



Guidelines

GUIDELINES FOR MINISTRY AND EMBASSY STAFF AND IMPLEMENTING PARTNERS

CONFLICT SENSITIVE PRIVATE SECTOR DEVELOPMENT (PSD)

Conflict sensitive Private Sector Development (psd) | Conflict sensitive Private Sector Development (psd) | Conflict sensitive Private Sector Development (psd)

Rationale

It is known that in fragile and conflict affected situations, interventions for economic development can – unintendedly – exacerbate conflict and instability. Elite capture, corruption and weak institutions, exclude large groups of people from economic growth, keeping them in a poverty trap. Together with lack of democratic processes and access to justice, it leads to human rights abuses and marginalization of people, often affecting women more than men. It feeds inequalities and frustration, especially among young people. These circumstances can lead to conflict and instability. And the lack of a good business climate, prevents local companies from growing, and hinders foreign investments.

The BHOS policy note [Investing in Global Prospects](#) (2018) shows that the focus for the NL development cooperation will shift to unstable regions, in order to tackle root causes of conflict, migration, violent extremism and climate change. Most of the countries in these regions (Sahel, Horn of Africa, MENA) are listed on the World Bank list of fragile and conflict affected situations. DDE aims to mobilize the private sector for the development of these regions. Special attention is given to the issues that hamper economic development and limit opportunities for the many young men and women in these regions.

The DDE Theory of Change states that investing in developing countries works and provides work. Indeed, in 2018 255.000 jobs were supported and more than 8800 companies received business support¹. Our focus for Sustainable Economic Development is strongly related to SDG8 'Decent work and economic growth'. But, since the BHOS policy note also focuses on tackling root causes of conflict and instability, it is important to relate DDE's contribution to SDG16 'Peace, Justice and Strong Institutions' as well.

Purpose of DDE guidelines conflict sensitivity

Embassies, as well as the implementing agencies, are well aware of the dynamics in the countries of operation. A short inventory in 2017 with 5 Embassies (Ethiopia, Mali, Lebanon, Jordan and Tunisia) showed that DDE programs and instruments for PSD and income generation in these countries are usually not specifically aimed at contributing to stability, but can have an indirect positive effect.

¹ numbers are not disaggregated for fragile states

An example of an unintended negative effect comes from the "Assessment of Horticulture Investments in Ethiopia" (2017):

In another specific case, a conflict around access to common grazing lands as well as passage rights for local herdsmen became a rallying ground to attack and destroy another farm at the end of 2015. In the case of this farm the land belonged to one district (woreda) but there had been historical user rights from the adjoining woreda, which had not been taken into account. Also, the farm was located on common grazing lands but placed an electric fence around its land, which was ill conceived in the local context as it restricted neighbors from passing through the land like before.

This Ethiopia report reviews conflict sensitivity in Dutch investments. Most of the uprising and demolition happened because of dissatisfaction with government policies. It affected Dutch companies because they were seen as supportive of the government. One of the main conclusions of this report is, that companies could have better anticipated certain events. Good context and conflict assessments and communication with local communities, could tailor their business and CSR strategies.

The Oxfam Novib/SOMO report [Private Sector Development Policies and Instruments through a Conflict Lens](#) describes the development of the Dutch policy for Sustainable Economic Development over the years. It provides recommendations for policy and instruments to link SDG-8 (Decent Work and Economic Growth) with SDG-16 (Peace, Justice and strong Institutions) in a structural way. This guideline is following up on these recommendations. It is developed to structure our thinking for PSD interventions in conflict affected settings. The annex to this guideline provides practical suggestions to that effect.

How to define 'conflict affected' and what is meant with a conflict sensitive approach?

The Donor Committee for Enterprise Development (DCED) defines conflict affected as: "referring to countries or regions where there is a high risk of violent conflict breaking out; that are in the midst of violent conflict; or have recently emerged from it, including countries classified as 'post conflict'."² Conflict can also be latent: social unrest, caused by conflict prone issues, which have not yet culminated in overt conflict.

