Conflict Sensitive 
private sector development in fragile settings

Copenhagen, 7 November 2016, Anette Hoffmann
PSD in fragile settings must be conflict-sensitive

<table>
<thead>
<tr>
<th>Conflict Blind</th>
<th>Do No Harm</th>
<th>Peacebuilding</th>
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<tbody>
<tr>
<td>Does not take conflict into account in design, implementation, monitoring, or evaluation</td>
<td>Understands the conflict and conflict drivers</td>
<td>Results chain articulates expected positive impacts of project on reducing conflict</td>
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<tr>
<td>Risks failing to meet objectives, and potentially causing harm</td>
<td>Seeks to minimize potential project harm by monitoring unintended adverse effects of project on conflict</td>
<td>Incorporates indicators to test positive impacts of project on conflict</td>
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source: DCED (2014)
PSD in fragile settings must be conflict-sensitive

Step 1
- Understanding the context of operations, incl. conflict dynamics and power structures

Step 2
- Understanding the interaction between an intervention and this context

Step 3
- Acting upon that understanding of this interaction in order to avoid negative impacts and maximize positive impacts
1. Understanding the context: Pol.Eco.

- **The visible world:**
  - National strategies, action plans, formal institutional structures, etc.

- **Why do reforms fail to take root?**
  - Need for a systemic approach with a specific focus on:
    - Political processes: contestation and negotiation of power, wealth and goods
    - Economic and financial processes, and their link with politics
    - Formal and informal institutions
    - Relations, incentives and interests of actors « under the surface »
1. Understanding the context

Private-Sector focussed conflict and fragility assessment

**Actors/Networks**
Snapshot of the political market place: Who’s calling the shots?

**Structural political economy analysis:**
How is power being managed?

Private sector focussed fragility and conflict assessment
- Political settlement and nature of the state
- Possible scenarios, conflict mapping and entry points by sector
- Practical considerations for conflict-sensitive engagement
1. Understanding the context - it’s the wife, stupid!

Grace Mugabe, Zimbabwe

Kadra Mahamoud Haid, Djibouti

Amina Waris Sheik Mahmoud, SmlD
2. Understanding the interaction
2. Understanding the interaction

- **Who benefits** from growth in this particular sector, market or region and who doesn’t? How are benefits distributed?

- What is the **propensity for organised violence** in this sector, market or region and how is it likely to evolve in the coming years?

- To what extent do **social grievances and inequality** prevail in a certain sector, market or region?

- **How are rents being managed** in this sub-sector or value chain?

- What kind of productive sector support will trigger **support or opposition within the ruling or challenger elites** in the short-/long term?
2. Understanding the interaction

Analysis should inform the following basic programming choices:

Who to work with?
- Target area?
- Which industries to focus on?
- Beneficiaries?
- Sequencing and timing?

Based on these choices:

(i) identify main risks along result chain (theory of change) and
(ii) develop mitigation strategies.
2. Understanding the interaction

- Shrinking state budget and farmers’ mistrust
  - Secure market
  - Income and food security for tens of thousands of farmers across conflict lines, including ex-combatants
  - Volatile purchase

- Legitimacy crisis and foreign exchange shortage
  - Job creation
  - SME promotion
  - Prevention of total breakdown of order or
  - Financing state violence?

- Insecurity affects distribution
  - Income generation across conflict lines
  - Increased beer consumption leads to more HH & community violence
3. Avoid harm and foster peace
3. Avoid harm and foster peace - What will it take?

- **RECOGNITION**: PSD is an inherently political affair
- **REALISATION**: no new (additional!) checklists, but behavioural change
- **RESOURCES**: more time needed for analysis, M&E, adjustments
- **FLEXIBILITY** to do PSD differently
  - Outputs versus processes
  - Facts versus perceptions
Thank you.

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