



Linkages between private sector development, conflict and peace

*Anna Louise Strachan
Independent consultant
29 September 2017*

Question

What are the linkages between private sector development, conflict and peace in post-conflict, war to peace transitions?

Contents

1. Overview
2. Macro level
3. Meso level
4. Micro level
5. References

The K4D helpdesk service provides brief summaries of current research, evidence, and lessons learned. Helpdesk reports are not rigorous or systematic reviews; they are intended to provide an introduction to the most important evidence related to a research question. They draw on a rapid desk-based review of published literature and consultation with subject specialists.

Helpdesk reports are commissioned by the UK Department for International Development and other Government departments, but the views and opinions expressed do not necessarily reflect those of DFID, the UK Government, K4D or any other contributing organisation. For further information, please contact helpdesk@k4d.info.

1. Overview

The private sector can both exacerbate drivers of conflict and contribute to peacebuilding in post-conflict states. Examples of the role that the private sector can play in conflict and peace at the macro, meso and micro levels include:

Macro level

- There is a general consensus in the literature that illicit trade in natural resources can increase in the post-conflict period, due to factors including limited employment opportunities for ex-combatants. The research undertaken for this rapid review did not uncover any examples of positive transformations of key industries in post-conflict situations.

Meso level

- **Business participation in mediation processes:** In Colombia business leaders were members of negotiating teams, but their limited involvement meant that they became disillusioned with the peace process.
- **Advocating for peace:** In a number of countries business leaders have engaged in low-level shuttle diplomacy between groups in conflict in order to push for peace. The extent to which such initiatives have been successful is unclear.
- **Business associations:** Such associations have in some cases attempted to contribute to peace and stability by lobbying governments. The degree of their success is difficult to establish, due to challenges relating to establishing causality.

Micro level

- **Cross-border trade initiatives:** Programmes like 'Trading for Peace' in DRC appear to have had some positive impact on peace and stability.
- **Disarmament, Demobilisation and Reintegration (DDR) support:** In Afghanistan, businesses provided support for DDR by providing employment and training opportunities for ex-combatants through the Afghanistan New Beginning Programme. Ex-combatants were also provided with support in starting their own businesses. The latter initiative had a high failure rate due to factors including the small size of the initial start-up grant and most recipients' limited ability to manage credit.
- **SMEs:** SME peacebuilding activities have had some success in contributing to peace and stability in post-conflict countries. However, it is difficult to determine to what extent these activities are responsible for positive change because causality is hard to establish.

There is a relatively small body of literature on the role of the private sector in building peace. Most of the evidence takes the form of NGO and international organisation reports and evaluations. Examples of successful interventions are often dated and evaluations lack rigour. Analysis of success factors is also lacking. It is therefore difficult to establish causality between many of the initiatives discussed in this report and improvements in peace and stability. There is very little literature looking at private sector involvement in peacebuilding in post-conflict Least Developed Countries (LDCs). The literature reviewed for this study is largely gender blind.

2. Macro level

There is a general consensus in the literature that illicit trade in natural resources increases in the post-conflict period, exacerbating potential drivers of conflict and increasing the risk of a return to violence. In the absence of successful Disarmament Demobilisation and Reintegration (DDR) programmes, which generate employment for ex-combatants, illegal logging and mining, for example, continue or even increase. In Liberia ex-combatants continued to control diamond and rubber resources, generating illicit income with serious security implications (Brown, 2006, p. 15). According to one research report, 'experiences in illegal activities as well as networks between state and criminal actors established during wartime are difficult to dismantle' (Vorrath, 2014, p. 13).

In Sierra Leone and Liberia for example, the illicit economy around natural resources in both countries persisted, despite new regulations and institution-building after the civil wars. But it also adapted to the new state framework and changes in demand, such as a shift from demand from Europe to demand from Asia. However, it is noted that the line between licit and illicit trade of goods like diamonds, gold and timber in post-conflict Sierra Leone and Liberia was unclear due to constant changes in laws and regulating institutions (Vorrath, 2014, p. 24).

The research undertaken for this report did not uncover any examples of positive transformations of key industries in post-conflict situations.

3. Meso level

There are some examples of the private sector pushing for peace at the meso level. In Mozambique, executives of Lonrho, the Africa-based mining conglomerate, shuttled between representatives of the RENAMO (Resistência Nacional Moçambicana) and FRELIMO (Frente de Libertação de Moçambique) groups (International Alert, 2006, p. 51). In Colombia, business leaders held off-the-record meetings with multi-sectoral groups in an attempt to create space for developing personal relationships between stakeholders (International Alert, 2006, p. 51).

There are also examples of business leaders participating in negotiation processes, such as in talks between the Colombian Government and FARC (Fuerzas Armadas Revolucionarias de Colombia). However, in this case central responsibility for the talks was delegated by the president to the presidential commissioner, which kept business leaders in the negotiating team out of direct negotiations. This ultimately contributed to increasing disaffection with the peace process among the business community (International Alert, 2006, p. 48).