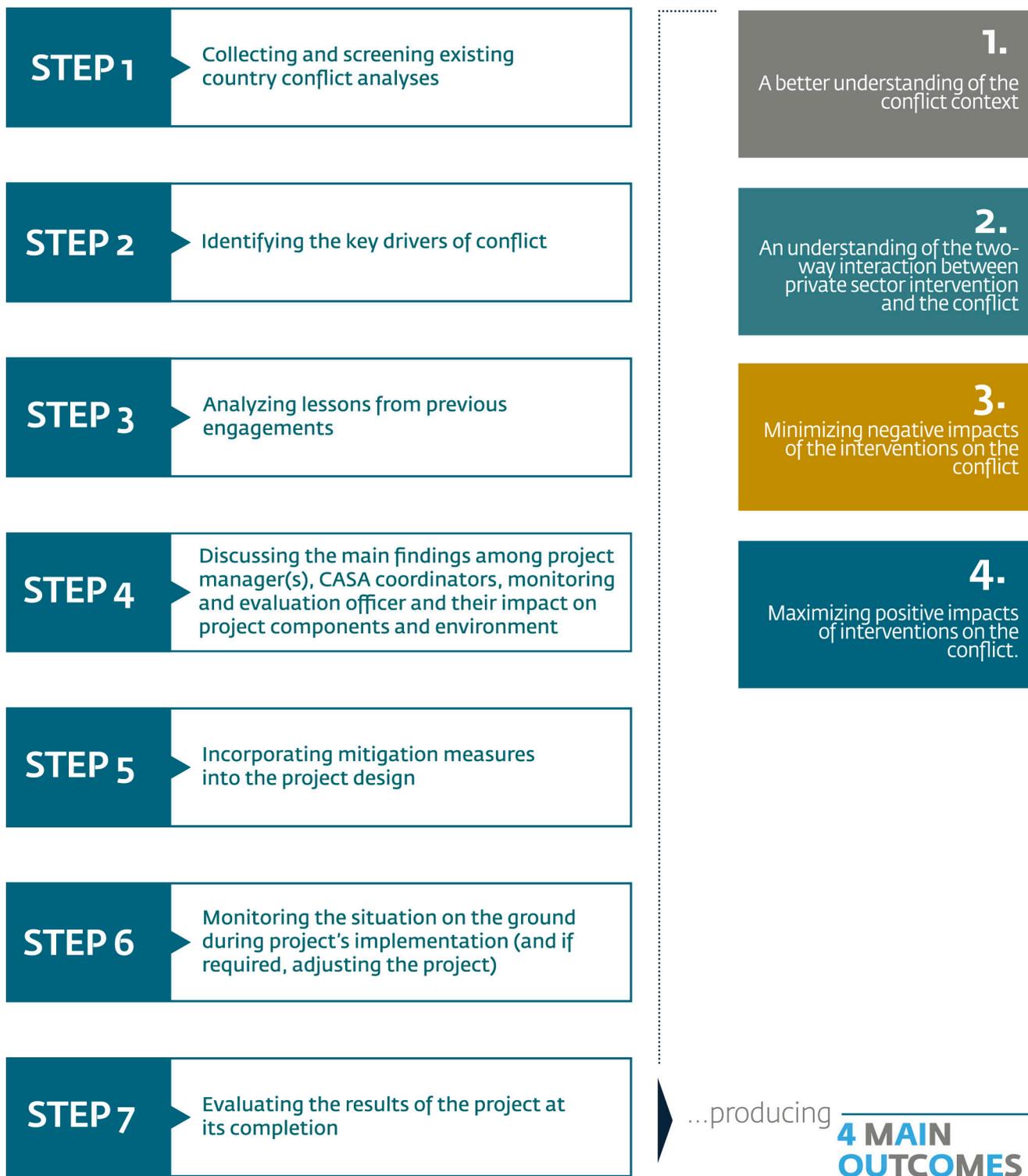
Each year the World Bank publishes the [Harmonized list of Fragile situations](#). DDE uses this list to classify countries/regions as being fragile or conflict affected.

At the specific request of the Netherlands, the International Finance Corporation (IFC) developed a fragility and conflict lens for the Conflict Affected States in Africa (CASA) initiative (operational in 13 African countries). It shows the steps to be taken to design, implement and evaluate initiatives for PSD.

