by how those communities perceive its benefits and integrity. For all these reasons, a nuanced approach is needed to assess peace impacts: the issuer and other stakeholders in an investment must consider how communities interact with each other and use resources, who gains from those interactions, who will benefit from resources the investment expects to provide, and what broader perceptions will influence how people will judge the investment and its effects.

A development intervention or an investment can influence peace in two primary ways:

1. **It can influence peace and conflict dynamics.** The outcomes of an investment can influence specific factors in the social, political or economic environment that drive conflict or encourage peace.
2. **It can influence by the quality of its processes.** By acting inclusively and fairly and creating and distributing economic benefits, an investment can improve wellbeing and change attitudes, and so establish more favourable conditions for peace.

This highlights again that enhancing peace by means of investment is not just about delivering material benefits; investors need to engage in a strategic way with the communities involved.

Box 2. Drivers, outcomes and impacts

The Peace Taxonomy of the Peace Finance Impact Framework (PFIF) is described in section 2.4. It categorises peace impacts in terms of outcomes and impacts. These are influenced by 'peace drivers', a concept widely used in peace and business literature to describe underlying trends or forces that generate peace.

The PFIF recognises that Peace Finance investments can promote several forms of peace driver. Obvious examples include:

- **Inclusion.** Investments can address horizontal inequalities, which fuel many inter-group grievances, and so promote a more inclusive society in which all groups feel represented and valued.
- **Access.** By improving access to essential resources (land, water, education), investments can reduce competition and improve livelihoods. Both outcomes promote peace.
- **Mitigate concentrations of power or wealth.** Investments can reduce vertical inequalities and help to distribute economic opportunities. Unequal access to economic and political resources is a frequent source of grievance.
- **Accountability.** Investments and the businesses they finance can demonstrate that they are accountable to their stakeholders and the communities in which they operate. They can also increase government's accountability to its citizens, especially when they act collectively or in coalition.
- **Incentivise leaders.** If they spread and demonstrate the economic benefits of peace, investments can encourage leaders who have traditionally benefited from ongoing conflicts to support more stable, equitable and peaceful political settlements and behaviour.

The Peace Taxonomy highlights specific areas in which strategic investments can actively support peacebuilding by removing or mitigating causes of conflict or promoting a more equitable and stable social environment.

Particularly for investments that operate in fragile and conflict affected areas, the operational context usually exercises the most influence on a project's ability to change conflict dynamics, though the project's scale and its field of activity matter too. This point is critical for investors, because contexts, especially fragile contexts, are highly specific. Generic investment designs are very unlikely to be viable.

To illustrate, an investment in food storage may be highly relevant in a context where competition for food is intense and increases the likelihood of conflict. Where food scarcity is not such an important issue, by contrast, the same investment may not have the same peace potential. Regardless of the context, nevertheless, it is vital to guarantee the quality of food storage processes. These depend, for example, on the quality of a company's relations with its staff, with the surrounding community, and with its customers and suppliers. These relations in turn enable an investment to support long-term peace outcomes.

This example is a reminder that issuers and investors must pay attention to the diversity of the contexts in which they invest, but should comply with certain principles and standards when they plan and implement all projects, in every context.

Introducing the Peace Taxonomy

The Peace Taxonomy is designed to help issuers and investors to choose the form of peace impact they want their investments to achieve, and the scale of that impact (its additionality). To enable investors to make these decisions more effectively, the Taxonomy categorises peace impacts in three simple dimensions:

- Safety and security
- Social peace
- Political peace

Each dimension has various sub-dimensions - more specific objectives that issuers and investors can seek to achieve. The sub-dimensions help issuers to decide what specific peace outcomes their investments will target.

Table 1 lists sub-dimensions of the social peace, political peace, and safety and security dimensions of the Taxonomy. It offers a wide array of possible peace targets. They range from reducing interpersonal violence to enhancing governance of public services and from addressing economic exclusion to increasing intergroup trust.

To ensure that investments do not inadvertently exacerbate conflicts or create new ones, the Taxonomy includes do-no-harm principles, exclusionary criteria and minimum safeguards.

The Taxonomy helps investors and issuers to make more informed decisions that align with their financial objectives but also contribute significantly to peacebuilding.

Table 1. Peace Taxonomy: peace impact subdimensions, do-no-harm, exclusionary criteria and minimum safeguards

Peace dimension 1 **Safety and security** Subdimensions		**Peace dimension 2** **Social peace** Subdimensions		**Peace dimension 3** **Political peace** Subdimensions	
1.1	Impact on direct interpersonal violence in the community.	**2.1**	Impact on vertical social cohesion (trust between the state and society).	**3.1**	Impact on diplomatic relations between states and non-state actors.
1.2	Impact on sexual and gender-based violence (SGBV) in the community or household.	**2.2**	Impact on horizontal social cohesion (trust between groups in society).	**3.2**	Impact on the development of infrastructure or provision of goods and services that support a formal peace process as defined either by a peace agreement or by at least one recognised element of a peace process.
1.3	Impact on abuse and all forms of violence against children.	**2.3**	Impact on equitable access to resources and basic services, income and goods (education, health, housing, work, etc.).	**3.3**	Impact on dispute resolution mechanisms, whether formal or informal, or improved perception of justice and human rights issues.
1.4	Impact on collective and intercommunal violence.	**2.4**	Impact on gender, intergenerational equity or other group identities, such as caste, class, race, ethnicity, religion, political affiliation.	**3.4**	Impact on transboundary relations (for example, cross border energy or water projects).
1.5	Impact on armed conflict, State-sponsored violence, or violence by non-State actors.	**2.5**	Impact on governance of public services and trustworthy delivery of basic services.		

Peace dimension 1 Safety and security Subdimensions		Peace dimension 2 Social peace Subdimensions		Peace dimension 3 Political peace Subdimensions	
1.6	Impact on conflicts over natural resources.	**2.6**	Impact on patterns of economic exclusion of marginalised or excluded communities or groups.		
1.7	Impact on fear of violence in any of the above categories.	**2.7**	Impact on the free flow of information, transparency, accountability, and corruption in public and private institutions.		
		2.8	Impact on climate resilience and access to cleaner sources of energy.		
		2.9	Impact on structural grievances that are sources of violence (such as land rights/titles, or access to natural resources).		
		2.10	Impact on cultural identities and local traditions.		
No harm to the other dimensions and subdimensions (DNH)					
Exclusionary criteria and minimum social and environmental safeguards					

Note. The impacts listed in the table are indicative. They suggest types of impact that can be achieved. Because other peace impacts may be significant in specific contexts, issuers and investors should consider all options. Issuers should note, further, that Peace Finance investments must implement a do-no-harm strategy and adopt an explicit theory of change. For more information, see Part 4 of the Guidance.

Peace impact dimension 1: Safety and security

To achieve a positive impact on safety and security, it is first of all necessary to reduce violence and conflict, as well as fear of them – in other words, achieve negative peace. This dimension addresses various forms of direct physical violence that can be mapped against targets such as the targets of SDG 16.

Examples of sub-dimensions include:

- **1.1. Impact on direct interpersonal violence in the community.** Actions here focus on reducing violence between individuals.
- **1.2. Impact on sexual and gender-based violence (SGBV) in the community or household.** Actions decrease the incidence of gender-based violence and thereby promote safer domestic and community environments.
- **1.3. Impact on abuse and all forms of violence against children.** Actions aim to protect children from all forms of violence.
- **1.4. Impact on collective and intergroup violence.** Actions mitigate violence between groups, which is often driven by differences in ethnic or social background.

