

The Private Sector in Conflict-Affected Environments: A strategic context

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The Donor Committee for Enterprise Development

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The DCED is...

- The forum for donors and multilaterals giving priority to the development of a **vibrant private sector** in developing countries, and wanting to enhance **effectiveness**
- Small DCED Secretariat in Cambridge, UK
- DCED Members learn from each others' experiences, agreeing **good practice** and solving shared problems
- The DCED also provides **information** services through its database websites, seminars, an enquiry service and training courses
- Members are beginning to use the DCED to raise the **profile** of PSD



PSD in conflict zones: the strategic framework

I will explore two central questions:

- What are we seeking to achieve in conflict-affected environments?
- How does PSD activity contribute to this strategic objective?

Why the growing focus on conflict-affected zones?

- **More wars**

- Estimated 150 conflicts since 1945
- 28 million deaths
 - Twice the toll of WW1

- **Recognition of collateral impact**

- The injured
 - Estimated 90 million since 1945
- Economic development
 - Lebanon's GDP still estimated to be 50% below 1974 level by 1994.
- Survivors' livelihoods
 - Angola has lost 80% of its farmland because of landmines

- **Global geo-politics**

- Under-pinned by the Liberal Peace thesis
- More latterly by conviction that failed states would harbour terrorists.

What causes conflict? Varying explanations (1)

- **Statecraft?**

- War is “a continuation of political intercourse, with the addition of other means.” (Clausewitz, 1832)
 - This explanation works less well in a world where most conflicts are intra-state.

- **Inter-communal grievance?**

- Conflict an irrational activity, derived from “essentially inexplicable primordial qualities.” (Pugh & Cooper, 2004)
 - Conflict the result of disputes such as religion, ethnicity, power etc

- **Economic greed?**

- “War occurs if the incentive for rebellion is sufficiently large relative to the costs.” (Collier-Hoeffler, 2004)
 - High correlation between low levels of income and conflict risk.

What causes conflict? Varying explanations (2)

- **The result of weak state power?**
 - States that are unable to project power through their territory (Holsti, 2006)
 - Warlord states
 - Rentier states
- **The ‘New War’ thesis?**
 - ‘Identity politics’ - identity based on national, religious, linguistic or ethnic factors – as key cause of conflict
 - Driven by ‘globalisation’
- **All of the above?**
 - ‘Levels of analysis’ approach
 - International Social Conflicts, which “are neither pure international (interstate) conflicts, nor pure social (domestic) conflicts, but sprawl somewhere between the two.”(Maill, Ramsbotham and Woodhouse, 2007).

So what are donors trying to do?

- **From peace-keeping to peace-building**
 - 1992, Boutros-Ghali's *An Agenda for Peace*
 - 2001, Annan's *Prevention of Armed Conflict* report advocates preventative action to address causes of conflict
 - Peace-building “something of a growth industry in the 1990s.” (Paris. R, 2004)
- **However, absence of a clear blue-print until fairly recently**
 - Post-Conflict Reconstruction: Essential Tasks
 - Office of the Coordinator for Reconstruction and Stabilization, 2005
- **How then to manage a conflict? 4 aspects:**
 - Security, justice and stability
 - Governance
 - Infrastructure
 - Economic development

What is conflict management? (1)

- **Security, justice and stability**
 - “the one absolute prerequisite to any effective recovery process after the intensity of armed conflict subsides.” (Salomons, D. 2005)
 - From Demobilisation and Reintegration Programmes to rule of law to reconciliation
- **Governance**
 - The need for “institutions that can both initiate the transition to peace and democracy in the short term, and facilitate the consolidation of these over the long run” (Roeder and Rothchild, 2005)
 - Is democratisation feasible?
 - Certainly a focus on swiftly-held elections appears to be unhelpful
 - Need for accountable institutions

What is conflict management? (2)

- **Infrastructure**

- “One can scarcely talk about economic development unless a country has undergone a period of economic rehabilitation and reconstruction” (Ball, N. 2001)
- The “essential backbone to recovery” (Brown, R 2005), includes electricity supply; highways; water supply; railways; drainage; seaports; sanitary drainage etc etc

- **Economic development**

- As a ‘connector’ in society
 - “economic development gives different groups something to work on together.” (Junne & Verkoren, 2005)
- Peace-building impact of economic development
 - Low foregone earnings increase the risk of armed conflict because they reduce its cost.
 - High male secondary enrolment, per capita income and GDP growth reduce the risk of conflict

What does this all mean for PSD practitioners?