Using these steps will give guidance to maximize positive effects and will show the measures to be taken to avoid risks of failure and of exacerbating conflict and tensions.

² [PSD in conflict-affected environments, DCED, 2010](#)

Applying the **FRAGILITY LENS**



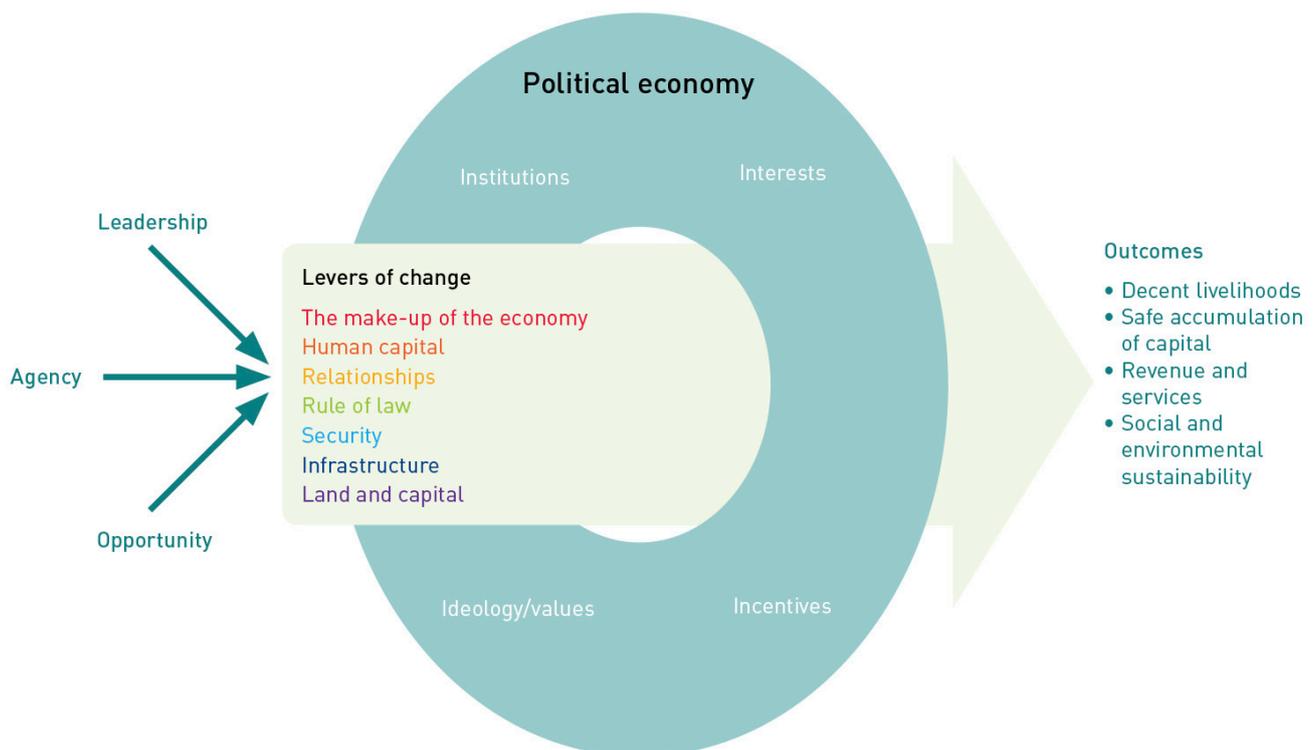
Integrating peacebuilding into economic development

In the document [Peace through Prosperity](#) International Alert shows the tensions between economic development and peace. The following picture shows how economic interventions need to go hand in hand with other relevant interventions. The Peace through Prosperity report provides practical information as well as some examples.

in conflict affected situations, can be experienced as an extra burden. To avoid a 'bucket' of criteria that weighs so much, that companies will not take the effort to apply for DDE instruments, it will be advisable to integrate the crosscutting issues that are related to conflict and fragility in the selection criteria. We know, that in a fragile context, where state authority is either weak or oppressive, human rights violations and sexual abuse are thrive. And it often is quite a challenge for companies to conduct an adequate CSR policy. In conflict affected situations all these issues are even more at play. The questions and suggestions in the annex to this guideline show how these issues can be addressed in an integrated way.

