THE ROLE OF PRIVATE SECTOR DEVELOPMENT IN POST-CONFLICT ECONOMIC RECOVERY

John Bray

September, 2007

THE ROLE OF PRIVATE SECTOR DEVELOPMENT IN POST-CONFLICT ECONOMIC RECOVERY

John Bray

INTRODUCTION 1

1. WAR-TORN INVESTMENT CLIMATES 1

The legacy of war economies 2
Risk and opportunity in conflict-affected environments 4

2. CONTRASTING PRIVATE SECTOR STRATEGIES 5

Variations by place of origin *5*
Local businesses 6
Diaspora investors 6
Regional 8
Major transnational companies 9
Variations by sector 10
Speed and sequencing 12
Positive and negative impacts of private sector activity 16

3. MANAGING THE PRIVATE SECTOR ECOSYSTEM 18

The central role of the state 18
Institutional and regulatory reform 19
The timing of reforms 20
Local entrepreneurs and SMEs 21
Promoting FDI
Tax incentives 23
Political risk insurance 23
Public private partnerships 24
The need for 'conflict sensitivity' 24
Collective business initiatives 25
The private sector and peacebuilding 26

4. POLICY IMPLICATIONS: TRADE-OFFS AND WIN-WINS 27

Be realistic 27
Address the fundamentals early 28
Take a sophisticated view of security 28
Promote local ownership 29
Look for 'win-wins' 29

SELECT BIBLIOGRAPHY 30

Introduction

There is no question that countries need active, equitable, and profitable private sectors if they are to graduate from conflict and from post-conflict aid-dependency. The most important issues are not *whether* the private sector develops, but rather *how* and *when* it does so. Most importantly for policymakers, what can be done to ensure that the private sector develops in the right way?

The overall argument of this paper is, first, that there is a clear need for closer cooperation between public and private agencies, but that this cooperation needs to be based on an understanding of the nature and diversity of the different kinds of commercial operators. There is in fact no single private sector, but several. Policymakers need to deal with the companies and individuals that they have, and not with the ones they would like to have.

1. War-torn investment climates

The World Bank's *World Development Report 2005*, titled *A Better Investment Climate for Everyone*, makes two key points that are central to the argument of this paper. The first is to emphasise the diversity and importance of the private sector:

> Private firms – from farmers and micro-entrepreneurs to local manufacturing companies and mulitinational enterprises – are at the heart of the development process… They provide more than 90 percent of jobs, creating opportunities for people to apply their talents and improve their situations… They are also the main source of tax revenues, contributing to public funding for health, education and other services. [1]

The second point, which takes up the body of the Report, concerns the central importance of the investment climate, which it defines as the "location-specific factors that shape the opportunities and incentives for firms to invest productively, create jobs and expand.” [2]

These factors include: the government polices that influence the security of property rights, approaches to regulation and taxation; the availability of an efficient transport and energy infrastructure; the availability of finance; and the state of local labour markets.

The Report’s argument is that favourable investment climates improve outcomes for society as a whole, and it notes that small and informal firms are often hit hardest by investment climate constraints such as difficulties in obtaining finance, lack of confidence in courts’ ability to uphold property rights; and inconsistent interpretation of government regulations.[3] The investment climate matters not just for powerful multinational companies, but also for local entrepreneurs.

The legacy of war economies

The deficiencies of post-conflict investment climates are not merely technical, but also intensely political. No post-conflict policymaker or entrepreneur starts with a blank slate.

The first consideration is that in many cases – perhaps most – the structure of the pre-war economy was deeply flawed and may have been one of the factors that contributed to conflict in the first place.

At a recent conference at London’s Royal Institute of International Affairs (RIIA), Kanja Ibrahim Sesay of the National Commission for Social Action in Sierra Leone pointed to some of the factors that contributed to state failure and civil war in his country. These included excessive centralization of decision-making; elite monopolization of wealth; a political culture focused on the capture of resources for particular individuals rather than the generation of wealth for all; limited organizational capacity in government; and a climate of mutual decision between government and private sector.[4] Even if restoration of the pre-war status quo were achievable, it would rarely be desirable.

Second, while some kind of business almost always continues in wartime, protracted conflict distorts and destroys normal commercial patterns. Some companies and individuals adopt “coping” strategies,[5] adapting to new environments but continuing more or less as before. For example, Somali entrepreneurs have proved remarkably innovative in certain sectors, notably mobile phones, despite the absence of an effective national government since the early 1990s[6]. In other cases, businesspeople have developed new skills – and amassed huge profits – in smuggling, black-marketeering and sanctions-busting. In recent conflicts, such as those in Lebanon and Bosnia-Hercegovina, there are many examples of combatants “trading with the enemy” across their various frontlines.

As Karen Ballentine discusses in a parallel background paper for the United Nations Development Programme’s Post-Conflict Economic Recovery report,[7] war economies leave legacies that continue once the fighting has died down. Those who have gained power and influence through patronage of quasi-legal or illegal commercial networks will wish to preserve their positions. Pain and Lister (2004) point out that post-Taliban Afghanistan scarcely amounts to an “open economy” because aspiring entrepreneurs have to contend with existing commercial networks backed by powerful warlords.[8]

Risk and opportunity in conflict-affected environments

In the immediate aftermath of conflict, the overall pattern of risks may not look so different from when fighting was still under way. The key problems include:

***Poor security*.** This includes the risk of crime from ex-combatants, as well as the possibility of renewed fighting if the peace process breaks down.

***Lack of effective regulation*.** Government institutions typically lack experience and technical capacity. The regulation that exists on paper may be based on pre-war models that are no longer appropriate – for example, because they belong to a socialist era that has now passed.

***Widespread corruption*.** Post-conflict environments are notorious for high levels of corruption, among other reasons because of the "state of exception" – the idea that exceptional circumstances place the main imperative on rapid spending, with accounting controls as a secondary consideration.[9]

***Poor infrastructure*.** Basic transport and communications structure, as well as utilities such as electricity and water, have often been destroyed.

The overall political framework will have been determined by ceasefire agreement that often is based on some kind of compromise between the main actors, as in Bosnia-Hercegovina and Lebanon. It will be hard, if not impossible, for individuals or companies to present themselves as "neutral" parties. Their religion, ethnic identity, or region of origin will almost always identify them with one side or the other. Even international companies are likely to be identified with one side or the other because of their government contacts or the backgrounds of their local partners, suppliers, and sub-contractors.

These conditions impede the commercial prospects of all kinds of businesses, whether these are individual entrepreneurs, small and medium enterprises (SMEs), or international companies. However, there are also opportunities arising first from the reconstruction process itself and, more broadly, from the possibility that investors who are willing to take the risks of being among the "first movers" can establish themselves before their more nervous competitors.

2. Contrasting private sector strategies

The willingness of businesses to assume these risks depends on their appetite for taking chances, and this, in turn, is likely to depend on their geographical origin, their sector, and their individual commercial strategies. The common factors are, first, that in the immediate aftermath of conflict, business people naturally will look for opportunities that combine relatively small capital investments with fast and preferably generous returns.

Second, the companies most likely to operate in conflict-affected environments are typically "juniors" (to adopt an oil industry term): smaller or less-established companies that follow a deliberate strategy of taking high risks in the hope of winning high returns.

Variations by place of origin

Many analyses of private sector development[10] distinguish between "local" and "international" business as though there were a clear divide between them. In practice, one should think more of a "spectrum," with small, parochial operators at one end and truly transnational companies at the other end.

Most companies operate somewhere in the middle: Even local companies typically benefit directly or indirectly from international trading connections and sources of finance, while international companies of course need to deal with local suppliers and sub-contractors. In this respect the pattern of peacetime business is similar to the pattern of war.[11] Pugh and Cooper have argued for the need to understand war economies as regional rather than purely national or local phenomena. The same applies to economies "in recovery."

Local businesses

Local entrepreneurs have the strongest possible motivation to set up business. As one successful Bosnian businessman explained to this author in 2003, his original motivation was very simple: The war had ended, his country was in ruins, and he was "hungry." Major constraints, of course, include limited access to finance and, in many cases, commercial expertise (see below).