- **1.5. Impact on armed conflict, state-sponsored violence or violence by non-state actors.** Actions reduce organised, often militarised forms of violence perpetrated by state or non-state actors.
- **1.6. Impact on conflicts over natural resources.** Actions address disputes or violence associated with competition for natural resources.
- **1.7. Impact on fear of violence.** Actions reduce pervasive fear of violence that can affect community wellbeing and stability.

Sub-dimensions 1.1 and 1.2: Impact on direct interpersonal violence and on sexual and gender-based violence in the community or household

Direct interventions (such as policing, law enforcement, peacekeeping, diplomacy, community enforcement, and neighbourhood watch programmes) are usually required to redress these forms of violence. However, private sector investments can help to mitigate them indirectly. For example, gender-responsive employment policies or staff training programmes can reduce SGBV in the workplace and at home.

Taking such measures also reduces an investment's reputational risks. In Bangladesh, for example, when civil society campaigners highlighted gender-based violence in the country's textile industry, major fashion brands scrambled to manage the damage to their reputations and operations.[3]

Box 3 outlines five steps that companies can take to tackle violence and harassment against women in the workplace and along the value chain. It indicates that strategic corporate policies can enhance overall community safety and security.

3 J. Chowdhury, '#MeToo Bangladesh: the textile workers uniting against harassment', The Guardian, 10 September 2019.

Box 3. How businesses can take the lead in combating gender-based violence[4]

Many companies are willing to tackle gender-based violence but are unsure where to begin. With this in mind, Business Fights Poverty, a social impact platform, partnered with businesses and NGOs (including Anglo American, the International Finance Corporation, Primark and CARE International) to compile case studies that other companies can learn from. Its five-step framework for action recommends:

1. **Prevent violence and harassment by identifying potential risks**

To a degree, gender-based violence affects all businesses. It is important to understand where it is occurring and why. One tool, the Business for Social Responsibility Diagnostic, has been designed to help large companies that have complex value chains. It enables such companies to self-assess how effectively their policies, programmes, culture, leadership and strategy address violence and harassment. Each focus area includes guiding questions that can be scored.

2. **Commit to gender equality and diversity across the workplace**

The senior leadership must commit to diverse, equal and respectful workplaces, and back their commitment with action and resources. This is the foundation of an effective strategy to remove gender-based violence. On their own, efforts to 'raise awareness' can appear tokenistic and lack legitimacy.

3. **Protect employees with policies and procedures**

Clear policies and procedures, including reporting and grievance mechanisms, empower staff to take appropriate action but also reassure survivors, bystanders, perpetrators and whistle-blowers that the company will handle cases effectively.

4. **Collaborate and campaign beyond the immediate workplace**

Sector-wide approaches to reduce gender-based violence (for example, initiatives across the alcohol or garment sector in a particular country) can help raise suppliers' standards and build an ecosystem able to tackle deeply ingrained biases. Companies also have the ability to influence societal norms and behaviours on gender-based violence through advertising and campaigning, particularly when the issues align with core business aims and include culturally relevant reference points or actors.

5. **Be accountable and monitor action**

Companies that take steps to tackle gender-based violence want to know whether their actions benefit their employees. They also want to know how to comply effectively with the law. Companies can start by adopting the standards set out in the ILO's Violence and Harassment Convention (2019),[5] or use the Business for Social Responsibility diagnostic tool. Subsequently, they can establish feedback mechanisms to assess employees' uptake of new policies and programmes. Companies can conduct regular employee surveys and invite staff to share their views on prioritising resources to tackle the issue.

---

4 https://businessfightspoverty.org/how-companies-can-tackle-gender-based-violence

5 https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C190

Sub-dimension 1.3: Impact on abuse and all forms of violence against children

Violence and abuse of children and youth cause immediate harms but also have long-term health and social consequences. This is widely recognised, and several international and industry-specific initiatives (for example in the garment industry) have attempted to end child labour and protect children's rights. Despite these efforts, many harms to children remain under-addressed. For instance, children's rights are violated when families cannot access healthcare or education, or when children are exposed to harmful agricultural chemicals.

In addition, children suffer disproportionately from the repercussions of armed conflict. Although high-profile violations of child rights prompt social audits and action to protect corporate reputations, many companies have yet to fully acknowledge or address the direct and indirect impacts of their actions on children or the broader effects of violent conflict.

Systemic problems (poverty, lack of access to education) are root causes of child labour and related abuses. These issues require sustained attention and comprehensive strategies, rather than crisis responses to reputational threats. Box 4 lists some of the due diligence tools that businesses can employ to ensure they protect vulnerable groups effectively.

Box 4. Children's rights and the Business Atlas

The Children's Rights and Business Atlas tool is an interactive online platform that helps businesses to assess actual and potential impacts on the lives of children, and integrate children's rights in their due diligence practices and procedures.

The Atlas tool assesses potential rights violations in the workplace, community and marketplace from a country and industry perspective. Companies can prioritise areas for heightened due diligence, based on the most evident risks to children's rights.

Source: https://www.childrensrightsatlas.org/.

Sub-dimension 1.4: Impact on collective and intergroup violence

Certain sectors, notably labour-intensive sectors, are associated with collective and intercommunal violence. These problems are especially common where employment practices disregard local inequalities and the needs of marginalised populations. In such cases, risks cannot be separated easily from the Taxonomy's minimum safeguards and do-no-harm (DNH) requirements. While many companies and investors take steps to mitigate such risks, their due diligence and safeguard strategies are often insufficient.

More intentional direct and indirect strategies are required to achieve significant impacts in other areas of the Taxonomy – particularly to foster social peace.
For example, investors might advocate that government corporate tax benefits should be used to support or enhance social services and infrastructure for marginalised groups. Additionally, they might demand that investee companies play a proactive role in ensuring that local communities benefit substantially from their presence by developing policies that allocate certain contracts and jobs to local residents. Large-scale sustainable energy investments could similarly ensure that electricity is made available to communities that lack it.

Sub-dimension 1.5: Impact on armed conflict, state-sponsored violence or violence by non-state actors

Many governments known for repressive practices maintain ministries or departments dedicated to human rights, justice or peace, often to satisfy international or regional norms. Such departments are typically underfunded and lack the influence of other government bodies, which limits their effectiveness. Companies operating in such contexts can support such departments in various ways. For example, before they invest,
they can negotiate contractual conditions which stipulate that they will not tolerate human rights abuses and will require immediate investigation of such cases, as well as accountability for violations throughout the value chain. In this way, companies can build trust and legitimacy among local communities and stakeholders, reduce their operational risks, and improve their alignment with ethical standards.

Sub-dimension 1.6: Impact on conflicts over natural resources

Countries with an abundance of natural resources can attract foreign direct investment (FDI), which is often essential for post-conflict economic recovery and development of the private sector. However, the exploitation of natural resources is often associated with conflict. Timber, diamonds, gold and oil were implicated in the civil wars in Liberia, Angola, and the Democratic Republic of Congo, for example, and competition for fertile land and water has driven conflicts in Darfur and in the Middle East. The private sector can worsen the risks associated with natural resource management, post-conflict land tenure, and equitable resource distribution; but can also make a positive contribution, if investments are conflict-sensitive and designed to improve conditions for peace.[6]

6 http://www.peacebuildinginitiative.org/indexd27a.html?pageId=2099

Box 5. EU-UN Toolkit and Guidance for Preventing and Managing Land and Natural Resources Conflict

Because scarcity of land and water and other natural resources can drive conflict, their governance is an evident object of peacebuilding interventions. Investments in these areas should be inclusive and participatory at every stage. In the Toolkit and Guidance for Preventing and Managing Land and Natural Resources Conflict, the UN and EU have set out four key steps for conflict-sensitive resource management:

1. Acquire and share knowledge about the resource, the way it is used and the conflict context.
2. Design natural resource policies and projects based on this analysis.
3. Build inclusive, transparent and accountable natural resource management systems.
4. Monitor and evaluate environmental trends and results, and determine continuously whether conflicts are being addressed, whether new conflicts are emerging and whether progress is being made toward environmental sustainability.

Source: UNDP.[7]

Climate change adaptation and peace impacts

Strategies to adapt to climate change have impacts on natural resources, livelihoods and human security. They can exacerbate rather than alleviate conflict if they overlook the social effects of climate change, which can be as critical as environmental effects.

Responses to flooding or resource scarcity, for example, need to consider their impact on displaced people but also host communities. Adaptation strategies that do can enhance community resilience and contribute to peace.

Public-private partnerships can also promote peace. They can promote the equitable distribution and management of natural resources, and sustainable environmental practices. Well-designed interventions can enable adaptation investments to address environmental and economic challenges and at the same time prevent conflicts and promote long-term peace and stability.

7 UNDP (2012), 'Strengthening capacity for conflict-sensitive natural resource management guidance for preventing and managing land and natural resources conflict'.

Box 6. Do-no-harm or intentional direct impacts

Case study: agribusiness concessions in northern Uganda

In the Acholi region of northern Uganda, post-conflict discussion of large-scale agribusiness concessions increased tensions.[8] For example, indigenous populations opposed a sugarcane plantation planned by the Madhvani Group. They feared the project would dispossess them of their land, did not have clear information about the project's land needs, and were uneasy about the resettlement of displaced refugees. Because the government supported the project, it also strained the already fragile relationship between the Acholi people and the authorities. For similar reasons, a proposed sugarcane plantation in the Mabira forest, near Kampala, ignited riots across the country.

Shortcomings of the do-no-harm approach

Traditional human rights due diligence and do-no-harm practices often fail to take adequate account of the social, political, and cultural significance of land. Because agribusinesses and agricultural development projects require land and are also labour intensive, their due diligence requirements reach beyond do-no-harm principles. To make themselves acceptable, such projects must engage with local communities in an open, participatory and respectful manner.

Enhancing community engagement and direct impacts

Effective community management strategies require robust consultation, transparent mapping of land rights, fair compensation, and efficient conflict-resolution mechanisms. Agribusinesses will also advance their cause with local communities if they:

- Include smallholders. Large operations can work with local providers of goods and services, provide access to credit, offer fair prices, and share profits.
- Adopt fair employment practices. Large operations can offer employment, fair wages and good working conditions, accept collective bargaining, and share profits with the workforce.
- Provide food security and access to energy. Depending on the business model, large investments can enhance local food security and provide access to energy. Both measures can contribute significantly to social peace dimensions listed in the Peace Taxonomy.

Strategic contributions to social peace

By implementing such strategies, agribusiness investments can mitigate the social risks associated with large land acquisitions and help to build social peace in post-conflict settings. Intentional investments of this kind are not merely not harmful but can actively benefit vulnerable communities and support sustainable development and peace.

8 https://ejatlas.org/print/ancestral-acholi-land-rights-conflicts-in-amuru-uganda

Box 7. Conflicts over natural water resources

Case study: the Malibya investment in Mali[9]

In 2008, Mali and Libya signed an agreement on natural resource governance that illustrates the complexity of such deals and their potential to cause conflict. The Government of Mali allocated 100,000 hectares of land to Malibya-Agriculture to develop irrigated farming, agro-industries and cattle-rearing. The land was provided free of charge but with the condition that it must be used for irrigated agricultural production. Malibya was granted almost unlimited access to water for a nominal fee and was not obliged to sell its products in Mali. The contract to build irrigation canals was awarded to a Chinese company, further complicating the local economic impact.

Governance and community impact

When the project did not act transparently and did not consult the affected communities, it met significant opposition over resettlement and compensation. No environmental or social impact assessments were disclosed, leaving the local population uninformed about the project's potential impact. In 2009, Malibya completed the 40 km Macina irrigation canal, which drastically altered the local landscape, divided villages and isolated communities, and disrupted the lives of people who depended on the Niger River for water.

Conflict and resource management

Several conflicts followed. They particularly involved cattle breeders who were unable to water their animals during the dry season due to the canal. Malibya's failure to discuss the effects of water diversion on local communities underlined its poor natural resource management and underscored the importance of including all stakeholders, especially affected communities, in planning and decision-making.[10]

Peace Impact Dimension 2: Social Peace

Compared to the safety and security dimension, social peace impacts are broader and multi-systemic; but the two dimensions often influence each other (as the cases described earlier show). Due to its breadth, relevance and relationship to operational, reputational and other forms of risk, social peace is arguably the most crucial dimension for investors that aim to make direct and indirect contributions to peace. The Peace Taxonomy sets out minimum criteria for investors planning peace-aligned investments. Combined with Dimension 1 (peace and security), these criteria address some of the key targets and indicators of SDG 16.

Example sub-dimensions include:

> **2.1. Impact on vertical social cohesion (trust between the state and society).** Actions enhance trust and cooperation between state institutions and the society they serve.

9 https://www.oaklandinstitute.org/sites/oaklandinstitute.org/files/OI_Malibya_Brief.pdf

10 Cuffaro, N., Hallam, D. (2011), 'Land Grabbing' in Developing Countries: Foreign Investors, Regulation and Codes of Conduct', International Conference on Global Land Grabbing, Institute of Development Studies, University of Sussex, 6-8 April 2011.

- **2.2. Impact on horizontal social cohesion (trust between groups in society).** Actions focus on building trust and reducing tensions between social, ethnic or cultural groups.
- **2.3. Impact on equitable access to resources and basic services.** Actions improve fair access to essential services and resources (food, water, energy, education, healthcare, housing, employment, etc.).
- **2.4. Impact on gender and intergenerational equity.** Actions remove inequities based on gender and age and promote fairness for all groups in society.
- **2.5. Impact on governance of public services.** Actions improve the governance of public services and their reliability and integrity.
- **2.6. Impact on patterns of economic exclusion.** Actions reduce the economic exclusion of marginalised or underserved communities.
- **2.7. Impact on transparency, accountability, corruption and the free flow of information.** Actions promote openness and accountability in both the public and private sectors.
- **2.8. Impact on climate resilience and access to cleaner energy.** Actions improve resilience to climate change and access to sustainable energy.
- **2.9. Impact on structural grievances that cause violence.** Actions address grievances that can cause conflict, such as disputes over land rights or access to natural resources.
- **2.10. Impact on cultural identities and local traditions.** Actions recognise and protect cultural identities and traditions and foster respect and understanding within and between communities.

An issuer will need to contextualise and analyse relevant sub-dimensions to ensure that an investment advances the issuer's peace objectives and contributes to the development and stability of communities it affects. To implement peace-supportive investments successfully in fragile environments that are subject to conflict, an issuer must acquire a sophisticated understanding of the context in which an investment will operate.

Sub-dimension 2.1: Impact on vertical social cohesion (trust between the state and society)

The term 'vertical social cohesion' measures the quality of relations, and trust, between society and public institutions. It assesses the public's confidence in government decisions (whether or not individuals are direct beneficiaries).
When vertical social cohesion is positive, it indicates that the social contract between government and the public is healthy. This is essential to achieve any public objectives that require collective action (such as the SDGs). When trust is lacking, it becomes very difficult to advance peace or make other forms of progress. The private sector can help to increase social cohesion by improving fair access to essential services that are guaranteed by the state (such as healthcare, education and law enforcement).

Sub-dimension 2.2: Impact on horizontal social cohesion (trust between groups in society)

'Horizontal social cohesion' measures the degree to which different groups in society peacefully coexist and enjoy relations that are trustful and inclusive. This can be important where groups differ in terms of ethnicity, language, religion, geographic location, class, gender, age, disability, etc. Grievances based on real or perceived injustices can cause conflict within or between groups. Conflict is particularly likely to occur in societies where political and socio-economic inequalities coincide with horizontal fault lines (based on ethnicity, religion, class, etc.). Private sector activities invariably affect horizontal social cohesion. By setting peace-enhancing objectives for its investment, an issuer can directly and indirectly improve horizontal social cohesion.

Sub-dimension 2.3: Impact on equitable access to resources and basic services

In many developing and fragile environments, the dynamics of conflict and peace are influenced by how resources and basic services are distributed and whether people (feel they) can access them equitably. Equitable access to education, healthcare, housing, and employment is pivotal. If private sector actors make deliberate efforts to distribute such resources equitably, they will directly improve conditions for peace. They are particularly likely to do so if their investments reduce horizontal inequalities of the kinds discussed in 2.2. This objective is clearly ambitious; nevertheless, effective action can significantly improve local trust in specific projects or investments. Indirect contributions to peace can also be made, for example by improving the delivery of basic services. An issuer that identifies such indirect impacts and makes them objectives of its investment is like to contribute measurably to peace.

Box 8. Distribution of benefits

Expectations and grievances in local communities

Large investments often raise significant expectations. People anticipate jobs, more infrastructure and better services. Managing such expectations can be challenging, especially if they are unrealistic; but companies that fail to address them will excite grievances and can expect tense relations with the local community. If their distribution of jobs and benefits is perceived to be unfair, tensions within and between community groups are also likely to worsen.

Impact of political and ethnic divisions on investments

Large projects are frequently subject to government conditions. Where these align with local political, regional or ethnic interests, investments may disproportionately benefit individuals from specific groups or regions at the expense of others. Inequitable distribution of benefits can fuel discontent and deepen social divisions, especially where intergroup relations are already strained.

Incorporating conflict and peace analysis

An issuer should undertake a thorough conflict and peace analysis that describes the relations within and between local groups and communities as well as links to broader sources of conflict. Such analyses often show that horizontal inequalities contribute to unrest. The issuer should integrate insights from the analysis in the theory of change and the broader strategy of its investment. This will assure the issuer that, when the benefits of its investment are distributed, the investment will meet its economic goals and also its planned peacebuilding objectives. This approach mitigates the risk of conflict by basing benefit distribution on an evidence-based conflict analysis that takes inequalities and perceptions of inequality into account.

Sub-dimension 2.4: Impact on gender and intergenerational equity

Gender and age are fundamental elements of horizontal social cohesion; peacebuilding initiatives need to consider them carefully. Private investments can influence gender and intergenerational relations at many levels, and may worsen or improve equality, trust, and access to essential resources and services. The outcomes affect conditions for peace, especially in fragile and developing contexts.

Demographic considerations

In many regions, people younger than 35 are a large proportion of the population. Despite this, many are excluded from significant development, political and social opportunities. To create inclusive societies that can sustain long-term peace, it is crucial to address this gap.

Integrating do-no-harm (DNH) approaches

Private investors need to adopt do-no-harm approaches that consider gender and age. Several ESG frameworks include internal criteria on gender; however, to align with the dual materiality principle of Peace Finance, investors must also assess and mitigate the external impact of their operations on gender and age relations.

Understanding context-specific impacts

Investments that appear neutral can do unintended harm if they do not understand the local context. Consider the hypothetical example of an environmental conservation project that seeks to preserve an area of forest. Realising that the project will have an economic impact, its managers provide alternative livelihoods for male wood harvesters; but, because they are unaware that women gather food and medicinal herbs in the forest, they make no provision for women. Investment strategies need to be well-informed but also gender-sensitive to understand the many ways in which community members interact with and depend on their environment.

Recommendations for issuers and investors

To mitigate the adverse impacts of their investments and enhance their positive contributions to peace, investors in and issuers of Peace Bond or Peace Equity instruments should:

- **Conduct thorough gender and age impact assessments** to understand the broader social implications of their investments.
- **Work with local communities** to understand the specific needs and roles of different genders and age groups.
- **Develop inclusive strategies** that benefit and provide opportunities for all members of affected communities, particularly members who have historically been marginalised or underrepresented.

By prioritising gender and intergenerational equity in their investment strategies, private actors can help to build more cohesive, just and peaceful societies.

Box 9. Key considerations with respect to gender and age

When making environmental and social (ES) assessments, as well as peace and conflict analyses, it is important to examine issues of inclusion and exclusion, especially in land and water use. Various tools are available but a simple matrix such as the one below can be helpful.

	How are land and water used?	Who has access to land and water?	Who controls land and water resources?	Who has access to the benefits that land and water provide?	Who controls those benefits?
Women					
Men					
Other actors or beneficiaries					

Sub-dimension 2.5: Impact on governance of public services and their delivery

The governance of public services determines their reliability, quality, and how much public authorities are trusted. Governance can be described as good when authorities fulfil their commitments, are accountable, and are responsive to community needs. Investments aligned with Peace Finance principles can significantly contribute to this sub-dimension if they work closely with communities, improve outcomes and users' experience, and report budget, procurement and management processes transparently. Take the hypothetical example of a public-private partnership to build a road: communities contribute paid labour, while the government and construction companies respectively supply materials and equipment. The product (a useful road) enhances the legitimacy of the authorities and brings economic and social benefits to communities. These outcomes promote development and wellbeing and reduce the likelihood of conflict.

Sub-dimension 2.6: Impact on patterns of economic exclusion

In any society, grievances arise when people are denied access to economic, political, or cultural opportunities and needs. They are likely to be particularly sharp in fragile societies that have a history of conflict. Issuers and investors therefore need to make sure that their investments do not inadvertently exacerbate such grievances. Private sector actors can help to redress economic exclusion by providing employment, livelihoods, technology, services, goods, and resources. Their contributions can help particularly to reduce urban/rural inequities in emerging markets and fragile settings (see Box 8 on distribution of benefits).

Sub-dimension 2.7: Impact on transparency, accountability, corruption and the free flow of information

To sustain conditions for peace, public and private institutions need to be transparent and accountable, and information needs to flow freely. All three elements reduce opportunities for corruption, which is a destabilising factor in many societies. Communities place more trust in their institutions when they become less corrupt, and trust supports social harmony and peace.

Private investment in telecommunications, technology and financial technology can contribute to this sub-dimension. For example, technology can make government spending and procurement processes more transparent; and financial technology can assist underserved populations to access financial services. To achieve such benefits, however, investments must set peace objectives.

The role of private investment extends beyond direct financial contributions. Businesses can model and demonstrate best practices. For instance, businesses that prosper by practising disclosure, consultation and inclusion set standards that other private and public entities may adopt. Such modelling effects can foster a wider culture of integrity and accountability.

