

# Is there a Case for Private Sector Development Interventions in Contexts of Open and Sustained Violence?

**Discussion Paper**

***by the Sector Project Private Sector Development***

prepared by Urs Schrade, Birgit Seibel, Christine Weinreich & Susanne Reichenbach

## Executive Summary

Conflict and crisis situations have increased in the last years throughout the world. About 1.4 billion people (20% of the world population) currently live in fragile states. In 2016, nearly two thirds of Germany's partner countries in development cooperation are considered fragile states or states affected by conflict and violence.

Economic development is a key contributor to peacebuilding and stabilization of fragile and conflict-affected situations. Income and employment opportunities are key 'peace dividends' for people suffering from conflict as well as for people who are actively involved in violence.

Research over the last decade has looked into private sector development (PSD) interventions in conflict-affected situations and how they can be purposely designed and implemented in a conflict sensitive way as well as with a direct aim to contribute to peacebuilding. However, most of the research and discussion about how to design and implement PSD in such contexts focusses on post-conflict settlement or latent conflict. The most severe type of conflict-affected situations such as open and sustained violence and the debate around how to design and implement PSD in such contexts is largely neglected.

This paper primarily addresses PSD in situations of open and sustained violence. It also poses a fundamental question: Is there a case for PSD interventions – using tax payers' money – in contexts of open and sustained violence given that active war activities are going on, no legitimate government is in place and the results of interventions are at risk of being destroyed by war?

The paper analyzes four cases of PSD implementation practice in Yemen and the Palestinian Territories and looks at economic results as well as possible peacebuilding impact. Success factors for PSD implementation in contexts of open and sustained violence have been identified: (a) management issues, (b) peace and conflict assessment on economic sector and intervention level, (c) systemic approach focusing on micro and meso level, (d) local businesses as actors promoting peace, (e) business opportunities created through conflict and (f) non-economic peacebuilding outputs to support peace and stability. Based on the findings, the paper argues that private sector development (PSD) needs to be continued in contexts of open and sustained violence. Besides sustaining jobs, livelihoods and business continuity, this paper specifically identifies PSD's important contribution to stabilization and peacebuilding efforts in times of war. The paper concludes with a set of recommendations for designing and programming PSD interventions in contexts of open and sustained violence.

The paper addresses PSD project planners and practitioners, as well as policy and decision makers in governments and multilateral organizations.

The paper was prepared by Urs Schrade, Technical Advisor at the Competence Center Economic Policy and Private Sector Development, Sectoral Department at Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH and Birgit Seibel, Christine Weinreich und Susanne Reichenbach based at the sector project Private Sector Development, Sector and Global Programmes at GIZ.

**Table of Contents**

Executive Summary ..... 1

1. Background ..... 4

2. The role of Private Sector Development interventions in fragile and conflict-affected environments ..... 4

3. PSD in contexts of open and sustained violence ..... 6

4. Case Studies from Yemen and the Palestinian Territories ..... 8

4.1 Background ..... 8

4.2 Solar Sector Promotion in Yemen..... 10

4.4 Online Business Development Services for Business Women..... 16

4.5 IT Sector Promotion in Gaza ..... 19

5. Conclusions from the case studies regarding PSD interventions in contexts of open and sustained violence ..... 21

6. Guiding principles for PSD interventions in contexts of open and sustained violence ..... 24

6.1 Success factors for implementing PSD programs in contexts of open and sustained violence..... 24

6.2 Recommendations for designing and programming PSD interventions in contexts of open and sustained violence.....28

Literature ..... 34

**Table of Figures**

Table 1: PSD influences all aspects of peace-building and conflict management ..... 5

Table 2: Adopted DCED Framework for PSD in contexts of open and sustained violence .. 21

Figure 1: Yemen Territorial Control and selected GIZ Interventions of the Private Sector Development Project. .... 9

Annex: Table 1 Solar Sector Promotion in Yemen..... 30

Annex: Table 2 Value Chain Support for Wheat and Maize in Yemen ..... 31

Annex: Table 3 Online Business Development Services for Business Women ..... 32

Annex: Table 4 Supporting IT Companies in the Gaza Strip ..... 33

## List of Abbreviations

BDS	Business Development Services
B2B	business-to-business
DCED	Donor Committee for Enterprise Development
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GPC	General People's Congress
ICT	Information and communications technology
IDP	Internally Displaced Person
ILO	International Labour Organization
IT	Information Technology
M+E	Monitoring and Evaluation
MENA	Middle East and North Africa
MSME	micro, small and medium enterprises
NGO	Non-Governmental Organization
PCA	Peace and Conflict Assessment
PICTI	Palestine Information and Communications Technology Incubator
PITA	Palestinian IT Association
PSD	Private Sector Development
SME	small and medium-sized enterprises
SMEPS	Agency for Small- and Micro-Enterprise Promotion Services (in Yemen)
WBOT	Women Business Owners Training
USD	US Dollar

## 1. Background

About 1.4 billion people (20% of the world population) currently live in fragile states. In 2016, nearly two thirds of Germany's partner countries were considered fragile states or states affected by conflict and violence. 90% of more than 60 million refugees worldwide (including internally displaced persons) are fleeing from violent conflict and human rights violations. Thus, many contexts of development cooperation are touched by conflict, violence, and fragility and accordingly, approaches of development cooperation need to consider these circumstances.

Conflict and crisis situations have increased in the last years throughout the world. Over the past eight years, the average country score of the Global Peace Index, which ranks the nations of the world according to their level of peacefulness, deteriorated by 2.4%.<sup>1</sup> The region suffering from the strongest decline in peacefulness has been MENA with a decrease of 11%.<sup>2</sup> Furthermore, the Official German Development Assistance estimates that the conflict escalation potential in 2016 has been acute in 35 countries worldwide, whereas in 2012 it was acute for 27 countries.

## 2. The role of Private Sector Development interventions in fragile and conflict-affected environments

Since the World Development Report on Fragility 2011 it is commonly understood that job creation and hence private sector development (PSD) has a pivotal role in stabilizing fragile environments: "The central message of the Report is that strengthening legitimate institutions and governance to provide citizen security, justice, and jobs is crucial to break cycles of violence."<sup>3</sup>

Economic development is a key to peacebuilding and stabilization. Income and employment opportunities are one of the most important 'peace dividends' for people suffering from conflict as well as for people who are actively involved in violence.<sup>4</sup> Private sector development interventions need to create employment opportunities and support local economic recovery. In the long-term, a dynamic private sector and conducive business environment – one that promotes the growth of businesses and aims at a balanced economic growth which does not neglect regions or ethnic groups – has the potential to reduce disparities and tensions, both of which are often the root causes of violent conflicts. However, PSD interventions always have to be aware of the fact that economic dimensions are frequently also one of the key drivers for conflict and do have an influence on duration and intensity of conflicts. When designing and implementing private sector development interventions, it is crucial to be aware of the given political economy. Interventions on the one hand need to be conflict-sensitive and pursue a Do-No-Harm<sup>5</sup> approach. On the other hand, it is important to design PSD interventions that work directly on conflict and contribute to peacebuilding beyond economic impact.<sup>6</sup>

---

<sup>1</sup> Institute for Economics and Peace (2015), p. 2.

<sup>2</sup> *ibid.*

<sup>3</sup> World Development Report (2011).

<sup>4</sup> The relationship between employment and conflict, fragility and violence is extensively analyzed in the GIZ Study: "Employment Promotion in the Contexts of Conflict, Fragility and Violence (2015)

<sup>5</sup> The Do-No-Harm framework was developed from the programming experience of The humanitarian work of Mary Anderson and her organisation, Collaborative for Development Action (CDA). It provides a tool for mapping the interactions of assistance and conflict and can be used to plan, monitor and evaluate both humanitarian and development assistance programs.

<http://cdacollaborative.org/what-we-do/conflict-sensitivity/>

<sup>6</sup> GIZ/BMZ (2009), p.11-14.

There is consensus on the major peacebuilding tasks that need to be addressed in fragile and conflict-affected environments. This consensus is summarized in the *New Deal for Engagement in Fragile States* (2011)<sup>7</sup>. Established under the umbrella of the *International Dialogue on Peacebuilding and Statebuilding*, the “New Deal” is a key agreement between fragile and conflict-affected states, development partners, and the civil society. Its main objective is to improve the current development policy and implementation practice in fragile and conflict-affected states. It highlights five goals to support with all peacebuilding interventions, regardless of the specific sector supported. These are legitimate politics, security, justice, economic foundations and revenues and services.

Taking the New Deal peacebuilding elements a step further, the Donor Committee for Enterprise Development (DCED) understands PSD as an integral part of conflict management, where both traditional fields of the economy, as well as peacebuilding aspects beyond economic development should be addressed.<sup>8</sup> The DCED framework for PSD in conflict-affected environments spells out the four dimensions to which PSD can and should contribute beyond economic impact towards stabilization and peace-building:

**Table 1: PSD influences all aspects of peace-building and conflict management<sup>9</sup>**

Dimensions	Principle	PSD contribution towards stabilization and peacebuilding
Building security, stability and trust	The ability to move about freely and without fear of death or injury is obviously essential to a secure environment. However, a peaceful society is one where there is sustained, durable stability and trust between different elements of society. PSD can contribute to this goal by seeking to develop businesses that cross the ethnic or other divides which fracture society and threaten conflict. As Pickering <sup>10</sup> observes, “workplaces (...) [are] better suited than neighbourhoods or voluntary organisations for building bridges. [They] create opportunities for repeated, horizontal interaction between employees.”	
Fostering good economic governance	Fostering good governance to ensure that the state is run for the benefit of all its people is obviously a key focus in conflict-prone zones, where frequently poor governance fans the flames of resentment that can lead to conflict. By ensuring that the private sector governs itself well and adopts international norms of behavior and reporting, PSD projects are able to reinforce in their field the wider governance message that other aspects of the development community are promoting. Ensuring that firms work through government structures means that pressure is maintained for these structures to be reformed and streamlined.	
Creating <i>soft and hard</i> infrastructure of a modern society	Infrastructure is usually seen to consist of hard elements such as bridges, roads and power supplies. Particularly in post-conflict environments, re-building the infrastructure that has been destroyed by fighting is an early priority of the development community. However, also central to a modern, peaceful society is soft infrastructure. This includes education, healthcare, commercial value-chains and banking.	

<sup>7</sup> International Dialogue on Peacebuilding and Statebuilding (2011).

<sup>8</sup> DCED (2010), p. 4.

<sup>9</sup> DCED (2010), p.4

<sup>10</sup> Pickering (2007), p.116.

The famous Collier-Hoeffler model is strong in its assessment of the link between low rates of economic growth and levels of wealth and a propensity for violence. However, it is not simply economic growth per se that is required. Economic growth needs to be *inclusive* and provide benefits across society.

The private sector obviously has a pivotal role to play in this by generating jobs, wealth and prosperity. In its work with small and medium-sized enterprises (SME) and small entrepreneurs, the PSD community is well-placed to ensure that economic development is widespread, particularly in countries where the existence of resources such as oil can mean that otherwise wealth remains with a small clique.

