

BDS in Conflict Environments – Neglected Potential?

**Synthesis of a SEEP Network On-Line Discussion
September 6 – October 6, 2004**

**By Mary McVay
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About SEEP

The Small Enterprise Education and Promotion (SEEP) Network is a membership association of over 50 North American organizations that support micro and small enterprise development programs around the world.

www.seepnetwork.org

The Business Development Services Working Group, comprising SEEP members, seeks to advance and disseminate learning about services that help the poor benefit from global markets.

www.seepnetwork.org/bdsguide.html

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Introduction

From September 6 – October 6, 2004, the SEEP Network’s Business Development Services (BDS) working group hosted an on-line discussion entitled “BDS in Conflict Environments – Neglected Potential?” The discussion is part of SEEP’s broader initiative to examine strategies for reaching poor and vulnerable entrepreneurs with business development services. Similar discussions have been held on reaching both very low-income women and people affected by HIV/AIDS.

The objectives of the discussion were to:

- Exchange experience and frameworks from different development fields that can contribute to reaching people affected by conflict with enterprise development services to improve family livelihood security;
- Share practical experiences, case studies, and strategies that help conflict-affected people access appropriate business services;
- Brainstorm innovative solutions to the challenge of reaching those affected by conflict with beneficial enterprise development services;
- Facilitate better understanding, relationships, and dialogue among practitioners in different fields concerned with improving the lives of conflict-affected people in developing countries; and
- Develop a research agenda for the next steps needed to further these objectives.

There were 61 subscribers, including SEEP members, and 14 people posted comments (23%). Participants represented SEEP members, international NGOs, national NGOs, consultants, and some donor agencies. The discussion was facilitated by Tim Nourse of American Refugee Committee and Mary McVay, facilitator of the SEEP BDS working group.

This synthesis of the on-line discussion presents background to the topic, a summary of participant contributions structured by the questions facilitators posed, and recommendations for next steps for research and dialogue.

Background

Over the past thirty years, the number and length of conflicts in the developing world has increased dramatically. Over 50 countries have experienced long-term conflict since 1980; 15 of the poorest 20 countries in the world have been engaged in civil conflicts and every country in Africa has been affected by conflict either directly, or indirectly through major refugee movements.¹ While already important in most developing countries,

¹ World Bank, 1998. *Post-Conflict Reconstruction: The role of the World Bank*, Washington DC.

microenterprises take on an even more central role in providing income for the poor during and after conflict. In this environment, industrial and agricultural sectors provide only limited employment opportunities and markets and skill systems are often totally disrupted. Enterprise development services (BDS)—market links, training, and improved technology—have enormous potential to assist post-conflict populations secure incomes and rebuild assets. However, to date there has been little investment, research, or information-sharing on BDS programs in conflict environments.

Background Information

- For background on livelihood security and development in conflict-affected environments, see “Livelihoods in Conflict: the pursuit of livelihoods by refugees and the impact on the human security of host communities,” by Karen Jacobson.
- For background on Business Development Services and the market development approach to BDS, see the 2004 ILO BDS Seminar Reader by Aly Miehlabradt and Mary McVay.

To access these documents, go to:
http://www.seepnetwork.org/section/programs_workinggroups/bds/conflict

The on-line discussion was launched with a *thinkpiece* which attempted to focus attention on the potential and challenges of helping conflict-affected people gain effective access to business development services and to kindle discussion on the subject, initially through an on-line dialogue. The *thinkpiece* and other background documents on BDS and conflict, and BDS and development are available at http://www.seepnetwork.org/section/programs_workinggroups/bds/conflict.

1. Summary

The discussion centered around three sets of questions that asked participants to:

- a) Share their experience and their programs;
- b) Describe initiatives with potential to overcome the challenges microenterprises face; and
- c) Consider ways to incorporate social and personal initiatives into BDS programs that target conflict-affected populations.

Not surprisingly, the major lessons participants talked about were closely aligned with those presented in the *thinkpiece*—BDS programs must be designed around local conditions and work in conjunction with other initiatives if synergy of action and, ultimately, resolution of the conflict, are to be achieved. A program in Nepal is addressing a major cause of conflict—the lack of economic opportunity in rural areas—by promoting high potential value chains with rural links, primarily in the agro- or forestry-based sub-sectors, and building private sector capacity to engage in conflict transformation by encouraging the business community to recognize its role.

