FriEnt

Business and Peace

Briefing   June 2021

Exploring the peace-building potential of medium, small and micro enterprises

Exploring the peacebuilding potential of MSMEs

On the occasion of the publication of the joint CDA / International Alert / FriEnt Dossier "Business and Peace: It takes Two to Tango" FriEnt invited about thirty experts from academia, German and international peace building and development Organisations to discuss and further develop central issues of the dossier. The first event in February 2021 was dedicated to the peace building potential of medium, small and micro enterprises (MSMEs).

Markus Mayer, one of the authors, gave an introduction, Kristian Hoelscher, PRIO, Birgit Seibel, GIZ and Jessica Banfield, Independent Consultant in the field of Peacebuilding and Economic Development kicked off the discussion with comments from their respective experience.

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1. No shortcut to peacebuilding

Economic development is an important basis for peace and actors in this field are numerous and varied. However, economic development does not automatically lead to peace. Rather it takes unconventional approaches from economic actors to contribute to peace and it takes collaboration from peacebuilding actors to make this link work. This is one of the important lessons from the CDA / International Alert / FriEnt Dossier on "Business and Peace". Commenters and participants very much agreed and underlined the importance of considering the two sides when designing economic development programmes for peace and supporting economic actors with a view to supporting peace.

What is more, 20 years of assembling evidence provide a sound basis for finally linking the private sector and the peace and conflict fields. Not the least the unprecedented economic destruction and heightened fragmentation and social division wrought by Covid 19 brings the business and peace lens back into economic recovery programmes as a priority.

2. Understanding the context

In-depth understanding of the operational context and crucial actors is key for working with MSMEs for peace in fragile settings. This has to include context and conflict sensitivity and continuing accompaniment of MSMEs for peace initiatives to understand and address risks as well as opportunities. Sufficient resources need to be available for this.

Businesses as part of systems

Indeed, when promoting the private sector it is vital to look at businesses as being part of systems: They are embedded in wider economic systems, markets, supply chains, but also in (social) networks, ecosystems and wider (political) frameworks.

The local context is important as well as the sector-specific and local-market-specific contexts. And we have to understand the systems, markets and dynamics businesses are operating in from the conflict perspective: who are the key economic actors, who are the economic winners and losers of the conflict?

At the same time the overall political economy in which businesses are embedded plays an important role: Experience with MSMEs that are anchored in or linked to large-scale (upstream & downstream) investments, e.g. energy, mining, infrastructure, utility investments, have to be considered as well as the question of how MSMEs may be tied into global value chains in order to promote their stakes of (economic/political) stability – even though the stability that might flow from this might not be equivalent with (positive) peace.

Inside and outside views

Local conditions do matter in many respects. How we judge notions of 'violence' and 'peace' from the outside as researchers and practitioners may not be how it is seen from the inside. We need to grapple with this when trying to design interventions around MSMEs as peace actors:

Practice   **"South Africa" – right relations and community cohesion:**
In Langa (Cape Town) structural violence and the absence of the state, the focus on survival and the importance of community were primary themes of importance. It was not 'peace' or 'non-violence' that was the driving factor or goal within a community or for MSMEs … Rather it was 'right relations' and 'community cohesion' that mattered.

Recommendation
As businesses are fundamentally embedded in these complex social systems of violence do not assume that all can or want to be peace actors.

3. Understanding MSMEs – their challenges, their potential

MSMEs are well rooted in local situations, have good local knowledge and are attuned to the dynamics of conflict in the setting in which they operate. They have access to varied networks and players in the local conflict, including armed groups and shadow authorities. Their ability to navigate difficult political environments to ensure continuity of their business operations may be quite advanced. And last but not least – they may provide a certain degree of stability at the local level through provision of goods and services even in highly fragile settings.

However, they do not automatically lend themselves to peacebuilding: As part of a fragile and/or conflict context they may face greater vulnerability as they cannot easily move their operations out of a conflict context and they command less socio-political clout. In order to deal with this situation,

they may utilise a range of coping strategies, some of which may directly contravene basic peace-building values and practices in order to function and survive in a fragile context. And some also benefit from conflict and / or might even be direct instigators of communal violence and conflict.

4. Need to differentiate

There is a need to differentiate, strategize and respectively mobilise or mitigate connecting and dividing factors in business operations when considering MSMEs for peacebuilding. Business for peace is never meant to encompass the entire business sector – not everyone is for peace and not every activity is for profit! And what works for some businesses, will not work for others (to make them peace positive actors):

Recommendations
—— Work with the right business people; ensure gender sensitivity; consider youth and manage risks in empowering youth through self employment programmes

—— Identify the right business sectors that benefit from wider public recognition (fair trade, tourism);

—— Enable and promote peace supportive value chains in highly volatile settings

—— Consider MSMEs' political peace building role (by being part of peace movements and/or political lobbying efforts).

Practice

There is, in each case, much interest of MSMEs to learn about peaceful approaches, the do no harm concept, and how to apply them in order to improve the operational safety.

Caucasus – business across conflict divides:
The initiative developed a peace product that produced communality and overcame differences ("cheese for peace"). It was not profitable from an economic point of view and never meant to be, but from a political perspective to promote unity. At the same time the joint market place was central for people from different parts of the Caucasus region to maintain hopes for peaceful co-existence – until borders were closed again between countries or unrecognised territories preventing small traders to cross.