PSD interventions in conflict-affected situations need to be purposely designed and implemented in a conflict-sensitive way as well as with a direct aim to contribute to peacebuilding.<sup>11</sup> In some instances PSD interventions actively support an inclusive economic growth by integrating disadvantaged groups or neglected regions. Other interventions, e.g. sectoral approaches or value chain promotion, might directly address root causes of conflict, such as socio-economic inequality between conflicting groups or regions. In other instances, PSD might foster social trust and cohesion through creating common markets for conflicting parties or platforms for interaction between conflicting groups. Public Private Dialogue has a particular peacebuilding element as it promotes dialogue between usually conflicting groups such as the public and private sectors. The private sector itself can be understood as an economic actor which has a choice to promote peace or join conflict.

### 3. PSD in contexts of open and sustained violence

The understanding of contexts of conflict-affected situations is blurry and includes a wide range of conflict environments. Indeed, the term conflict-affected situations can refer to countries facing civil war, as well as to countries where conflict is subtle and under the surface. It is useful to distinguish different constellations of conflict-affected situations. The DCED<sup>12</sup> distinguishes three broader categories:

- **Latent Conflict:** countries currently experiencing no open armed violence, but significant political, social and economic instability prevail.
- **Conflict settlement or resolution:** countries that are currently transitioning out of armed conflict or have experienced armed conflict in the recent past.
- **Open and sustained violence:** countries currently experiencing organized armed violence in parts, or all, of their territory.

This paper primarily addresses the third category – PSD in situations of open and sustained violence. In doing so, it addresses a gap in the current debate about PSD in conflict-affected situations. Most of the discussion about how to design and implement PSD in such contexts focusses on post-conflict settlement or latent conflict. The most severe type of conflict-affected situations such as open and sustained violence and the debate around how to design and implement PSD in such contexts is largely neglected.

However, the increasing reality of PSD interventions being implemented in contexts of open and sustained conflict – South Sudan, Yemen, parts of Afghanistan, etc. – requires a thorough understanding of such contexts. It also poses a fundamental question: is there a case for PSD interventions in contexts of open and sustained violence? Using tax payers' money calls at least for a realistic probability of success as return on investment. Can proposed results be achieved in situation where war is ongoing, no legitimate government is in place and the results of interventions are at risk of being destroyed by the impact of violent conflict?

<sup>11</sup> International Alert (2015), p. 6-8.

<sup>12</sup> DCED (2010), p. 7-8.

This paper looks at PSD interventions that are implemented in a context of open and sustained violence – Yemen and the Palestinian Territories – and argues that PSD in situations of open and sustained violence can and should make an important contribution to stabilization and peacebuilding.

### **Challenges in contexts of open and sustained violence**

The DCED understands situations of open and sustained violence as situations where countries experience organized armed violence in parts, or all, of its territory.<sup>13</sup> Open and sustained violence can become manifest in armed insurrections, civil wars, inter-state wars, foreign military occupation, genocide, and other forms of organized and large-scale violence. Countries and societies experiencing open and sustained violence show common characteristics that significantly influence all socio-cultural and socio-economic interaction and development. The most striking features are:

- The general lack of physical security, stability and safety;
  - The absence of a central and legitimate government authority such that
    - governmental services are largely eroded or do not exist
    - there is no rule of law
    - and enforcement capacities are not working;
  - Social organization is informal and fragmented;
  - A large part of the population is forcibly displaced and traumatized;
  - Social trust and cohesion is eroded;
  - Lack of (investment) capital, skilled professionals, technologies, private sector support institutions, and destroyed infrastructure.
- 
- Furthermore, development institutions who are implementing PSD activities in contexts of open and sustained violence face severe managerial and implementation challenges, as security is eroded and in most of the cases only remote management is possible:
    - Project staff is under severe threats to be affected by violent conflict;
    - Movement of staff is restricted as regions where implementation takes place are subject to strong security concerns and experience open and sustained violence;
    - Implementation regions are home to different conflict groups and projects must not take sides;
    - Implementation regions may not be free to access due to security concerns;
    - M+E becomes difficult if implementation regions are not accessible;
    - Remote management needs to be established with local partner institutions which still are able to access these regions;
    - For national staff, it is difficult to be neutral towards conflicting groups in the violent conflict – for example staff might be forced to distribute project means to powerbrokers in order to avoid problems and show loyalties;

---

<sup>13</sup> DCED (2010), p. 8.



## 4. Case Studies from Yemen and the Palestinian Territories

This section looks at four case studies which analyze PSD interventions implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) in contexts of open and sustained violence in Yemen and the Palestinian Territories: (1) Solar Sector Promotion in Yemen; (2) Value Chain Support for Wheat and Maize in Yemen; (3) Online Business Development Services for Business Women in Yemen; and (4) IT Sector Promotion in the Palestinian Territories (Gaza).

Each case study is analyzed with a particular focus on economic results as well as contributions towards peacebuilding aspects. Moreover, each case study aims to conclude with key success factors for implementation. Each case starts with a brief description of the intervention's objective, information about the particular context, and a summary of key activities. Moreover, conflict sensitivity, meeting do-no-harm criteria, and context specific implementation flexibility are reviewed. In the results assessment, both intended and non-intended results and their significance for peacebuilding are considered. Each case concludes with a paragraph on general conclusions and lessons learned.

The case studies were prepared following a three-step approach: (1) review of available project documentation including program descriptions, annual progress reports, and monitoring and evaluation (M+E) reports; (2) guided interviews with program staff; and (3) narrative interviews with selected program staff, partners, and beneficiaries.

### 4.1 Background

Yemen, historically divided between Zaidi Shiites who live mostly in the North, and the majority Sunni population, is entangled in an ongoing armed conflict between several forces. Following an unsuccessful political transition process the Houthi rebels, a Shiite insurgent group from Saada province, attacked and occupied the capital of Sana'a in September 2014. The Houthis joined forces with former president Ali Abdullah Saleh and have since extended their control over large parts of geographically Western Yemen, a reflection of the shifting alliances in the middle-east country. Their biggest rivals are the internationally recognized Yemeni government troops (Saudi led coalition; pro-Hadi forces) lead by Yemen's president Abd-Rabbu Mansour Hadi, who was vice president under Saleh's tenure from 2004 to 2011.

Meanwhile Saudi Arabia, which shares a border with Yemen, is especially worried about the Houthis because their local rival Iran is the Houthis' primary international backer and has reportedly provided the Houthis with military support, including arms. Saudi Arabia's perception that the Houthis are primarily an Iranian proxy rather than an indigenous movement has thus driven Riyadh's military intervention and sparked international claims of a regional Saudi Arabia-Iran proxy war.



Moreover, the Sunni Islamist Islah party, which incorporates the bulk of the Yemeni Muslim Brotherhood, and a number of other coalitions, joined the Hadi coalition, as did some members of Saleh's party, such as the General People's Congress (GPC). As a result of this ongoing conflict between the Houthi and the Hadi coalition, two smaller forces have also gained influence on the ground. On the one hand, Yemen hosts a strong al-Qaeda community, whose members are arch-rivals of the Houthis (but have also been fighting against pro-Hadi groups in Aden and Al-Mukalla), which can be attributed to their different Sunni/Shiite reli-

gious affiliation. AQAP (an al-Qaeda affiliate) was able to occupy an area of more than 350 miles of coastline from Aden to Al-Mukalla and draws profits from port trade. The Houthis' rapid advances have led some Sunni tribes to align with al-Qaeda against a perceived common threat. On the other hand, ISIS/Daesh claimed responsibility for bomb attacks that mostly targeted mosques in Sana'a seen as pro-Houthi, killing and injuring civilians. The terror group is mostly located in the Rada'a, Al-Bayda' and Ad-Dali' triangular.

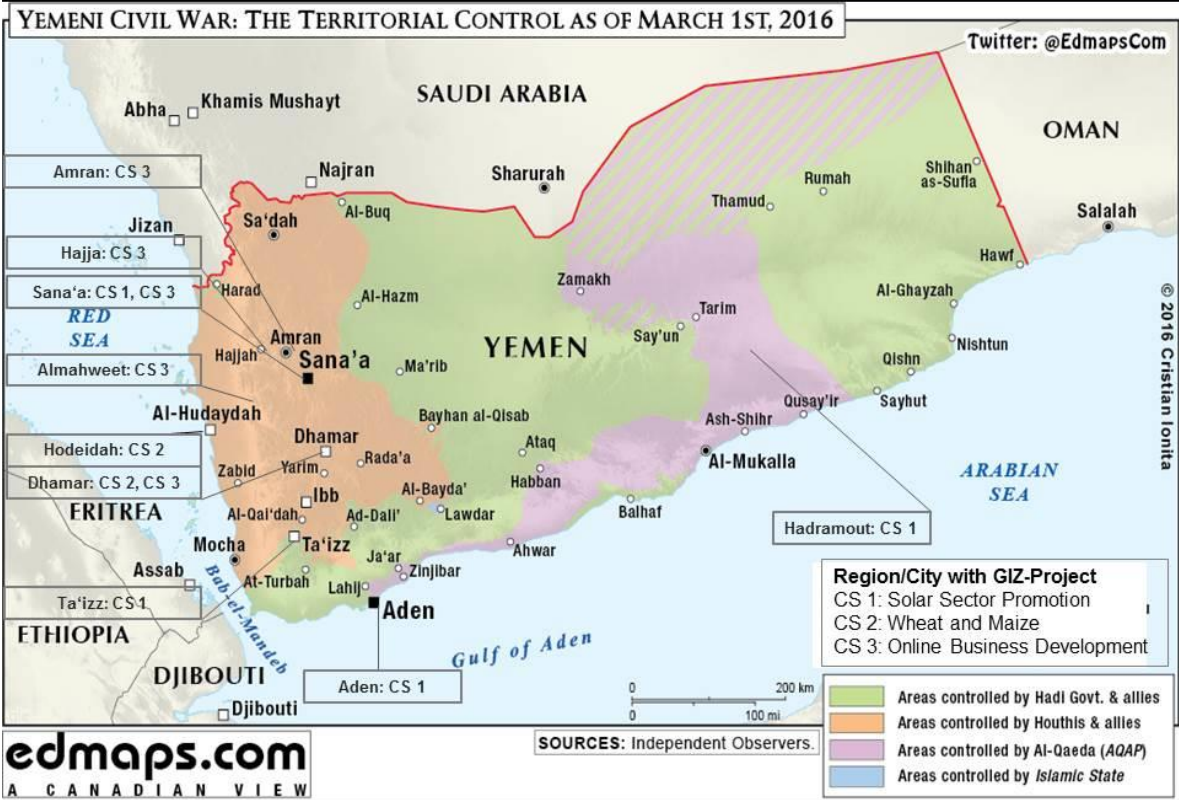


Figure 1: Yemen Territorial Control and selected GIZ Interventions of the Private Sector Development Project.<sup>14</sup>

Shattered by continuous state fragility and violent conflict, Yemen is among the poorest countries in the world. Yet by the end of 2014, three months before the beginning of the Saudi-led air strikes, 18% of the population lived on less than 1.25 USD/day and about a third of the population was below the poverty line of 2 USD/day.<sup>15</sup> At the same time 43% of the population was considered food insecure.<sup>16</sup> During the last two years of war, the situation further deteriorated. At present, it is assumed that the average income of one person sustains a family with eight members (including 3 to 4 adults). Against this backdrop, each sustained or created job has a huge impact on the overall livelihood situation. With respect to the achievements and results of PSD interventions presented in what follows, this always needs to be considered.

