



# Private Sector Development in Contexts of Open and Sustained Violence - Yemen

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**Seminar on Private Sector  
Development in Conflict and  
Fragility Affected Environments**

**Birgit Seibel, GIZ**





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## PSD Programme Yemen pre-war

Typical PSD programme working mainly on macro and meso level:

- Business Environment Reform (BER)
- Public Private Dialogue (PPD)
- Support to build capacity of chambers, sector associations
- BDS promotion
- Value Chain development



## March 2015: War breaks out

Civil war, div.  
conflict lines,  
int. Actors,  
IS, AQAP

Destruction  
of civil  
infrastructure

2.7 Mio IDP,  
refugees &  
migrants

13 Mio.  
depend on  
hum. Aid



Import and  
Export  
barriers

Public  
services  
stopped

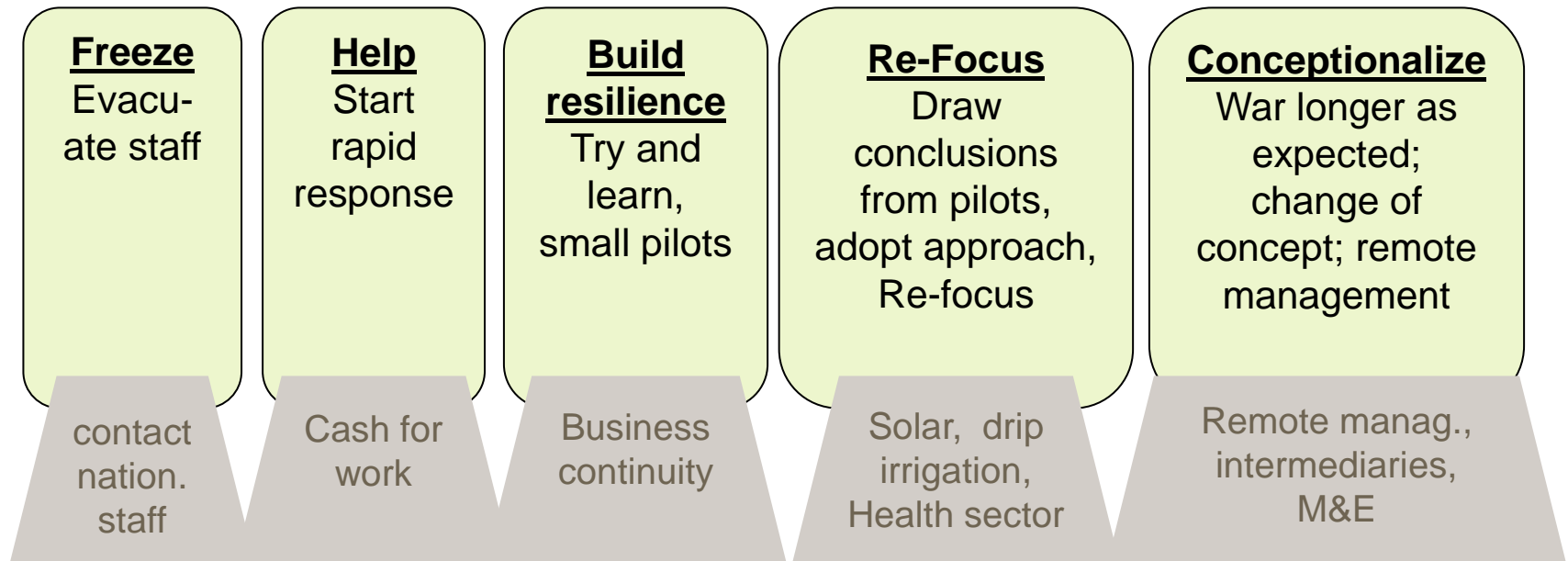
Comp. had  
to fire 50% of  
employees

1 job keeps >  
8 people  
alive

Picture: Yemen Society SOAS



## PSD in times of war - Change of PSD Programme Concept in Yemen



14 months



## Multiple channels of interaction between peace, fragility and PSD

- New thinking on peace, fragility and PSD - WDR 2011, OECD Fragile State Principles, New Deal:
  - PSD is a critical component of state- and peacebuilding
  - PSD is to be promoted as early as possible
  - Success of any intervention depends on the degree to which it takes account of peace- and state-building needs.
- The New Deal defines the major peace- and state-building goals to guide any intervention in fragile and conflict situations incl. PSD.



