

BDS in Conflict Environments – Neglected Potential? A Thinkpiece from the SEEP Network

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July 2004**

Over the past thirty years, the number and length of conflicts in the developing world has increased dramatically. Over 50 countries have experienced long-term conflict since 1980; 15 of the poorest 20 countries in the world have been engaged in civil conflicts and every country in Africa has been affected by conflict either directly, or indirectly through major refugee movements.¹ While already important in most developing countries, microenterprises take on an even more central role in providing income for the poor during and after conflict. In this environment, industrial and agricultural sectors provide

Background Information

- For basic background on livelihood security and development in conflict-affected environments, see “Livelihoods in conflict: the pursuit of livelihoods by refugees and the impact on the human security of host communities,” by Karen Jacobson.

only limited employment opportunities and markets and skill systems are often totally disrupted. Enterprise development services (BDS) — market links, training, and improved technology — have enormous potential to assist post-conflict populations secure incomes and rebuild assets. However, to date there has been little investment, research, or information-sharing on BDS programs in conflict environments.

This paper attempts to focus attention on the potential and challenges of helping conflict-affected people gain effective access to business development services and to kindle discussion on the subject, initially through an on-line dialogue. Perhaps this piece and the subsequent discussion can begin the process of developing and disseminating lessons learned that lead to programs having a powerful impact on conflict-affected populations. We look forward to your responses and participation.

Challenges and Opportunities of Microenterprise as a Livelihood Security Tool in Conflict-Affected Environments

Though each conflict is unique, affected local economies display similar characteristics:

- Widespread unemployment with few formal sector opportunities,
- Market links disrupted for both inputs and products/services,
- Trade and agriculture hindered by poor infrastructure and investment,
- Industrial decline due to lack of investment and markets,
- Infrastructure neglect and deterioration,
- Low skill levels among population due to interruption in schooling and apprenticeship systems,

¹ World Bank, 1998. *Post-Conflict Reconstruction: The role of the World Bank*, Washington DC.

- Limited technology use due to low investment levels,
- Highly mobile populations,
- Disrupted capital systems,
- Low demand due to poverty,
- Distorted markets due to relief donations, and
- Lack of political and legal structures and on-going insecurity resulting in crime escalation and gang control of markets.

In such situations, microenterprises provide an important source of income, but their growth is often hampered by these same circumstances – disrupted markets; skill deficits; limited technology; highly mobile workers, customers, and suppliers; low income and, therefore, demand; and distorted consumer and capital markets.

In addition, those affected by conflict — refugees and displaced persons, host communities, returnees, and ex-combatants — often suffer from a range of challenges that influence their ability to use microenterprise as a tool to secure their livelihoods. Specific challenges they face include:

- Loss of assets;
- Loss of social networks that form the basis of business relationships;
- Social, geographic, and/or legal isolation;
- Psychological trauma;
- Social stigma stemming from lack of legal status, victimization by rape or other violence, and/or physical disability;
- Lack of confidence, especially for women, who may be facing life on their own, outside marital and community structures, for the first time; and
- Lack of education, technical know-how, and role models, particularly youth and others who have never before owned or managed a business.

These personal issues affect an individual’s ability to engage in effective entrepreneurial ventures.

People in conflict-affected environments often pursue business as a last resort to earning a living because they have no land, animals, or employment opportunities. Nevertheless, and in spite of significant challenges, opportunities do exist for them to start an enterprise and secure their livelihood and even to overcome some of the personal trauma of their experiences:

- Displaced persons and the organizations that support them introduce new ideas, technology, skills, and expertise;
- Infrastructure improvements made to accommodate relief efforts — roads, electricity, water, communications — also benefit conflict-affected populations;
- Numerous market gaps caused by conflict provide clear avenues for enterprise development;
- The break down of traditional social structures may facilitate greater participation by women and youth in managing microenterprises;
- Engaging in income generation can build confidence and help individuals move from the past on to the next steps in their lives; and

- Provision of food and other items provides a potential source of initial capital for entrepreneurs.

Effective BDS could help individuals build on these opportunities to overcome the challenges facing entrepreneurs in conflict-affected environments.

Challenges to Implementing BDS Best Practices in Conflict-Affected Environments

Though providing appropriate business development services promises to increase the viability of enterprises in conflict situations, there are a number of challenges to the implementation of “Best Practice” market development models.

BDS Best Practices in Brief

In an effort to increase outreach, sustainability, cost-effectiveness and impact, the field of BDS has adopted guiding principles that focus on providing a wide variety of services that add immediate value to a business’s bottom line and for which it is ready and able to pay. Services include access to markets, infrastructure, information, and communications technology, better inputs, product development and tailored training to help meet orders for specific products, etc. BDS providers should help private businesses that offer services through business-to-business deals. NGOs or the government should take on the role of BDS market “facilitators” that support private providers and stimulate demand for services among businesses. In this way, best practice programs aim to strengthen commercial markets for business services.