Although business people who are based in or who come from conflict-affected countries have a strong personal motivation to assist with its recovery, they will not put their own funds at risk unless they are reasonably confident of receiving a return. As Collier points out, wartime economies are characterized by capital flight, and this may continue even after the formal cessation of hostilities. Local conditions, at least in the short term, may not be radically different than during wartime. [12]

Diaspora investors

Diaspora investors have the potential to play a particularly important role. More than most international operators, they have the local connections and, in many cases, the personal motivation to contribute to their country's reconstruction. While living abroad, they may have picked up valuable expertise, in addition to amassing funds.

In Afghanistan, the two first mobile telephone companies both had Diaspora connections: Afghan Wireless Communications Company is a joint venture between the Afghan Ministry of Communications (20 per cent) and the U.S. company Telecommunications Systems International (TSI), which owns 80%.[13]

TSI was founded by Ehsan Bayat, a U.S.-based entrepreneur who was born in Kabul but left for the United States in the 1980s. Roshan, the rival Afghan mobile phone company, is a consortium lead by the Aga Khan Fund for Economic Development (AKFEED), which owns 51% together with a consortium of international investors.[14] The Aga Khan's Ismaili community is widely dispersed across Pakistan, Afghanistan, and Central Asia, and AKFEED is widely respected for its development initiatives. These two phone companies have recently been joined by a third investor, the South Africa-based MTN.[15]

While diaspora investment can play an important role, it cannot be taken for granted. The World Bank's report on the *Investment Climate in Afghanistan* noted that the total wealth of the Afghan Diaspora was estimated at some US$5 billion, much of it in Dubai.[16] Returnees had played an important role and, in addition to their access to capital, typically had higher levels of education than business leaders who had never left the country. However, at least initially, Afghanistan had less success than hoped in attracting funds from overseas Afghans.

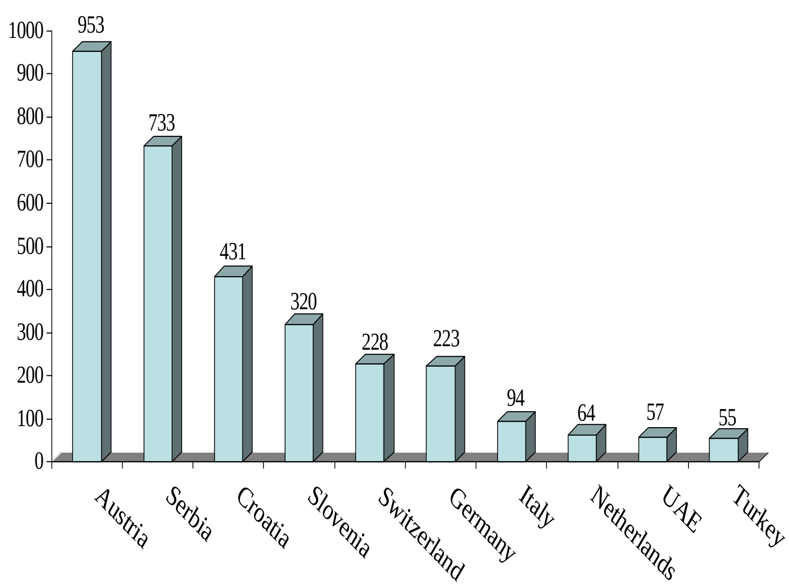
The "local connections" of diaspora investors are not necessarily unproblematic. They benefit from local knowledge and, often by necessity, may be willing to operate in the informal economy. At the same time, “knowing how to operate’’ and “dealing with the right people” may simply imply a willingness to compromise business standards – for instance, by paying bribes to powerful local figures.

Regional Players

Regional players are somewhat similar in that they too benefit from local connections and sources of knowledge. Regional geographical expansion often fits into their strategic plans, and they may believe that greater familiarity with local conditions gives them a comparative advantage over the major international players.

Bosnia’s FDI portfolio is an example. Austria is the leading foreign investor by far, and this fits in with a wider pattern of Austrian investment in southeastern Europe. Austrian retail banks have played a particularly important role in supporting local economic recovery.

Leading FDI stocks in Bosnia & Herzegovina as at June 2007 (€m)



Source: BiH Foreign Investment Promotion Agency – www.fipa.gov.ba

After Austria, the next three leading investor countries are all former Yugoslav states: Serbian investment in particular jumped dramatically in the first six months of 2007.

Afghanistan shows a slightly different pattern: Turkey accounts for more than one-fifth of officially recorded foreign investment, followed by the United States, with 17%, and China and the United Arab Emirates with less than 10% each.[17] Like Austria in southeastern Europe, Turkey appears to be playing an important role as an expanding regional economy, exploiting a comparative advantage by operating in relatively high-risk regions in Central Asia. Many of the U.S. investors may in fact be diaspora Afghans. Afghanistan's two leading traditional trading partners account for only 5% each of officially recorded investment. However, this may be because firms from these countries are more willing to operate in the informal economy.[18]

In the natural resources sectors, there has been a trend in which state-owned companies – notably from China, India, and Malaysia – invest in high-risk regions where major Western companies are reluctant to operate. Sudan is the classic example. The motivation is often partly strategic – a desire to gain access to important resources – rather than narrowly commercial.

Major transnational companies

Truly global companies with international reputations to defend are unlikely to take the risk of investing in a small and dangerous market unless they see commensurate "global" opportunities." As will be seen, the extent to which they identify such opportunities depend in part on the sector to which they belong.

Variations by Sector

Industry variables include the scale of the investment needed, the means of getting paid, and the speed of return.[19] The following examples illustrate the differences:

As noted above, trading takes place even during wartime. Imports (but not exports) are likely to increase dramatically after a conflict ends because of the demand for goods such as materials needed for reconstruction.

Mobile phone companies, like the first swallow of spring, are typically among the first to invest in conflict-affected areas, even before ceasefires. There are several reasons for this. First, the scale of investment for mobile phone networks is relatively low (often tens or thousands of dollars in the first instance). Secondly, returns are relatively quick: The operating companies start getting a return when the first subscriber makes the first call. The third reason is that many developed markets are already reaching maturity. By contrast, in war-impeded economies such as that in the Democratic Republic of Congo, there may be a pent-up demand for mobile phones.

Construction companies are among the most active in a post-war setting because of the obvious need for their services and because – in the case of international companies – they are typically paid offshore and thus can claim a degree of financial and contractual security. However, companies often hesitate to make long-term investments – for example, in the management and the construction of utilities – until they are more confident of the political and security environment.

Transport and logistics companies in Afghanistan provide an interesting case study of a sector where entrepreneurs have been able to exploit a first-mover advantage by providing an essential service with little initial competition and low start-up costs.

According to a benchmarking study produced by the Multilateral Investment Guarantee Agency (MIGA),[20] many logistics companies were able to begin with a modest investment of a few thousands or tens of thousands of dollars, often operating from a single-room office or a hotel, and have been able to make hundreds of thousands or millions in return. Profit margins will fall as conditions improve and competitors enter the market, but the well-established first-movers will continue to enjoy a strong advantage over their competitors.

Petroleum and mining companies go where the minerals are. Many of the most attractive under-explored opportunities are in hitherto conflict-affected areas: The Democratic Republic of Congo is an obvious example. Extractive industry companies are therefore typically among the first to enter conflict-affected countries, sometimes including – notably in the case of Congo – countries that are still at war. However, in the first instance, they are more likely to engage in exploration rather than the substantial investments needed to build and develop mines or oil fields. Also, the companies that enter high-risk environments are more likely to be small companies that offer their own investors high risks in the hope of high returns, rather than behemoths such as BP, Shell, Exxon, or Rio Tinto.

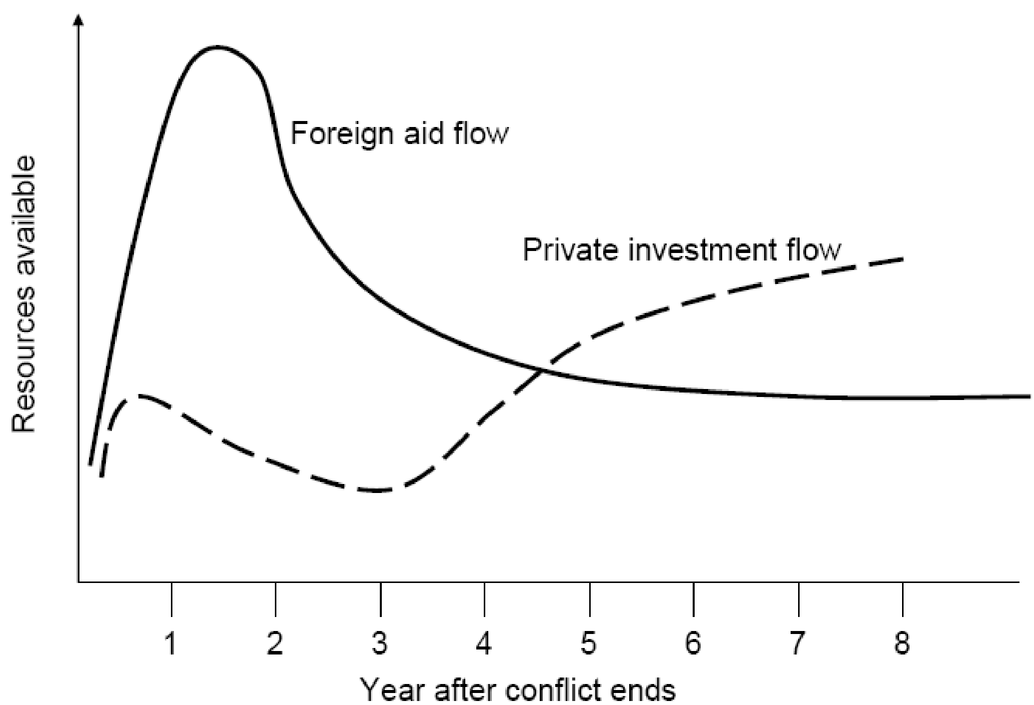
Banks are among the building blocks of economic development but tend to be relatively risk-averse. Retail banks are less likely to invest until they are confident of a degree of political and regulatory stability. Standard Chartered Bank does have a record of setting up in high-risk environments; it was among the first international banks to open branches in post-conflict Sierra Leone and Afghanistan. That is in part because an important part of its client base comes from diplomats and development specialists.

Hotels follow a somewhat similar pattern. Hyatt set up an operation in Kabul soon after the fall of the Taliban in the hope of serving the diplomatic and aid official market. Mass tourism – which is notoriously susceptible to security concerns – tends to develop much later.

Speed and sequencing

It follows from the above that there is a natural sequencing pattern, both in the quantity of foreign investment and in the form that it takes. In the immediate aftermath of conflict, the most important financial flows will come in the form of foreign aid. Both local and foreign investment will be much slower.

Blair and Ammitzboell, drawing on earlier work by Collier and Schwartz et al., offer the schematic representation in the chart below to show the changing balance between aid and investment.



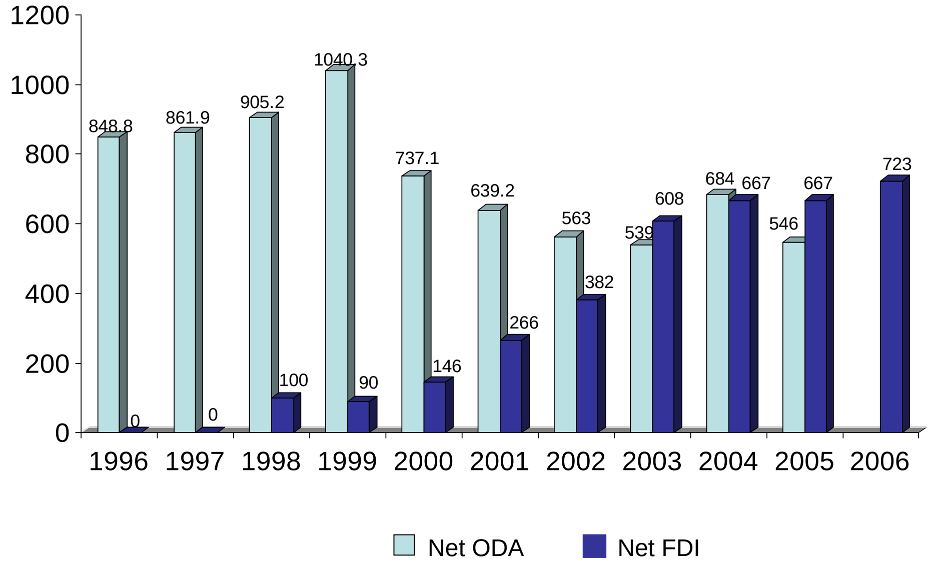
Source: Blair and Ammitzboell drawing on Collier et al. and Schwartz et al.

In the immediate aftermath of conflict, there tends to be a substantial increase in aid, but this tails off over the following decade as the memory of the conflict recedes and "aid fatigue" sets in. There may be a slight increase in private investment flows immediately after the conflict, chiefly from those seeking a first-mover advantage and those engaged with immediate physical reconstruction. The first steps will most likely be taken by smaller and less risk-averse companies, such as mobile phone sellers, that have a realistic chance of making rapid returns.

However, the major increase is likely to come some years after the conflict has ended – once the infrastructure has been repaired, the necessary institutions are in place, and it is clear that the conflict is not likely to resume. At this stage, retail banks and companies in sectors that require substantial initial investments are more likely to take the plunge. If all goes well, private investment will replace aid as the economy "graduates" from conflict.

As will be seen in the chart below, Bosnia-Herzegovina has followed a similar pattern to the schematic representation above, except that the private investment flows were even slower: A study of Bosnia's economic reconstruction by Tzifakis and Tsardanidis[21] refers to the first ten years after the Bosnian war as a "lost decade."

Bosnia & Herzegovina: ODA flows compared with FDI (US$m)



Sources: OECD, EBRD[22]

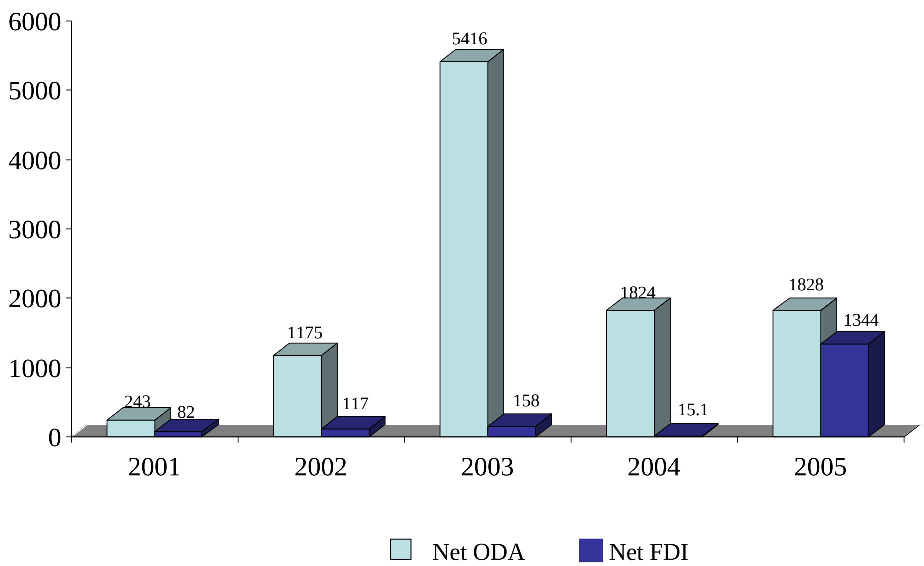
Bosnia's prospects have always been limited by the fact that, with a total population of some 4 million, it constitutes a relatively small market. The factors that further delayed economic expansion in the post-war era included: the divisive political framework emerging from the 1995 Dayton Agreement; a complex and poorly structured regulatory system; the slow pace of privatization; high levels of corruption; and the country's post-socialist legacy as exemplified by the continuation of socialist-era Payment Bureaux until 2001.[23]

The country's reform programme began to pick up only in the early 2000s and eventually brought important results. For example, the abolition of the Payment Bureaux paved the way for the expansion of the retail banking industry, notably including substantial investments from foreign banks.

Despite its many problems, Bosnia-Herzegovina may be one of the more fortunate post-conflict countries, benefiting from – among other advantage – its proximity to the European Union (EU). Many African countries, even the more successful ones, are less fortunate. Mozambique, whose civil war came to an end in the early 1990s, is regarded as one of the more successful post-conflict countries but its recent ODA flows (US$1,286m in 2005, according to the OECD) far outmatch FDI (US$107.9m in 2005, according to UNCTAD).[24] The figures for Uganda, another comparatively successful post-conflict country) are similar: US$1,1198m in ODA in 2005, compared with only US$258m in FDI.[25]

The recent aid/investment figures for the Democratic Republic of Congo, whose civil war came to an end in 2003, point to a dramatic influx of aid in the immediate aftermath of its peace agreement, followed by a sharp drop in the following two years.

Democratic Republic of Congo: ODA flows compared with FDI (US$m)



Sources: OECD, UNCTAD[26]

FDI began to pick up sharply in 2005, but it is as yet uncertain how long this trend will continue. As elsewhere in Africa, mobile phone companies – including Vodacom and MTN from South Africa and Celtel from the Netherlands – have been well represented.[27] There is no doubt of DRC's mineral potential, so that FDI in the mining industry is likely to be even more important. However, would-be investors face considerable political risks, as exemplified by the government's decision in June 2007 to launch a review of 60 mining contracts that had been drawn up in the last 10 years and which were considered to have been unduly advantageous to investors.[28]

The DRC's post-war political institutions are at best in a relatively early stage of development. It remains a classic case of a post-conflict country that combines high political risks with the potential for high commercial returns. It is too early to predict with confidence how far private investment flows will be able to provide it with the financial resources that it needs.

Impacts of private sector activity

When all goes well, private sector development provides employment, sustains livelihoods, and serves to reinforce the economic foundations of peace. Unfortunately, private sector activity is not always so benign.

There is now an extended literature on the political economy of conflict. Notable examples include a collective volume edited by Berdal and Malone,[29] *Greed and Grievance*, further contributions by Paul Collier,[30] an edited volume by Ballentine and Sherman, and a recent International Alert volume on local business and peace-building.[31] One of the main themes of what has become an extended debate is the extent to which the activities of both national and international firms may contribute to conflict rather than alleviate it.

Many of the most important lessons for business derive from the experience of development agencies. In her groundbreaking book *Do No Harm*, Mary B. Anderson focused on the role of aid organisations. Since then, she and her colleagues have adapted many of the principles that she developed for aid agencies to the private sector.[32]

Anderson points out that in conflict situations, companies can hardly expect to be to be neutral. There are always “winners and losers.” Almost everything companies do will have an impact on the underlying conflict one way or another. It is therefore important to identify “connectors:” actions and projects that will bring people together rather than dividing them. Employment is often a particularly sensitive issue in terms of who benefits most from job opportunities and where they come from.

The oil, gas, and mining industries have come under particular scrutiny. Extractive industry companies typically spend millions of dollars on exploration, with uncertain returns, but once projects come into production, the profits are enormous. However, there are limited employment opportunities for local people, particularly in regions with low educational standards.

The main beneficiaries all too often turn out to be national governments and companies rather than the local communities that suffer most from environmental impacts. In the worst case, oppressive national governments may use income from natural resources to reinforce their authority – and finance their armed forces – without the need for accountability to taxpayers. Meanwhile rebel movements in countries such as Angola and Sierra Leone have used what have been called “conflict diamonds” to finance their military activities.[33]

By contrast, the business model – and the social impacts – of the mobile phone industry are completely different. As noted above, initial investments are lower; financial returns are faster; and the local customer base is much wider. Mobile phones assist micro-entrepreneurs, for example, by making it easier to check market prices. In doing so, they make a contribution to broad-based economic development which may genuinely alleviate the risks of conflict.

Many of the political and conflict risks associated with particular industries are intrinsic (e.g. mines will always be associated with high environmental impacts). The challenge is to manage them effectively.

3. Managing the private sector ecosystem

The phrase “investment climate” implies a comparison with the natural world. The 2004 UNDP report *Unleashing Entrepreneurship: Making Business Work for the Poor*[34] adopts a somewhat similar metaphor when it refers in several places to the existence of a private sector “ecosystem.” Certain climates favour particular ecosystems that, as in the natural world, contain larger, smaller, and micro-entities as well as predators, parasites and, no doubt, the equivalents of dung-beetles. The challenge is to create a symbiotic private sector ecosystem rather than a predatory one – or, worse still, a commercial desert. This is a task that demands the collaboration of a variety of actors: business and civil society as well as national and international policymakers.

Particularly in conflict-affected societies, the wide range of variables means that it is impossible to define precise or predictable formulae. Nevertheless, certain patterns have begun to emerge.

The central role of the state

The first is the key role of the state in creating an enabling environment for the private sector. Few observers now favour the minute regulatory involvement characteristic of old-style socialist administrations. There is also a near-consensus among business people as well as ordinary citizens on the central role of the state in setting rules, particularly where these govern the provision of physical security, the rule of law, property rights, and financial frameworks.

Where national governments are unable to provide physical security, the continued presence of multinational security forces, such as those coordinated by U.N. peacekeeping operations (UNPKO), is a matter of economic as well as political importance, although investors understand as well as, or better than, politicians that external intervention is at best a temporary solution pending the emergence of a viable political settlement.

Institutional and regulatory reform

Similarly, the repair of physical infrastructure such as roads or electricity supplies is an important first step to recovery. However, long-term economic and political recovery demands the creation of effective national institutions and regulatory frameworks. As the British economist Tony Addison[35] puts it, it is a lot easier to "pour concrete" than to establish effective and accountable institutions. But the latter is what is required to restore economic confidence in post-conflict environments.

After the end of the Ugandan civil war in 1986, the Kampala government took a series of steps to restore and reinforce property rights. This included returning property owned by Asians who had been expelled in 1972. At the time this was a painful measure because in the meantime the properties concerned had been occupied by local people. However, this approach brought results. In 1986 two-thirds of Ugandan private wealth was held abroad: by the mid-1990s, Uganda was attracting substantial repatriation, and this contributed to private sector investment in the country's coffee boom. [36]

International advisors may be able to play a constructive role by advising on the most important reform measures. For example, the World Bank's Foreign Investment Advisory Service (FIAS) conducted diagnostic reviews of the investment climate in Sierra Leone[37] and Liberia.[38] Both reports emphasised the need for reforms to the local legal frameworks.

The timing of reforms

Collier argues that there is an unparalleled opportunity for reform in the relatively fluid period in the immediate aftermath of conflict. It is important to seize it, and the Ugandan case study cited above is a positive example. [39]

In a similar vein, Mendelson-Forman and Mashatt refer to the "golden hour," a term borrowed from medical literature that represents "a crucial moment that could mean the difference between life and death for a critically ill patient."[40] They argue that there is also a "golden hour" in the world of post-conflict transformation early on in the reconstruction process, when the international community has the opportunity to "lay a foundation for a full economic recovery from conflict or to set the path for a recurrence of fighting."

Whether or not one accepts the golden hour analogy, there is growing agreement on the need to embark on legal and regulatory reform sooner rather than later. Stating that this is desirable is not to underestimate the difficulties. In interviews in Bosnia,[41] this author encountered the view that earlier reform would have been difficult or impossible in the fraught political conditions of the mid- to late 1990s. A counter-argument is that it is harder to implement reforms later on because delays make it easier for post-conflict vested interests to entrench their positions.

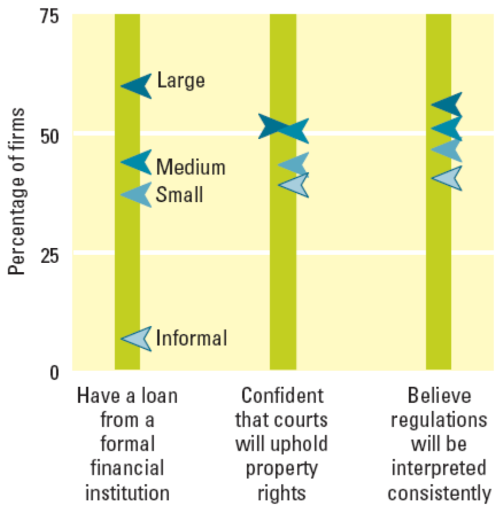
With both local and international investors in mind, Schwartz and Halkyard therefore argue for the need to "eliminate as many regulatory risk barriers to entry as possible; and avoid complex bidding arrangements meant to maximize the revenues from licenses, concessions or asset sales."[42] The priority is to create a regulatory environment that promotes private investment, competition, and consumer benefits.

Local entrepreneurs and SMEs

Local entrepreneurs and SMES play a particularly important role in post-conflict recovery because, if all goes well, they are likely to provide one of the main sources of employment.

By force of necessity, local entrepreneurs have to be willing to operate with – or despite – confused legal institutional framework characteristic of countries recovering from conflict. However, the key factors that make for a business-friendly "enabling environment" – notably security, anti-corruption measures and the rule of law – are as important to them as they are to international companies. Indeed, research by the World Bank summarised in the chart below shows that small and informal firms often suffer more than better established institutions from a poorly developed investment climate. [43]

Figure 8 Small and informal firms are often hit hardest by investment climate constraints



Note: Based on 10 countries for which formal and informal surveys were conducted, controlling for industry, country, ownership, and firm age.
Source: World Bank Investment Climate Surveys and WDR Surveys of Micro and Informal Firms.[44]

Lack of access to credit is likely to be a particularly severe problem. As noted above, mainstream retail banks typically are reluctant to invest or expand their operations in the early stages of post-conflict recovery. Even when they do so, they may be reluctant to make loans to local businesses (as distinct from providing services to diplomats and aid officials) because of the difficulty of "knowing their customer." Donor-supported micro-finance organisations – as discussed in another paper in this collection – therefore can fill an important gap.

Promoting FDI

As discussed above, the pace of FDI is likely to be relatively slow in the immediate aftermath of conflict, and this raises the question of what can be done to accelerate it. The most important measures are the same as for domestic investors: legal institutional and regulatory reform to improve the security of property rights. At the same time, there is a continuing debate on the extent to which special incentives may play a role in attracting foreign investment.

Tax incentives

In a discussion on the role of tax incentives in attracting foreign direct investment (FDI), Morisset argues that tax incentives are less important than such factors as "basic infrastructure, political stability and the cost and availability of labour."[45] This is not to say that they are irrelevant: "Tax incentives affect the decisions of *some* investors *some* of the time." They may be among the instruments that host governments can include in their portfolio, but they are by no means the only tool that they have to attract FDI, much less the most important one. This truism will apply all the more in post-conflict environments.

Political risk insurance

A similar point applies to political risk insurance (PRI). In a study on Bosnia, I argued that PRI was most useful in cases where the post-conflict environment had improved and investors had already identified attractive opportunities.[46] In those circumstances, PRI could help tip the balance between risk and opportunity in favour of going ahead with the investment. It therefore made the greatest difference in the early 2000s, by which time this tipping point was in sight, rather than in the mid- to late 1990s, when the overall environment was too risky, or the mid-2000s, by which time many of the worst problems had already been solved.

In the Bosnian case, PRI provided by the World Bank's Multilateral Investment Guarantee Agency (MIGA) was particularly useful in facilitating investment by Austrian retail banks whose local branches were then able to serve as a source of credit to emerging local companies. MIGA has sought to play a similar role in Afghanistan through the Afghanistan Investment Guarantee Facility (AIGF). The facility includes features that are designed to facilitate the development of the local private sector. For example, a portion of AIGF can be used to insure transactions that involve loans by a foreign financial institution or the local branch of a foreign bank to local Afghan businesses.[47]

Public-private partnerships

The principle of public-private partnership is easy to articulate but harder to practice (for a broader discussion, see Bray 2006a). At a minimum it includes consulting companies about finding joint solutions rather than imposing them from above. Only the state has the legitimacy to perform key roles such as setting legal rules, providing security frameworks, and signing peace treaties. However, the various parts of the private sector may play an important complementary part in providing the finance and the expertise to serve as implementing agencies.

The need for 'conflict sensitivity'

The need for "conflict sensitivity" applies equally to public-sector agencies and to private-sector actors and involves a key question: how to design policy interventions and commercial projects that reduce the risk of conflict rather than exacerbating it.

Specifically with regard to the private sector, the United Kingdom-based NGO International Alert has been promoting the principles of conflict sensitivity, initially with a particular focus on the extractive sectors. Publications include a *Conflict-Sensitive*

Business Practice Toolbox for Extractive Industries [48] and a follow-up publication for engineering contractors.[49] At the same time, industry associations such as the International Council on Mining and Metals (ICMM) are producing their own guides for companies, including one in the area of community development, which includes a section on conflict.[50]

The U.N.'s Global Compact initiative has played an important role both in giving advice on the principles of conflict risk assessment and in promoting public-private policy engagement on how to promote responsible business in conflict-affected areas.

The principles of conflict-sensitive business practices and development are becoming better understood; the major challenge is how to implement them most effectively. Within companies, one of the biggest challenges is to ensure that they are understood and fully applied by operations managers and not just by Corporate Social Responsibility (CSR) specialists. More broadly, there is an obvious need to ensure that the principles of conflict sensitivity are applied not just by larger Western companies but also by smaller and niche companies from all parts of the world and by local entrepreneurs.

Collective business initiatives

Collective business initiatives play an important role in helping to raise standards. Examples with a bearing on post-conflict development include the banks that have adopted the Equator Principles, a set of guidelines for making project financing decisions.[51] These include a commitment to adopt the International Finance Corporation's (IFC) social and environmental performance standards when making project financing decisions.

Collective business initiatives can also play a valuable advocacy role at the local level. Individual business people – such as those in the former Yugoslavia – frequently complain of a lack of understanding by local and national administrations. In the former Yugoslavia, this is the legacy not so much of conflict as of the socialist era that preceded the conflict.

Rather than taking the measures needed to stimulate business in the first place, overstaffed local administrations have placed more emphasis on raising taxes to ensure that they have sufficient income to avoid town-hall redundancies. Part of the answer may come from the development of genuinely representative business associations that are better placed to articulate private sector concerns and propose solutions. [52]

In research visits to Montenegro and Georgia (both of which are transition and – at least to some extent – conflict-affected economies) conducted on behalf of CHF International in 2006, this author was struck by the comparative neglect of the agricultural sector.[53] The reasons in part seemed to stem from the priorities of the metropolitan elites leading the two countries' national administrations. Again, part of the long-term answer may come from the development of local business associations; in Georgia, business lacks an effective collective voice either at the local or at the national levels.

The private sector and peace-building

Overall, the most important contribution that companies can make to peace-building is to concentrate on the responsible fulfilment of their core commercial activities, thus increasing wealth and creating the economic conditions for post-conflict recovery. At the same time, there may be questions concerning the ability of business to play a more explicit part in conflict resolution.

The question is a sensitive one. It is understood that business associations are entitled to lobby governments concerning, for example, tax regimes. However, neither individual companies nor business associations can make a plausible claim to a democratic mandate, and it is therefore questionable whether they can acquire the popular legitimacy needed to justify a wider political involvement.

In the worst case, they run the risk of being accused of attempting "regime capture" – distorting the political process in order to advance the personal interests of elites who hold narrow views of their political and economic responsibilities. In this sense, regime capture was, for example, a feature of Slobodan Milosevic's Serbia. Barbara echoes such concerns when he argues for "a discerning approach that acknowledges both the positive and negative contribution that different private sectors may make to the pursuit of peace."[54]

While such warnings need to be taken seriously, there are positive examples of business playing a constructive political role in such places as Northern Ireland,[55] South Africa [56] and Colombia.[57] It is most effective when it avoids the appearance of partisanship (in the sense of supporting one particular actor or political party) and instead points to the economic costs of failing to end conflict – and to the dividends that accrue from achieving peace.