<sup>14</sup> adopted from Edmaps.com (2016)  
<sup>15</sup> Human Development Report 2014, United Nations Development Programme  
<sup>16</sup> Annual Report 2014, World Food Programme

**4.2 Solar Sector Promotion in Yemen**

**Sector Selection:** Since the beginning of the war, public power supply entirely collapsed. Presently, generators are the primary source for electricity. There is a huge diesel shortage, which has brought services, production, public and private life to a halt. Even if people can get access to diesel, a fuel price of 2 USD/liter and generator use is usually not affordable, let alone cost-efficient.<sup>17</sup> Therefore, the demand for affordable de-centralized (off grid) energy systems is high, especially for production, in the agricultural sector (e.g. for irrigation) but also for private use (e.g. light, water pumping and water heating). Focusing on solar power systems acknowledges the considerable economic potential in the renewable energy sector.

<p><b>Objectives</b></p> <p>Promoting solar power in Yemen is an opportunity to provide people with access to energy. It sustains production and services and hence sustains employment and income. In some cases it increases income and creates new employment opportunities.</p>	
<p><b>Target Group</b></p> <p>The main target groups are companies and individuals working in the solar sector in rural and urban areas.</p>	
<p><b>Region</b></p> <p>The solar sector intervention focuses on the regions Sana'a, Aden, Hadramout and Ta'izz, most of which are subject to strong security concerns and experience open and sustained violence. The regions are home to different conflict groups such as Houthi and Islah.</p>	<p><b>Implementing Partner</b></p> <p>Though subject to severe movement restriction, national GIZ project staff are able to fulfill a coordinating function in Ta'izz, Sana'a and Aden. However, the main part of the implementation is done through local NGOs, universities, and technical and vocational training institutions.</p>

**Intervention:** The intervention “promotion of the solar sector” uses a sector approach to promote the solar sector on meso and micro level.

On meso level the intervention strengthens a solar sector network. Through marketing and network activities supported by the project, the solar network increased from 62 to 85 member enterprises. Two to three of these enterprises have over 100 employees each, 26 of them have over 25 employees and the rest of them are smaller.

Organized and executed with support of the project, the solar sector network holds periodical meetings to foster business-to-business (B2B) activities. In addition, the network was enabled to facilitate a three-day Solar Energy Exhibition from 23-25 February 2016 together with the University of Sana'a and the local NGO *Musanadh Foundation For Development*. This was the first solar exhibition in Yemen. The main objective of the exhibition was promoting the application of solar power in Yemen by introducing solar energy systems as an electricity

<sup>17</sup> Due to the high petrol and energy costs, around 69.000 service institutions have been closed in Sana'a. The basic activities in the production in the agricultural sector have been affected negatively. Interviews with international and Yemeni observers suggest that this situation has increased the poverty and unemployment figures to unexpected levels and paralyzed almost all economical and business activities.

source to the public as well as to enhance public awareness. It also provided a venue for institutions to discuss financial and technical obstacles to the distribution and use of renewable energy systems, as well as possibilities to jointly tackle these challenges through the sector network. The 44 domestic exhibitors included credit and finance institutions, educational institutions, and companies. A total of about 100,000 people visited, which mirrors the huge interest in solar energy.

The implementation partner institution supported the solar network to screen businesses that want to actively participate in the solar sector network and the exhibition. Participating companies were selected in a comprehensive and transparent process. Only companies that were able to prove quality control to protect end users were considered. Other important selection criteria were entrepreneurial / managerial skills, financial criteria (such as investment willingness and capability) and contribution to activities of the solar network and exhibition. Also the commitment to share company information was a selection criterion for support.

On the micro level, the interventions cooperated directly with solar companies, entrepreneurs and technicians to increase technical and entrepreneurial skills. Regular trainings were developed and conducted to develop skills for installation and maintenance of solar power systems for private and commercial use. Training courses were provided through local consultants that work in and with the sector and have reached 475 individuals in the intervention areas. There were three different forms of training: a training of six days, of ten days and another one of ten days with an additional internship of ten days. 100 new young trainees were equipped with a working tool-kit each in order to facilitate self-employment opportunities for them in the sector. Trainees come from mixed and sometimes conflicting ethnic groups. They are selected by the implementing partner institution in a comprehensive and transparent selection process on the basis of written applications and physical interviews. Applicants are considered according to their potential to succeed in self-employment or to find work in a company. Selection criteria include age (young age preferred),<sup>18</sup> education, previous entrepreneurial / managerial / technical experiences, community engagement, motivation and other aspects.

**M+E and conflict sensitivity:** Every step in the implementation is designed according to the principles of do-no-harm including sector specific PCA. A specific risk monitoring system on activity level has been designed by the project to anticipate, monitor and avoid conflict.

**Results:** If not stated otherwise, results occurred in the intervention time from the second half of 2015 to December 2016.

As intended, the intervention resulted in economic development results. Jobs and income were sustained and in some cases created.

- 475 people were trained on solar energy – technical training for use, maintenance and installation
- A national solar exhibition was conducted for the first time in Yemen
- The solar sector network increased from 62 members to 85 members in 2016
- Six B2B meetings in the solar sector network were conducted
- The number of companies providing de-centralized and renewable energy solutions increased from below 30 in 2013 to 80 in 2015 accordingly.

---

<sup>18</sup> From 16 to 35 years old. Creating employment opportunities for young men in particular aims at improving security. As experience shows, unemployed young men are a major driver of violence.

In addition, the interventions contributed to the following social and economic impact:

- About 300.000 Solar Home Systems were sold from 2014 to 2016. As a result, the turnover in the sector increased from 15 Mio. USD (2014) to 90 Mio. USD (2016).
- Indicating a large number of beneficiaries, 1000 jobs were sustained and an additional 1300 were created.
- The intervention has contributed to increase the number of households and companies having access to electricity. In 2014, the total capacity of solar power systems was about 10 megawatts. In 2016 the capacity has increased to about 59 megawatts. Translated into the number of households with access to electricity, this means an increase from roughly 5.000 (2014) to 30.000 (2016).
- By the provision of access to solar energy, more than 60% of Yemeni companies are able to continue with production or service provision.
- More than 200 young men/entrepreneurs were able to continue to work / sustained their jobs and hence created perspectives for young un- or underemployed young people.

Furthermore, the intervention resulted in additional social impact which contributes to peace and stability beyond the economic impact.

- Solar sector network activities, exhibition and skills development across conflict lines: Destruction during the war created a high demand for alternative electricity sources for all regions and groups in Yemen. The 85 solar companies supported through the project come from all parts of Yemen, including conflict areas. The support of the solar sector network, the exhibition as well as the skills development training facilitated opportunities for economic interaction across conflict lines. Anecdotal evidence suggests that leading companies have an influence on decision makers in the different conflict groups. They aim to reduce violence for reasons of self-interest e.g. to safely transport imported solar energy systems through the country.
- Creating perspectives for people: despite the war, the intervention developed skills and created income and employment perspectives for the beneficiaries. Improving long-term economic perspectives is particularly important for preventing young men in conflict zones from fighting.

## Conclusions

**Market potential of the solar sector despite and through conflict:** Sector selection in contexts of sustained violence is crucial. The war-related destruction of the public energy structures has created a significant demand for decentralized renewable energy. This potential has been recognized by the private sector, where providers of renewable energy provider systems increased from less than 30 in 2013 to 80 in 2015. The project selected the solar sector to build on this economic potential. Moreover, the strong self-interest from the private sector ensures the sustainability of the intervention. Despite the war, the private sector significantly contributes to promotion activities (financially, time resources, hardware) in exchange for skills development as well as support to the sector network.

**Cooperation across conflict lines:** The interventions facilitated dialogue and exchange across conflict lines, which showed a positive impact beyond the economic impact of jobs and income. It suggests that the private sector in times of war is in the position to foster business relations across conflict lines and can voice its interest in contributing to peace.

**Focusing on the micro and on the meso level,** the measure makes full use of this potential for sustainability. Especially the support on the meso level ensures sustainable development. Working on the macro level, e.g. analyzing the business environment and regulation of the solar sector and reducing barriers, would, however, not be useful as long as the war is active and no legitimate government is available to develop a conducive framework for the sector.

**Implementation through a trusted local implementing partner** is key for the success of this intervention. The intervention can be implemented in various regions despite war and severe movement restrictions. Key elements for success are strong coordination capacities of national program staff, which facilitate smooth interaction with national consultants, NGOs, companies and the academic sector.

**4.3 Value Chain Support for Wheat and Maize in Yemen**

**Sector Selection:** Wheat import dependency in Yemen is about 95 percent. Imports have decreased significantly due to the war. Promoting wheat and maize production to substitute imports is not only a promising market, but urgently needed for food security reasons. Furthermore, wheat and maize acknowledges the economic potential of the products and the agricultural sector in general also beyond war times, as the crops are important for Yemen and the agricultural sector provides more than 50% of employment opportunities.



**Objectives**

The objective of the wheat and maize intervention is to increase the productivity in the crops wheat and maize and as a result increase income and jobs opportunities.

**Target Group**

The main target group is wheat and maize farmers in rural areas.

**Region**

The intervention supports farmers in the governorates Dhamar and Hodeidah, two of the country’s rural regions. Both governorates are subject to severe security concerns and not accessible for international and local project staff. Both are home to conflicting groups.

**Implementing Partner**

The project’s local partner – the agency for *Small- and Micro-Enterprise Promotion Services* (SMEPS) – implements the intervention. SMEPS is a subsidiary of the Social Fund for Development and therefore considers itself as semi-governmental, but widely independent of the government. It is specialized in the provision of Business Development Services (BDS) and Value Chain Development. SMEPS has cooperated with GIZ projects for more than ten years and has established a trusted cooperation. Furthermore, the GIZ project has built capacities of SMEPS and they are a well-known professional organization.

**Intervention:** The intervention targets the agricultural sector and is based on a value chain approach focusing on the micro and meso levels.

Applying elements of a value chain upgrading approach, the intervention introduces improved irrigation technologies, seeds, fertilizers and cultivation methods to farmers on the

micro level. Key focus is supporting the provision and installation of drip irrigation systems in nine demonstration plots which belong to *lead farmers*. In addition, they receive on-farm trainings on modern farming techniques and technologies at the demo plots. *Lead farmers* are selected in a comprehensive and transparent selection process to become local and regional role models. Selection criteria are reputation and the commitment to share improved know-how with the community, which includes offering the own farm as a demo plot to other farmers at any time. Therefore, *lead farms* need to be located centrally and easily accessible. Moreover, *lead farmers* take a financial share in the costs for the irrigation systems, fertilizer, seeds, and other inputs. Through the nine lead farmers a total of 450 farmers are reached. They include non-political farmers as well as farmers being sympathetic to different conflict groups. Thus, the trainings and the demonstration plots respectively provide a platform for interaction of mixed identity groups.