When talking about initiatives having the potential to help enterprises overcome obstacles, participants suggested markets, sectors, and populations that should be targeted and discussed the potential for commercial BDS strategies to work in conflict situations.

Suggested sectors included construction, particularly large, labor intensive projects that could create jobs; traditional women's handicrafts; service sectors such as accounting and typing; areas offering vocational training, but few jobs; and decimated production sectors threatened by imports. The potential for agricultural vs. off-farm enterprise development in rural areas was a hotly debated issue.

Evaluations of programs working in conflict-affected areas indicated that, for some populations, BDS may not be effectively utilized until some form of psycho-social service is provided and that effective BDS and psycho-social assistance should be provided through separate programs/ providers. One participant suggested that income-generating programs might help address these issues by packaging business services with group counseling and therapy services and a program in Guinea has begun training staff to identify trauma cases and refer them to appropriate service providers. In another instance, a life-skills program for both ex-combatants and youth incorporate training in functional numeracy and literacy, conflict management, and entrepreneurship.

Security and how to ensure that programs contribute to conflict mitigation, or do not exacerbate the conflict were much discussed with many agreeing that programs targeting only women or displaced people, but not host communities can exacerbate conflict. One organization has begun incorporating indicators into programs in conflict areas in an effort to identify causal links to conflict mitigation.

Although this dialogue on BDS in conflict situations raised more questions than answers, it concluded that further research and dialogue were needed to move forward. In addition, BDS programs should share more information about their strategies and programs and organizations working on microenterprise development in such settings should promote awareness, and implementation, of existing lessons learned.

2. Existing Situation/ Initiatives

The first set of questions asked participants to share their existing experience and programs, as follows:

- What kinds of businesses—both legitimate and illicit—do conflict-affected people typically engage in? What kinds of markets do they have access to? What kinds of services do they want or need? Be specific about the population described—refugees, displaced people, host communities, ex-combatants, women, youth, etc.
- What kinds of programs/ initiatives are practitioners currently involved in? To what extent do they reflect best practices and what positive aspects of the program should the field keep as practitioners begin applying best practices?
- What results, impact, or consequences have income-generating efforts targeting conflict-affected people had—both intended and unintended?

Participants responded with general lessons learned and with descriptions of their specific programs.

General Lessons Learned

To launch the dialogue, participants shared general lessons learned that complemented those identified in the *thinkpiece*:

- BDS initiatives are a relatively minor component in the overall effort to ameliorate conflict and need to be implemented in conjunction with activities focused on addressing significant macro issues such as developing strong legal and financial systems at the national level; and redressing the problems of global trade distortion, the proliferation of military equipment and supplies, and a growing and increasingly angry underclass.
- BDS needs to be designed with local systems and reality in mind. The nature of the conflict influences the nature of the program. Bhushan Shah of the Private Sector Promotion Project/ Nepal, reports that BDS, particularly commercial approaches, can easily be seen as supporting only one side in the conflict between the constitutional monarchy and the Marxist rebels. And, because this conflict is widespread, the context is one of general economic decline, whereas conflict in some countries is isolated and the general economy is fine.
- Commercial BDS in conflict settings is more challenging because of the high level of subsidy and distortion in markets, the lack of assets among target populations, the breakdown of existing markets, and the uncertainty created by physical insecurity.
- Contracting reconstruction efforts to large international firms creates profit and multiplier effects in the donor country, but not in the conflict-affected country. Every effort should be made to contract local firms and use labor-intensive methods in order to create jobs.
- BDS needs to be supported with sufficient resources whether financial and material, human and organizational, or technical materials and know how.
- BDS works best when there is a hiatus in the conflict, such as a cease-fire, or in a post conflict setting.
- Training alone is not enough. It can increase frustration by raising expectations in a situation in which few or no opportunities are available. It is critical to ensure that financing is accessible and market opportunities are opening up.
- To improve performance, hold BDS programs accountable for results.
- BDS programs need to share more information about strategies and programs. Peter Burgess of Afrifund offered his database as a potential management information center and the www.bdsknowledge.org website is another excellent resource for this type of information.

Examples of Programs

Examples of programs participants are currently engaged in show that:

- In general, most BDS programs targeted to conflict-affected people offer free business identification or management training, some of which is tied to receiving a grant or loan to (re)start a business;
- Some initiatives are aimed at (re)-establishing market links in key sectors such as agriculture or crafts;
- Few initiatives attempt to or succeed with a commercial BDS market development approach; and
- Initiative that were originally BDS market development programs have had to adjust to escalating conflict (such as one in Nepal) while attempting to present as much of a commercial orientation as possible.

