

**Politics:****Putting war out of business - all development is local**

A recent conference by German donor agency GTZ focused on the peace building potential of the domestic private sector. With a new approach, the larger picture of development practice is under review

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"Whenever people expect change, it is easy to introduce change" – or so it should be in case of countries coming straight out of war.

Paul Collier, formerly Director at World Bank and now professor of economics at Oxford University, makes this strong case for change – and for the role of business in society in overcoming violent conflict.

A September Berlin conference, organised by Gesellschaft für technische Zusammenarbeit (GTZ), took a closer look at the peace building capacities of the domestic private sector.

The catalyst for the event was a recent publication by the NGO International Alert: "Local Business, Local Peace – The Peacebuilding Potential of the Domestic Sector".

This highly readable book gives numerous examples of business actors in conflict-affected areas – and describes how they can help to build or rebuild the economy.

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**First rule: don't make it worse**

Where money is fed into conflict-affected areas, it is often ineffective or can exacerbate the conflict and increase inequalities. How to spend money smartly and in ways that "Do no harm" has become an imperative of engagement in these situations.

The September Berlin conference focused on the potential for entrepreneurship by local businesses in conflict prevention and post-conflict reconstruction.

After all, in rebuilding relationships across the divide, business can be a credible actor; reaching out to new people, as customers, is an inherent function of successful business.

Nepal, for instance, moved into a post-conflict setting only in April 2006, after ten years of "People's war", a violent insurgency declared by Maoists. The coping strategies of the business sector in Nepal led to establishing a National Business Initiative for Peace (NBI) in 2003, comprising of 14 national business organisations.

For the Maoists the business sector is a class enemy, and businesspeople are therefore vulnerable to rebel activity. At the same time, business people realise that they have a role in addressing the widening inequities in Nepalese society. And this implies taking initiative in engaging with the Maoists as well as reflecting on such issues as the low rate of tax compliance and an equally low spending for education, health and other services.

**The value in the local**

Local businesses, as a revenue source for corrupt regimes, can of course be seen to play a part in prolonging the existence of politically instable, corrupt and weak states. War economies make it difficult if not impossible for development agencies to support change.

However, even if some local businesses are profiteers of war, most local businesses themselves suffer in intra-state conflicts. And it is them who have the informal networks – access to politicians, militia etc - that could be turned into formal networks with the help of development agencies. As a result they are potentially powerful allies for successful development work. Some of these alliances were presented as case studies during the conference.

Amanda Gardiner, programme manager at the International Business Leaders Forum, was impressed by the focus of the conference but regretted the almost total absence of the private sector among the attendees. As their contribution to peace building had been the focus of the conference, she had justifiably hoped to meet more than the four businessmen present.

**FDI impacts**

As much as any SME has *a priori* CSR qualities through its corporate citizenship, the role of domestic business in peace building can be described in CSR terms. Businesses, being part of even the most conflict-affected societies, want to work towards a sustainable operating environment – and the publication by International Alert shows just that. However, at the same time the involvement of multinational corporations also influences the way development agencies work.

According to Sabine Becker, project manager at GTZ, and one of the organisers of the conference, the relevance of international business partners in development work has increased tremendously.

As foreign direct investment (FDI) and remittances by an often large diaspora have grown, GTZ and other

development agencies adapt their way of working accordingly and cooperate with international business partners in joint projects combining business with sustainability and development issues, often through public-private partnerships.

Another impact of FDI on development issues is being described by Becker's colleague, Jörg Hartmann. The executive director of the GTZ Centre for Cooperation with the Private Sector and public-private-partnerships wants to "mobilise" FDI for development objectives.

When official development aid does not suffice to meet the challenges, FDI can be an answer. Still, Hartmann is careful not to overstress the importance of the ppp-tool in post-conflict reconstruction. He mainly sees its strength in narrowing the gap between the emergency phase and the phase of increased private investment. At best, he states, this could turn early bird investors into very early bird investors.

### **Opportunity knocks**

However, the presence of international business in partner countries opens new opportunities to donors such as working on CSR issues with government, civil society and the private sector.

Thriving local businesses can provide an infrastructure of trade, marketplace and business chambers that promises a safer environment for investment by multinational corporations.

In moving the domestic private sector much more into the limelight of conflict prevention and peace building, the conference stressed the role of business in society.

As the Nepalese NBI put it: "There can be no successful business in an unsuccessful society and there can be no successful society without successful business."

"Local Business, Local Peace":

[www.international-alert.org/our\\_work/themes/LBLP.php](http://www.international-alert.org/our_work/themes/LBLP.php)

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