Best Practice Principles	Post Conflict Challenges
Develop BDS markets, but do not provide services	Potential providers generally have very low capacity; Relationships interrupted by conflict, lack of infrastructure & communications systems, and lack of trust.
Start with market assessment	May be difficult considering security situation; Post-conflict environments change rapidly (positively and negatively), which reduces the effectiveness of static assessments.
Fit the program intervention to the market issue	Choosing the right program intervention is complicated by a plethora of market failures and difficulty in obtaining information.
Do not subsidize service delivery	Low purchasing power of populations and lack of capital among providers.
Work towards a clear picture of a sustainable market and have an exit strategy	Very weak markets; market environment is highly unpredictable; and short-term horizon of some relief programs, donors, and practitioners.
Find private sector providers who can deliver sustainable BDS	Low institutional capacity of private sector providers makes this practice more difficult to implement.
Promote competition and efficiency in the market	Post-conflict markets often characterized by scarcity of providers and low demand.
Develop contractual and	Business relationships sometimes harder to cultivate in a

business-like relationships with providers	post-conflict environment due to ongoing relief mentality and dependence on operating grants.
Tread lightly in markets – don't distort them with donations	Unlikely to be followed by some other-relief oriented programs that provide large amounts of inputs quickly; difficult in a situation where markets can be severely distorted by peace-keeping forces, breaks in supply, security constraints, etc.
Make programs flexible and responsive to the markets	Becomes more important in a rapidly changing, post-conflict environment.
Coordinate donor efforts	Difficult in a relief environment — <i>we're saving lives</i> — where the emphasis is on the quick delivery of services rather than careful coordination, monitoring and evaluation.

In addition to the challenges listed above, short relief-funding cycles and generally low capacity among conflict populations makes planning for and implementing development-focused interventions difficult.

Experience to Date

Despite the challenges, practitioners are experimenting with the provision of BDS to help conflict affected populations develop microenterprises that can secure livelihoods and rebuild markets:

- An American Refugee Committee business training program in Sierra Leone and Guinea has been able to build refugee business skills and confidence by combining small grants with formal business training workshops and on-going mentoring.
- ApproTEC helped build skills and create a market for latrine slabs and construction enterprises in Kenya and Somalia by hiring refugees and displaced people to construct latrines; training them in the new technology and business skills; and selling them the equipment they needed to get started on their own.
- CARE Bosnia helped establish new market linkages across ethnicities by establishing and selling a database of buyers and sellers.

Some Key Lessons Learned To Date

- Consider the immediate relief needs as well as the long-term development strategy of target populations. This requires identifying both vulnerabilities and capacities (resources, goals, and strategies of targeted groups);
- Differentiate the capacities and vulnerabilities of conflict-affected populations (refugees, internally displaced persons, or resident populations) and adapt strategies to the specific need of each. At the same time, try to provide services to different populations in a target area in order to avoid creating/exacerbating tensions;
- Consider the intended and unintended consequences of income generation programs and the official and illicit ways in which resources might be used and the strategies to apply. Also look at how different strategies might benefit or be used by groups such as women and youth and how they might be usurped by more powerful groups like gangs, illegitimate leaders, soldiers, local authorities, etc.;
- Work with organizations that know and represent the interests of target beneficiaries; and
- Focus on the needs, constraints, and potential benefits of the refugee population relative to the host community and attempt to develop mutually beneficial strategies.

Through these programs and others, practitioners are learning valuable lessons about how to use business development services — and markets — to help the conflict-affected secure and improve their livelihood.

Discussion Topics

Though there are some examples of successful BDS programs, there is still much learning to be done on this subject to improve and increase the scope of programming in conflict environments. The following questions are designed to stimulate dialogue in an on-line discussion. The questions will be posted in groups of three, but participants should feel free to raise additional or different questions:

I. Existing Situation/Initiatives:

- What kinds of businesses — both legitimate and illicit — do conflict-affected people typically engage in? What kinds of markets do they have access to? What kinds of services do they want or need? Be specific about the population described — refugees, displaced people, host communities, ex-combatants, women, youth, etc.
- What kinds of programs/ initiatives are practitioners currently involved in? To what extent do they reflect best practices and what positive aspects of the program should the field keep as practitioners begin applying best practices?
- What results, impact, or consequences have income-generating efforts targeting conflict-affected people had – both intended and unintended?

II. Potential for applying Best Practice BDS to overcome challenges to microenterprise as a livelihood security strategy. (Please consider new ideas and pilots when responding.)

- What types of markets could conflict-affected people potentially gain access to and how can those markets be strengthened and/or protected for the benefit of these individuals?

- What kinds of BDS are needed to help low-income women take advantage of these market opportunities? What situations would convince BDS providers that selling to low-income women is a good business opportunity?
- What kinds of commercial transactions, asset development, or financing strategies can help conflict-affected individuals procure BDS on a commercial basis? Is it advisable to facilitate links with MFIs in these situations?
- What sort of private sector providers can be found or developed in conflict environments?
- What are the best market assessment methodologies to use in helping practitioners understand a situation quickly, affordably, and repeatedly — even as it changes?
- What kind of coordination can help convince other agencies to also use more market-based strategies?

III. Potential for addressing social, personal and other development challenges to entrepreneurship and market development:

- How can/do efforts to help conflict-affected populations work on both livelihood security and social reparation simultaneously? How can they help individuals overcome trauma and communities repair dysfunctional markets — to build healthier relationships that support stable and healthy market interactions?
- Should relief organizations attempt to help conflict-affected populations address problems caused by gangs, bandits, or other sources of insecurity that impede their ability to conduct business? If so, what can they do?
- Assuming most conflict-affected people have suffered some kind of psychological trauma, should, and how, can income-generating programs be structured to address these issues?
- How can BDS programs in conflict environments reduce pressure on natural resources while ensuring a source of inputs and infrastructure?

We hope this dialogue spurs new thinking on the topic and helps practitioners improve the quality and scope of programs directed at conflict-affected populations.