- **Currently, PSD significantly underestimates its value in CAEs**

- It's not just about the economic development
- “Private sector activity touches on issues that are not just economic, but also political, social and psychological”

DCED meeting, Berlin Sept 2008

- **Equally, donor programming in conflict-affected countries must focus on the private sector, or will fail**

- Examples of Rwanda and Bosnia are cautionary

- **Need to see value of PSD as a part of the wider process of conflict management.**

Understanding the implications of PSD

- **In CAEs, job and income creation are not *per se* beneficial for peace-building, eg:**
 - Increasing income of one faction to the conflict (ethnic, regional etc) may reinforce existing grievances and fuel conflict.
 - Ignoring key groups, for example young men makes renewed conflict more likely.
- **Programmes need to consider impacts on all 4 facets of peace-building**
 - Need to understand need not to reinforce cleavages in society or target vulnerable conflict-affected groups

The peacebuilding impact of PSD: Bosnia

PSD Intervention

Economic development

- Creating jobs and income militates to stability
- Make link to SAA to give this credibility
- Create skills/ use old Communist infrastructure

Security, justice and stability

- Create enterprises which span different ethnicities.
- Focus on suburban and rural areas where ethnic identity still most problematic

Governance

- Ensure enterprises work through Federal and Entity governance processes.
- Encourage use of international norms eg of accounting

Infrastructure

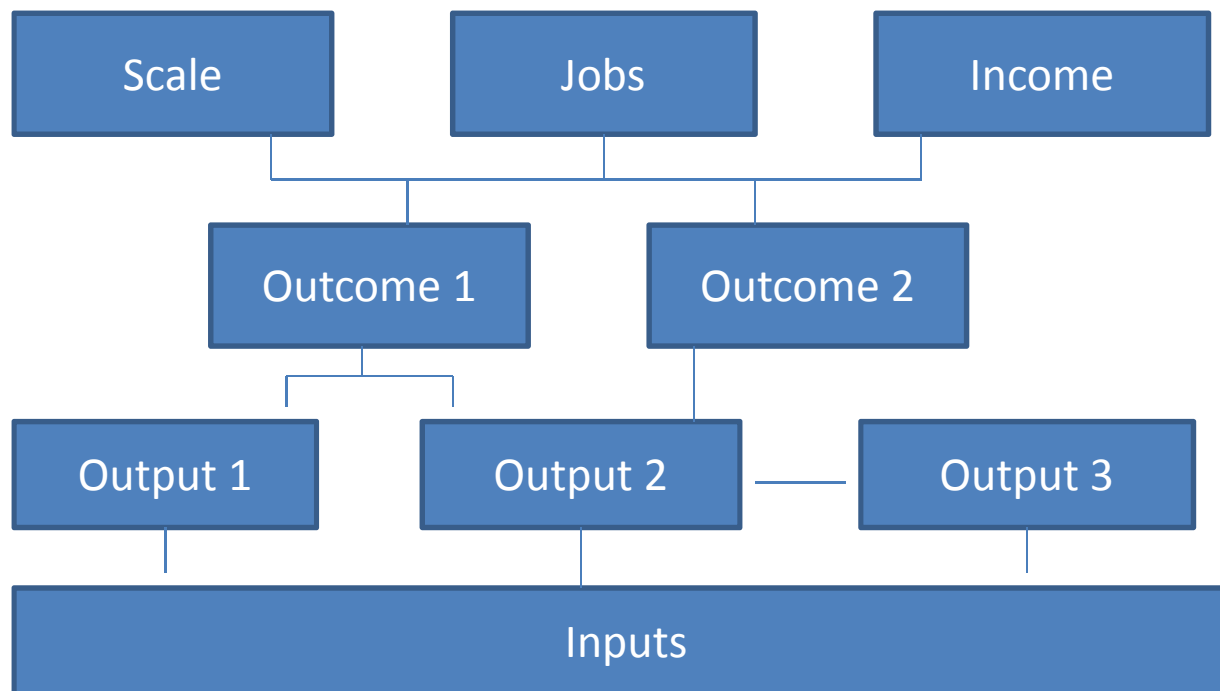
- Encourage commercial value chains, especially with international investors.
- Seek synergies with government eg financial services