Integrating a conflict lens in PSD with other crosscutting issues, like human rights and gender

To encourage both local PSD as well as Dutch companies to invest in developing countries, DDE provides several instruments. For companies to be able to use these instruments, they need to adhere to selection criteria. These criteria vary from decent work and gender issues, to human rights and ecological footprint. Using a conflict lens



Relevant documents/websites

- One of the most relevant documents for companies investing in developing countries is the [OECD due diligence guidance for responsible business conduct](#). It contains relevant information and guiding questions to ensure that investments will not have adverse effects and includes a gender and conflict paragraph.
- The responsibilities for states and for businesses on human rights is best described in the [UN Guiding Principles on Business and Human Rights](#) (key words: Protect, Respect and Remedy). Chapter 7 contains specific aspects for conflict affected situations.
- [OECD Principles for good international engagement in fragile states and settings](#). It is a short document, describing the 10 main principles for interventions/ investments in conflict affected settings.
- [ILO decent work agenda](#). This website refers to the elements relevant for decent work and how it relates to the SDGs.
- The website of the Donor Committee for Enterprise Development (DCED) provides specific guidelines for PSD in conflict affected settings: [PSD in fragile and conflict-affected environments](#).
- The Stabilization and Humanitarian Aid Department (DSH) developed [guidance for conflict sensitivity](#) to support policy and program development.
- For agricultural programs it can be useful to use elements of the conflict sensitivity tool developed by the Food & Business Knowledge Platform: [How can Food & Nutrition Programming 'do good' in fragile settings](#).
- In [this short video](#), the Head of Development Cooperation for Burundi describes the way the Embassy in Bujumbura uses a conflict lens for PSD.

Using a conflict lens is also relevant to prevent and counter violent extremism (PVE/CVE). If lack of socio-economic opportunities is one of the causes of violent extremism, conflict sensitive PSD can contribute to more perspective for young people and thus contribute indirectly to PVE. To this effect the [ODA-PVE Toolkit to enhance the PVE relevance of ODA programs](#) is developed, which also contains suggestions on how to use a conflict lens.

ANNEX

This annex provides guiding questions and recommendations, which can be used for both new as well as existing policies/interventions/investments. Besides facilitating the private sector, DDE instruments also focus on the broader business climate, facilitating among others public infrastructural programs, PPPs, trade facilities and financial services. And DDE contributes to multilateral organizations working on these issues. Although the questions in the annex can be read specifically for private sector investments, they pertain to those broader policies/interventions as well.

THE CONFLICT CONTEXT - A POLITICAL ECONOMY ANALYSIS

A political economy analysis identifies where and with whom power, and lack of power, lies. It relates to access to and control over resources, influence, opportunities and regulations. Understanding the political economy is needed to determine what economic changes conducive to peace and stability will be feasible. Different issues can be at play, such as elections, inequality, un(der)employment, demographic growth and resource exploitation. A political economy analysis is meant to get the right picture of the political, social and economic situation, of the structural causes of conflict and the power dynamics that are at play. Progress depends on successfully navigating the realities in the political economy.

Choose the **levels** most relevant to the intervention/investment:

The **country/government** level: what are the risks of contributing to conflict when working with the (national) government? And what are the risks of working on PSD without commitment/cooperation at government level? Which issues are at play at the **regional** level: e.g. conflict over resources, elite capture, possible cross border issues relating to conflict?
Sector level: what risks of conflict are at stake at sectoral level? Who are the power brokers at the sectoral level?
Intervention level: who will benefit and who will not, and how will this influence conflict?

A good political economy analysis needs to be done before the design of any intervention/investment in conflict affected situations. It will shape the intervention/investment when we have a good idea of how to maximize positive effects and reduce risks. It is advised to work with

trusted local expertise and learn from their experiences. They are often best placed to assist in picturing the two way interaction between private sector interventions and conflict.