Business associations have also attempted to contribute to peace and stability, such as in Sri Lanka and Northern Ireland:

Sri Lanka

Two business associations were established in Sri Lanka during the conflict, Sri Lanka First (SLF) and the Business for Peace Alliance (BPA). SLF, made up of companies from the garment, tea, tourism and freight industries, focused on the political, social and economic development costs of war. SLF undertook several activities:

- A coalition of business leaders encouraged people to take part in a solidarity demonstration, during which people formed a chain across the island through holding hands (Killick et al, 2005, p. 11).
- Raising public awareness about the costs of war and the ways in which peace would allow money spent on conflict to be invested back into social and economic infrastructure. The messages Sri Lanka First put out in the campaign balanced information on the negative costs of the war with positive messages encouraging stability. Prior to Sri Lanka's December 2001 general election, the Sri Lanka First campaign placed adverts on TV and in the press, asking the electorate to vote for peace. A number of other local organisations also placed such advertisements (Killick et al, 2005, p. 11).
- Lobbying all parties in the conflict to come to the negotiation table (Datzberger & Denison, 2013, p. 20).

International Alert claims that this advocacy 'helped to bring a pro-peace government to power' but it is not clear how and to what extent the lobbying had this effect. This group significantly reduced its activities once the ceasefire agreement was signed in 2002 (Datzberger & Denison, 2013, p. 20). However, when the peace talks broke down, they resumed their efforts to campaign for peace and stability (Killick et al, 2005, p. 11).

The BPA was originally supported by International Alert and the UNDP, with the objectives of supporting reconciliation, business-to-business relationships across the ethnic divide and regional inclusion in the peace process (Datzberger & Denison, 2013, p. 20).

The BPA's objectives during the conflict were: (Killick et al, 2005, p. 15)

- To generate peace dividends at the local level.
- To strengthen provincial and inter-provincial economic activity through business associations.
- To persuade policymakers on key issues affecting peace and stability.
- To practice the principles of Corporate Social Responsibility (CSR) in all alliance programmes and activities.

International Alert reports that the BPA had positive impacts on business relationships between Sri Lanka's 17 regional chambers of commerce. Like the SLF, the BPA lobbied the government, but for specific policy outcomes rather than for general peace and stability (Datzberger & Denison, 2013, p. 20).

It is noteworthy that during the conflict the private sector did not have one single hierarchical structure of Employer and Business Member Organisations (EMBOs) that supported the business community's attempts to meet conflict-related challenges in an 'organised and cohesive manner.' Rather, individual EBMOs and their leaders chose how to gather support and contribute in different ways (Miriyaagalla, 2016, p. 12).

Northern Ireland

The Northern Ireland Confederation of British Industry (CBI) came to the conclusion that any improvement in the economic situation in Northern Ireland required them to become strategically engaged in the peace process. As the representative of regional businesses and an independent non-party organisation, the CBI was reportedly in a good position to lead a private sector peace initiative (Killick et al, 2005, p. 12). It helped Northern Ireland work towards peace by operating as a policy think tank and as a lobbying group (Killick et al, 2005, p. 12). Details of the extent to which CBI had an impact on peace and stability in Northern Ireland were not found during the course of this research.

4. Micro level

A number of micro level private sector projects and initiatives have attempted to contribute peace in post-conflict countries. However, it is not always clear to what extent they have achieved their goals due to the absence of thorough evaluations. Examples include:

Afghanistan New Beginning Programme (ANBP)

Former militia members were offered the opportunity to start their own business, or to join a training or apprenticeship scheme run by NGOs and businesses, in partnership with the ANBP. ANBP's caseworkers were in charge of assisting former combatants in choosing the appropriate reintegration package for them. Former combatants were offered opportunities in a range of sectors, including agriculture, vocational training and job placement, small business opportunities and de-mining (Giustozzi, 2006, p. 217).

The incentive offered to businesses for engaging in the programme was the opportunity to employ DDR trainees for free for 4-12 months. Ex-combatants would be treated like any other trainee and supervised by the NGOs that had signed up as implementing partners (Giustozzi, 2006, p. 217). Early surveys suggested that small to medium-sized construction firms played the biggest role in offering opportunities for ex-combatants, followed by small shops (Giustozzi, 2006, p. 217).

Ex-combatants who chose to start a business were offered training courses, a small grant of USD 700 and ongoing support from caseworkers (Giustozzi, 2006, p. 218). Ex-combatants typically opened small grocery shops, which accounted for as many as 70-80% of all businesses started. It is estimated that the business failure rate stood at between 60-80%. There are no official figures available (Giustozzi, 2006, p. 218). One report suggests that the small size of the initial start-up grant and most recipients' limited ability to manage credit were factors behind the high failure rate. Another possible factor was the overall level of poverty, which reduced the purchasing power of the majority of Afghans (Giustozzi, 2006, p. 218).