Strategic goal of DCED's activities in CAEs

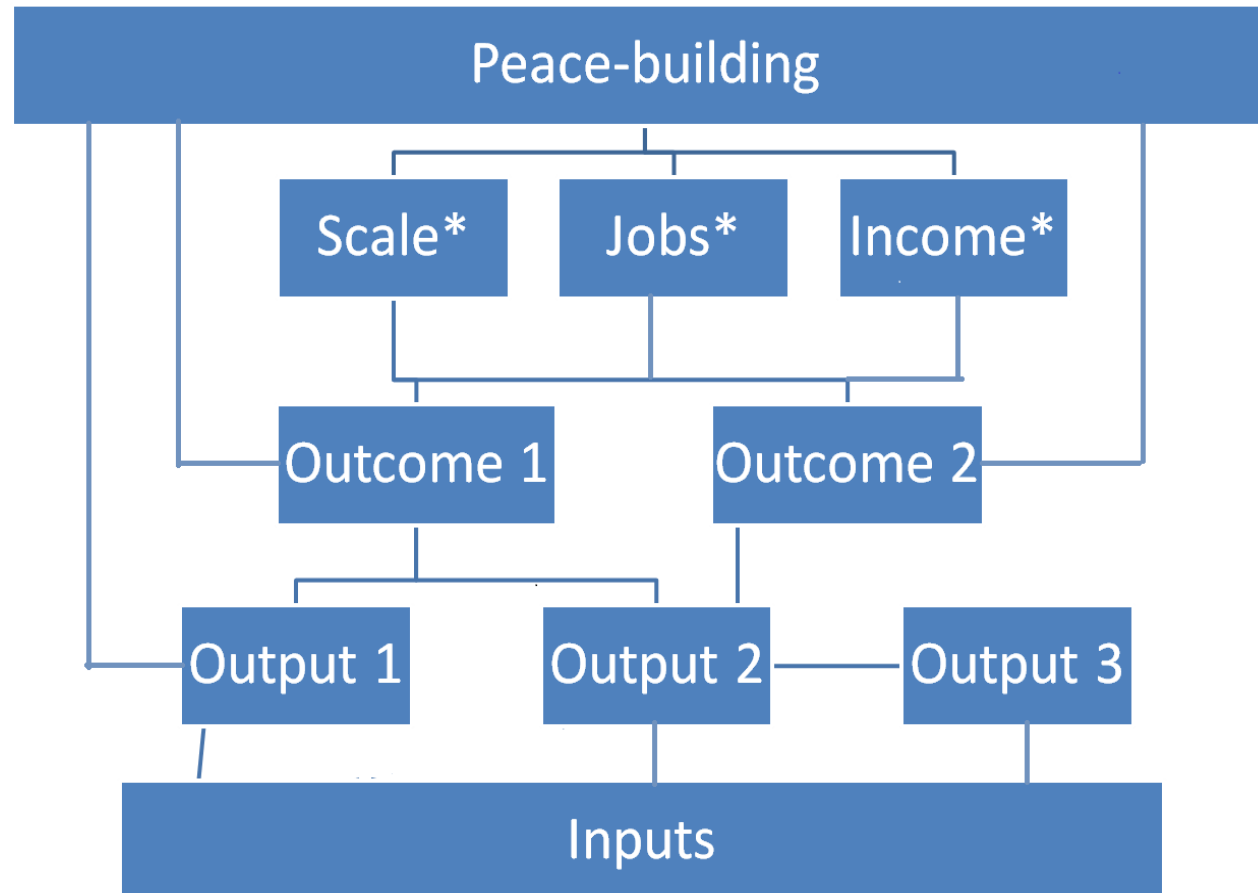
- Goal is to understand and demonstrate value of PSD to overall conflict management
 - Not just the economic development aspect
- Understand in more detail the impacts in each dimension of conflict management
- Demonstrate linkages between PSD activity and wider conflict management goals