Questions to understand the context and to picture possible positive and negative effects:

- What is the political, economic and socio-cultural context? What are the political, economic and socio-cultural issues at play?
- What is the history of conflict? What are possible emerging conflicts/tensions? What are the main causes (like poverty, inequality, oppression)? And what factors are likely to prolong conflict/tensions?
Note: As mentioned above, this analysis can be at national level, but at regional/local and sectoral level there are often specific issues. It will be relevant to know what the drivers of conflict/instability are related to the envisaged intervention/ investment and who the stakeholders are. For investments this will be part of the due diligence process.
- Who will probably **benefit** from the intervention/ investment, and who will not (winners and losers)?
- How will this influence the conflict and/or the way it will be viewed by groups in the community / the main actors who influence conflict?
- What role does the **government** and/or specific government officials play?
- How will the **main actors** /groups in the **community** feel about the initiative/investment? Will there be resentment and why? What are their specific needs/ideas and whom to communicate with to address their specific issues of concern?
- What issues of **marginalization** are at play in this specific context (gender, ethnicity, indigenous groups, and age groups)? Does violent extremism play a role? How does the conflict dimension affect different marginalized groups? What are their needs?
- What **scenarios** can be developed from the analysis of the conflict, both in terms of opportunities and threats?

THEORY OF CHANGE

If relevant for the kind of intervention/investment, it is advised to develop a **Theory of Change** on the basis of the analysis and describe the underlying assumptions. Evaluating the assumptions regularly provides opportunities for timely adjustments, and therefore prevents adverse effects.

PLANNING

One of the key issues of the planning process is to **involve the involved**. Not only at government (formal) level, but also at community and informal level, like chiefs, religious leaders, and also women and youth (groups). Not only at the start, but also **during the implementation** process.

Issues for a good start of interventions/investment:

- How to choose the **geographic area and/or sector**? This can have a direct or indirect influence on conflict. For instance, when ethnic tensions are at play and only one party to the conflict will probably benefit.
 - Who will be the **beneficiaries**? What will be effects on non-beneficiaries? How can **elite capture, corruption and abuse of human rights** be avoided?
 - How can **socio-economic disparities** and/or competition over resources be prevented?
 - What **gender dynamics** are at play and can be addressed?
 - If **violent extremism** plays a role, can the intervention/investment contribute to prevention/mitigation?
 - How can be ensured that issues like **access to land** do not interfere with (historic) rights?
Note: compensation for land use and possible future advantages for the local community need to be realistic.
 - How can be ensured as much as possible that **authorities** will deliver upon agreements made?
 - What is needed for an adequate **communication plan** for those who will be affected by the intervention/investment, and how are they included in this communication strategy?
 - What are the **risks** of the intervention/investment, and what can be done to mitigate those risks? Note: risks pertain to risks for the intervention/investment, but also to unintended adverse effects on people and their livelihoods. Make it part of the communication strategy how will be dealt with adverse effects.
 - What is needed for a **monitoring system** that will provide information for timely and flexible action when needed, especially regarding security issues?
Note: during implementation monitoring is needed to know what the effect of the intervention/investment will be on conflict/tensions, and it is also needed to timely adjust when the situation changes.
- What factors from the analysis can contribute to **peace/stability**? What are the opportunities for the envisaged initiative/investment to contribute to peace/stability (SDG16)?
 - Can the intervention/investment cater for (job) opportunities for **different groups** in the society, especially in view of bridging (ethnic) divides or possibly contribute to prevent violent extremism?
 - What can be done to provide (job) opportunities for **local young men and women** in a culturally acceptable way?
 - Which specific opportunities can stimulate gender equality?
 - How can companies be supported to tailor their **CSR policy** to this specific situation
 - How can be ensured that **international standards** like the UN Guiding Principles for Business and Human Rights and the ILO decent work agenda, are implemented as best as possible?
 - Are there opportunities to support **basic social services**? What needs are expressed by groups in the local community, which will both support the sustainability of the intervention/investment as well as social cohesion?
 - Which opportunities can be used to stimulate transparency and **good governance** by formal institutions?

CONTRIBUTING TO PEACE AND STABILITY

In fragile situations **elite capture** is a common phenomenon. It goes along with corruption, and often oppression. But it has also caused severe uprisings, damaging lots of investments. For a more inclusive development, and thus to contribute to more stability, the following questions/issues are relevant: