



Private Sector Development in (Post-) Conflict Situations

Guidebook

gtz



On behalf of
Federal Ministry
for Economic Cooperation
and Development

Published by:

Deutsche Gesellschaft für
Technische Zusammenarbeit (GTZ) GmbH
P.O. Box 5180
65726 Eschborn, Germany
T +49 6196 79-0
F +49 6196 79-1115
E info@gtz.de
Internet: <http://www.gtz.de/en>

Division Economic Development and Employment
Sector Project Innovative Approaches for Private Sector Development

Division Governance and Democracy
Sector Program Crisis Prevention and Conflict
Transformation

Responsible: Dr. Brigitte Klein, Gabriele Kruk

Authors: Daniel Bagwitz, Reinhold Elges, Helmut Grossmann, Gabriele Kruk

With contributions from: Sabine Becker, Axel Mierke

**Contact at the German Federal Ministry for
Economic Cooperation and Development:**
Division 210 & Division 300

Design: Additiv. Visuelle Kommunikation Berlin

Photos: GTZ

Print: KlarmannDruck GmbH Kelkheim

Eschborn, 2008

Private Sector Development in (Post-) Conflict Situations

Guidebook



CONTENT

FOREWORD	4
EXECUTIVE SUMMARY	5
INTRODUCTION	8

1	10
----------	-----------

ECONOMY, CONFLICT AND DEVELOPMENT COOPERATION

1.1.Interrelations between Economic Development and Conflict	10
1.2.Entrepreneurs as Drivers for Peace	12
1.3.The German Approach to Conflict Sensitivity	14
1.3.1.The Crisis Early Warning System of BMZ	14
1.3.2.The BMZ Conflict Marker	16

2	18
----------	-----------

TOOLS AND METHODS FOR CONFLICT-SENSITIVE DEVELOPMENT

2.1.Conflict-Sensitive Design of Development Cooperation	18
2.2.Peace and Conflict Assessment (PCA)	20
2.2.1.Element 1: Peace and Conflict Analysis and Peacebuilding Needs Assessment	20
2.2.2.Element 2: Peacebuilding Relevance Assessment	23
2.2.3.Element 3: Risk Management	24
2.2.4.Element 4: Peace and Conflict-Related Impact Monitoring	26

3	28
----------	-----------

PLANNING OF PSD INTERVENTIONS IN (POST-) CONFLICT SITUATIONS

3.1.Principles for Conflict-Sensitive Planning	29
3.2.Applying PCA in Project Management	30
3.3.Target Group and Partner Selection	31
3.4.Planning Conflict-Sensitive PSD Interventions (C-0)	35
3.5.Planning Conflict-Relevant PSD Interventions (C-1)	37
3.6.Outlook: Planning Peacebuilding PSD Interventions (C-2)	42

4	43
MANAGEMENT AND IMPLEMENTATION OF PSD INTERVENTIONS IN (POST-) CONFLICT SITUATIONS	
4.1.Principles of Conflict-Sensitive Project Management	43
4.2.Selecting PSD Approaches for (Post-) Conflict Situations	46
4.3.Promoting Systemic Competitiveness in (Post-) Conflict Situations	48
4.3.1.Business Enabling Environment	50
4.3.2.Local and Regional Economic Development	52
4.3.3.Value Chain Promotion	55
4.4.Business Initiatives for Peace	57
4.5.PSD in Post-Conflict Recovery	59
5	66
MONITORING AND EVALUATION OF PSD INTERVENTIONS IN (POST-) CONFLICT SITUATIONS	
5.1.Design Principles for Conflict-Sensitive M&E	66
5.2.Monitoring of the Security Situation	71
5.3.Monitoring of Conflict Trends	72
5.4.Monitoring of Unintended Impacts	73
5.5.Monitoring of Intended Impacts	75
5.6.External Evaluations and Progress Reviews	76
6	80
ANNEX	
6.1.Overview of Peace and Conflict Assessment	80
6.2.Checklist: Political Conditions in the Conflict Environment	81
6.3.Checklist: Preconditions for Economic Development in Conflict Situations	82
6.4.Checklist: Economic Peacebuilding Needs	83
6.5.Checklist: Economic Aspects of a Conflict	84
6.6.Checklist: Conflict-Sensitive Due Diligence of Project Partners	86
6.7.DNH-checklist	87
6.8.Development Interventions in Conflict Contexts	90
6.9.Checklist: Conflict-Sensitive Monitoring & Evaluation	91
6.10.Nepal: Basic Operating Guidelines	92
6.11.Public-Private Partnership in (Post-) Conflict Situations	94
6.12.Examples of Peace Entrepreneurship	95
6.13.Proposed Structure for Country Analyses to Ensure Conflict-Sensitive Portfolio Design in Line with PCA Logic	98
6.14.Glossary	102
6.15.Post-Conflict Recovery in Sierra Leone – the Rehabilitation, Reintegration and Reconciliation Activities (ReAct) Programme Case	107
6.16.Literature	110
FIGURES, BOXES	118
ABBREVIATIONS	120

FOREWORD

In a growing number of countries, development cooperation faces the challenge of (post-) conflict environments. In such settings, two major questions arise and guide further strategy building: What can and should be done by external actors to help a society overcome conflict and stabilize its situation and how can and should this support be implemented without risking a reanimation of the conflict?

As many examples have shown, economic recovery is one of the most important fields to contribute to peacebuilding. Income and employment opportunities are vital for the stabilization of many (post-) conflict environments - as 'peace dividend' they can help former conflicting parties to gather support for peace in the fragile transition period. A thriving social and ecological market economy has the potential to reduce disparities and social tensions - often root causes of (violent) conflicts. Especially Private Sector Development (PSD) is a key approach that offers options to address conflict causes, lessen grievances, and to support continuous economic and social progress.