M&E approach of the DCED Standard

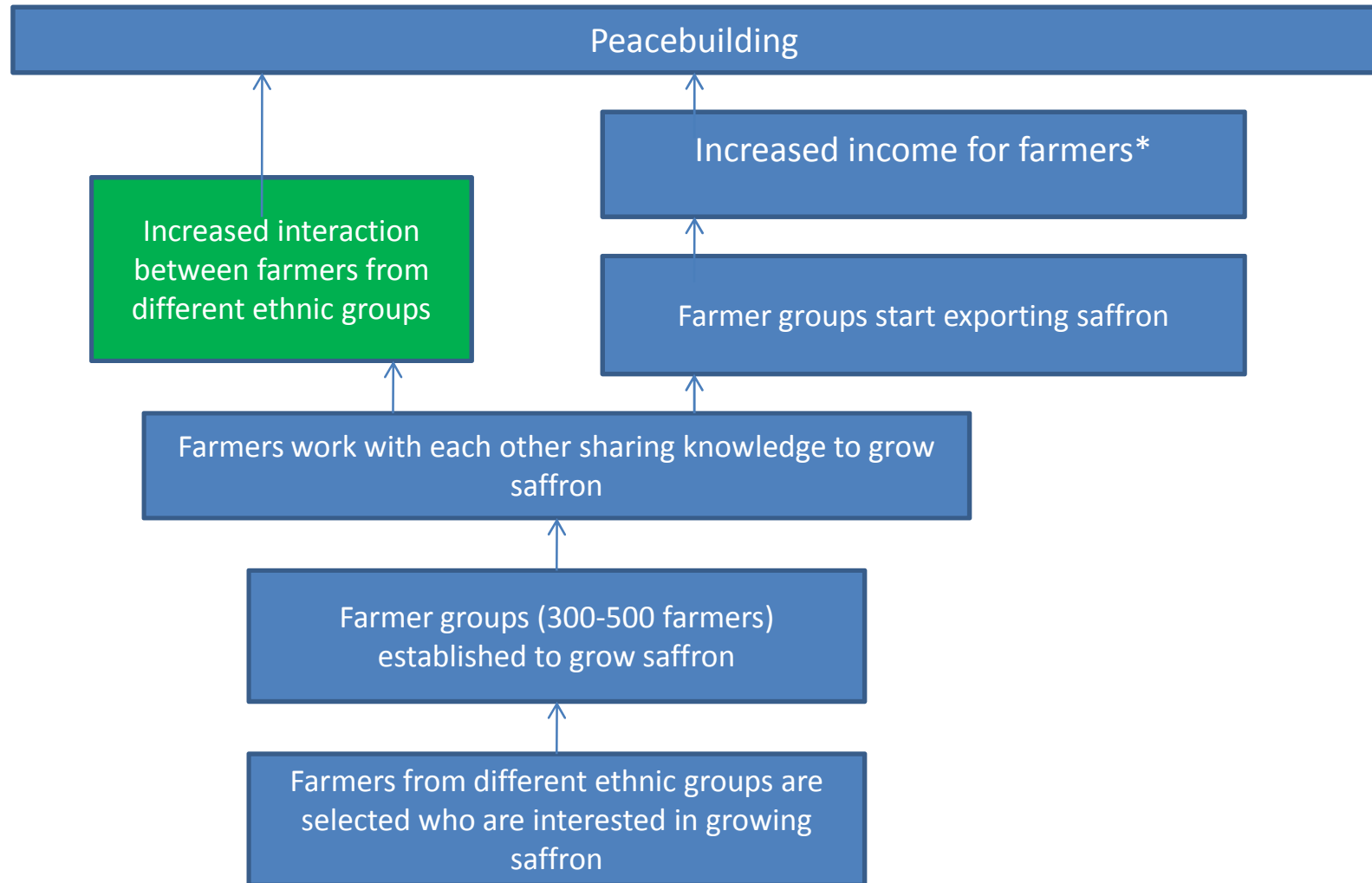
At the core of the DCED Standard is the **Results Chain**:



Modifying the DCED Standard for CAEs



Fonds Uruzgan - Afghanistan



* Disaggregated by ethnic group

PSD in conflict environments: strategic overview

- PSD programming in CAEs needs to be seen in the context of the wider strategic endeavour
- PSD in CAEs is not an *a priori* good
- But, PSD impacts on all aspects of peacebuilding, not just economic development
- Therefore, in conflict-affected countries:
 - PSD needs to be at the centre of donor programmes
 - PSD programming needs to be viewed in terms of how it can maximise its impact across all facets of peacebuilding