4. Policy implications: trade-offs and win-wins

Be realistic

The first recommendation is to emphasize the need for a hard sense of realism. The private sector is neither the source of all ills nor the solution to all problems.

However, it can solve or at least alleviate some post-conflict problems, and of course no lasting economic recovery is possible without it.

Policymakers need to be realistic above all in understanding that business people will not invest unless they see a viable commercial opportunity, and that many of the most "attractive" international companies (because they have high standards of corporate responsibility) are also the most risk-averse. In practice this means working with smaller local, regional, and diaspora companies more than global firms with well-known international brands.

Address the fundamentals early

There is a consensus on the need for security and the restoration of infrastructure. The "fundamental" that – at least until recently – has been most frequently neglected is the need for legal and regulatory reforms early in the reconstruction process rather than later on. Incentives such as special tax privileges or financial instruments, such as political-risk insurance, will be of little value if the fundamentals are not in place.

Take a sophisticated view of security

The "sophisticated" view of security is implied by the terms '"conflict sensitivity" and "human security." Mainstream economic activities are of course a crucial part of state- and security-building, but if poorly designed, they can increase the risk of conflict. Similarly, security-sector reform is crucially important for economic development. Reputation-sensitive international companies, for example, will be less likely to invest in the Democratic Republic of Congo if they run the risk of being involved in human rights controversies because of the behaviour of government troops deployed to protect them.

Promote local ownership

As noted above, local and international companies are often discussed as though there were a sharp dividing line between them. There is no such line, first because in practice all but the most parochial businesses are increasingly likely to be linked to the international economy one way and another; and second, because the genuinely international companies need healthy local environments in which to operate and sell their goods. International companies will have no markets if local customers have no money. Measures to stimulate local businesses – for example, by improving access to credit – therefore have more than local importance.

Local ownership is important in the more metaphorical sense that reforms must be accepted and supported by host country nationals rather than imposed from outside. Otherwise, they are unlikely to survive.

Look for 'win-wins'

There is little hope of a lasting peace without economic recovery. But at the beginning, middle – and now at the end – of any analysis of post-conflict development, it is important to remember that peace processes are inherently and inevitably political. Skilful economic initiatives can support, but not replace, the political process.

Ultimately, the most important contribution of the private sector may be its capacity to point to a different paradigm of development. One of the greatest difficulties in any peace process is persuading those who gain from conflict that they have even more to gain from peace. Conflict tends to operate on the principle of "winner takes all." By contrast, sustainable business models depend on regular, repeatable transactions that benefit both sides. Jaw-jaw is better than war-war. Win-win is better still.

Select bibliography

Addison, Tony. 2006. Understanding Investment in Post-conflict Settings. Notes for presentation at GTZ conference on *Private Sector Development and Peace building 14-17 September 2007*. http://www.bdsknowledge.org/dyn/be/docs/108/Addison_PC_Investment.pdf

Anderson, Mary B. 2002. Developing Best Practice for Corporate Engagement in Conflict Zones: Lessons Learned from Experience. Paper presented at conference on "Public Bads – Economic Dimensions of Conflict. Bonn, 2002. www.inwent.org/ef-texte/publicbads/anderson.htm

Ballentine, Karin & Sherman, Jake. 2003. The Political Economy of Armed Conflict. Beyond Greed and Grievance. Boulder: Lynne Rienner

Banfield, Jessie, Canan Gündüz & Nick Killick. 2006. *Local Business, Local Peace: the Peacebuilding Potential of the Domestic Private Sector*. London: International Alert. www.international-alert.org.

Banfield, Jessica & Salil Tripathi. 2006. Conflict *Sensitive Business Practices: Engineering Contractors and Their Clients.* International Alert. http://www.international-alert.org/publications/270.php

Bannon, Ian & Collier Paul (Eds.). 2003. *Natural Resources and Violent Conflict: Options and Actions*. Washington, D.C: World Bank.

Barbara, Julien. 2006. "Nation Building and the Role of the Private Sector as a Political Peace-builder." *Conflict, Security & Development* 6, No. 4, pp. 581-594.

Berdal, Mats & Malone, David M. (Eds.) 2000. *Greed and Grievance: Economic Agendas in Civil Wars*. Boulder: Lynne Rienner.

Blair, Harry & Ammitzboell, Katarina. 2007. *First Steps in Post-Conflict Statebuilding: A UNDP-USAID Study*. Washington.

Bray, John. 2004. *MIGA's Experience in Conflict-Affected Countries. The Case of Bosnia and Herzegovina.* CPR Working Papers. Paper No. 13. Washington: World Bank (Conflict Prevention and Reconstruction Unit), June 2004. See: http://siteresources.worldbank.org/INTCPR/214578-1111996036679/20482442/WP13_Web.pdf

Bray, John. 2005. *International Companies and Post-Conflict Reconstruction: Cross-sectoral Comparisons.* CPR Working Paper No. 22. Washington: World Bank (Conflict Prevention and Reconstruction Unit), February 2005. See: http://rru.worldbank.org/PapersLinks/Conflict-Affected-Countries/

Bray, John. 2006a. *Public-private Partnership in State-building and Recovery from Conflict*. International Security Programme Briefing Paper 06/01. London: Royal Institute for International Affairs. September 2006. 8pp. *http://www.chathamhouse.org.uk/publications/papers/view/-/id/388/*

Bray, John. 2006b. 'CHF's Municipal and Economic Development Initiative (MEDI) Project: a Case Study in Local and Regional Peacebuilding in Central Bosnia.' In *Local Business, Local Peace: the Peacebuilding Potential of the Domestic Private Sector*, pp.257-261. London: International Alert.

Charney, Craig. 1999. "Civil Society, Political Violence, and Democratic Transitions: Business and the Peace Process in South Africa, 1990 to 1994." *Comparative Studies in Society and History* 41, No. 1: 182-206.

CHF International 2005. *Stable Society Study. Effects on Conflict Dynamics & Peace building.* Washington. www.chfinternational.org/files/1246_file_sss_pdf.pdf

Collier, Paul. 2007. *Post-conflict Recovery: how Should Policies be Distinctive?* Oxford University: Department of Economics, Centre for the Study of African Economies. http://users.ox.ac.uk/~econpco/research/pdfs/PostConflict-Recovery.pdf

Collier, Paul and Anke Hoeffler. 2001. *Greed and Grievance in Civil War.* World Bank Policy Research Working Paper No. 2355. Washington: World Bank.

Collier, Paul et al. 2003. *Breaking the Conflict Trap. Civil War and Development Policy*. Washington/Oxford: World Bank/Oxford University Press.

Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ). 2006. *Private Sector Development and Peacebuilding – Exploring Local and International Perspectives.* Berlin, September 2006. Website including conference presentations: www.businessenvironment.org/dyn/be/besearch.details?p_phase_id=108&p_lang=en&p_phase_type_id=6

Foreign Investment Advisory Service. 2004. Sierra Leone. Diagnostic Study of the Investment Climate and the Investment Code. Washington.

Foreign Investment Advisory Service. 2006. Liberia. Mini Diagnostic Analysis of the Investment Climate.

Kusago, Takayoshi. 2005. "Post-conflict Pro-poor Private Sector Development: the Case of Timor-Leste." *Development in Practice* 15, Nos. 3-4, pp. 502-513.

International Alert. 2005. *The* Conflict-Sensitive Business Practice Toolbox for Extractive Industries. London: International Alert.

International Council on Mining and Metals. 2005. *Community development toolkit.* www.icmm.com/library_pub_detail.php?rcd=183. London.

Large, David (ed.) 2005. Corruption in post-war reconstruction. Confronting the vicious cycle. Beirut: Lebanese Transparency Association. http://www.transparency-lebanon.org/2006/Publications/Corruption%20in%20PWR.htm London: TIRI. www.tiri.org.

Le Billon. Philippe. 2003. "Buying Peace or Fuelling War: the Role of Corruption in Armed Conflicts." *Journal of International Development* 15, pp. 413-426.

Lister, Sarah & Pain, Adam. 2004. *Trading in Power: the Politics of Free Markets in Afghanistan*. Kabul: Afghan Research and Evaluation Unit. www.areu.org.at.