Specific program examples

- Tim Nourse reported that in Sierra Leone, the American Refugee Committee (ARC) is providing entrepreneurs with access to business management training through local NGOs and microfinance through a separate, local MFI. Accessing one service is not required to access the other, but ARC anticipates that the two programs will serve many of the same clients. The program is too new to speak of results.
- Alternatively, in Guinea, ARC provides business management training to refugees as a prerequisite to obtaining credit. The Guinea program has recorded remarkable repayment (less than 3.5% arrears) and clients report that the business management training has helped them to manage their businesses more effectively. Whether the repayment is due to the business management training or to other factors is difficult to determine.
- Mayada El-Zoghbi of GMI, a consulting firm in New York, reported on the state of BDS in Afghanistan, where many practitioners have been offering BDS using a traditional approach for years. Most provide business identification and management training to women, while some help women form cooperatives and the program markets their crafts. Other programs focus on agricultural development and helping farmers find alternatives to poppy production, and a few new programs are targeting more specific crops like saffron. A BDS working group comprising the major NGO BDS providers working in Afghanistan—IRC, Care, Mercy Corps, IAM, ADRA and others—is facilitated by the ILO and has been active for nearly a year. The group came together as a preliminary step to improving best practices.
- Swarnamali Abeysurya of Start and Improve Your Business (SIYB) in Sri Lanka described the SIYB approach of providing target groups with four copies of the SIYB training package. Initially, they are targeting ex-combatants, the most challenging group, to get them back to their homes and improve their livelihood security. The approach develops trainers to deliver SIYB training rather than using subsidies or free money. Relief and development organizations promote the training and some offer the first stage—Generate Your Business Idea (GYB)—for free in the hope that the strategy can market the commercial courses. However, the project is still young and results not yet available.

- Jason Wolfe reported that Enterprise Works Worldwide (EWW) is involved in wholly commercial market development approaches to helping conflict-affected farmers reach markets in Guinea-Bissau and Senegal. EWW works in the cashew sector, introducing local processing and connecting processors to domestic, regional, and international markets. They also help vegetable farmers access small-scale irrigation technology and commercial inputs.

“I haven't yet thought through the major, conflict-specific challenges we've encountered or what lessons we have to offer, but I wanted to get on the record that we are implementing textbook BDS programs in post-conflict situations with great success.”

Jason Wolfe, Enterprise Works Worldwide

- Bhushan Shah described the BMZ-funded, GTZ-implemented Private Sector Promotion Project (PSP) in Nepal. PSP was conceived at a time of “relative” peace in the country, but an escalation of the conflict between the Government and the Maoists in mid-2001 prompted a major strategy shift away from the original focus of developing urban BDS markets to serve a range of mostly formal sector micro and small enterprises to:

- *“Working in conflict”* – by making the project and staff more conflict sensitive, improving risk management competencies, and finding ways to be effective in difficult conditions. A major priority is to ensure that project and partner activities do not further escalate the conflict.
- *“Working on conflict”* – addresses some of the root causes and consequences of the conflict.
 - a) One theme addresses a major cause of the conflict—the lack of economic opportunity, particularly in rural areas. The project now targets conflict-affected rural areas and promotes high potential value chains with rural links, primarily in the agro- or forestry-based sub-sectors. PSP also plans to promote local economic development (LED) in less developed regions of the country and support the introduction of enterprise education in vocational training to encourage self-employment.
 - b) The other theme relates to building private sector capacity to engage in conflict transformation by encouraging the business community to recognize its role and supporting advocacy and capacity-building. PSP supported a national conference on “The Role of the Private Sector in Peace-building, Reconciliation, and Development” which spurred a new initiative known as the National Business Initiative for Peace, an alliance of 16 business associations. Activities involve encouraging large businesses to increase both their links to SEs and their investments in rural areas.

3. Potential for Applying Best Practice BDS to Overcome Challenges to Microenterprise as a Livelihood Security Strategy

The second set of questions asked participants to consider potential initiatives and prompted with the following questions:

- What types of markets could conflict-affected people potentially gain access to and how can those markets be strengthened and/or protected for the benefit of these individuals?
- What kinds of BDS are needed to help low-income women take advantage of these market opportunities? What situations would convince BDS providers that selling to low-income women is a good business opportunity?
- What kinds of commercial transactions, asset development, or financing strategies can help conflict-affected individuals procure BDS on a commercial basis? Is it advisable to facilitate links with MFIs in these situations?
- What sort of private sector providers can be found or developed in conflict environments?
- What are the best market assessment methodologies to use in helping practitioners understand a situation quickly, affordably, and repeatedly—even as it changes?
- What kind of coordination can help convince other agencies to use more market-based strategies?

Participants responded with recommendations of markets, sectors, and populations that should be targeted, and with comments and ideas on the potential for commercial BDS strategies to work when targeting conflict-affected populations.

Market, Sectors, and Target Groups

Participants suggested a range of sectors having the best potential to help conflict-affected populations and they debated how to target specific groups in order to mitigate, rather than exacerbate, conflict. The main sectors they suggested were:

- Construction, especially labor intensive, large-scale construction projects that could create jobs;
- Crafts, especially women’s traditional crafts;
- Sectors that predominate among conflict-affected populations and in conflict-affected areas—the potential for agricultural development vs. the need for off-farm enterprise in rural areas was hotly debated;
- Service sectors such as accounting and typing;
- Sectors in which vocational training is occurring, but in which graduates do not have jobs and need to start businesses; and
- Decimated production sectors that imports may be threatening.

In terms of target population, Tim Nourse suggested that targeting might best be defined by sector. Most programs target individuals who are conflict-affected, which may cause problems between displaced people who receive assistance and host communities who do not. Other participants debated whether targeting women would exacerbate or mitigate conflict when:

- Non-Muslim countries target women in conservative Muslim countries. This can fuel anti-western group claims that those governments are anti-Muslim; or
- Women are better able to care for their families, they are less likely to send their children off to fight for financial reasons.

The discussions related to sector selection concluded that multiple approaches were necessary because targeting sectors like construction would generate jobs for men and support larger businesses, whereas targeting handicrafts would have more potential to help microenterprises and women.

Potential for Commercial BDS Strategies

When discussing the potential of commercial BDS strategies, participants suggested some general approaches and described a few new initiatives they were considering. The general theme was mainly that commercial BDS programs should differentiate themselves institutionally and philosophically from relief efforts in order to develop professional competency and promote business-like relationship with clients.² Specific proposals for innovative programs follow:

- Charging (at least) nominal fees to help people move from a relief to a private sector development mentality or promoting service delivery through business-to-business deals, rather than a fee for service;
- Creating norms and standards through associations like the BDS network in Afghanistan's markets;
- Providing business training services to conflict-affected communities, including ex-combatants, returnees, and internally displaced people (IDPs). During the first stage, ARC projects in Sierra Leone and Liberia plan to provide basic services on a subsidized basis through a voucher scheme. In the second stage, it will introduce more advanced training on a cost-recovery basis;
- Considering a pilot program to target a selected group of individuals displaced by conflict in order to get them into employment or help them set up microenterprises. The PSP program in Nepal plans to provide skills and entrepreneurship training putting high potential trainees into an incubator that can link successful graduates to businesses for sub-contracting. In addition, the program will facilitate access to credit.

This approach involves mapping the industry/ labor markets to match the interests/ skills of conflict victims with local economic realities. The project will work with private sector partners to ensure offers for employment are forthcoming and to help establish links for the new enterprises.

Trainees would have portable skills or enterprises that could be relocated when they are able to return to their homes and it is the hope of the project that the outcome for target groups would be sustainable. PSP planners think subsidies for training or incubation in a case like this may be justified because of the immediate need to help conflict victims. Using program SME promotion know-how should override long-term market development goals in such cases. PSP wants to try and determine if the

² Zvi Galor raised challenges to the current BDS approach citing the need to address the Essential Triangle of Production—skills, inputs and markets, and finance. In addition, she emphasizes the need for the poor to seek collective action to address economic and social issues. For more information, see www.coopgalor.com.

training or incubation model can be adapted to a for-fee basis later or when the conflict subsides.