When putting this peacebuilding potential of PSD into practice, the approach to planning and implementation is crucial. Development interventions are not neutral in (post-) conflict situations but always impact on conflict - either positive or negative. They can help to prevent, transform or overcome conflicts, or - often at the same time - they can cause, trigger or aggravate them. PSD in (post-) conflict situations cannot be planned and implemented in the same way as in peaceful countries but requires conflict-sensitive strategies. The tools and methods developed in the area of crisis prevention and conflict transformation can inform sectoral interventions such as PSD to ensure conflict-sensitive implementation.

German Development Cooperation has explored the links between conflict, peace and economic development for several years, conceptually through the work of the sector programmes 'Innovative Approaches to Private Sector Development' and 'Crisis Prevention and Conflict Transformation', and practically through conflict-sensitive PSD interventions in the partner countries.

This comprehensive Guidebook on Private Sector Development in (Post-) Conflict Situations synthesises this work. It explains the challenges of working in a conflictive environment and provides development practitioners with guidance on successful project development, implementation and monitoring. In addition, the internet-based 'Promotion of Economic Development and Employment in Conflict and Post-Conflict Environments (PEECE) Platform' (<http://www.gtz.de/peece>) provides further practical advice, tools and project examples to economic development experts working in conflict or post-conflict situations.

The Guidebook will be continuously updated as new themes arise. Your feedback and experiences are highly appreciated and will help us to continuously improve the knowledge and practices in this challenging field.

We hope that the Guidebook will help you to address the challenges of your daily work.



Lutz Zimmermann, Director
Division Economic Development
and Employment



Jörg Werner Haas, Director
Division Governance
and Democracy

EXECUTIVE SUMMARY

Peacebuilding, crisis prevention and conflict management have become major crosscutting themes in development cooperation, mainly for two reasons. First, as today's violent conflicts are predominantly internal struggles within developing countries, development cooperation faces the challenge of conflictive environments that occur in many partner countries. In the case of German Development Cooperation, around a half to two-thirds of our partner countries are classified as countries with growing or acute prevention needs. Secondly, research has confirmed that, as conflict dynamics and development interventions impact on each other, there is a risk that development efforts may do more harm than good if they are not planned, implemented and monitored in a conflict-sensitive manner. This means that development interventions can help to prevent, transform or overcome conflicts, but at the same time they can cause, trigger or aggravate conflicts. Since development interventions always have an impact on conflict - either positive or negative - Private Sector Development (PSD) in conflict or post-conflict situations cannot be planned and implemented in the same manner as in countries at peace.¹

There are three basic interrelations between economic development and conflict, which can serve as starting points for 'Re-Thinking PSD interventions': the economic dimension of conflict root causes and escalating factors; the economic resources feeding a conflict; and the adverse effects of conflicts on the economy. In addition, the role of multinational companies (MNC) has received much attention internationally. In particular, companies that work in the extractive industry sector in a conflict-prone country may cause or aggravate conflicts, for example by ignoring the diversity of the various actors involved (national business partners, surrounding communities, political structures, etc). Local small and medium enterprises, on the other hand, are often victims of violent conflicts and have a strong interest in ending such conflicts. Local business people are therefore particularly well suited partners for peacebuilding (peace entrepreneurship).

Against this background, the German Ministry for Economic Cooperation and Development (BMZ) has made the conflict-sensitive design of development cooperation mandatory in countries with growing or acute prevention needs, most of which are located in a (post-) conflict context. In these countries, every project has to consider the specific characteristics of the conflict environment, and adapt the project design and select activities accordingly. The visible expression of the conflict-sensitive project approach is the so-called C-marker. The BMZ conflict classification system identifies three types of project in (post-) conflict partner countries: those working in conflict environments but not explicitly on conflict issues ('conflict-sensitive projects', designated C-0); those addressing peace or conflict issues amongst their objectives and as part of the project strategy ('conflict-relevant projects', designated C-1); and those exclusively addressing peace or conflict issues in their objectives ('peacebuilding projects', designated C-2). PSD interventions in (post-) conflict situations must be conflict-sensitive or conflict-relevant, and are generally classified C-0 or C-1.

The Peace and Conflict Assessment (PCA) is a new instrument of German Development Cooperation. It is intended to ensure the conflict-sensitive planning and adjustment of development interventions in (post-) conflict situations. By applying PCA at all stages

¹ In the context of this document "private sector development" is defined in a narrow sense and does not include financial systems development and formal vocational education, which will be covered in subsequent publications.

of the project cycle, planners can ensure interventions are conflict-sensitive. Four PCA elements are involved:

- The **Peace and Conflict Analysis**, which looks at the context, examining why and how the conflict and peace came about. This prepares the ground for the **Peacebuilding Needs Assessment**, which compares the results of the Peace and Conflict Analysis (description of the actual situation) with a 'vision for peace' (a potentially ideal situation if the country recovers from conflict), and defines the possible sphere of action where changes are needed to help transform a conflict in a peaceful manner and to foster stability.
- The **Peacebuilding Relevance Assessment** investigates whether a development intervention has the potential to contribute to the peacebuilding needs of a country.
- The **Risk Management** seeks to identify the potential or evident negative effects that a conflict may have on a project and seeks ways of professionally managing these risks.
- The **Peace and Conflict-related Impact Monitoring** defines indicators, based on the peacebuilding needs, which are used later for monitoring the positive and negative effects of a development intervention.