Sri Lanka and Pakistan – promoting social cohesion:
Peace awards were given to recognise positive attitude changes and behaviour of staff and customers, local "peace" Corporate Social Responsibility projects, and responses to community needs caused by conflict.

Sri Lanka, Pakistan, Nepal – Reconciliation and early warning committees:
Increasing local voices on political settlements through peace movements, support of social cohesion initiatives by businesses, public support for new constitutional arrangements, reintegration of ex-combatants were supported by programmes and lead to local structures for early warning and reconciliation.

5. Work across levels and actors – Movement Building

More sustained practice links across economic development and conflict space is needed. As indicated above: MSMEs are part of wider systems that have to be taken in account in terms of actors and levels to be included. A wide range of factors have to be considered including trust and governance and the creation of joined understandings.

Practice

Uganda – work with a range of actors and include a range of factors:

Following experience from Sri Lanka International Alert worked with chambers of commerce in Northern Uganda at a pivotal moment after the end of the LRA war, in the context of economic recovery and a big push from central government to open up new agri-business farms at scale. Grievances, perceptions around land grab and anxiety were strong as 90% of the population had lived in IDP camps. Conflict sensitive Business and Peace approaches were brought into this context of domestic investment and processes with business leaders. This included highlighting through research and dialogue conflict risks associated with then new oil discoveries, and engaging with foreign investors, local business actors along with civil society and traditional institutions. One result of this work was the formation of a Northern Uganda Business for Peace Forum, who for a time were active for instance pulling together a strong statement for peaceful elections in 2011.

Recommendations

—— Facilitate strategic movement building to ensure the right member- and ownership, but also risk mitigation and safety measures.

—— Have more *political peace building activities;* i.e., include networking and lobbying efforts to strengthen voice and impact of peace-supportive MSMEs;

—— Consider *private sector development* that has peacebuilding approaches as its foundation and establish links and expertise already from the beginning – e.g. combining economic market and conflict/context analysis in the beginning

—— A powerful approach in private sector is *Public Pivate Dialogue.* It may draw MSMEs into peacebuilding initiatives, get entrepreneurs onto the peacebuilding agenda and to stand for inclusive business promotion and it may facilitate linkages across levels and sectors

—— Continue the good practice for project design to have appraisal missions bringing on board both expertise e.g. private sector development and peace specialists.

6. Acknowledging grey areas –
Decriminalising / transforming shadow economy

It is important to acknowledge grey areas that exist in complex contexts. This is especially needed for working with micro-enterprises, which may experience comparatively high vulnerability. All actors will have to compromise to survive and get along in these contexts. The question is: Is it informal or illegal? How do you relate to that? And what may constitute 'good enough' levels of peace-supportive business practice with the specifics of each situation / context? Shopkeepers in communities may have no choice but to buy from organized criminal groups. Carefully designed interventions can support the transformation of certain parts of the shadow economy into more formal structures with acceptance from key stakeholders, including state actors.

Practice   **Mindanao / Philippines – Transforming shadow economies:**
Formalising cross-border trade for certain constituencies was impor-
tant, e.g. moving away from a uniform approach to smuggling that
penalise marginalised women more than their criminal counter-
parts. A better regulatory policy framework was established geared
towards the needs and interests of MSMEs (facilitated through dia-
logue between business associations and state actors). Conflict
sensitive governance mechanisms of unregistered private ports and
improvement of the operations of public ports were set up to accom-
modate different types of vessels and traders. Joint cross-border
advocacy was done for proposing the Sulu seas between Malaysia
and Mindanao-Philippines as de facto free trade zone (as a peace
dividend contribution to sustain a new political settlement).

7. What to measure?

What would be indicators for the above mentioned 'right' businesses, 'right' business sectors or 'peace supportive value chains'? How to measure "business for peace" impact?

This needs to be embedded into the theory of change, including indicators that measure the contribution towards peace. We tend to look at jobs created or the number of trainings in economic programmes in fragile contexts; however, we need to look much more at how we can measure private sector development and its contribution towards peace: "How do our activities contribute to the peace agenda" would rather be the question with a need to look at micro, macro, meso, and the institutional levels. For the business for peace approach it would be necessary not only to talk about private sector engagement but private sector development.

8. Shaping outcomes in a conflict sensitive manner

" What is needed to engage businesses in peacebuilding is a greater focus on actions led or supported by business PEOPLE to mitigate or counter tensions and violence at the community level, to help raise their voices outside their local context in support of peace, including political reform proceses and to strengthen the positive power of connecting people and markets across divides through business interaction, especially when trying to tap into the potential of MSMEs.

Markus Mayer

" However, it is important to work with and be cognizant of local understandings of what peace is within local political economies of violence and work to build networks or coalitions of champions to incrementally shape peace positive outcomes in a conflict sensitive manner.

Kristian Hoelscher

9. Links

Business & Peace: It takes two to Tango" CDA / International Alert / FriEnt ↗
2020

Power, Peace and Place: Why firms account for their action, International Alert ↗
2020

Theorizing MSMEs in contexts of urban violence, Peer-reviewed article, PRIO ↗
2021

Imprint