Corruption enables many ruling elites to maintain their control over resources and power. Investors who operate in such environments need to conduct careful conflict analysis and comprehensive stakeholder mapping to understand the various forces at play and design investment strategies that do not inadvertently exacerbate existing injustices and worsen conflict.

Investments in different sectors should aim to support the creation of norms and incentives that promote best practices. For instance, supporting policies that enhance judicial independence can strengthen legal systems, enable legal authorities to combat corruption, and uphold the rule of law more effectively. Investing in media and information technology can empower watchdog organisations and civil society, enhancing their ability to hold public and private entities accountable.

When they oppose corruption and support transparency, accountability and the free flow of information, private investors mitigate their reputational and operational risks and also strengthen the foundations of peace. In societies in which corruption is endemic, these issues are responsible for many conflicts that could be prevented by better governance and more equitable management of resources.

Sub-dimension 2.8: Impact on climate resilience and access to cleaner energy

The most severe impacts of climate change are felt by those living in poverty, who are concentrated in under-developed and fragile states with weak governance. Renewable energy sources combat climate change but also reduce costs and build resilience to volatile energy prices. However, the high initial costs of clean energy infrastructure must be financed and options are scarce in low-income countries. Development finance institutions (DFIs) need to provide blended capital to attract private capital, especially to high-risk areas. Blended financing projects that run dual materiality risk assessments (in conformity with Peace Finance Principle 2) can significantly accelerate inclusive access to clean energy, empower communities and promote economic development.

Box 10. Demand for cleaner sources of energy: risks of increasing conflict and jeopardising the energy transition

The global shift towards a low-carbon economy relies heavily on the adoption of cleaner energy sources, including solar panels, wind turbines, electric vehicles and energy storage technologies. The development and deployment of these technologies depend on key minerals,[11] demand for which is expected to surge in coming decades.

Many of the known reserves of critical minerals are located in fragile states, where their extraction is often associated with conflict and violence. This poses a dual challenge. First, their mining and extraction processes can exacerbate local and regional conflicts, particularly where governance is weak and the benefits of mining are not equitably shared with local populations. Second, conflicts can disrupt supply lines on which the global energy transition depends, potentially impeding that transition and stranding those mineral assets.

Implications for energy transition investment

Investment in energy transition technologies is essential to combat climate change but must be carefully managed to avoid causing or worsening conflicts. A multifaceted approach is required:

1. **Enhance due diligence.** Investors and companies must conduct thorough conflict-sensitive due diligence before engaging in mining activities. To avoid doing harm, investors need to understand the local political, social, and environmental contexts in which they invest.
2. **Involve communities and share benefits.** It is essential to work closely with local communities and make sure they share in the wealth that mining generates. Benefits might include support for infrastructure development, education and healthcare, job opportunities, and fair employment practices.
3. **Source transparently and responsibly.** Companies should adhere to international standards of responsible and transparent sourcing (for example, those set by the OECD or the Extractive Industries Transparency Initiative).
4. **Collaborate with local governments and NGOs.** Partnerships with local governments, non-governmental organisations and community groups can help to align the interests of all stakeholders, including affected communities, and create more peaceful and sustainable mining environments.

Investments in cleaner energy that take these steps can participate responsibly in global supply chains without worsening or creating conflicts and will permit the energy transition to be conflict-sensitive and more sustainable.

11 Church, C., Crawford, A. (2018), 'Green Conflict Minerals: The fuels of conflict in the transition to a low-carbon economy', International Institute for Sustainable Development.

Sub-dimension 2.9: Impact on structural grievances that cause violence

Land is not just an economic resource. In many communities it has deep cultural and spiritual significance; it informs identity, heritage and belonging. Where land is scarce or access to it is unequal, the potential for conflict escalates sharply. It also does so when land is acquired for large irrigated agricultural projects: these very easily ignite conflicts between commercial agricultural companies and local communities.

Land-related disputes often have deep historical roots. In many cases, old unresolved grievances and injustices collide with sudden innovations, such as the introduction of large-scale farming, which trigger disputes over water rights and land use because local communities feel disenfranchised and forced off the land that sustains them. If such grievances are not addressed thoughtfully and inclusively, they can lead to sustained conflict.

To address them it is necessary to resolve current disputes but also historical injustices that may underlie them. Solutions may involve legal reform (to ensure fair land distribution), mechanisms for conflict resolution, and the adoption of participatory processes of land use planning that involve all stakeholders, particularly marginalised and indigenous communities.

Efforts to address land grievances need to be comprehensive and sensitive to the cultural, economic, and social expectations of local communities. Investors need to ensure that all parties have a voice in resolution and decision-making processes and that outcomes are equitable and respect the rights and traditions of local populations. By addressing the underlying causes of land-related conflicts, investors and policymakers can help to create conditions for lasting peace and stability in regions vulnerable to land and resource disputes.

Box 11. Land and water resources need to be considered together

Land and water resources are profoundly interrelated. It is therefore surprising that land contracts rarely consider water use and access adequately. The likelihood of serious conflict is particularly high when agribusiness companies and local governments commit this error.

In some instances, water is provided to large-scale agricultural operations at no charge or is heavily subsidised, which can ignite disputes with other users who do not hold formal land titles but rely on customary law and traditional practices to obtain water. Formal agreements should always take account of customary rights with regard to water and land.

Governance of land and water

To address this issue, investors should take a comprehensive approach, which respects traditional and informal rights to use, access, and manage land and water resources. The Voluntary Guidelines on the Responsible Governance of Tenure (VGGT) is an essential resource on this question.[12] The VGGT offers governance principles for the tenure of land, fisheries and forests. These support progressive realisation of the right to food and poverty alleviation, enhance security of tenure, and promote sustainable environmental management. It provides a standard for assessing the equity and justice of relevant national laws and policies as well as governance practices.

Empowering marginalised communities

The VGGT underlines the importance of listening to marginalised groups. To this end, it recommends that investors should consult civil society organisations, smallholder farmers' groups, Indigenous Peoples, and communities of pastoralists and fisherfolk, and give them a role in decision-making processes. It takes the view that all community members must have a say in how natural resources are managed; this rule most obviously applies to people who are directly affected by policies but have little or no power to influence them.

By supporting integrated land and water management practices, like those advocated by the VGGT, investors can increase resource sustainability, help to achieve broader social, economic and environmental goals, and reduce the risk of conflicts.

12 https://www.fao.org/3/i2801e/i2801e.pdf

Box 12. ‘How to Guides’ on responsible investment in property and land (RIPL)

Landesa, an international NGO, has published a series of guidebooks titled Responsible Investments in Property and Land (RIPL). Designed for national stakeholders that invest in land (companies, governments, community groups), they advise such entities on how they can act responsibly in accordance with international standards, including the Voluntary Guidelines on the Responsible Governance of Tenure (VGGT).

The ‘Model Guidebook for Business Enterprise’[13] includes instructions and tools for business professionals who want to design and implement a socially responsible agricultural investment that recognises and protects community land rights.

For example, it provides advice on how to research the local context and culture and involve communities before and during the investment. The Guide organises the investment process into four phases, each of which includes two tasks. Every task includes steps, which are described in a linear manner to assist investors through what is often a complex and cyclical process. The information on each step combines analysis, principles, recommendations, tools and resources.

Phase 1: Prepare for investment

- Task 1: Develop and implement policies, commitments and frameworks.
- Task 2: Conduct initial due diligence.

Phase 2: Community engagement and assessments

- Task 1: Engage with and consult land users and rights holders.
- Task 2: Conduct community assessments.