The PCA process, focusing on the economic dimension of a conflict, can reveal which approach or approaches are most suitable in a particular conflict or post-conflict scenario. The following five basic approaches are possible:

Five Approaches to PSD in (post-) conflict situations

Conflict-sensitive projects, marked C-0:

- Work in a conflict environment but not explicitly on the conflict issues (Do-No-Harm)

Conflict-relevant projects, marked C-1:

- Work on the conflict by addressing economic conflict root causes or escalating factors
- Help to reduce the economic resources of a conflict
- Address the effects of conflict and peace on the economy
- Support economic actors to become 'connectors'

The selection of target groups is a particular concern for PSD interventions in (post-) conflict situations. A project should not be perceived to be partial. Nevertheless, the specific needs of certain target groups - above all women, youth, war victims and ex-combatants - have to be considered in the project design, while avoiding envy in those groups not directly affected by conflict. The selection of project implementation partners is another aspect of concern. In general, PSD interventions should support the 'connectors' in society, i.e. those people, companies, institutions, customs, etc. that work across conflict lines and bridge (former) conflict issues. At the same time, project interventions may help to prevent (new) conflict, if they manage to neutralise the negative impact of 'dividers' - i.e. people, companies, institutions, etc. that manifest or reanimate the (former) conflict issues - or even convert such groups into 'connectors'.

The implementation and management of PSD interventions in (post-) conflict situations requires much flexibility, and at the same time close adherence to the Do-No-Harm (DNH) principles. Managers of PSD interventions in (post-) conflict situations must pay special attention to cooperation and coordination with other programmes, as well as to staff issues. Conflict-responsive elements and approaches can be integrated in 'normal' PSD interventions at all levels (micro, meso, macro and meta levels). The implementation of pro-peace business initiatives, such as the UN Global Compact and Corporate Social Responsibility, can be promoted. Moreover, local business people can be supported to play a positive role in terms of political, economic, security and reconciliation issues (peace entrepreneurship). Public-Private Partnership (PPP) projects are more feasible before and after violent conflicts than they are during volatile conflicts and acute crises. They should comply with international standards (e.g. labour standards of the ILO), and, ideally, they should address the long-term structural causes of conflict.

PSD interventions can provide substantial support to post-conflict recovery, both in short-term reconstruction and rehabilitation efforts as well as in medium and long-term economic development initiatives. Short-term activities focus on quick, stabilising impacts, boosting employment or income opportunities. They can also improve the local investment climate and the credibility of government. Medium and long-term PSD interventions should be started as soon as possible - even at the same time as short-term interventions - and should gradually increase while reconstruction and rehabilitation efforts decrease. However, in volatile environments it is important to ensure that such interventions are conflict-sensitive. Suitable instruments might be, for example, Local and Regional Economic Development (LRED) in conflict-affected regions, promotion of investment and trade, especially within conflict regions, and the promotion of agriculture and pro-poor value chains, in particular where economic inequalities have caused conflicts.

Conflict-sensitive Monitoring and Evaluation (M&E) puts special emphasis on unintended impacts and security risks. Three conflict-sensitive monitoring subsystems should be integrated into the 'normal' project M&E: monitoring of the security situation, monitoring and evaluation of conflict-related risks for the achievement of the project objectives, and monitoring of unintended positive or negative project impacts. These subsystems are linked to the information provided by the Peace and Conflict Assessment (PCA). External project evaluations and project reports should also critically assess the question of whether or not an intervention should be started or continued, and where the cut-off point should be.

The Peace and Conflict Assessment (PCA) and the Do-No-Harm approach (DNH) help interventions

- to maximise the impact of the desired outcomes of the intervention by supporting their sustainability,
- to reduce unintended negative impacts of interventions that not only hamper successful implementation, but also undermine the credibility of development cooperation,
- to minimise conflict risks for personnel, intervention goals and investments, and
- to contribute to crisis prevention, conflict transformation or peacebuilding, where and whenever possible.

In a nutshell, Private Sector Development in (post-) conflict situations requires an intelligent combination of the approaches and instruments of PSD and of crisis prevention, conflict transformation and peacebuilding.

INTRODUCTION

In 2008, 52 of the 89 German Development Cooperation partner countries are experiencing violent conflicts or the immediate aftermath of such conflicts.² This reflects a longer trend, as almost two thirds of the partner countries faced such challenges between 2004 and 2008. Crisis prevention and conflict transformation are central to successful development cooperation, as the overwhelming majority of conflicts today are internal civil wars or rebellions in developing countries.

Conflicts not only cause death and injury, they also substantially damage a country's societal coherence, economy and infrastructure. While conflicts destroy development achievements and potentials, development itself can cause, trigger or aggravate conflicts. This applies in particular to economic development, as we will see in the following chapter.

Following the shock of the Rwandan genocide in 1994, an intense international debate developed on how the aid and development community should deal with crises and conflicts, and how it could help prevent, mitigate or even resolve them. Since then, peacebuilding, crisis prevention and conflict management and transformation have taken on high-level political significance and have become major cross-cutting themes in technical cooperation.

The most famous principle in this respect is 'Do-No-Harm' (DNH). It acknowledges that development interventions always have an impact on conflict, either an (intended) positive or (unintended) negative one. The distribution of project resources and the ethical messages communicated through the project's 'behaviour' are of particular concern. DNH raises awareness for the potentially hazardous effects of development measures and offers tools that help managers to avoid any negative impacts through their well-intended interventions.

Against this background it is clear that Private Sector Development (PSD) interventions in conflict or post-conflict situations cannot be planned and implemented in the same manner as in peaceful countries.³ In the past, it has often been assumed that development interventions can continue with 'business as usual', an attitude of working around a conflict, avoiding or even ignoring it as far as possible. Since the tragedy in Rwanda this is generally considered not to be a feasible option, but rather a strategy with a high risk of being harmful.

The following key concepts of conflict sensitivity help to understand the differences in programme strategies and approaches (see Figure 1). *Working in conflict* has become a reality in many partner countries. Working in conflict cannot be avoided and must therefore be done consciously. The interrelations between PSD interventions, the economy at large and the conflict situation must be considered at all stages of the project cycle. *Working on conflict* means that the strategy and the objective of an intervention are (at least partly) a direct attempt to address conflict issues and therefore to contribute (directly or indirectly) to peacebuilding.

This publication provides an overview of the state of knowledge regarding PSD in (post-) conflict situations. It addresses practitioners who plan or implement PSD³ projects, in particular in the context of German Development Cooperation. The publication is a comprehensive summary of practical field experiences and various source documents published by the sector projects 'Innovative Approaches for Private Sector Development' and 'Crisis Prevention and Conflict Transformation in Development Cooperation' of the German Ministry of Economic Cooperation and Development (BMZ).

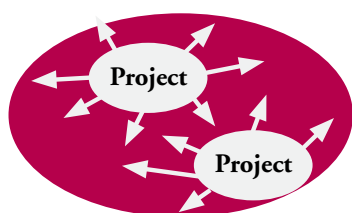
² According to the BMZ's Crisis Early Warning System of 2008.

Implementing PSD in Conflict Settings: Working in and on Conflict



Working in conflict (conflict-sensitive)

The possible mutual impacts of development cooperation and conflicts are recognised. Strategies minimise negative impacts of PSD interventions and apply Do-No-Harm as minimum standard.



Working on conflict (conflict-relevant)

The conscious attempt to design programmes in a way that they make a direct contribution to peace building. Crisis prevention and conflict transformation are the specific priority areas.

Figure 1 Conflict Sensitivity and Conflict Relevance in Economic Development

Each conflict situation is unique and cannot be compared to any other country and the Guidebook does not offer a blueprint. Instead, it introduces essential design-elements and technical tools to help make PSD interventions conflict-sensitive. Users should select those ideas and tools that suit their specific country situation or adjust them to suit their specific needs.

While the Guidebook is a comprehensive printed document, providing in-depth information, GTZ has also launched a dedicated website, called 'PEECE-Platform' (<http://www.gtz.de/peece>). This website offers quick and easy reading on the topic of PSD in (post-) conflict situations, and will be updated regularly. It gives concise, practical advice and includes links to project experiences, tools and other documents.

The Guidebook can be read from A to Z, which will give the reader a complete overview of the topic. Alternatively, it can be used as a manual for readers in search of answers to specific situations or questions. The first chapter introduces the basic interrelations between economic development and conflict, gives reasons why entrepreneurs are well-suited partners for peace and discusses the German approach to conflict-sensitive development. The second chapter presents tools and methods for conflict-sensitive development in general, emphasising the Do-No-Harm approach and the Peace and Conflict Assessment (PCA). The third chapter offers practical hints how to plan PSD interventions in (post-) conflict situations, applying the PCA methodology. The fourth chapter summarises lessons learned and good examples for the management and implementation of PSD interventions in (post-) conflict situations. The fifth chapter, finally, explains how to design conflict-sensitive Monitoring and Evaluation systems (M&E) for PSD projects or programmes.

³ In the context of this document, Private Sector Development excludes financial systems development and formal vocational training.

1

ECONOMY, CONFLICT AND DEVELOPMENT COOPERATION

This chapter looks at the interrelations between economic development and conflict, concluding that there are three basic contact points which can also serve as starting points for 'Re-Thinking' PSD interventions: 1) the economic dimension of conflict root causes and escalating factors; 2) the economic resources feeding a conflict; and 3) the adverse effects of conflicts on the economy. The second section discusses the peacebuilding potential of economic actors. The chapter closes with the introduction of the German approach to conflict sensitivity in development cooperation.

1.1.Interrelations between Economic Development and Conflict

Conflict is a phenomenon associated with coexistence in all societies. To some extent conflicts are an inevitable, indeed a necessary corollary of social change, as they expose tensions and incompatibilities between different, mutually interdependent parties with regard to their respective needs, interests and values. Especially during phases of profound socio-economic change and political transition, disagreements can escalate into violent conflicts or crises affecting whole societies.

The problem is not societal conflict per se, but the way in which it is managed and resolved. The goal of development cooperation must therefore be twofold: first, to help prevent or transform violence as a means of pursuing conflicts and to promote mechanisms and capacities for peaceful, non-violent conflict management and resolution; second, to contribute to the reduction of the structural causes and escalating factors of violent conflicts.

Conflict can stem from many different factors in a society. Indeed, in most cases violent conflict results from multiple structural causes. Political factors such as the absence of a legitimate government, the exclusion of people from political decision-making or limited institutional capacities may breed discontent within a society; a fragile state may further fuel or aggravate conflicts. Likewise, social factors such as social disintegration, marginalisation and discrimination are likely to enrage disadvantaged groups. Furthermore, a lack of security connected to the presence of small arms or uncontrolled army and police units may lead to a situation of uncontrollable violence. In many cases, however, conflict stems from economic factors and is grounded in deep socioeconomic inequalities, the competition over access to economic resources (natural resources as well as income opportunities), or insufficient satisfaction of basic human needs.

In situations where economic grievances are among the major causes of conflict, economic development interventions in general, and PSD in particular, have a great potential - as well as responsibility - to contribute to peacebuilding.

Various researchers have explored the relationship between economic factors and conflict.⁴ Statistical analysis has shown the following results:

- ⁴ *Collier and Hoeffler (2001);* Countries that rely heavily on primary commodities are more vulnerable to conflict.
- Collier et al (2003);* There is a correlation between the presence of easily looted natural resources (e.g. timber, alluvial diamonds or coltan), which can provide a source of financing, and the prolonga-
- Humphreys (2002).*

tion of conflicts. At the same time, the presence of resources which cannot be looted (e.g. oil and gas reserves) heighten the risk of separatist wars.

- A large diaspora statistically increases the risk of conflict renewal, as the members of the diaspora may become a source of funding for conflicting parties.
- There is a clear relationship between the poverty of a nation and the risk of a civil war. This relationship is even stronger for very poor countries. Moreover, wars last longer in poorer countries. A vicious cycle of conflict and poverty emerges, known as the 'conflict trap': poverty fuels conflict and, in turn, conflict sustains and aggravates poverty.
- Domestic and foreign investment both collapse during a conflict and do not recover until long after it is over.
- There is no clear evidence of a relationship between inequality in general and the risk of conflict. However, case studies suggest that countries with severe horizontal inequality (i.e. income differences between regional or ethnic groups) are more vulnerable to conflict.
- The risk of conflict is significantly and substantially reduced in countries with higher rates of male secondary school enrolment.
- Countries engaged in trade with each other are less likely to fight each other.

Therefore, we can conclude that an intimate relationship between conflict and economic factors exists:

- Root causes and escalating factors of conflicts often have an economic dimension.
- Economic resources play an important role for the duration and intensity of a conflict.
- Violent conflicts have adverse effects on the economy, which can cause development interventions to fail.

Given these interrelations, PSD interventions can have a significant positive impact on conflict prevention and/or peacebuilding if they:

- Address the causes of conflict or promote factors that decrease the risk or duration of violent conflict, by supporting economic growth and poverty alleviation, while at the same time reducing horizontal inequality, by decreasing the dependence on primary commodities and diversifying the economic base, by introducing transparent and effective (economic) mechanisms to regulate peaceful competition for natural resources, and by reducing the financial resources for conflict.
- Enhance factors that contribute to conflict prevention, peacebuilding and reconciliation, e.g. by supporting the ability of different social or ethnic groups to participate in and benefit from trade, by enhancing the role of economic actors in crisis prevention, conflict transformation or peacebuilding, and by promoting reconciliation and the building of trust between (economic) actors.

Likewise, PSD interventions can aggravate or even create conflicts if they do not take into account the prevailing realities in a (post-) conflict situation, for example:

- Project assistance such as business services for those who are or were actively involved in the conflict (war profiteers and warmongers) can promote an economy of violence; they send the message that violence is rewarded, and may thus trigger more violence.
- Project support exclusively targeted to one of the conflict groups or one specific target region can increase (horizontal) inequalities and cause grievances amongst those left out; tensions between groups worsen particularly when economic development interventions seem to 'pick the winner', supporting those economic actors or regions which are better off than others and usually also do better during (and sometimes after) conflicts.
- Lack of coordination between different support programmes and the overgenerous use of

subsidies can create greed and grievances, either amongst those who have not received support, or even amongst those who have become accustomed to subsidies.

..... Project resources stolen or channelled to war parties may be used to support war efforts.

In sum, PSD interventions have a great potential for conflict transformation and stabilization, if they are properly executed. A great deal of the potential is related to the receptiveness of the target groups and partners of PSD projects, the local and domestic business communities. The negative impact of conflict on business and the economy at large sparks the interest of economic actors in peacebuilding initiatives which can be supported by PSD interventions. But to realise this potential in a professional way, cooperation on PSD needs to be adjusted to account for complex (post-) conflict contexts. The following section explains in more detail why and how entrepreneurs can be involved in peacebuilding.

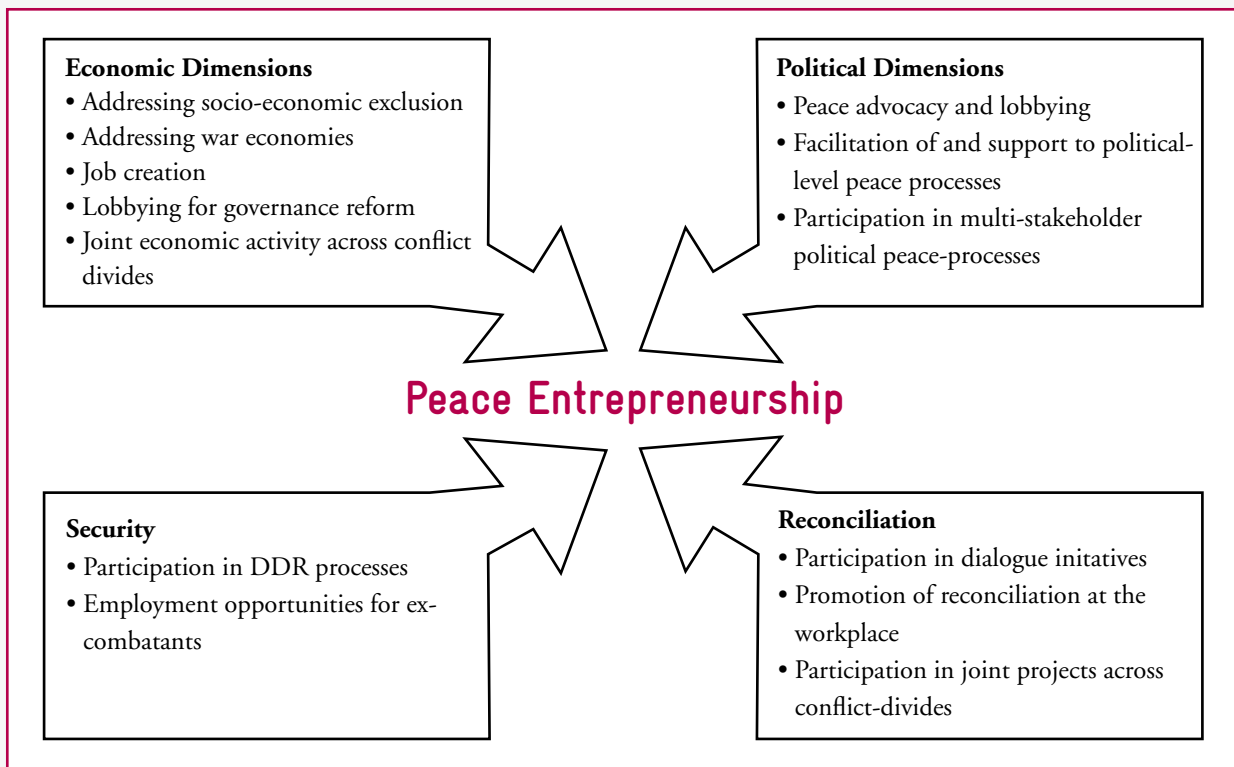
1.2.Entrepreneurs as Drivers for Peace

Since the overwhelming majority of companies are negatively affected by conflict, most business actors have an inherent interest in peace and stability. This holds true especially for local and domestic businesses that depend on a stable market for production and commerce. Four factors tend to drive entrepreneurial involvement in peacebuilding: the costs of the conflict, the moral or religious desire to promote peace for the greater good of society, a sense of Corporate Social Responsibility (CSR), and external encouragement.

Local business people can play an important role in peacebuilding. The concept of peace entrepreneurship covers a range of interventions by domestic businesses seeking to promote peace in a variety of conflict settings. They can be clustered according to the four major issues for peacebuilding that are typically found in post-conflict settings: political, economic, security and reconciliation (see Figure 2 below).

Figure 2

Peace Entrepreneurship



Types of Actors	Business Counterparts
Level 1: Top leadership Military/political/religious leaders with high visibility	Individual business leaders National chambers of commerce Sectoral apex organisations Leading company CEOs
Level 2: Mid-range leadership Leaders respected in sectors Ethnic/religious leaders Academics/intellectuals Humanitarian leaders (NGOs)	Small to medium-size enterprises Regional chambers of commerce Regional business leaders
Level 3: Grassroots leadership Local leaders Leaders of indigenous NGOs Community developers Local health officials Refugee camp leaders	Shop owners Traders, including informal sector Market stall owners Small scale associations

Figure 3
Peace Entrepreneurs at all Levels⁵

In various countries domestic entrepreneurs have supported peacebuilding on a political level. For instance, business people have been members of peace negotiation teams, have advised such teams or have given them administrative and logistical support; they have helped to build trust between former conflict parties and mobilised popular support for peace.

The private sector can promote social and economic inclusion. Business people can become peace drivers by promoting inclusive economic growth as well as the social and economic inclusion of disadvantaged and conflict-divided groups in society. They can mitigate the socioeconomic exclusion of those who have little or no access to resources, jobs and other opportunities. Useful activities may take place at the workplace (for example, transparent and non-discriminatory recruitment regulations), at the community level (for example, joint community development), or at the macro level (for example, lobbying for reforms and joint economic initiatives across conflict divides).

The business sector therefore has an important role as a ‘connector’ across social divisions. Relationships between communities divided by violent conflict are usually damaged and extremely precarious, with high levels of mistrust and grievance. Business relations may be one of the few remaining points of contact between conflict parties - and one of the first to resume after a conflict. In many instances, these contact points are both profitable and inspiring as they demonstrate that peaceful interaction for mutual benefit is both possible and desirable.

The private sector can even address the sensitive and complex challenges associated with the security dimensions of peacebuilding. Local businesses can, for example, provide jobs to former combatants in the context of a national Disarmament, Demobilisation and Reintegration (DDR) programme.

The size and scope of a business determines - to some extent - its potential role in a peacebuilding process, as illustrated in the figure above. The domestic private sector straddles all levels of society and thus has a large field of influence. Business people are in a good position to contribute to peace through their existing networks and associations on local, regional and national levels (see Figure 3).

⁵ Adapted from
International Alert, 2006; p.3.

However, the peacebuilding potential of entrepreneurs does not automatically lead to peacebuilding activities. Entrepreneurs are often preoccupied with the management of their daily business operations or mere survival during the conflict; and like anyone else they suffer from the legacy of conflict, in particular general mistrust. Therefore, PSD interventions may have to do the first steps. In the context of German Development Cooperation such interventions must be conflict-sensitive as outlined in the following section.

1.3.The German Approach to Conflict Sensitivity

As shown above, there are evident links between the economy, economic development and conflict. Because conflict settings differ in their complexity and volatility from 'normal' development environments, it is essential that PSD interventions are designed and carried out in a conflict-sensitive way. Otherwise they may either fail or even become harmful themselves. The concept of conflict sensitivity has been elaborated by many international organisations and there is general agreement on its basic principles.

Germany responded to the challenge of conflict sensitivity with the development of a whole-of-government approach, manifested in the 'Comprehensive Concept of the Federal Government on Civil Crisis Prevention, Conflict Resolution and Post-Conflict Peacebuilding' (German Federal Government, 2000) and the action plan 'Civilian Crisis Prevention, Conflict Resolution and Post-Conflict Peacebuilding' (German Federal Government, 2004).

Below the level of the whole-of-government approach, the German Federal Ministry of Economic Cooperation and Development (BMZ) developed its own specific policy and instruments for the political steering of development cooperation in conflict-affected countries. A crisis early warning system was established in the late 1990s. It was revised during the development and adoption of the relevant policy, the 'Sector strategy for crisis prevention, conflict transformation and peacebuilding in German Development Cooperation' (BMZ, 2005). The sector strategy aims at mainstreaming crisis prevention and conflict transformation as a cross-sectoral issue with the intent to anchor conflict sensitivity in German Development Cooperation. It contains binding directives and standards for the planning, implementation and steering of all German Official Development Assistance (ODA) in conflict-affected countries. The German approach to conflict-sensitive planning and programming of development cooperation in conflict-affected countries consists of the following two building blocks: the crisis early warning system, and the conflict marker.

1.3.1. The Crisis Early Warning System of BMZ

The crisis early warning system assesses the danger of a partner country to fall into, or remain in a situation of crisis or conflict. It is the starting point for strategy development and the conflict-sensitive design of German Development Cooperation in the respective country.

The early warning system consists of two main elements: first, a qualitative questionnaire is answered for each partner country, which analyses the actual changes in the crisis potential of the respective country. The questionnaire results in a rating of the country according to a crisis liability classification. Second, based on these results, a country matrix is generated, providing an overview of all countries according to their classification.

The country matrix constitutes a synopsis. Countries are classified along two axes that indicate their 'prevention needs' and 'conflict situation'. They are marked with traffic light colours to signal a sense of graduated alertness. Countries with 'low' prevention needs are marked green ('green countries', here displayed as grey), those with 'growing' prevention needs are marked yellow ('yellow countries', here displayed as light rose), and those with 'acute' prevention needs are marked red ('red countries'). Along the conflict situation axis, the categories are: 'peace / pre-violent conflict', 'violent conflicts in sub-regions', 'violent conflicts at national level' or 'post-violent conflict'. The categorisation into green, yellow and red countries identifies for which partner countries conflict-sensitive design and implementation of development cooperation must be ensured.

The table below is a simplified version of the country matrix, in which grey represents 'green', and light rose represents 'yellow countries'. The actual matrix is compiled once a year (usually in March) and is only used as an internal document for BMZ policy development and for technical and financial cooperation implementation strategies. Implementing organisations can request detailed information and the country matrix from the respective BMZ country desks.

Figure 4
Excerpt from the 2008 Crisis
Early Warning Country Matrix
and Possible Conflict Markers

		Prevention Need		
		Low	Growing	Acute
Conflict Situation	Peace / pre-conflict	E.g. Dominican Republic, Zambia	E.g. Uzbekistan, Guatemala	E.g. Georgia, Kenya
	Violent Conflict in sub-regions	E.g. Algeria, Thailand	E.g. Philippines, Uganda	E.g. Myanmar, Chad
	Violent Conflict on national level			E.g. Sri Lanka, Palestinian Territories
	Post-Conflict			E.g. Haiti, DR Congo
Possible Conflict Marker for Projects	C- Since there is no prevention need at the country level, the projects just indicate "C-" (no conflict relevance)	C-0, C-1, C-2 Minimum standard is C-0. Depending on their conflict-relevance, projects can also be designated C-1 or C-2	C-0, C-1, C-2 Minimum standard is C-0. Depending on their conflict-relevance, projects can also be designated C-1 or C-2	

In all partner countries categorised as yellow or red, two steps must be taken. At the country level, the BMZ country desk, together with the country units of the implementing organisations, must consider the cooperation with these countries under the macro-perspective of strategy development of the country programme and should consider targeted support for crisis prevention, conflict transformation and peacebuilding. Depending on

the existing priority areas of German Development Cooperation and the partner country, crisis prevention and conflict transformation can become a main focus or a cross-cutting issue for the cooperation. On the project level, development cooperation must be made conflict-sensitive in all yellow and red countries - what this means in concrete terms, and how this functions, will be explained in Chapter 3. According to the form and extent of the implementation of conflict sensitivity in the project design, the project will be awarded the respective 'C-marker', which is simply the visible expression of the conflict orientation and not an instrument in itself.

1.3.2. The BMZ Conflict Marker

The BMZ Conflict Marker (C) identifies the relevance of a development intervention for crisis prevention, conflict transformation or peacebuilding, and stipulates its conflict-sensitive design.

If there is a clear, intended and visible contribution of a project to crisis prevention, conflict transformation or peacebuilding, the project is marked C-2 or C-1. If conflict sensitivity is implemented as a cross-cutting issue, however, the project is marked C-0. All planned or existing projects of technical and financial cooperation in countries with growing or acute prevention needs (the 'yellow' and 'red' countries) need to be assessed for their conflict sensitivity - for instance, by applying the Peace and Conflict Assessment (PCA), which will be explained in the next chapter. PSD interventions in 'yellow' and 'red' countries are usually marked either C-0 (if they are conflict-sensitive) or C-1 (if they also contribute to crisis prevention, conflict transformation or peacebuilding).

To determine the appropriate conflict classification (C-marker), planning or appraisal missions can start from the reality on the ground when designing or reviewing a project or from the intended results of the project to be designed (political decision between BMZ and the partner country's government). The following table explains the meaning of the C-marker as well as the criteria applied for the classification of projects, and gives examples for each case:

Figure 5
The Conflict Marker

C-2 Special Case: 'Peace Programmes'	C-1 Sector Programmes with Peace Component	C-0 Conflict-Sensitive Sector Programmes
Working on conflict		Working in Conflict
Crisis prevention, conflict transformation or peacebuilding are the primary objective.	Crisis prevention, conflict transformation or peacebuilding are a secondary goal, complementing other sector objectives such as PSD. Their impact is measured with a specific indicator.	Crisis prevention, conflict transformation or peacebuilding are not goals of the project. Since the project is taking place in a conflict environment with heightened risks, it is conflict-sensitive in its planning and implementation, following the minimal condition of "DNH".