Nepal – high-value vegetable value chains

The UJYALO project, implemented in 13 districts, aimed at integrating the value chain approach with psychosocial and peace-building activities. According to one independent evaluation the programme increased trust and cooperation within families, in farmers' groups and between neighbours. It also decreased inter-family and inter-community conflict and deterred individuals from joining Maoist groups. Improvements in the social status of women, with some women

taking lead roles in farmers' groups have been another impact of the project. It also resulted in an increase in women's mobility and financial independence, with some women earning for the first time. However, the long-term effects of these activities were reportedly not assessed because only one group in the value chain, farmers, participated in these activities (Datzberger & Denison, 2013, p. 19).

Other outcomes of the programme include a reduction in school closures, and the increased availability of transportation, development activities, and health facilities. These changes have been attributed to a combination of the UJYALO project and political change in Nepal (Baneshwor, 2007, p. vi). Figure 1 shows UJYALO's progress towards meeting its targets in June 2007, three months before the programme came to an end.

Interventions	EoP Target	Achievement till 30th June	% of Target Achieved
No. of micro-enterprises	15,084	16,770	111%
No. of productive groups formed and strengthened	865	871	101%
No. of opportunities for Dalits/youths	150	160	107%
No. of people getting psycho-social services	26,760	27,186	102%
No. of people receiving individual counseling	600	891	149%
No. of people receiving legal aid	400	383	96%
No. of children provided with educational service	5,300	7,301	138%
No. of students supported in block grant	49,500	68,602	139%
No of functioning CPCs formed	121	124	103%
Number of schools with child protection plan	95	147	155%
% of community services who are aware of the key services available for the VOCs	90%	89%	99%
No. of Community Development Programs completed	295	360	122%
No. of community initiatives implemented	970	1,580	163%
No. of people trained in peace building skills	11,329	17,260	152%
No. of people affiliated with peace initiatives	78,000	153,246	196%
No. of disputes resolved	750	850	113%

Figure 1: UJYALO Achievements and Progress against targets at 30 June 2007 (Baneshwor, 2007, p. xi).

Rwanda – Entrepreneurship and conflict reduction

A survey conducted in Rwanda suggests that there is a link between entrepreneurial activity in Rwanda's coffee industry, and positive attitudes between ethnic groups. A research team carried out questionnaires at ten coffee washing stations (CWS), at which Hutus and Tutsis work collaboratively (Datzberger & Denison, 2013, p. 29). The findings of research were that frequent contact is associated with low distrust, and with conditional forgiveness. The research also found that those who had been employed at CWS for longer periods were more likely to report a positive perception of the other ethnic group (Datzberger & Denison, 2013, p. 29).

Uganda – Business for Peace (B4P)

B4P was a Swedish SIDA funded programme implemented by International Alert. It was designed to tackle economic drivers of conflict in Uganda. These included weaknesses in the economic governance institutions of the country, corruption, and regional, ethnic and religious divisions (International Alert, p. 1).

The theory of change within B4P was that ‘by leveraging the strengths of the private sector to influence civil society, government and business communities as a whole, Alert expects to be able to influence peace and reconciliation processes in Uganda, which are expected to yield results in terms of inclusive economic empowerment, and which, in turn, benefit the growth of the private sector itself’ (International Alert, p. 1).

The programme had four key objectives: (International Alert, p. 2)

- Provision of analytical leadership on the links between economy and conflict/peace in Uganda.
- Catalysing business for peace networks at the local and national level.
- Facilitation of efforts to build a peace economy in northern Uganda.
- Harnessing the potential contribution of oil to peaceful development.

An in-house evaluation of the programme found that it had an impact at the policy, business sector and grassroots levels. Research reportedly contributed to raising awareness of youth-related issues, and managed to create more linkages between the private sector and decision-makers. This had a significant impact on national policies. Change in the business community’s mindset towards peacebuilding was not universal, but International Alert claims that it had an impact by creating a culture of conflict-sensitive business practices (International Alert, p. 2).

Great Lakes – Trading for Peace

International Alert

This project aimed to provide a safe environment for small-scale cross-border traders in the Democratic Republic of Congo (DRC), as well as neighbouring Great Lakes countries. Its goal was to improve their economic situation and forge closer ties between traders in the region. The project trained 300 women traders to better protect their rights and hold customs officials to account. It also supported the development and organisation of small trader cooperatives and taught negotiation techniques, tax classification and small business management. The project also trained border officials to better manage cross-border traders and to treat them better. In addition it brought together state agents and traders to voice and address grievances and obstacles to trade. The project reportedly resulted in a 60% reduction in cases of harassment at the border.¹

¹ <http://www.international-alert.org/projects/5095>

Search for Common Ground

This was a 24-month project implemented by Search for Common Ground (SFCG). The Trading for Peace initiative by USAID, DFID, and COMESA supported the project.