On the meso level, training and capacity building activities are developed and conducted to strengthen the public extension services (improved seeds, fertilizers, and plant protection). The extension service has a countrywide network of consultants and provides experts that come from the respective implementation areas.

**M+E and conflict sensitivity:** Every step in the implementation of the intervention is designed according to the principles of do-no-harm. A specific risk log system has been designed to anticipate, monitor and avoid possible conflict. Besides conducting general peace and conflict assessments on country and sector level, the risk log system allows close monitoring and immediate action if a specific activity proves to drive conflict or violence. The risk-log is a tool that assesses the risks of implementation on activity level. The GIZ advisor responsible for the activity consults and adapts it. The risk-log is implemented together with the main partner SMEPS. The key function of the risk-log is that the advisor in charge has a good look at the risks that come with the activity, debates these risks and acts accordingly. Also learning experience is added afterwards. This helps to avoid unnecessarily facing the same risk twice.

**Results:** The measures were conducted three times consecutively between 10/2015 and 05/2016. The first harvest was gathered five months after starting the activities in 10/2015. The third harvest was gathered eight months after starting the activities in 10/2015. Time from initiating the activities in 10/2015 to the final report accounted for nine months (07/2016).

- As intended, the intervention resulted in economic development results. Productivity was increased, and jobs and income were sustained and in some cases created.
- Nine *lead farmers* and a total of 450 *farmers* were trained
- Next to the nine *lead farmers*, 28 additional farmers installed new irrigation systems
- The production of wheat increased on average by 6180% (980kg) and the production of maize increased on average by 250% (750kg). The increase of productivity varied between plots and accounts for between 1000 kg and 240 kg (29%-400%) per plot.
- The average diesel consumption for wheat and maize production decreased from 393 liters to 142 liters on average, or by around 60%. The water usage decreased by between 50% and 70%, which accounts for water savings of around 1680m<sup>3</sup>-2870m<sup>3</sup>.
- Due to the increased production and the decreased consumption of key resources, the net profits of supported farmers increased: total production costs of supported farms decreased by 28% from \$485 to \$351 (104.266 YER to 75.583 YER, 1US\$=215YER, 31.12.2015), while the production approximately doubled.
- The measures resulted in \$982 savings per plot per year extra and \$491 per harvest.

Furthermore, the intervention resulted in additional social impact, which contributes to peace and stability beyond the economic impact.

- *Lead farmer's* willingness to cooperate across conflict identities shows a positive effect to other farmers.
- The competitiveness of growing wheat against growing qat<sup>19</sup> and hence illicit economic activities favored by the war has increased. The production areas for Qat diminished in the intervention areas.

## Conclusions

**Market potential of wheat and maize despite and through war:** Since the beginning of the war, the demand for locally produced wheat and maize has drastically increased. Due to import blockades, the supply from the international market has dropped. Hence, the intervention uses market potential created despite and through conflict. This ensures an increased demand of the products and therefore the potential for economic success.

**Cooperation across conflict lines:** Supporting mechanisms for horizontal cooperation among business people / farmers across conflict lines is another key success factor.

**Implementation through a trusted local implementing partner** like SMEPS is key to the success of this intervention. This is necessary as local project staff's access to the implementation areas is limited due to security reasons. To ensure quality, interventions are regularly monitored by external consultants. SMEPS has a very good reputation on the ground because it usually works with young consultants who are from the specific intervention areas. However, it also needs to be stressed that in contexts of sustained violence, it is also risky to rely on just one local implementation partner for several reasons: SMEPS itself may be under pressure from conflicting groups. And they also are at risk of being targeted by conflict groups.

**The careful selection of *lead farmers* as primary target group** as well as drivers of cooperation across conflict lines is a key for the success of the intervention. It is likely that the *lead farmers* per se are not neutral, but the selection according to reputation and eagerness to share know-how and knowledge with the vaster community has had a positive spill-over effect. Furthermore the *lead farmer's* choice to resist illicit economic activities favored through the war, i.e. not producing qat and growing wheat and maize instead, is also a positive impact.


---

<sup>19</sup> Qat is a plant whose leaves are chewed in Yemen as a drug. Even though the cultivation of qat is not illegal in Yemen, growing it supports illicit transnational drug trafficking.



**4.4 Online Business Development Services for Business Women**

**Sector Selection:** Traditionally, Yemenis traveled to Jordan for treatment and midwife services, or if they could not afford it, relied more or less on the sufficiently functioning public health system and private clinics. Due to the war, traveling to Jordan is difficult and the public health system in Yemen has collapsed. Both parties, the Saudi-Arabian-led intervention as well as the Houthis, have destroyed hospitals as well as major infrastructure in the country. Midwives, especially in rural areas, are often the only medical support, with the next hospital several hours away, streets being destroyed and movements hindered and slowed down by dozens of checkpoints. The focus on the health sector acknowledges the high demand for medical services in the country also beyond the war time.

<p><b>Objectives</b></p> <p>The intervention aims at supporting business women to sustain their business and stay in the market under the constraints of the war. It especially focusses on sectors which are crucial for the country, such as health, food and education.</p>	
<p><b>Target Group</b></p> <p>Literate business women in rural and urban areas. More than 300 women were targeted in the pilot phase in 2016. Every third woman was from the health sector, mostly midwives.</p>	
<p><b>Region</b></p> <p>The intervention so far focused on the regions Sana'a, Aden, Dhamar, Almahweet, Hajja, and Ammran. All of the mentioned regions are subject to severe security concerns and not freely accessible. The regions are home to different conflict groups such as Houthi and Islah. There will be a roll-out to further regions in 2017, targeting up to 600 additional businesswomen and female-run start-ups.</p>	<p><b>Implementing Partner</b></p> <p>The implementing partner to provide the online services is the semi-governmental organization SMEPS. SMEPS is specialized in BDS, value chain development and market-based approaches, and is also a key facilitator for the countrywide ILO supported initiative Women Business Owners Training (WBOT)<sup>20</sup>.</p>

**Intervention:** The intervention promotes entrepreneurship development for business women and focuses on the micro level. It offers BDS to 300 business women who already run a business. The services provided are exclusively relying on internet based means of communication – *WhatsApp*, a popular smartphone app for texting to individuals and in groups. The selected business women in the pilot phase already have been supported by the ILO countrywide Program WBOT before the war to develop their own business plan and start or grow their business. Those women who developed the best plans for their businesses and showed most potential throughout the courses qualified for the GIZ supported *WhatsApp* BDS.

<sup>20</sup> Further information: [http://www.ilo.org/wcmsp5/groups/public/---dgreports/---exrel/documents/publication/wcms\\_409796.pdf](http://www.ilo.org/wcmsp5/groups/public/---dgreports/---exrel/documents/publication/wcms_409796.pdf)

15 different *WhatsApp* groups with a maximum of 20 participants provide a venue for the businesswomen to discuss business challenges and to receive training by a female consultant, as well as peer-to-peer advice. The BDS are provided over the course of one month and focus on improving financial skills, business continuity capacities, and managerial skills. Since the intervention is implemented via internet, each *WhatsApp* group includes participants from various geographic areas. The majority of beneficiaries in the pilot phase were midwives and some are dentists. Additionally, shop owners (groceries, general stores) and traders of olibanum, a plant product, were supported.<sup>21</sup>

**M+E and conflict sensitivity:** Every step in the implementation of the intervention is designed according to the principles of do-no-harm. A specific risk log system has been designed to anticipate, monitor and avoid possible conflict. The Management Information System of the partner SMEPS, which was initiated with the support of the GIZ Private Sector Development project, is used for gathering and processing data.

**Results:** Results occurred in the intervention time from 12/2015 to 03/2016. As intended, the intervention resulted in economic development results. Jobs and income were sustained and in some cases created.

**Results in regard to the 80 midwives who participated in the measure:**

- A survey conducted six months after the intervention terminated finds that each of the 80 businesswomen trained persisted on the market despite the war.
- 80 business women running their own company hired an additional 120 women

**Results in regard to the increase of income of participating shop owners, traders and midwives:**

- The average income of the supported midwives of 292 US Dollar (USD)/month increased on average about 500 USD to USD 792/month.

Furthermore, the intervention resulted in additional social impact, which contributes to peace and stability beyond the economic impact.

- Each *WhatsApp* group includes women from different and partially conflicting geographic areas in Yemen. Especially the peer-to-peer advice fosters relationship and confidence building between the participants. Anecdotal evidence suggests that most of the *WhatsApp* groups remained active after the training month. Moreover, an analysis of chat protocols finds that beyond business issues, the groups developed to a more general platform of exchange where women support each other.
- Data generated through analyzing *WhatsApp* protocols and anecdotal evidence suggest that the trained businesswomen contribute significantly (if not most) to the household income. Therefore, the income increase is likely to improve the livelihood of the whole household. Further observations suggest that husbands and other male family members increasingly support the business activities.<sup>22</sup> The women also serve as role models for younger women in their region.

---

<sup>21</sup> Of those women, 5.58% attained a secondary school degree, 12.09% a high school degree, 16.74% a diploma, 32.09% a bachelor degree, 3.26% a master degree, and 30.23% were trained as midwives.

<sup>22</sup> When asked via *WhatsApp*, targeted women reported that male family members support their access to the internet by organizing e.g. mobile phones or airtime.

## Outlook

In the second phase/roll-out of the project (January till June 2017), it will be tested to include women in the consultancy who did not participate at ILO WBOT or other interventions of international donors in the past. Selection of the women will be supported by local women NGOs in the respective regions, Business Women Departments of the *Chambers of Commerce* and the *Yemen Business Club* with a different onboarding approach.

The learning experience from the pilot and the roll-out phase will be gathered in an extensive manual/ guideline on “how to implement online BDS for women in war and fragile contexts.” Also a curriculum for Training of Trainers/consultants will be developed and shared within GIZ. This might be a helpful tool for setting up similar interventions in comparable contexts.

## Conclusions

**Market potential of the health sector created despite and through conflict:** The breakdown of the public health system and the limited possibilities for obtaining treatment abroad create a strong demand for midwifery and other healthcare services. This provides income and employment opportunities for women who are midwives or work in other health professions. This may stay an economic opportunity beyond the war time.

**Cooperation across conflict lines:** The *WhatsApp* communities provide opportunities for horizontal interaction across conflict lines. It also can serve as a powerful tool to support the empowerment of women and the stabilization of households.

**Implementation through a trusted local partner** is even more important for reaching out to marginalized groups such as women in contexts of open and sustained violence.

**Information and Communications Technology (ICT) supported service delivery** to reach out to beneficiaries in conflict areas where implementation is almost impossible is maybe the most outstanding feature of the intervention. However, it is important to recognize that a *WhatsApp* service delivery stand-alone would not have been successful, as a relation between beneficiaries and the implementing agent SMEPS was already established through the ILO WBOT initiative. Present learning experiences of GIZ programs suggest, that remote solutions need an intensive onboarding process of the target group.

**4.5 IT Sector Promotion in Gaza**

**Sector Selection:** Gaza’s key economic challenges are Egypt’s and Israel’s blockade and the strict internal and external security controls. The Israeli-imposed closure after Gaza’s take-over by Hamas in 2007 has severely restricted any movement of goods and people, almost entirely cutting off export and import opportunities. Hence, the “borderless” and internet-based Information Technology (IT) sector holds significant economic potential. Moreover, Gaza has a fairly good technical infrastructure as well as a good-quality IT education and qualified graduates. Presently, the IT sector contributes about 7% to the GDP of the West Bank and Gaza.

<p><b>Objectives</b></p>	
<p>Promotion of Gaza’s IT sector for local economic development, turnover increase of the sector’s small and micro enterprises (MSMEs) and employment generation.</p>	
<p><b>Target Group</b></p>	
<p>The intervention’s primary beneficiaries are MSMEs, start-ups, and self-employed individuals of the IT sector and IT graduates in the Gaza Strip.</p>	
<p><b>Region</b></p>	<p><b>Implementing Partner</b></p>
<p>Gaza strip</p>	<p>For political and security reasons, international staff is not able to live in Gaza. The project management is based in Ramallah (West Bank) and has only limited access to the implementation area. The activities are mainly implemented through national staff of the program’s office in Gaza City. Activities are implemented in partnerships with the Gaza section of the <i>Palestinian IT Association</i> (PITA).</p>

**Intervention:** The intervention takes a meso and micro level approach and focuses on start-up and export promotion.

On the meso level, the intervention has supported intermediary institutions that provide support to IT companies. PITA is the relevant sector association with over 50 members in Gaza and has been supported. Its institutional capacities have been strengthened with the objective to become a self-sufficient service provider. The association’s capacities are rather weak and most activities need strong assistance. PITA itself is responsible for the selection of IT companies that are promoted to join exhibitions and B2B meetings. The selection process is a comprehensive tender process and open to everyone. The selection is merit-based and depends on a company’s potential to meet the demands of international clients or market maturity of start-up ideas. Besides PITA other intermediary institutions that run “Boot camps” and provide business incubators (currently two organisations are partners, *Palestine Information and Communications Technology Incubator* (PICTI) and Headway) have been supported enabling them to provide professional services. Would-be entrepreneurs participated in annual boot camps and received comprehensive business management trainings, includ-

ing management, finance, accounting, product development, marketing and presentation to investors.

On the micro level, in the field of export promotion the project focuses on supporting Gaza IT companies to get integrated into international supply chains. IT companies are trained to participate at international fairs and to foster business-to-business (B2B) meetings. In order to get access to global supply chains, the Gaza IT-firms' are also supported in increasing their competitiveness. Therefore, technical trainings are provided to IT companies to ensure the companies' market viability, as well as to support them in going through an ISO certification process (ISO 9001 for quality control and ISO ECI 27001 as security management) which is a precondition for global supply chains.

**M+E and conflict sensitivity:** Implementation is designed according to the principles of do-no-harm. Activities are regularly monitored.

**Results:** Results occurred in the intervention timeframe 1/2014 to 2016.

As intended, the intervention resulted in economic development results. Turnover was increased and jobs created.

- Eleven companies from the Gaza Strip have held B2B meetings with potential clients from Europe, out of which four companies could acquire deals for software development so far with a total value of over 100.000 USD.
- The last survey from beginning of 2016 showed that 80% of the 28 supported companies reported turn-over increases. Another 33% of these companies reported that the turn-over increase exceeded 10%.
- 40 start-ups were created. All supported companies have hired 47 new employees.

Furthermore, the intervention resulted in additional social impact which contributes to peace and stability beyond the economic impact.

- IT graduates and professionals are often young men. Anecdotal evidence suggests that, due to their good education (including stays abroad and connections to the diaspora), many among them have a moderate political opinion. The assumption of the Program is that providing employment opportunities and medium to long-term employment perspectives are likely to prevent them from radicalization and fighting.

## Conclusions

**Market potential of IT during conflict:** IT belongs to the few sectors that have economic potential despite the conflict in Gaza. The products are virtual and can be supplied globally and exported across borders despite ongoing conflict. Hence, the IT sector has a market potential in Gaza with export opportunities. Existing good education opportunities and solid infrastructure are additional amplifiers.

**Target group and impact on stability and peace:** The program worked specifically with young men and women who have higher skills levels, as working in IT requires a good (university) education, often including stays abroad. The project's work with this target group is based on the assumption that a higher level of education and simultaneously providing economic perspectives in the medium and long term will correspond negatively to peoples' readiness for radicalization and violence. Anecdotal evidence from Gaza suggests that IT professionals are mostly young men supporting moderate Palestinian authorities and not the militant Hamas. Creating job opportunities has to be complemented with providing economic perspectives in order to prevent the beneficiaries from radicalization and joining fighting.

## 5. Conclusions from the case studies regarding PSD interventions in contexts of open and sustained violence

The implementation practices in Yemen and the Palestinian Territories show that PSD in context of open and sustained violence can contribute to various aspects of peacebuilding. If programmed thoroughly, PSD can make an explicit contribution to economic development and building security, stability and trust. However, aiming at realistic expectation management, the limits of PSD need to be stressed as well. Taking the four DCED dimensions of peacebuilding (cf. p. 5 in this study) as referencing framework, PSD's potential to foster good governance is small in the context of open and sustained violence. At the same time, interventions to rebuild infrastructure are only partly possible. While rebuilding soft infrastructure can be successful, rebuilding hard infrastructure is barely feasible in times of war. Ongoing violence including armed clashes will most likely destroy rebuilt infrastructure again.

**Table 2: Adopted DCED Framework for PSD in contexts of open and sustained violence** <sup>23</sup>

Dimensions	Principle	PSD contribution towards stabilization and peacebuilding
Building security, stability and trust	<p>A stable state enables people's freedom to move without fearing death or injury and fosters durable stability and trust between different elements of society. PSD in contexts of open and sustained violence can contribute to the latter by seeking to develop businesses or common markets that cross ethnic or other divides which fracture society and fuel conflict.</p> <p>Some PSD approaches such as value chain promotion, B2B meetings and SME trainings can purposely integrate conflicting war groups and hence contribute to peacebuilding.</p>	
<i>Inclusive Economic Development</i>	<p>PSD mostly aims at contributing to employment and income generation. In contexts of open and sustained violence, the aim will be to sustain jobs and income / livelihood opportunities and assist businesses with business continuity training to adopt to the environment and cope with violence and its effects.</p> <p>PSD approaches such as value chain promotion, SME promotion, and business continuity training can help businesses to survive. In the case of sector promotion, it is important to focus on sectors which have a potential to sustain jobs despite violent conflict and possibly beyond war. Services which are normally provided by the public sector such as education, healthcare, waste collection and energy provision in times of war are often neglected but urgently needed. In the absence of functioning statehood, the private sector can substitute for public services. This may also bear employment opportunities beyond war. Furthermore, findings suggest that the inclusion of young men prevent them from joining the violent conflict.</p>	
Supporting the continuation of <i>soft</i> infrastructure	<p>Soft infrastructure including education and skills development as well as institutions that are able to promote local economic development and skills development are very important. In times of open and sustained violence, it is even more important to have local institutions to continue supporting businesses so that they can stay active. Furthermore, elements of promoting peace, e.g. by providing services and facilitating interaction across conflict lines during times of open and sustained conflict are the objective of supporting soft infrastructure.</p>	

<sup>23</sup> based on DCED (2010), p. 4.

**Not possible in contexts of open and sustained violence**

Fostering good <i>economic</i> governance	Contexts of open and sustained violence are characterized by the absence of legitimate governance. A PSD intervention that works on the economic governance level will not produce any results as the government is not legitimate; furthermore, it will produce security issues for project staff and partners as linking with one conflicting government group will produce security risks.
Creating <i>hard</i> infrastructure of a modern society	Any PSD interventions on creating hard infrastructure – roads, market places, production areas, will not survive and are threatened to be destroyed by violent activities. Other parts of an existing infrastructure such as supporting existing institutions will not be possible either, as long as such institutions are linked to one of the conflicting groups.

The case studies from Yemen and the Palestinian Territories furthermore show that there is a strong argument for continuing with – albeit limited – PSD interventions in times of open and sustained violence: PSD has a huge comparative advantage to other development sectors (e.g. education, rule of law, or good governance) when it comes to contexts of open and sustained violence: It needs first and foremost the private sector and not necessarily statehood for successful implementation.<sup>24</sup> The private sector usually changes shape and direction during violent conflict and becomes informal and fragmented, but it continues to exist.<sup>25</sup> Main economic actors are in particular small local businesses run by families or individuals, operating as unregulated entrepreneurs outside the judicial framework and pay no taxes.<sup>26</sup> PSD interventions can support them in becoming agents for stabilization, by fostering economic development as well as security, stability, and trust. Moreover, informal private sector networks and umbrella organizations sometimes continue to exist during conflict. PSD activities can enable them to participate in political dialogue with conflict parties and provide opportunities for economic interaction across conflict lines.

Finally, the private sector in conflict situations has the potential to both exacerbate and reduce conflict.<sup>27</sup> During violent conflict, actors cannot afford to be neutral.<sup>28</sup> They have the choice to either adapt to the circumstances of war in order to profit from the conflict environment (drug trafficking, arms trade, etc.), or to support ending the conflict and going back to normal. In contexts of open and sustained violence the private sector often takes a focus on short-term and illicit gains because the characteristics of actors change and warlords or military officers become businessmen.<sup>29</sup>



<sup>24</sup> It is of course preferable to work with public and private actors at the same time to foster scaling-up effects and sustainability. Yet, PSD can also directly address private sector umbrella organizations or, if these do no longer exist, MSME, farmers, and other micro-level actors.

<sup>25</sup> Mac Sweeny (2008).

<sup>26</sup> De Vries and Specker (2009).

<sup>27</sup> Peschka (2010).

<sup>28</sup> Ballentine and Haufler (2009).

<sup>29</sup> Peschka (2010).

Therefore, PSD interventions can play an important role to support businesses in choosing ending the conflict as their preferred strategy and to counterbalance an illicit economy supported by the conditions of war. If the latter becomes pathologic (as for instance drug business in Afghanistan), it is very hard to overcome conflict. After all, powerbrokers profit from the conflict environment.

Against this background, the case for PSD interventions in contexts of open and sustained conflict has two objectives:

<b>Economic Objective</b>	Promote business continuity despite violence and sustaining jobs and income opportunities
<b>Contribution to peacebuilding objective</b>	<ul style="list-style-type: none"> <li>• work with private sector to stay in licit economy,</li> <li>• facilitate actions that integrate conflicting groups</li> <li>• get private sector to voice and work on peace</li> <li>• work with intermediary institutions such as BDS providers, NGOs, etc. to adopt BDS and extend their understanding to integrate peacebuilding elements</li> </ul>



## 6. Guiding principles for PSD interventions in contexts of open and sustained violence

### 6.1 Success factors for implementing PSD programs in contexts of open and sustained violence

Situations of open and sustained violence are the most difficult environments to work in. After all, difficult access for program staff, lacking partner institutions, blurry power structures, high conflict potential, and many more factors challenge the implementation of PSD activities. Based on the lessons learned from PSD interventions in Yemen and the Palestinian Territories, six success factors for implementation became clear and may help PSD practitioners in similar contexts when designing and implementing PSD in such contexts of open and sustained violence:

#### Management issues

- **Implementation capacities** must be guaranteed: International and multilateral development organizations and agencies usually lack the possibility to place international program staff in contexts of open and sustained violence for security reasons. Thus, remote management capacities are necessary for implementation despite limited access to implementation areas. **Remote management** capacities need to be developed both on the side of the international organization as well as on the side of the local implementation partner, local NGOs or consultants. This proceeding is, however, only possible if the international agency has established cooperation mechanisms with local staff, local NGOs or local consultancies. It is almost impossible as an international organization without any previous contacts and activities in the area or country of open and sustained violence to initiate such relationships during war times.
- International organizations often have very **specific compliance procedures**. Local NGOs and consultancies need to be trained accordingly. This can be challenging if possibilities to conduct in-country training are limited. However, efforts and resources need to be spent to train local NGOs and consultancies if needed abroad so that they can implement accordingly.
- Furthermore, remote management is not free of risks: Like businesses of the private sector, national staff can hardly afford to be neutral in times of open and sustained violence. Local implementation staff not only needs the acceptance of addressed communities and beneficiaries, they also need to cope with social pressure and control. For instance, national program staff and team leaders might be forced to distribute project means to powerbrokers in order to avoid problems. **Continuous Do-No-Harm and compliance issues** have to be discussed and reflected.
- Situations in contexts of open and sustained violence are challenging and very instable. Security and access to regions change from one day to the other. Flexible implementation practice and time to react to the local context and situation are absolutely necessary to ensure that proper intervention conflict management is done and doing harm is avoided. **Flexibility and adaptive management** also towards logframes and anticipated results are necessary.
- Interventions in contexts of open and sustained violence are **more costly** than in stable environments due to security concerns, movement restrictions and remote management.
- **Results are achieved slowly**, and a realistic theory of change<sup>30</sup> and timeline for implementation are needed.

---

<sup>30</sup> Based on the Beam Exchange, a digital knowledge and learning platform about the role of private sector development in reducing poverty, the theory of change lays out the series of cause-and-effect changes that follow intervention activity. This represents the programme's vision of how market systems will be functioning in the future, the pro-poor outcomes it will result in, and the impacts it will have on poverty.  
<https://beamexchange.org>

- **Conflict-sensitive results M+E** is a key to the development cooperation interventions. This implies particular challenges when remote management is conducted. On one hand, it must be ensured that implementing partners (i.e. local NGOs and consultants) deliver the required quality. On the other hand, solutions need to be developed that allow high quality and independent M+E despite lacking possibilities for on-site visits.

### **Peace and conflict assessment on economic sector and intervention level – understanding conflict realities and ensuring conflict management on all levels**

PSD interventions in situations of open and sustained violence can potentially do a lot of harm. Programming in contexts of open and sustained violence must, thus, be based on profound assessments and understanding of the conflict context, as well as root causes and main drivers of violence. PSD programs in practice commit to the principles of *Do-No-Harm* and conduct peace and conflict analyses or strategic conflict assessments. However, usually tools for conflict analysis are very general and aggregated on a high level. Often, conflict assessments do neither consider sector-specific impact on conflict behavior (as for instance changing economic patterns), nor do they analyze *de facto* conflict dynamics on the micro level (i.e. in specific implementation areas). As contexts of open and sustained violence are very challenging, it is necessary to include economic sector-specific conflict assessments. These assessments could, for instance, answer the following questions: How does altering the private sector influence the distribution of power, social relations, or existing cultural patterns? How is the political economy related to political power and the conflict context in general? Continuous conflict monitoring needs to be an integral part of PSD interventions and define the focus and limits of interventions. This includes in particular assessments on activity level for specific implementation areas. Active violence environments are highly heterogenic and conflict-related settings can change from village to village. The UN's risk log system appears as a promising approach: activities are designed conflict-sensitively at the outset and include hypotheses on potential conflicts, as well as strategies to absorb them. During the implementation process, it is constantly assessed whether anticipated (or other) conflicts appear and whether there is need for action.

### **Systemic approach – focusing on micro and meso level only**

PSD interventions usually take place on three levels in an economy: (1) the macro level, usually addressing policies and framework conditions and the business environment; (2) the meso level, usually addressing markets and sectors, as well as intermediary organizations providing services to businesses; and (3) the micro level, usually focusing on the enterprise dimension. In stable, latent conflict and post-conflict environments, PSD programming integrates all three levels through a combination of different PSD tools as a systemic approach.<sup>31</sup> However, in contexts of open and sustained violence the situation is different: lacking central government structures and other institutions of functioning statehood, macro level interventions appear difficult if not impossible to implement:

- Macro level interventions to promote a conducive regulatory and administrative environment should be avoided as long as violence is open and ongoing and the state is *de facto* nonexistent. Structural weaknesses or even the lack of formal institutions (such as economic promotion institutions, chambers or sector associations) do also severely constrain opportunities for PSD on the meso level.
- Meso level structures in some instances continue to exist, such as BDS service providers, NGOs supporting business development, sector network groups or associations.

---

<sup>31</sup> For instance, PSD programming often combines macro level interventions to improve the business and investment climate, with meso-level interventions aiming at the improvement of BDS organizations and micro level interventions supporting specific value chains.

Some may even exist informally.<sup>32</sup> It is important to consider meso level structures in PSD programming because they can foster both business continuity planning as well as peacebuilding tasks. They also need to be supported to adopt their services towards the context of open and sustained violence in order to be able to assist businesses despite war.

- The most promising area for intervention is the micro level. Especially micro and small sized businesses do not need a state, state-like institutions or any other formal structures to exist. Evidence suggests that local private sector actors usually continue activities during violent conflict, though characterized by informality, lacking regulation or standardized systems of procedure (Mac Sweeny 2008). From the perspective of PSD contributing towards peacebuilding, micro level support of the local private sector offers significant potential. For instance, local business support<sup>33</sup> offers opportunities for immediate effects in job and income generation, potentially becoming a stimulus for local economic development.

### Local businesses as actors promoting peace

It is suggested that PSD programming in contexts of open and sustained violence concentrate on local businesses and entrepreneurs on the micro level as primary target group. The economic and peacebuilding potentials of local private sector actors are stressed in the previous paragraph. Moreover, the private sector has the potential to both exacerbate and reduce conflict.<sup>34</sup> Businesses have the choice to either profitably adapt to the conflict environment or to support ending the conflict and going back to normal. Local businesses might have a strong interest in supporting peacebuilding or even becoming brokers for peace because they suffer directly from conflict.



However, businesses in war times also tend to take a focus on short-term and illicit gains (e.g. drug trafficking), if they don't see any gains in the legal economy.<sup>35</sup> Focusing PSD interventions on the micro level, directly supporting local businesses and entrepreneurs, holds the potential to improve the competitiveness of regular economic activities sectors and helps to avoid the evolution of a pathologic illicit economy.<sup>36</sup>

<sup>32</sup> For example, wheat farmers in Dhamar/Yemen regularly meet to agree on prices for wheat and jointly sell it to the Economic Authority of Yemen. Though not formally authored, this behavior is very similar to the behavior of formalized cooperatives.

<sup>33</sup> Local business support can, for instance, through BDS enhance financing and managerial skills, as well as business continuity capacities during open and sustained violent conflict.

<sup>34</sup> Ballentine and Haufler (2009).

<sup>35</sup> Peshka (2010).

<sup>36</sup> There is case evidence from Yemen, where value chain support of farmers (irrigation schemes, fertilizer, agricultural technics) has improved the competitiveness of wheat, which lead to a drop in growing Qat.

## **Sensitize for business opportunities created through conflict**

Contexts of open and sustained violence are probably the most challenging environment to stimulate PSD. However, while conflict hampers doing business and growth in many ways, it can also create business opportunities – e.g.:

- Import substitution, as – due to the destruction of war – transport infrastructure is destroyed and a high security risk exists to import products and goods across borders. This opens opportunities for local production and may improve the competitiveness of local products, in particular in the agricultural sector relevant for securing food.<sup>37</sup>
- Rebuilding hard infrastructure itself during times of open and sustained violence is difficult as violent conflict may destroy rebuilt infrastructure right away. However, production and communication need to continue also during war times – which holds potential for off-grid solutions with less heavy and hard infrastructure such as solar energy.
- Specific business opportunities emerge through the lack of functioning statehood and the breakdown of various public services. This includes, amongst others, medical services, garbage collection, and transport.

PSD programming should consider the potential for new markets and innovation emerging through conflict and develop interventions accordingly. PSD programming in contexts of open and sustained violence should also consider sectors and services most needed for vulnerable groups, such as medical services, food security and agricultural value chains or solar power to gain access to energy.

## **Address non-economic peacebuilding outputs to support peace and stability**

PSD interventions have the potential to support peace- and state-building goals. In order to successfully work on conflict, PSD programming needs to consider some critical aspects from the design to the implementation and monitoring phase. As described earlier, the private sector has a particular potential to strengthen social trust and cohesion through linking actors from conflicting identities. Therefore, one element of PSD programming should consider facilitating markets and interactions across conflict lines. Fostering value chain linkages may also offer scope for activities across conflict lines, and so do business network activities and other interactions on B2B platforms or trainings. Interventions on meso and micro level should try to include elements of promoting (business) communication and conflict resolution skills wherever possible. More recent literature has stressed that dialogue platforms between political powerbrokers and private sector agents can address drivers of armed violence and build bridges within societies.

---

<sup>37</sup> Wheat is a prominent example in this regard. Highly subsidized in countries like the United States of America, Australia, or Kazakhstan, locally produced wheat is in most countries not competitive. Yet, in countries where the import of wheat is has collapsed because of instances of war, wheat production is a lucrative business.

## 6.2 Recommendations for designing and programming PSD interventions in contexts of open and sustained violence

### Assess and identify economic sectors that show potential despite open and sustained violence

- The case studies of Yemen and Gaza show that economic opportunities are there despite open and sustained violence. It is important to also consider that sectors have **economic potential beyond war times**, otherwise it becomes an incentive to stay in open conflict.
- Consider that conflict can boost the potential of an entire sector on micro and meso level, such as the solar energy sector. Support towards a whole sector can be done through meso level support, such as the promotion of sector networks that foster business-to-business interaction and business development activities as well as through skills development.
- ICT offers economic opportunities during open violence due to the fact that conflict environments are usually characterized by severe movement restrictions, as well as the need to provide critical infrastructure on household level (e.g., energy, telecommunication, water and sanitation). This increases the market potential for internet-based services (even though it requires high skilled labor) or small-scale infrastructure solutions such as solar energy.

### Think about your target group and do not exclusively focus on the poorest of the poor alone – for economic and peacebuilding aspects

In contexts of open and sustained violence, PSD programs often focus on victims of war such as refugees, IDPs, and other vulnerable groups. While this is important to promote their livelihoods, it is equally relevant to consider how PSD interventions can best sustain jobs and at the same time contribute to peacebuilding. The case of the IT sector promotion in Gaza shows that supporting skilled and well educated young men holds potential to buffer radicalization and generate employment opportunities. Furthermore, in contexts of open and sustained violence it may well be that medium size businesses and highly skilled laborers hold more potential to continue their business than survival entrepreneurs.

### Keep PSD objectives in contexts of open and sustained violence realistic

In such situations, sustaining employment and income is already a success. Decision makers in donor countries often face political pressure. Accordingly, the expected results can be over-ambitious. This paper shows that PSD can have remarkable results despite ongoing conflict. However, to generate employment in such contexts in particular, a sound investment climate, a supporting regulatory framework, the enforcement of according policies and the rule of law, and of course security are urgently needed. Indeed, the absence of all these factors makes sustaining employment or supporting business continuity already a success.

### Build up a solid relationship with local implementing partners

Remote program management only works if the relationship with the partners on the ground is solid. This requires, however, that donors and agencies invest both money and time in building up capacities and relationships. The Yemeni implementing NGO SMEPS has been supported by the program for more than ten years and benefitted from a significant amount of organizational development activities. Indeed, it seems difficult to build up a relationship with potential implementing partners when open conflict and violence is already on the brink. That is why the capacity of implementing institutions should be strategically built up where the potential for conflict is high. In this regard, it is of particular importance to look for more

than one partner. Relying on one implementer as in Yemen is not without risk. If the organization collapses for whatever reason, the program implementation will have to stop.

### Conflict monitoring on intervention level

Operating within the framework of very general and highly aggregated peace and conflict analysis is not sufficient in contexts of open and sustained violence, nor is it sufficient to commit to the principles of do-no-harm alone. Programs need to anticipate the conflict potential of each and every activity as well as of selecting businesses and implementing partners. Programs must develop strategies on how to deal with possible incidents. Monitoring the intended and unintended impact on conflict must be mandatory during implementation.

### M+E

- **PSD can contribute to various aspects of peacebuilding beyond economic impact.** Yet, evidence is mostly anecdotal because programs do not systematically monitor and evaluate impact on peace and stability. To better understand whether and how PSD supports stabilizing contexts of open and sustained violence, programs need to measure peace-related outcomes with appropriate M+E procedures.
- It is important to take into consideration that **a positive impact on employment does not automatically translate into a positive impact on peacebuilding. M+E should assess both employment and peacebuilding impacts** and research whether and how they are linked. Likewise, it would be worth looking for evidence whether linking conflict-identity groups through common markets, workplaces, or other platforms really increases social trust and cohesion. Example theories of change, results models and indicators have been developed that could possibly monitor PSD's contribution towards peace-building.<sup>38</sup>
- Furthermore, headquarters, researchers, and/or other actors responsible for conceptual aspects of PSD programming in fragile environments or contexts of open and sustained violence urgently need to **improve systematic learning from M+E findings in the field.** Each intervention reviewed in this study has the potential to contribute to peacebuilding beyond economic impact. Yet, none of these interventions were purposely designed to contribute to peacebuilding. It is important to analyse and identify theories of change that *de facto* contribute to stability in the specific context.
- There are **logistical challenges to conduct M+E**: regions which are not accessible due to the conflict need to be considered as well. ICT-based M+E approaches provide the opportunity for remote M+E.
- **Qualify program staff and local implementing partners to understand the relationship between PSD and the various aspects of peacebuilding**: local staff and implementing partners seem to understand the relationship between PSD and peacebuilding well, but on a rather generic level. However, the link between interventions on micro level and possible harm or positive outcome such as contribution to peacebuilding elements does not seem to be tangible and well understood. Hence, it is strongly suggested to train PSD experts in-depth about the various linkages of PSD and peacebuilding.
- The following annex concludes this discussion paper and describes possible theories of change which include the economic and peacebuilding results for the PSD implementations in contexts of open and sustained violence. The examples are based on the case studies on Yemen and the Palestinian Territories.

---

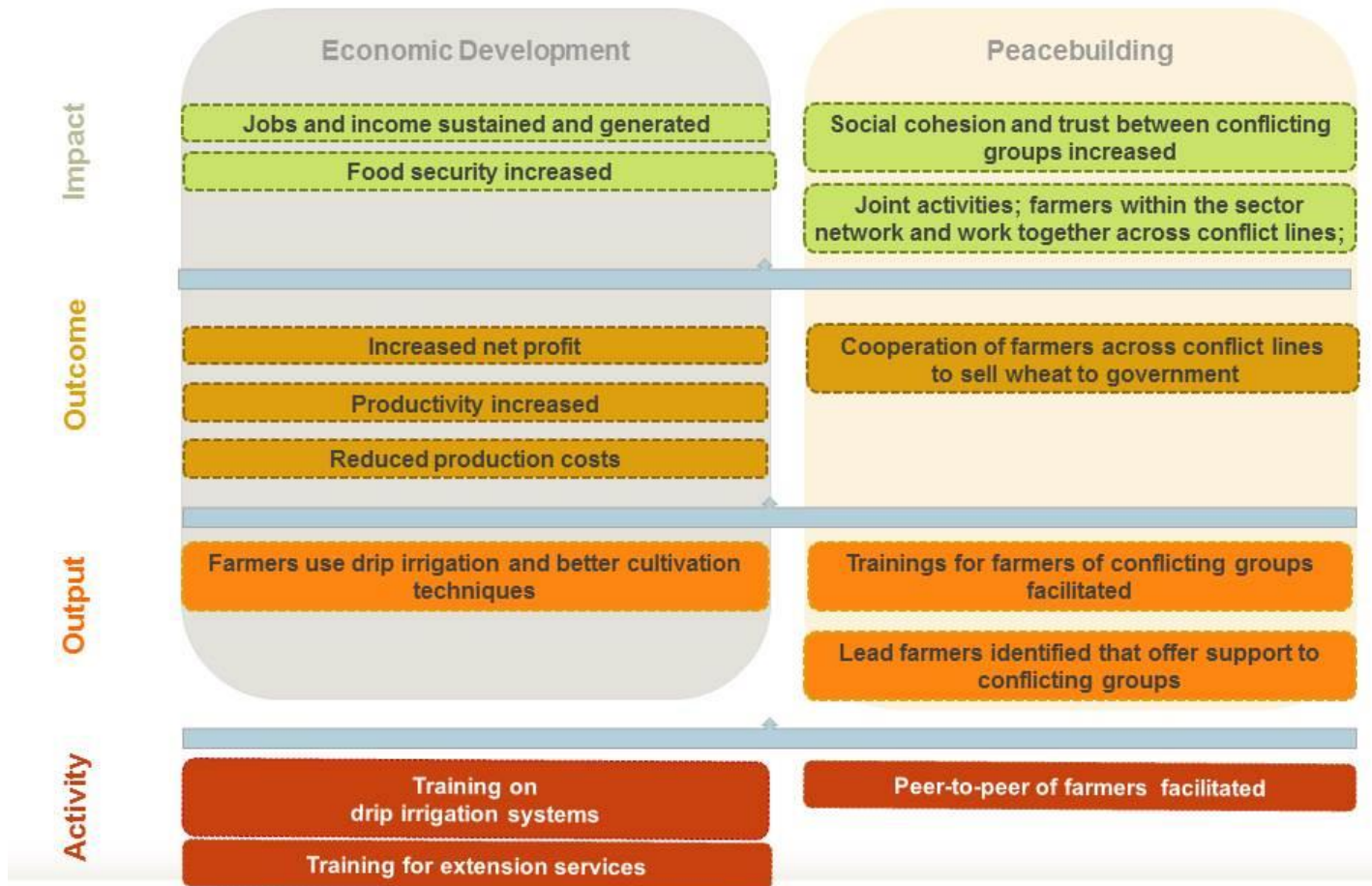
<sup>38</sup> Mercy Corps, p.22-26.

**Annex: Examples: Theories of Change – Private Sector Development in contexts of open and sustained violence**



Annex: Table 1 Solar Sector Promotion in Yemen

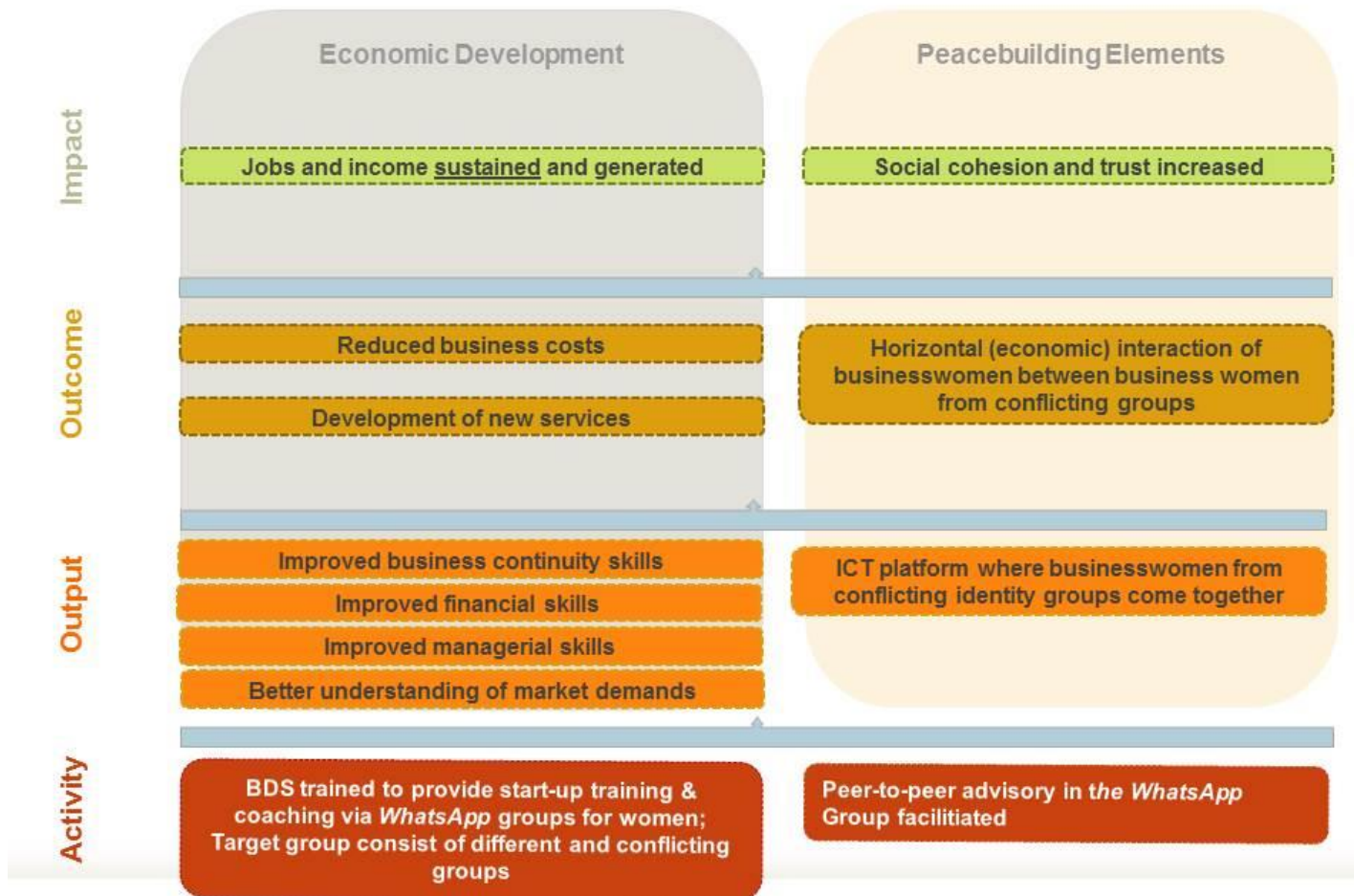
## Value Chain Support for Wheat and Maize in Yemen



Annex: Table 2 Value Chain Support for Wheat and Maize in Yemen

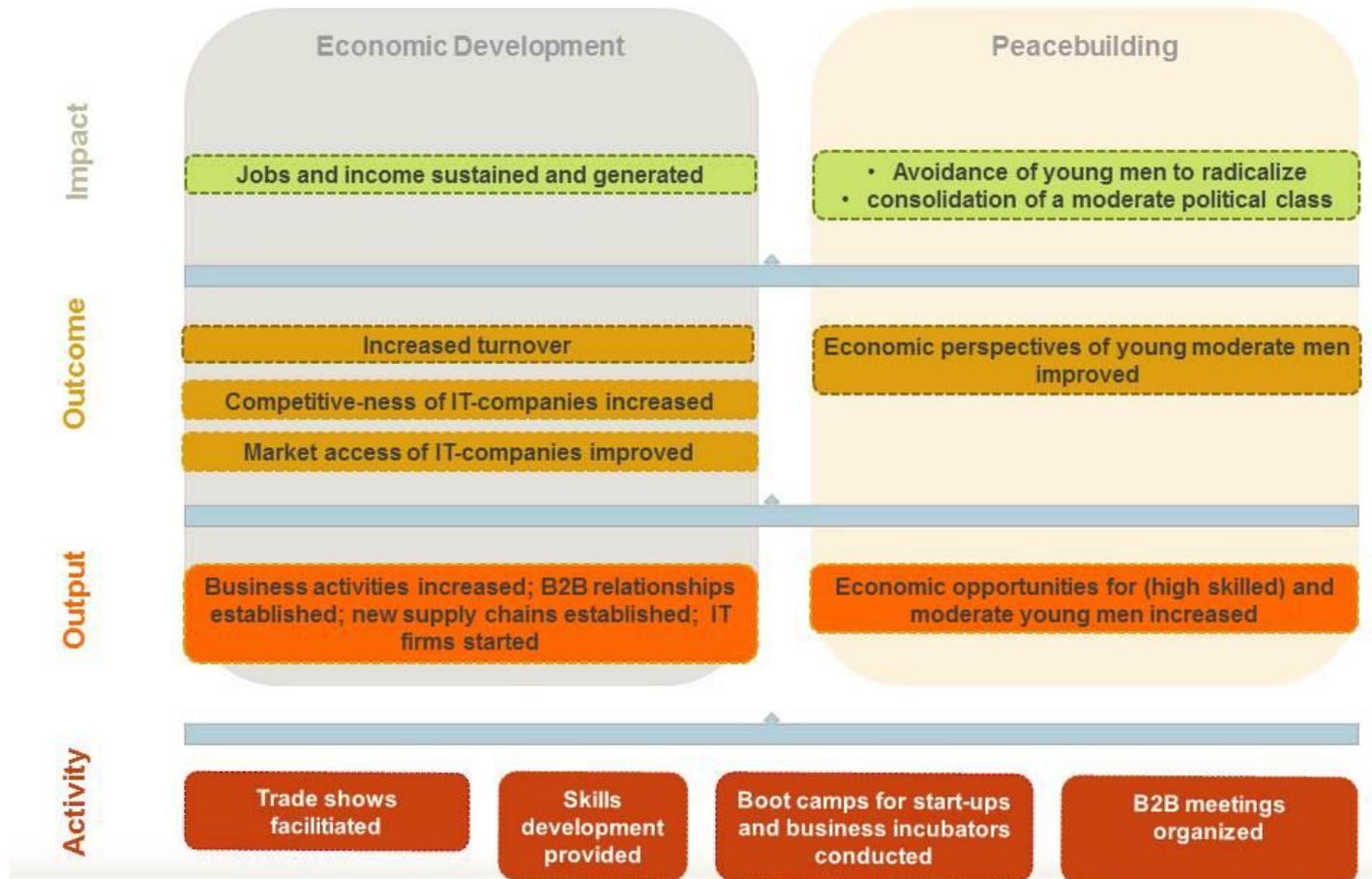


## Online Business Development Services for Business Women



Annex: Table 3 Online Business Development Services for Business Women

## Supporting IT Companies in the Gaza Strip



Annex: Table 4 Supporting IT Companies in the Gaza Strip

## Literature

Ballentine, K., and Haufler, V. (2009). *Enabling economies of peace: Public policy for conflict-sensitive business*. New York: United Nations Global Compact.

[https://www.unglobalcompact.org/docs/issues\\_doc/Peace\\_and\\_Business/Enabling\\_Economies\\_2009.pdf](https://www.unglobalcompact.org/docs/issues_doc/Peace_and_Business/Enabling_Economies_2009.pdf)

BBC News (2016). Yemen Crisis: Who is fighting whom? 14th October 2016.

<http://www.bbc.com/news/world-middle-east-29319423>

DCED (2010). *Private Sector Development in Conflict-Affected Environments. Key Resources for Practitioners*.

[http://www.enterprise-development.org/wp-content/uploads/PSDinCAE\\_KeyResourcesforPractitioners\\_Final.pdf](http://www.enterprise-development.org/wp-content/uploads/PSDinCAE_KeyResourcesforPractitioners_Final.pdf)

De Vries, H. and Specker, L. (2009). *Early economic recovery in fragile states: Priority areas and operational challenges*. Clingendael Institute.

[http://www.clingendael.nl/sites/default/files/20091100\\_cru\\_paper\\_lspecker.pdf](http://www.clingendael.nl/sites/default/files/20091100_cru_paper_lspecker.pdf)

Edmaps.com (2016) *Yemeni Civil War in Maps*.

[http://edmaps.com/html/yemeni\\_civil\\_war\\_in\\_maps.html](http://edmaps.com/html/yemeni_civil_war_in_maps.html)

Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH (2015) *Employment Promotion in the Contexts of Conflict, Fragility and Violence*

<http://www2.giz.de/wbf/4tDx9kw63qma/giz2015-0712en-employment-conflict-fragility-violence.pdf>

Institute for Economics and Peace (2015). *Global Peace Index 2015- measuring peace, its causes and its economic value*.

[http://economicsandpeace.org/wp-content/uploads/2015/06/Global-Peace-Index-Report-2015\\_0.pdf](http://economicsandpeace.org/wp-content/uploads/2015/06/Global-Peace-Index-Report-2015_0.pdf)

International Alert (2015). *Peace through prosperity. Integrating Peacebuilding into Economic Development*.

<http://www.international-alert.org/publications/peace-through-prosperity>

International Dialogue on Peacebuilding and Statebuilding (2011). *New Deal for Engagement in Fragile States*.

[https://www.pbsdialogue.org/media/filer\\_public/07/69/07692de0-3557-494e-918e-18df00e9ef73/the\\_new\\_deal.pdf](https://www.pbsdialogue.org/media/filer_public/07/69/07692de0-3557-494e-918e-18df00e9ef73/the_new_deal.pdf)

Mac Sweeney, N. (2008). *Private-Sector Development in Post-Conflict Countries*. Cambridge: DCED.

[https://ira.le.ac.uk/bitstream/2381/27928/4/PostConflict\\_PSD\\_EN\\_rev2.pdf](https://ira.le.ac.uk/bitstream/2381/27928/4/PostConflict_PSD_EN_rev2.pdf)

Mercy Corps, Evaluation and Assessment of Poverty and Conflict Interventions, Conflict & Economics: Lessons Learned on Measuring Impact.

[http://www.enterprise-development.org/wp-content/uploads/eapc\\_lessons\\_learned\\_on\\_measuring\\_impact\\_2011-07-28\\_final.pdf](http://www.enterprise-development.org/wp-content/uploads/eapc_lessons_learned_on_measuring_impact_2011-07-28_final.pdf)

Peschka, M. (2010). *The Role of the Private Sector in Fragile and Conflict-Affected States (World Development Report 2011, Background Paper)*. Washington DC: World Bank.

[http://web.worldbank.org/archive/website01306/web/pdf/wdr\\_background\\_paper\\_peschka\\_0.pdf](http://web.worldbank.org/archive/website01306/web/pdf/wdr_background_paper_peschka_0.pdf)

Pickering, P M. (2007). *Peace-building in the Balkans: The view from the Ground*. Ithaca and London: Cornell University Press.

GTZ / BMZ (2009). *Sustainable Economic Development in conflict-affected environments; A Guidebook*.

[http://www.enterprise-development.org/wp-content/uploads/SED\\_in\\_CAES\\_Guidebook2009.pdf](http://www.enterprise-development.org/wp-content/uploads/SED_in_CAES_Guidebook2009.pdf)

World Development Report (2011). *Conflict, Security and Development*. Washington DC: World Bank.

[http://siteresources.worldbank.org/INTWDRS/Resources/WDR2011\\_Full\\_Text.pdf](http://siteresources.worldbank.org/INTWDRS/Resources/WDR2011_Full_Text.pdf)



Deutsche Gesellschaft für  
Internationale Zusammenarbeit (GIZ) GmbH

Sitz der Gesellschaft  
Bonn und Eschborn

Friedrich-Ebert-Allee 36 + 40  
65760 Eschborn, Deutschland  
T +49 61 96 79-0  
F +49 61 96 79-11 15

Dag-Hammarskjöld-Weg 1 - 5  
53113 Bonn, Deutschland  
T +49 228 44 60-0  
F +49 228 44 60-17 66

E [private.sector@giz.de](mailto:private.sector@giz.de)  
I [www.giz.de](http://www.giz.de)

February 2017

Foto © GIZ / Kirchgessner

Im Auftrag des



Bundesministerium für  
wirtschaftliche Zusammenarbeit  
und Entwicklung