## Multiple channels of interaction between peace, fragility and PSD - Frameworks

### New Deal's five Peace- and Statebuilding Goals (PSGs)

1. Legitimate Politics: foster inclusive political settlements and conflict resolution
2. Security: establish and strengthen people's security
3. Justice: address injustices and increase people's access to justice
4. Economic foundations: generate employment and improve livelihoods
5. Revenues & Services: manage revenue and build capacity for accountable and fair service delivery

### DCED

Fostering Good  
Governance

Building security,  
stability, and trust

Economic  
Development

Creating  
infrastructure of  
a modern society



## What's the case for PSD in contexts of open and sustained violence?

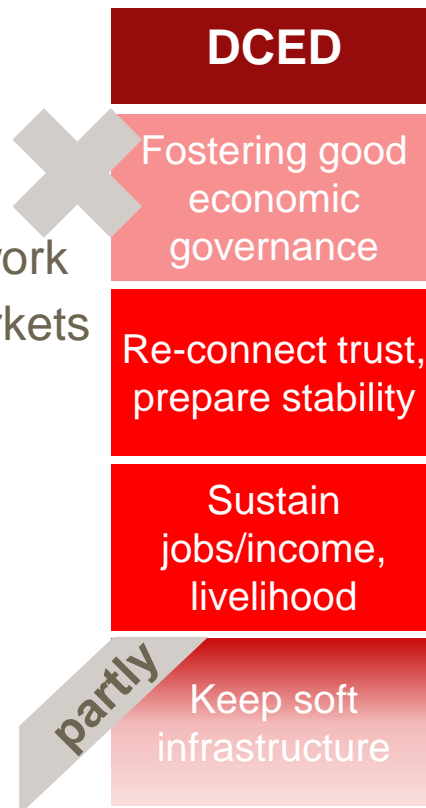
- There is always a local private sector, even in contexts of war
  - Local businesses are actors – in a context of sustained conflict
- Economic**
- Local businesses have a choice: (a) adapt to the conflict situation and contribute to an economy of war or (b) provide livelihoods and support ending the conflict to go back to normal
  - local businesses are labor intensive, maintain local business linkages; are likely to have sub-national urban centers as their base, invest and expand locally; provide a stimulus for local development
- Peace-building**
- Support re-stabilizing contexts of open and sustained violence through economic and non-economic impacts
  - Prepare the ground for a more successful post-conflict reconstruction





## Contexts of Open and Sustained Violence and PSD – challenges and possible solutions

- Eroded security
- Instability
- Trade is dangerous
- No legitimate government
- No economic framework
- Volatile, informal markets
- Destroyed factories, markets, roads
- Transport of goods difficult, high security costs
- Uncertainty
- No intern. + local investments
- Mistrust, Brain drain



- Business continuity to keep jobs, income, livelihood
- Engage private sector and associations in activities that keep peace: network events, dialogue, training
- Sectoral focus on (i) “opportunities” of war (solar) and (ii) services (health) vital for society
- Work with “business 4 peace entrepreneurs”
- Keep and re-build BDS services adopting to contexts of war
- Include marginalized groups (women)



## Example 1: Strengthening the Solar Sector in Yemen

- Power supply collapsed
- fuel price of 2 USD/liter
- generators not affordable
- Economic & ecological potential of solar sector also beyond war
- Sector network of 85 companies established. Aim: Enhance the functionality of the sector. Bring together conflicting ethnic groups Houthi and Islah. Establish B2B meetings to build trust
- Joint implementation plan - items implemented: national solar fair with 70.000 visitors, awareness raising campaigns
- Skills Development of 472 young men (strict selection criteria) trained in the installation of Solar Systems. 80% of graduates found work; Technicians trained on technical level.



## Example 2: Wheat and maize with drip irrigation

- Wheat import dependency is 95%
- Import decrease due to war
- Import substitution needed for food security
- Provision and installation of drip irrigation systems in nine demo plots / 9 lead farmers selected (strict criteria, “peace” reputation), they also take financial risk
- Skills development: 450 targeted farmers - Houthi and Islah – trained on improved seeds, fertilizers, and plant protection. Production increase 67%, water decrease up to 70%
- Houthi and Islah Famers started cooperating to jointly sell wheat crops to the Economic Authority of Yemen; Qat production dropped in the implementation area of the intervention - wheat and maize presently promise a higher return on investment



## Example 3: Health sector – WhatsApp BDS

- Yemenis usually traveled to Jordan for treatment and midwife services or used public service
- Both not possible due to war
- Economic potential also beyond war
- Provision of BDS to women - Women Business Owners Training (by ILO) including business plan development; strict selection criteria
- BDS through WhatsApp groups, peer to peer and coaching –300 women also in rural areas from Houthi and Islah groups: midwives, dentists, shop owners, traders of herbs
- 80 midwives trained: continued business, hired additional 120 women, income increase; WhatsApp groups accross conflicting groups and regions, hugely popular for commercial and private dialogue



## Example 4: Business continuity training

- SMEPS is a registered NGO providing BDS
- Main implementing partner
- Good reputation, promoter of peace
- Well known in all regions across conflict lines
- Business continuity training requested by SMEs to continue with production / services despite war
- BDS service not known: Business continuity training developed by international advisor; ToT through skype; SMEPs trains consultants to deliver training;
- Currently implemented, no results yet





## Challenges and success factors

- Keep clear of Business Environment Reform level / macro level
- Focus on micro (firm) and meso (intermediary) level
- Reap economic potentials created through war (solar, health)
- Focus on „keeping jobs, keeping income opportunities“
- Focus on PSD contribution to peace and stability: „keeping dialogue, building trust, working across conflict lines“
- Work with trusted local implementing PSD partners and local businesses / farmers / business women with a „peace“ record
- Use Do-No-Harm, monitor positive and negative results
- Apply risk management
- M&E necessary by external local institution