An in-house evaluation of the project found that overall it had a positive impact. Key results were:

- Increase of trust among and within trans-border communities.
- Slight reduction in feelings of discrimination experienced by those buying products from the other side of the border. The project may have contributed to this effect.
- The radio component of the project was very successful, especially in the Bukavu area.

However, the evaluation also found that much work remained to be done to explain policy changes to petty traders (SFCG, 2012, pp. 1-2).

5. References

Baneshwor, N. (2007). *Final report on evaluation of Ujyalo Program*. Kathmandu: Development Vision. http://pdf.usaid.gov/pdf_docs/Pdack585.pdf

Brown, K. (2006). War economies and post-conflict peacebuilding: Identifying a weak link. *Journal of Peacebuilding and Development*, 3(1).
http://graduateinstitute.ch/files/live/sites/iheid/files/sites/international_law/users/vessier9/public/Brown%20-%20War%20Economies%20and%20Post-Conflict%20Peacebuilding-%20Identifying%20a%20Weak%20Link.pdf

Datzberger, S. & Denison, M. (2013). *Private Sector Development in Fragile States*. EPS Peaks. https://www.researchgate.net/profile/Simone_Datzberger/publication/288003443_Private_Sector_Development_in_Fragile_States/links/567d725008ae051f9ae48e25.pdf

Giustozzi, A. (2006). *Local business, local peace: The peacebuilding potential of the domestic private sector* (Case study: Afghanistan). London: International Alert. http://www.international-alert.org/sites/default/files/publications/11_section_2_Afghanistan.pdf

Miriyagalla, D. (2006). *Business and peace in Sri Lanka: The roles of employer and business member organisations* (Case study). Geneva: ILO. http://www.ilo.org/public/english/dialogue/actemp/downloads/publications/2016/sri_lanka_conflict_2016_casestudy.pdf

International Alert. (2014). *Evaluation summary: External evaluation of the project 'Promoting national reconciliation using economic and private sector approaches' (Business for Peace)*. London: International Alert. http://www.international-alert.org/sites/default/files/Uganda_EvaluationSummary_BusinessForPeace_Nov2014.pdf

International Alert. (2006). *Local business, local peace, The peacebuilding potential of the domestic private sector*. London: International Alert. <http://www.international-alert.org/publications/local-business-local-peace>

Killick, N., Srikantha, V.S. & Gündüz, C. (2005). *The role of local business in peacebuilding*. Berghof Foundation. http://www.berghof-foundation.org/fileadmin/redaktion/Publications/Handbook/Articles/killick_etal_handbook.pdf

Search for Common Ground. (2012). *Supporting 'Trading for Peace in the Great Lakes' Final evaluation*. Washington D.C.: Search for Common Ground. https://www.sfcg.org/wp-content/uploads/2014/08/RWA_KF_Jul12_Supporting-Trading-For-Peace-in-the-Great-Lakes.pdf

Vorrath, J. (2014). *From war to illicit economies: Organised crime and state-building in Liberia and Sierra Leone*. Berlin: Stiftung Wissenschaft und Politik. https://www.swp-berlin.org/fileadmin/contents/products/research_papers/2014_RP13_vrr.pdf

Acknowledgements

We thank the following experts who voluntarily provided suggestions for relevant literature or other advice to the author to support the preparation of this report. The content of the report does not necessarily reflect the opinions of any of the experts consulted.

- Elizabeth Armstrong – Paung Sie Facility

Key websites

- International Alert: <http://www.international-alert.org>

Suggested citation

Strachan, A.L. (2017). *Linkages between private sector development and peace*. K4D Helpdesk Report. Brighton, UK: Institute of Development Studies.

About this report

This report is based on five days of desk-based research. The K4D research helpdesk provides rapid syntheses of a selection of recent relevant literature and international expert thinking in response to specific questions relating to international development. For any enquiries, contact helpdesk@k4d.info.

K4D services are provided by a consortium of leading organisations working in international development, led by the Institute of Development Studies (IDS), with Education Development Trust, Itad, University of Leeds Nuffield Centre for International Health and Development, Liverpool School of Tropical Medicine (LSTM), University of Birmingham International Development Department (IDD) and the University of Manchester Humanitarian and Conflict Response Institute (HCRI).

This report was prepared for the UK Government's Department for International Development (DFID) and its partners in support of pro-poor programmes. It is licensed for non-commercial purposes only. K4D cannot be held responsible for errors or any consequences arising from the use of information contained in this report. Any views and opinions expressed do not necessarily reflect those of DFID, K4D or any other contributing organisation. © DFID - Crown copyright 2017.