MacDonald, M.H. 2006. *Private Sector Development in Reintegration and Reconstruction Programmes*. Berlin: Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ). http://www.bdsknowledge.org

Mendelson-Forman & Mashatt, Merriam. 2007. *Employment Generation and Economic Development in Stablization and Reconstruction Operations*. Washington: US Institute of Peace. www.usip.org/pubs/specialreports/srs/srs6.pdf

Mills, Rob & Fan, Qimiao. 2006. *The Investment Climate in Post-Conflict Situations.* World Bank Policy Research Working Paper 4055, November 2006. Investment Climate Capacity Enhancement Program.
http://info.worldbank.org/etools/docs/library/235864/postconflict_paper.pdf

Morisset, Jacques. 2003. *Tax Incentives. Using Tax Incentives to Attract Foreign Direct Investment.* Public Policy Journal. Issue No. 253. http://rru.worldbank.org

Multilateral Investment Guarantee Agency (2005). Benchmarking FDI Opportunities. Investment Horizons: Afghanistan. A Study of Foreign Direct Investment Costs and Conditions in Four Industries. Washington: MIGA. http://www.export.gov/afghanistan/pdf/investment_horizons.pdf

Multilateral Investment Guarantee Agency (2005b). *Afghanistan Investment Guarantee Facility.* Washington. www.miga.org/documents/IGGafghan.pdf

Nenova, Tatiana & Harford, Tim. 2004. "Anarchy and Invention. How does Somalia's Private Sector Cope Without government?" *Public Policy Jurnal Note No. 280*. Washington D.C.: World Bank. Available on: http://rru.worldbank.org/Documents/280-nenova-harford.pdf

OECD Journal on Development: Development Co-operation - 2006 Report - Efforts and Policies of the Members of the Development Assistance Committee Volume 8

Issue. http://caliban.sourceoecd.org/vl=3321998/cl=13/nw=1/rpsv/dac/data/432007011P1T25.xls

Pugh, Michael and Neil Cooper. 2004. *War Economies in a Regional Context. Challenges of Transformation*. With Jonathan Goodhand. Boulder: Lynne Rienner.

Rettberg, Angelia. 2004. *Business-led Peacebuilding in Colombia: Fad or Future of a Country in Crisis*. Final Report, Crisis States Programme. London School of Economics and Political Science. www.crisisstates.com/Publications/wp/wp56.htm

Schwartz, Jordan, Shelley Hahn and Ian Bannon. 2004. *The Private Sector's Role in the Provision of Infrastructure in Post-conflict Countries.* CPR Working Paper. Washington: World Bank. www.worldbank.org/conflict

Schwartz, Jordan & Halkyard, Pablo. 2006a. *Postconflict Infrastructure*. Public Policy Journal. Issue No. 305. http://rru.worldbank.org

Schwartz, Jordan & Halkyard, Pablo. 2006b. *Rebuilding Infrastructure. Policy options for Attracting Private Funds after Conflict.* World Bank. Public Policy Journal. Issue No. 306. http://rru.worldbank.org

Shankleman, Jill. 2007. *Oil Profits and Peace: does Business have a Role in Peacemaking?* Washington: United States Institute of Peace.

Tzifakis, Nikolaos & Tsardanidis, Charalambos. 2006. "Economic Reconstruction for Bosnia and Herzegovia: the Lost Decade." *Ethnopolitics* 5, No. 1, pp. 67-84.

United Nations Development Programme. 2004. *Unleashing Entrepreneurship: Making Business Work for the Poor.* Commission on Private Sector Development. Report to the Secretary-General of the United Nations. New York. UNDP. www.undp.org/cpsd/indexF.html.

UN Global Compact. 2002. *Global Compact Business Guide for Conflict Impact Assessment and Resource Management.* Available on www.unglobalcompact.org – see under Issues > Conflict Prevention > Conflict Impact Assessment.

UN Global Compact. 2005. *Enabling Economies of Peace. Public Policy for Conflict-Sensitive Business*. New York.

World Bank. 2003. *Building Capacity in Post-conflict Countries.* Social Development Notes. Conflict Prevention and Reconstruction. No.14. December 2003. http://lnweb18.worldbank.org

World Bank. 2004. *A Better Investment Climate for* Everyone. World Bank Development Report 2005. Washington & New York: World Bank & Oxford University Press. http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2005/08/01/000011823_20050801104043/Rendered/PDF/2882902005E.ver.010.pdf

World Bank. 2005. *The Investment Climate in Afghanistan. Exploiting Opportunities in an Uncertain Environment*. Finance and Private Sector Development Unit, South Asia Region. http://siteresources.worldbank.org/INTAFGHANISTAN/Resources/AF_ICA_Report.pdf

---

[1] World Bank. A Better Investment Climate for Everyone.” World Bank Development Report Washington & New York: World Bank & Oxford University “Press. 2005. http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2005/08/01/000011823_20050801104043/Rendered/PDF/2882902005E.ver.010.pdf . pg. 1
[2] World Bank. “A Better Investment Climate.” 2005 P 1.
[3] Ibid 6.
[4] Bray, John. 2006a. “Public-private Partnership in State-building and Recovery from Conflict.” International Security Programme Briefing Paper 2006. London: Royal Institute for International Affairs. September 2006. 8pp. http://www.chathamhouse.org.uk/publications/papers/view/-/id/388/ pg. 2.
[5]. Banfield, Jessie, Canan Gündüz & Nick Killick. 2006. *Local Business, Local Peace: the Peacebuilding Potential of the Domestic Private Sector*. London: International Alert. www.international-alert.org. pg 2
[6] Nenova, Tatiana & Harford, Tim. 2004. “Anarchy and Invention. How does Somalia’s Private Sector Cope Without Government?” *Public Policy Journal Note No. 280*. Washington D.C.: World Bank. Available on: http://rru.worldbank.org/Documents/280-nenova-harford.pdf. pg.2.
[7] Ballentine, Karin & Sherman, Jake. “The Political Economy of Armed Conflict. Beyond Greed and Grievance.” Boulder. 2003
[8] Lister, Sarah & Pain, Adam. 2004. “Trading in Power: the Politics of Free Markets in Afghanistan. “Kabul: Afghan Research and Evaluation Unit. www.areu.org.af. Pp.1-2..
[9] Large, David (ed.) “Corruption in Post-War Reconstruction. Confronting the Vicious Cycle.” Beirut: Lebanese Transparency Association London: 2005. http://www.transparency-lebanon.org/2006/Publications/Corruption%20in%20PWR.htm. TIRI. www.tiri.org.
Le Billon. Philippe. “Buying Peace or Fuelling War: the Role of Corruption in Armed Conflicts.” Journal of International Development 15, pp. 413-426. 2003.
[10] E.g. Banfield, Canan Gündüz & Nick Killick. 2006, pp. 16-35.
[11] Pugh, Michael and Neil Cooper. “War Economies in a Regional Context: Challenges of Transformation”. Boulder. 2004.
[12] Collier, Paul. “Post-conflict Recovery: hHow Should Policies be Distinctive?” Oxford University: Department of Economics, Centre for the Study of African Economies. 2007. http://users.ox.ac.uk/~econpco/research/pdfs/PostConflict-Recovery.pdf. pg 7.
[13] Bray, John. 2005. “International Companies and Post-Conflict Reconstruction: Cross-sectoral Comparisons.” CPR Working Paper No. 22. Washington: World Bank (Conflict Prevention and Reconstruction Unit), February 2005. See: http://rru.worldbank.org/PapersLinks/Conflict-Affected-Countries/. pp. 14-15.
[14] Ibid. pp. 14-15
[15] “MIGA Supports Critical Telecommunications Investment in Afghanistan.” Press release, 3 July 2007. Washington: Multilateral Investment Guarantee Agency. www.miga.org.
[16] World Bank. “The Investment Climate in Afghanistan. Exploiting Opportunities in an Uncertain Environment.” Finance and Private Sector Development Unit, South Asia Region. 2005. pg. 8 http://siteresources.worldbank.org/INTAFGHANISTAN/Resources/AF_ICA_Report.pdf

[17] World Bank. “The Investment Climate in Afghanistan.” 2005. pg. 9

[18] Ibid. p. 9

[19] For extended discussion of these variations see: Bray, John. 2005. “International Companies and Post-Conflict Reconstruction: Cross-Sectoral Comparisons.” CPR Working Paper No. 22. February 2005. Washington: World Bank (Conflict Prevention and Reconstruction Unit), See: http://rru.worldbank.org/PapersLinks/Conflict-Affected-Countries

[20] Multilateral Investment Guarantee Agency. “Benchmarking FDI Opportunities. Investment Horizons: Afghanistan.” A Study of Foreign Direct Investment Costs and Conditions in Four Industries. pg 30. Washington: 2005. MIGA. http://www.export.gov/afghanistan/pdf/investment_horizons.pdf

[21] Tzifakis, Nikolaos & Tsardanidis, Charalambos. “Economic Reconstruction for Bosnia and Herzegovina: the Lost Decade.” *Ethnopolitics* 5, No. 1, pp. 67-84. 2006.