Phase 3: Develop an equitable and inclusive contract

- Task 1: Negotiate and draft the contract.
- Task 2: Review and sign the contract.

Phase 4: Implement and monitor the investment

- Task 1: Prevent and address land-related issues.
- Task 2: Develop and implement a monitoring and evaluation plan.

The tools and resources assist investors to adopt best practices tailored to the specific character of each agricultural investment. For example, the ‘LandAssess Tool’ included in Phase 1 provides checklists that help companies to align their efforts with international standards, and a Stakeholder Mapping Template that helps them to identify and involve parties whom their investment will affect.

Model Guidebooks are also available for communities and governments.

Climate change is exacerbating a range of environmental and social issues that affect land tenure and the application of VGGT principles: they include more and more serious climate-related disasters, reduced access to water, lower water quality, worsening land-related conflicts, land degradation, and population displacement. Each of these puts pressure on tenure systems, on which the stability and wellbeing of communities, and notably poor and vulnerable people, depend.

13 https://ripl.landesa.org/model_guidebooks/1.pdf

The impact of climate change on tenure systems

The adverse effects of climate change threaten to undermine tenure security by intensifying competition for dwindling natural resources. For instance:

- **Climate-related disasters are more frequent.** Floods and drought can cause significant displacement. Disputes over land arise when displaced populations seek new places to live.
- **Water is less accessible and of lower quality.** Water is essential to life. Less water, and less clean water, cause conflicts over usage rights and access.
- **Land is degrading.** If the area of fertile arable land declines, competition intensifies, causing conflicts.

These trends destabilise communities and community relations and eventually pose existential risks. They make it harder to operationalise the VGGT's principles. Issuers and investors therefore need to consider how climate change affects the socio-economic and environmental impact of their investments, and specifically how it affects land tenure and access to resources.

The impact of armed conflict on property rights

Armed conflict can disintegrate property rights and therefore tenure security. During conflicts, land records are often destroyed, land markers are lost, and there may be a general breakdown in the rule of law. All these outcomes cause tenure insecurity. Peace-building processes can also impact property rights if displaced communities begin to return and reclaim or occupy properties and land-based resources. Reclamation processes can be contentious, especially if historical land ownership and usage rights are disputed or unclear.

Recommendations for impact investors

These issues underscore the point that issuers and investors must understand local tenure systems as well as the broader socio-political environment. Specific recommendations include:

- **Conduct comprehensive due diligence.** Due diligence should inter alia assess the impacts of climate change and conflict on land tenure security.
- **Work with local communities.** Issuers and investors should take steps to understand the needs, concerns and perspectives of communities with respect to land and resource use.
- **Support tenure regularisation and conflict resolution.** Investments should align with VGGT principles and so help to stabilise affected regions.

Issuers and investors should pay particular attention to the risks faced by poor and marginalised groups, whose livelihoods often depend directly on natural resources. By ensuring that their investment practices are sensitive to local dynamics and actively mitigate harms, they can promote sustainable and more equitable development outcomes.

Sub-dimension 2.10: Impact on cultural identities and local traditions

The role of local culture and traditions is often underestimated: it is too often assumed that they are by-products of a region's economy and historical experiences. In fact, culture is a powerful independent force that influences how communities act, reach decisions, and perceive changes in their environment. It shapes a community's identity, including its traditions, beliefs, and responses, and often contributes to determining how investments are received and integrated locally.

Integrating culture in investment strategies

Issuers and investors therefore have reason to take account of cultural identity. The Peace Taxonomy considers that culture is an essential aspect of sustainable development, particularly in rural areas, where cultural ties are often strong and deeply connected to the land and local practices. The Taxonomy recognises several forms of investment that focus on the preservation of local culture. They include:

- **Conservation projects.** These protect and promote local biodiversity, which is often integral to cultural heritage and traditional practices (such as harvest festivals).
- **Renovation of historical villages.** These projects help to restore and maintain historical sites and village structures, preserving the physical legacy of a community's culture.
- **Traditional industries.** Support to industries that rely on traditional skills and crafts generates economic opportunities that are sustainable and resonate culturally; such industries reinforce cultural pride and community cohesion.
- **Environment as a cultural asset.** In many communities, the environment is a component of cultural identity. Traditional uses of natural resources (seasonal fishing, forestry practices linked to cultural rituals) are expressions of culture.

Cultural preservation as a basis for development

Efforts to preserve cultural identity safeguard heritage but also foster forms of economic activity that are inherently sustainable and respect local values and practices. They can enhance social cohesion, strengthen community resilience and even become an engine of development. Developers and investors who include cultural considerations in their investment strategies can create projects that are economically beneficial and also culturally enriching, leading to more inclusive growth.

Investments that acknowledge and respect cultural dimensions and commit to ethical and responsible development practices generate investment opportunities that are culturally sensitive and therefore acceptable forms of development intervention.

Box 13. Sectoral vs territorial approaches to rural investment

Rural and community development approaches that are sensitive to the unique cultural and territorial characteristics of each place are more likely to succeed than generic sectoral approaches, which tend to be top-down or government-led.

Understanding territorial approaches

Territorial approaches to rural development recognise the specificity of local environments. They address holistically the relations between people, their communities and the environment, and as a result pick up complex local challenges that sectoral investments frequently overlook. The approach is sensitive to conditions in rural areas, where community dynamics, environmental factors and local economies are deeply entwined.

The efficacy of territorial approaches

A stocktaking exercise by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) in 2021 underscored the effectiveness of territorial approaches.[14] Its case studies detected innovative technical, economic, ecological and political solutions that were unlikely to emerge from more hierarchical, sectoral approaches. The solutions were suited to local socio-economic and ecological conditions and were therefore more sustainable and effective.

The study concluded that territorial approaches are particularly helpful in regions that face urgent humanitarian, environmental, political or social crises, including areas afflicted by conflict. By promoting inclusive, restorative and peace-building solutions, territorial approaches build trust and confidence among local actors, which assists the resolution of conflicts and enhances community resilience.

Conclusion

While sectoral approaches generate well-structured interventions, they are less likely to capture the unique character of each rural setting. Territorial approaches, by contrast, offer a holistic local approach that matches the needs and conditions of rural communities and therefore promotes more sustainable and inclusive development trajectories.

14 https://www.giz.de/de/downloads/giz2021-en-territorial-approaches-for-sustainable-development.pdf

Peace Impact Dimension 3: Political Peace

Understanding political peace

'Political peace' refers to the relations between social elites, the state, and non-state political groups, and focuses on formal types of dispute resolution. This dimension of peace is highly visible and shapes the political landscape. Interventions that aim to achieve political peace often involve mediation, diplomatic negotiations, and formal legal frameworks (such as peace agreements, national legal reforms, or mandates of international bodies like the UN Security Council). [15]They are designed to address immediate and overt conflicts.

Example sub-dimensions include:

- **3.1. Impact on diplomatic relations.** Interventions encourage negotiations or contacts between state and non-state actors with a view to reaching a peace agreement.
- **3.2. Impact on infrastructure.** Interventions support peace processes by providing infrastructural or other services that facilitate negotiations or rebuild war-torn areas.
- **3.3. Impact on dispute resolution mechanisms.** Interventions strengthen formal and informal justice systems to resolve disputes fairly and uphold human rights.
- **3.4. Impact on transboundary relations.** Interventions promote cooperative projects across borders (such as shared water or energy initiatives) that have the effect of reducing international tensions.