4. Potential for Addressing Social, Personal, and Other Development Challenges to Entrepreneurship and Market Development

The third set of questions asked participants to consider how to incorporate social and personal initiatives into BDS initiatives targeting conflict-affected populations. The questions were:

- How can/do efforts to help conflict-affected populations work on both livelihood security and social reparation simultaneously? How can they help individuals overcome trauma and communities repair dysfunctional markets so they can build healthier relationships that support stable and healthy market interactions?
- Should relief organizations attempt to help conflict-affected populations address problems caused by gangs, bandits, or other sources of insecurity that impede their ability to conduct business? If so, what can they do?
- Assuming most conflict-affected people have suffered some kind of psychological trauma, should, and how, can income-generating programs be structured to address these issues?
- How can BDS programs in conflict environments reduce pressure on natural resources while ensuring a source of inputs and infrastructure?

Participants responded with comments and challenges to addressing mental illness and psychological issues, and with comments and strategies for addressing conflict mitigation.

Addressing Psychological and Mental Illness Issues

- Philip Manickam of BasicNeeds, an NGO in India that works with people with mental illness, described their plans to expand to conflict areas in rural India and raised the challenge of working on BDS in conflict areas and in agriculture.
“It would be interesting to hear if there is scope, or if there are BDS programs, for strengthening businesses that offer education, infrastructure, gender sensitized media...and the other non-business service needs of the people so that the environment that they live in is energizing and truly liberating.”
Fatimah Afzal
Independent Consultant, Pakistan
- Fatimah Afzal suggested that BDS should be packaged with group counseling and therapy services. She asks, “Are there any studies to show how learning ability, entrepreneurial drive, and initiative are influenced by conflict? Shouldn’t approaches for delivering BDS in conflict areas take these issues into consideration and be adapted to suit the psychological realities of the people?”
- Tim Nourse reported on a World Vision and Management Systems International-implemented life-skills program for both ex-combatants and youth that incorporated training in functional numeracy and literacy, conflict management, role of youth in society, and starting small businesses. Program evaluations and responses indicated

that, for some conflict-affected populations, BDS may not be effectively utilized until some form of psycho-social service is provided and that effective BDS and psycho-social assistance should be provided through separate programs/ providers.

- Tim also described ARC's approach in Guinea in which microenterprise development staff are trained to identify trauma cases and refer them to appropriate service providers. However, referrals are not common since highly traumatized individuals rarely make their way into the program because their problems prevent them from engaging in business.

Conflict Mitigation

Participants discussed how to ensure that their programs contribute to conflict mitigation, or at least do not exacerbate the conflict.

- Tracy Gerstle noted that Mercy Corps is trying to be more symptomatic and incorporate indicators into both its economic and broader programming in conflict areas to see if it can identify causal links to conflict mitigation;
- Tim Nourse discussed the need to address security issues, saying that programs should encourage clients to form business watch groups, become involved with local peace initiatives, and work with local government to protect their businesses.
- As mentioned above, there was discussion on targeting that exacerbates conflict, such as when programs work with displaced people, but do not provide support to host communities. Participants also questioned whether Western-funded programs targeting women fuel the anti-Western sentiment in countries where conservative Muslim movements are in conflict with Western-backed governments (Afghanistan, Iraq, Palestine, etc.)

5. Conclusions

There were more questions than answers in this stimulating dialogue on BDS in Conflict Situations. However, some trends were apparent and this suggests that further research and dialogue are needed to move forward.

- Several general lessons learned that are not being followed or implemented in many situations are:
 - Associations and coordinating networks of organizations that work on microenterprise development in conflict settings should promote awareness and implementation of existing lessons learned;
 - There may be a need for a brief, but more systematic presentation of existing lessons. This could be developed as part of the SEEP On-line Guide to BDS in an on-line, printable format. This would be useful material to circulate to agencies working on BDS in conflict settings and for networks everywhere; and
 - There may be a role for global facilitation of a learning community on this topic that could encourage formation of local coordination groups.

Several agencies are now experimenting, and one even claims to be succeeding, with the implementation of commercial BDS market development in conflict settings. Over the

next couple of years it would be useful to document case studies based on experience in conflict situations. The following would be a good start:

- Value-chain development and market linkages (Enterprise Works Worldwide, PSP Nepal);
- New initiatives in training that take a commercial market development approach and use a gradual method of payment to encourage participation (ARC in West Africa, SIYB in Sri Lanka);
- BDS market development programs that shift focus due to conflict (PSP Nepal); and
- BDS coordination networks in a post-conflict setting (Afghanistan and Azerbaijan).

Even among practitioners implementing innovative programs, there are new ideas that are not being tested, such as those that are coordinating psycho-social and security initiatives with those focused on BDS. Action research into these and other on-going research questions would help test and demonstrate new approaches and models.