[22] Data on Bosnia’s FDI comes from the EBRD’s country statistics:: www.ebrd.com/country/sector/econo/stats/sei.xls. Data on the country’s aid receipts comes from: 1) Tzifakis, & Tsardanidis “Economic Reconstruction for Bosnia and Herzegovina: the Lost Decade.” 2006. 2) OECD Journal on Development: Development Co-operation - 2006 Report - Efforts and Policies of the Members of the Development Assistance Committee Volume 8 Issue. http://caliban.sourceoecd.org/vl=3321998/cl=13/nw=1/rpsv/dac/data/432007011P1T25.xls

[23] Bray, John. MIGA’s Experience in Conflict-Affected Countries. The Case of Bosnia and Herzegovina. CPR Working Papers. Paper No. 13. Washington: World Bank (Conflict Prevention and Reconstruction Unit), June 2004. See: http://siteresources.worldbank.org/INTCPR/214578-1111996036679/20482442/WP13_Web.pdf. pp. 13-20.

[24] OECD Journal on Development: “Development Co-operation - 2006 Report. UNCTAD. FDI Profile: Mozambique.” 2006. www.unctad.org/sections/dite_fdistat/docs/wid_cp_mz_en.pdf

[25] OECD Journal on Development: “Development Co-operation - 2006 Report. UNCTAD WID – Country Profile: Uganda.” 2006. http://www.unctad.org/sections/dite_fdistat/docs/wid_cp_ug_en.pdf

[26] OECD Journal on Development: “Development Co-operation - 2006 Report; UNCTAD . FDI Profile: Congo. 2006. “ http://www.unctad.org/sections/dite_fdistat/docs/wid_cp_cg_en.pdf

[27] See, for example, O’Reilly, Finbarr. 2002. “Mobile phone networks battle for Congo's market”. 16 May 2002. News 24 com. www.news24.com/News24/Africa/Features/0,,2-11-37_1185668,00.html

[28] Mahtani, Dino. 2007. “Congo to Review Mining Contracts.” *Financial Times* 11 June 2007. http://www.ft.com/cms/s/0/454a0fca-1841-11dc-b736-000b5df10621.html

[29] Berdal, Mats & Malone, David M. (Eds.) “Greed and Grievance: Economic Agendas in Civil Wars. “Boulder 2000.

[30] Collier, Paul and Anke Hoeffler. “Greed and Grievance in Civil War”. World Bank Policy Research Working Paper No. 2355. Washington: World Bank. 2001.

[31] Banfield, Jessie, Canan Gündüz & Nick Killick. “Local Business, Local Peace: the Peacebuilding Potential of the Domestic Private Sector.” *International Alert*. London: International Alert. 2006. http://www.international-alert.org/publications/252.php

[32] For more information, see: www.cdainc.com.

[33] Bannon, Ian & Collier Paul (Eds.). “Natural Resources and Violent Conflict: Options and Actions.” 2003. Washington, D.C: World Bank.

[34] United Nations Development Programme. “Unleashing Entrepreneurship: Making Business Work for the Poor.*”* Commission on Private Sector Development. Report to the Secretary-General of the United Nations. New York. 2004. UNDP. www.undp.org/cpsd/indexF.html.

[35] Addison, Tony. “Understanding Investment in Post-conflict Settings.” Notes for presentation at GTZ conference on *Private Sector Development and Peace building 14-17 September 2007*. 2006. http://www.bdsknowledge.org/dyn/be/docs/108/Addison_PC_Investment.pdf. pg. 1.

[36] Collier, Paul. “Post Conflict Recovery.” 2007.

[37] Foreign Investment Advisory Service. “Sierra Leone. Diagnostic Study of the Investment Climate and the Investment Code.” Washington. 2004.

[38] Foreign Investment Advisory Service. Liberia. “Mini Diagnostic Analysis of the Investment Climate.” Washington. 2006.

[39] Collier, Paul. 2007. pp.6-7.
[40] Mendelson-Forman & Mashatt, Merriam. "Employment Generation and Economic Development in Stablization and Reconstruction Operations." Washington2007.: US Institute of Peace. www.usip.org/pubs/specialreports/srs/srs6.pdf. pp .2-3
[41] Bray, John. MIGAs "Experience in Conflict-Affected Countries." 2004. pg 40
[42] Schwartz, Jordan & Halkyard, Pablo. "Rebuilding Infrastructure. Policy options for Attracting Private Funds after Conflict." World Bank. Public Policy Journal. Issue No. 306. 2006. http://rru.worldbank.org. pg 2
[43] World Bank. "A Better Investment Climate." 2005. pg 8
[44] Ibid. pg. 3
[45] Morisset, Jacques. Tax Incentives. Using Tax Incentives to Attract Foreign Direct Investment. *Public Policy Journal.* Issue No. 253. 2003. http://rru.worldbank.org/Documents/PublicPolicyJournal/253Moris-020603.pdf. pg 1
[46] Bray, John. "MIGAs Experience in Conflict-Affected Countries." 2004. pp. 41-42.
[47] Multilateral Investment Guarantee Agency. "Afghanistan Investment Guarantee Facility." 2005. Washington. www.miga.org/documents/IGGafghan.pdf
[48] International Alert. "The Conflict-Sensitive Business Practice Toolbox for Extractive Industries." *International Alert*. London: 2005. http://www.international-alert.org/our_work/themes/extractive_industries.php
[49] Banfield, Jessica & Salil Tripathi. "Conflict Sensitive Business Practices: Engineering Contractors and Their Clients." *International Alert*. 2006. http://www.international-alert.org/publications/270.php
[50] International Council on Mining and Metals. 2005. "Community Development Toolkit*.*" www.icmm.com/library_pub_detail.php?rcd=183. London.
[51] For more information, see: www.equator-principles.com
[52] Bray, John. 'CHF's Municipal and Economic Development Initiative (MEDI) Project: a Case Study in Local and Regional Peacebuilding in Central Bosnia.' In Local Business, Local Peace: the Peacebuilding Potential of the Domestic Private Sector, pp.257-261. London: International Alert. 2006.
CHF International Stable Society Study. Effects on Conflict Dynamics & Peace Building. Washington. 2005. www.chfinternational.org/files/1246_file_sss_pdf.pdf
[53] USAID. "Economic Civil Society Organizations in Democracy-Building. Experiences from Three Transition Countries*.*" PVC/ASHA Research APS AFP-G-00-05-00012-00. September 2006. Submitted by CHF International. Doc ID/Order No: PN-ADI-701. Released in July 2007. pp. 61-63.
[54] Barbara, Julien. "Nation Building and the Role of the Private Sector as a Political Peace-builder." *Conflict, Security & Development* 6, No. 4, p 591. 2006.
[55] *International Alert*. "Conflict Sensitive Business Practices." 2006.
[56] Charney, Craig. "Civil Society, Political Violence, and Democratic Transitions: Business and the Peace Process in South Africa, 1990 to 1994." Comparative Studies in Society and History. 1999. 41, No. 1: 182-206.
[57] Rettberg, Angelia. "Business-led Peacebuilding in Colombia: Fad or Future of a Country in Crisis. Final Report, Crisis States Programme." London School of Economics and Political Science. 2004. www.crisisstates.com/Publications/wp/wp56.htm