The complex nature of peace processes

Peace processes are complex. They often combine discreet or secret negotiation with very public diplomatic discussions. They sometimes focus on immediate objectives (such as ceasefires) which provide signs of progress but do not address broader social peace requirements. By contrast, creating the conditions for social peace tends to involve long-term, even multi-generational initiatives (such as truth and reconciliation processes).

The role of private investors

Unlike development finance institutions (DFIs) or government bodies, private investors may not find it easy to directly influence political peace processes. At the same time, they have a duty to ensure that their investments in conflict-affected areas do not exacerbate tensions or conflict. They should focus on building infrastructure and services that contribute to immediate as well as long-term peace efforts. In practice, private investors can:

- Collaborate with local and international bodies to construct peace-building infrastructure and services.
- Undertake comprehensive due diligence to understand the political context and avoid causing inadvertent harm to ongoing peace processes.

15 Inter-Agency Standing Committee (IASC) (2020), 'Exploring Peace within the Humanitarian-Development-Peace Nexus (HDPN). IASC Results Group 4 on Humanitarian-Development Collaboration'

Each sub-dimension is elaborated below.

Sub-dimension 3.1: Impact on diplomatic relations between state and non-state conflict actors

This sub-dimension focuses on improving the relations between state and non-state actors in conflict environments via confidence-building measures, diplomatic discussions, and unilateral gestures that support peace. Investments aligned with the Peace Taxonomy can provide platforms for high-level dialogues or talks that lead to substantive improvements in relationships.

Instrumental contributions to political peace

Investments can catalyse political discussions, especially when traditional diplomatic channels are stalled or blocked by intractable political or territorial disputes. For instance, the commercial, industrial or trade-related aspects of an investment may offer neutral ground for dialogue, allowing government officials and non-state representatives to meet without compromising their positions on more contentious issues.

Economic incentives for improved relations

In addition to facilitating dialogue, peace-supporting enterprises can create economic incentives that improve relations. Taxonomy-aligned investments increase the opportunity cost to decision-makers of continuing a conflict by introducing economic benefits and incentives that encourage conflict actors to engage in dialogue and improve relations between their political factions. Such initiatives can open formal or informal communication channels that help to de-escalate tension, facilitate conflict resolution mechanisms, or manage potential risks.

Tangible outcomes of improved relations

Improvements in commerce and trade in a conflict setting often accompany improvements in diplomatic relations between the parties to conflict. A safer market environment can significantly reduce the risks of an investment, enhancing its viability and impact. Investments guaranteed or backed by DFIs often fall into this category, since these institutions typically possess a government-supported and internationally recognised mandate to reinforce specific peace processes.

Role of development finance institutions, FIs and impact investors

DFIs, social impact venture funds and philanthropic investors are particularly well-positioned to support investments in conflict-affected locations. DFIs can use their unique capabilities and mandates to nudge economic environments in the direction of political peace, benefiting both the investment climate and broader peace processes.

Sub-dimension 3.2: Impact on infrastructure or provision of goods and services that support a formal peace process

This sub-dimension focuses on the contributions that infrastructure and the provision of services can make to formal peace processes, set out in peace agreements or recognised components of peace processes. Essentially, infrastructure and services can reduce conflict risks by facilitating trade and communication across conflict lines.

Economic commitments in peace agreements

Many peace agreements include economic commitments, and private actors can play a supportive role in fulfilling them. For example, a Peace Finance investment might construct, repair or enhance infrastructure that permits divided markets and communities to interact more easily.

Types of infrastructure investment

Such investments might include tangible infrastructure projects (ports, bridges, roads, rail lines) but might also enhance communications, rationalise border controls, or move illicit forms of economic activity (smuggling, illegal fishing and forestry) into regulated, legitimate markets. Such projects can improve economic integration and also build trust and cooperation between communities that have been in conflict.

Linking investments to peace commitments

Investors can support the provision of goods and services, or essential infrastructure, to fulfil commitments made during peace dialogues; or work closely with partners who are actively supporting peace initiatives in conflict environments. Such partnerships can demonstrate the benefits of peace to local populations and their political leaders, thereby reinforcing a peace process and enhancing its acceptance and sustainability.

In short, investments in infrastructure and services that support formal peace processes can demonstrate the tangible benefits of peace and help to sustain the momentum of peacebuilding initiatives. Private and public investors that align their investments with peace processes and ensure they contribute to economic and social integration help to reduce conflict risks and establish conditions for long-term peace.

Box 14. Role of investors in the implementation of peace agreements

Some peace agreements, between states or between a government and local or regional armed groups, explicitly or implicitly outline roles for businesses. Businesses are uniquely able to accelerate economic recovery, engineer economic integration, and energise regional cooperation. Examples from past peace agreements can be found below.

1. Reintegration of former combatants

In Colombia, peace agreements invited businesses to facilitate the social and economic reintegration of ex-combatants by helping them transition into civilian life.

2. Support for local business communities

Agreements in Gabon and Darfur included micro-finance initiatives to create opportunities for small businesses, strengthen local economies, and improve stability.

3. Improvement of inter-communal or regional relations

In Indonesia and Aceh, peace agreements included provisions to improve relations between different communities and regions. Investors were encouraged to support projects that enhanced cooperation between, and brought benefits to, divided communities.

4. Economic sector development

A peace agreement in Nepal encouraged investors to stimulate growth and employment in agriculture and the wider economy by providing capital, expertise, and market access.

5. Promotion of gender equality

Peace agreements in Burundi and Guatemala included provisions on gender equality that encouraged businesses to promote equal opportunities and treatment for all genders in their operations and investments.

Conclusion

Investors can help to implement peace agreements by supporting activities that align with their provisions. In doing so, they help to stabilise and develop societies after conflicts, and also align their investments with broader social and economic goals, enhancing their impact and sustainability.

Box 15. An impact investment aligned with a political peace outcome – The Peace Dividend Initiative (PDI)

The Peace Dividend Initiative (PDI), established in 2021 and based in Switzerland, shows that impact investments can intentionally support peace. Initially incubated by the Centre for Humanitarian Dialogue, PDI became an independent foundation which develops and implements business ventures that directly support peace initiatives.

Confidentiality and impact

PDI projects are confidential. However, information provided for this report shows that several PDI investments have significantly contributed to peace. They have addressed aspects of social peace, including reconciliation and inter-communal cooperation, and also political peace, by facilitating platforms for political dialogue and safeguarding the progress of political peace processes.

Example

One initiative supported local entrepreneurs whose business model provided sustainable livelihoods for former combatants and encouraged cooperation between members of communities previously divided by conflict. The business integrated local productive assets in broader market systems via trusted intermediaries. The venture's design was iterative and agile, enabling the business to adapt to local needs and conditions, which ensured its sustainability and local ownership.

Outcomes

The project demonstrated the tangible benefits of peace to local people by creating economic opportunities and opportunities to collaborate for groups that had been in conflict. By stimulating collaboration and reconciliation, it showed that peace-supporting business ventures can catalyse broader social progress and political harmony.

Conclusion

PDI has proved that targeted impact investments can contribute to both the social and the political dimensions of peace. By aligning business goals with peacebuilding objectives, its ventures have generated economic returns and also sustained and advanced peace processes.

Sub-dimension 3.3: Impact on dispute resolution mechanisms and on perceptions of justice and human rights issues

As diplomatic and political relationships improve, communities emerging from violence frequently demand justice, truth-seeking and accountability measures to support reconciliation, remedy past injustices and secure a peaceful future. This underlines the importance of reconciliation, justice, and human rights mechanisms.

Contribution of peace-supporting investments

Peace-supporting investments aligned with the Peace Taxonomy can help to develop dispute resolution mechanisms. These can enhance local understanding of justice and human rights, and demonstrate good practices that local leaders and communities can adopt. In collaboration with Peace Partners and human rights actors, investors can support local initiatives to address historical and current injustices and make themselves accountable for any human rights concerns that arise in connection with their investments.

Local adaptation and implementation

Investments that have effective dispute resolution mechanisms can shape local practice as well as expectations and norms about resolution of disputes. By demonstrating their willingness to address grievances fairly and promptly, Peace Finance investments provide templates that local populations can adapt to their specific contexts.

Reducing risks and enhancing compliance

By improving methods of dispute resolution and strengthening protection of human rights, companies can contribute to peace and mitigate their reputational and legal risks. By contrast, investors that neglect human rights and justice issues put their investments and their reputations at considerable risk. Adhering to human rights standards aligns with broader risk management strategies.

Connection to regulatory compliance

Adherence to human rights standards and other best practice norms enables issuers and investors to meet regulatory requirements, notably the European Union's Corporate Sustainability Due Diligence Directive (CSDDD) and related Human Rights Due Diligence legislation. These regulations require investors to conduct human rights due diligence (see Box 16).

Box 16. EU corporate sustainability due diligence requirements in relation to Peace Finance investments

The recently approved Corporate Sustainability Due Diligence Directive (CSDDD), effective from 24 April 2024, requires EU and non-EU companies that operate in the EU and fall within the scope of the CSDDD's mandate to meet stringent due diligence requirements.[16] Companies are required to take comprehensive responsibility for their own and their suppliers' environmental and social impacts.

Key requirements of the CSDDD

- Due diligence. Companies must assess and address environmental and human rights risks associated with their operations, subsidiaries, and supply chains.
- Mitigation of risk. After the above assessment, firms must implement strategies to mitigate identified risks and must work collaboratively with suppliers to ensure compliance throughout the supply chain.
- Transparency and reporting. Due diligence processes must be transparent. Firms are required to report publicly on the actions they have taken and the progress they have made in annual sustainability reports or on their website.
- Stakeholder engagement. Firms must establish channels that enable stakeholders to voice concerns effectively, as well as processes to address and resolve concerns promptly.

Alignment with the Peace Finance Principles and Peace Finance Standard

Investors that comply with the Peace Finance Principles and the Peace Finance Standard will comply with the CSDDD. Their criteria ensure that investments contribute positively to both peace and sustainability while meeting the EU's due diligence requirements.

- Comprehensive due diligence. The Peace Finance Standard requires thorough due diligence with respect to environmental, social, and conflict-related risks. Its process fulfils and exceeds the CSDDD's due diligence requirements.
- Proactive risk mitigation. The Standard requires companies to take proactive measures to identify and mitigate potential conflicts and human rights concerns. These measures align with the CSDDD's requirements with respect to risk.
- Enhanced transparency and reporting. The Standard requires detailed public reporting and transparency. This aligns with the CSDDD's requirements for disclosure and public accountability.
- Robust stakeholder engagement. The Standard requires companies to cooperate actively with stakeholders and to establish grievance mechanisms that are able to address concerns effectively and respectfully. This requirement complies with the CSDDD.

16 The EU expects the Directive to apply to about 13,000 companies in the EU and about 4,000 companies outside it.

Compliance with the Peace Finance Standard confers a strategic advantage

Companies that comply with the Peace Finance Standard know that they meet the CSDDD's criteria comprehensively. They also embed sustainable and peace-enhancing practices in their core business operations. Compliance enhances corporate reputation, operational stability and long-term profitability.

In sum, companies that align with the Peace Finance Standard and Peace Finance Principles not only comply with the CSDDD but position themselves as leaders in sustainable and responsible business practices. Alignment ensures that their investments are robust, sustainable, and promote conditions for long-term peace and community wellbeing, fulfilling the spirit and letter of both the CSDDD and the broader goals of corporate sustainability.

Sub-dimension 3.4 Impact on transboundary relations

Investments in the water and energy sectors often adopt a national and sectoral approach. In some cases, however, they can enhance transboundary relations, particularly in regions that experience cross-border tensions. The UN Blue Peace Bond shows that financial strategies can transcend traditional sectoral approaches and use water and energy projects to achieve broader regional as well as local investment goals.

Blue Peace Bond initiative

The UN Blue Peace Bond initiative took a transformative approach to financing by redefining water investment as an integral component of multisectoral and cross-regional development. Blue Peace promotes water resource cooperation across borders, sectors and generations in order to advance peace, stability and sustainable development.

Mechanism of Blue Peace Bonds

Blue Peace Bonds are innovative financial instruments which fund water-related projects that have the potential to increase cooperation between countries (for an example, see Box 17). They are:

- Typically issued by non-sovereign entities such as municipalities or transboundary water organisations;
- Backed by cash flows that the water projects generate;
- A financial resource for shared institutions and legal frameworks that encourage countries to resolve differences peacefully and collaborate economically.

Benefits of transboundary investment

Stakeholders that invest in Blue Peace Bonds and similar projects:

- Support shared infrastructures that meet critical water and energy needs and also strengthen diplomatic ties between neighbouring nations;
- Encourage the development of joint management and governance mechanisms that enhance regional trust and cooperation;
- Contribute to the welfare of all the parties who benefit from a shared resource, while promoting economic integration and stability.

Investments that impact transboundary relations, such as the Blue Peace initiative, demonstrate that strategic financial investment can enhance diplomatic relations and regional stability. By focusing on mechanisms of cooperation and mutual benefits, such investments can transform potential conflict zones into spaces of mutual interest and collaboration, opening a route to broader economic and diplomatic cooperation.

Box 17. Testing the Gambia River Basin Blue Peace Bond

The Blue Peace Bond initiative and Gambia

The Blue Peace Bond initiative develops investments that integrate water management with broader regional development goals. In West Africa, it set out to secure blended capital for the Gambia River Basin Development Organisation (OMVG), whose member states include Senegal, Gambia, Guinea, and Guinea-Bissau). [17]

Development of the project portfolio

The investment strategy bundled a mix of projects from several sectors, using water as the entry point. The portfolio was carefully selected to align with the priorities of the member states and the needs of local communities.

Scope and impact of the project

The OMVG plans to finance projects valued at up to USD 2 billion. These projects have been selected to maximise socio-economic benefits to vulnerable populations. Key areas of focus include:

- Infrastructure development. High-impact projects will enhance economic empowerment.
- Clean affordable energy. Wider access to sustainable energy will improve the population's quality of life and economic opportunities.
- Safe drinking water. Provision of clean drinking water is essential for public health and prosperity.
- Food security. Food security will be achieved by improving water resource management and agricultural practices.
- Additional water-related services. Enhancing overall water management will support ancillary services that are vital for community resilience and development.

Market introduction

The first Blue Peace Bond for the OMVG is due to be issued at the end of 2024 or early in 2025. The timeline indicates that the parties want to move quickly to finance sustainable development and peacebuilding in the region.

The Gambia River Basin's Blue Peace Bond takes a strategic approach to regional development. By focusing on improving infrastructure and services, it addresses immediate environmental and economic needs and also promotes long-term stability and cooperation between the river basin's member states.

17 https://www.omvg.org

Finance for Peace

For inquiries, contact us at:

info@financeforpeace.org

Finance for Peace
c/o Interpeace
Office 5A
Avenue de France 23
CH-1202 Geneva
Switzerland

+41 (0) 22 404 5900