C-2 Special Case: 'Peace Programmes'	C-1 Sector Programmes with Peace Component	C-0 Conflict-Sensitive Sector Programmes
Criteria for Classification		
<p>A Peace and Conflict Assessment (PCA) has been conducted, either separately or as part of the project preparations and/or appraisal, leading to the design of a "peace programme".</p> <p>Peace programmes are directed expressly at crisis prevention and/or conflict transformation.</p>	<p>A PCA has been conducted, either separately or as part of the project preparations and/or appraisal, and the pertinent recommendations have been adopted, ensuring conflict-sensitive design.</p> <p>The objective of crisis prevention and/or conflict transformation is expressly mentioned in the project proposal (e.g. part of the objective, or as an indicator, in the risk section, methodological approach etc.).</p>	<p>A limited PCA has been conducted, either separately or as part of the project preparations and/or appraisal, and the pertinent recommendations have been adopted, ensuring conflict-sensitive design. Specific elements of the projects, like selection of target group/intervention region are examined and adapted in a conflict-sensitive way.</p>
Examples		
<ul style="list-style-type: none"> • Capacity building for non-violent conflict management in civil society • Support for truth commissions • Reintegration of ex-combatants • Support for institutions of business actors engaging in peacebuilding 	<ul style="list-style-type: none"> • Support for conflict-sensitive corporate social responsibility activities • Reconstruction of economic infrastructure in conflict areas with the involvement of the former parties to the conflict • Local economic development ensuring benefits, in particular for disadvantaged groups 	<ul style="list-style-type: none"> • Value chain development, avoiding a 'picking the winner' approach • Promotion of vocational education for young people of both sides in an ethnic conflict

2

TOOLS AND METHODS FOR CONFLICT-SENSITIVE DEVELOPMENT

This chapter provides an overview of the basic tools and methods for integrating conflict sensitivity into German Development Cooperation. It introduces principles of conflict-sensitive design of development cooperation, which are based on the methodological frameworks of Do-No-Harm (DNH) and the Peace and Conflict Assessment (PCA). Section 2.2 discusses PCA in detail as the basis for the ensuing chapters that deal with planning, management and monitoring of PSD projects in (post-) conflict situations.

2.1.Conflict-Sensitive Design of Development Cooperation

Practical experience has shown that a project's impact on a conflict depends not only on WHAT is being done, but also on HOW it is being done. To avoid unintended negative impacts, all German official development assistance in conflict and post-conflict countries has to be designed and implemented in a conflict-sensitive way. As a minimum, conflict sensitivity means taking into account the mutual influence that exists between the (post-) conflict environment and dynamics, and the project's actions. This is intended to avoid any negative, conflict-aggravating impacts, and to strengthen all positive, de-escalating and peace-promoting impacts. Assessment and management tools such as the DNH approach (Anderson, 1999) and the Peace and Conflict Assessment⁶ (Paffenholz and Rey-chler, 2005) are widely accepted.

Do-No-Harm is now considered the international minimum standard for all sectoral interventions by international organisations operating in regions of (potential) conflict. The core question to be answered in this context is: Have we made the right choice concerning beneficiaries and partners of our interventions? Can our interventions cause greed or grievances amongst those who do not get our support or even amongst those who do get our support?

Aid interventions must avoid creating or aggravating violent conflicts among and between social groups (especially conflicting parties). Aid planners need a good understanding of the relevant social groups, their relationships and the underlying conflict potentials. If conflict due to changes caused by an aid intervention cannot be avoided, conflict management measures (in order to avoid violence) must be applied. It should always be remembered that development assistance produces impacts not only through resource transfers (i.e. what aid agencies bring in and how they distribute it) but also through the implicit ethical messages (i.e. what is communicated by how agencies work). Therefore, the details of assistance matter very much, and there are always options for adapting programmes.

⁶ In earlier studies, 'PCA' was used as abbreviation for the 'Peace and Conflict Analysis', i.e. one of the four PCA elements. In this and all other GTZ publications, PCA refers to the sum of all four elements of the Peace and Conflict Assessment.

Doing no harm and avoiding or minimising unintended negative impacts depends first and foremost on a thorough situation analysis. Ideally, this will lead to a better understanding of 'connectors', 'dividers' and the role of the private sector. DNH postulates that all societies are characterised by elements, people and organisations that divide people into subgroups ('dividers'); likewise there are elements, people and organisations that can connect people across subgroups ('connectors'). The social fabric can deteriorate to the point of violence and warfare, if 'dividers' are dominant or 'connectors' undermined. When, on the other hand, 'connectors' are reinforced and 'dividers' are overcome, people find ways to

live side by side and work together to address common problems. An important first step is thus to understand who and what are the ‘dividers’, who or what are the ‘connectors’, and who are the victims and perpetrators. If such information is not available in an existing conflict analysis or assessment the project may have to do its own research.

Some basic questions guiding the DNH approach are:

- Why?** Why this programme? Is the reason for starting it still significant? Has the rationale and strategic approach changed since the beginning? Do we still have a well defined relation to the peacebuilding needs? What do we hope to stop or change through our intervention? Why us? What is the added value that our organisation brings to addressing this need in this place?
- Where?** Why did we choose this project area? What criteria did we use? Are the criteria still valid? Which region and which groups did we leave out and why? Why did we rent these buildings? From whom? Why do we drive this route? Why do we buy these resources here?
- When?** Is the time chosen for the implementation of a specific activity the right one? What aspects of the current situation make ‘now’ the right time for our intervention? Why us, now? How long is our project going to last? How will we know when our project is finished? What criteria do we apply for this? What will have changed and how will we know? Do we have an exit strategy?
- What?** What are the specific resources that are transferred with the implementation of our activities? Is the content of the programme in line not only with economic needs but also with peacebuilding needs?
- With Whom?** Who are the beneficiaries? Who is left out and why? Who else benefits from our presence?
- By Whom?** Who are our staff? How were they selected? What were the criteria for hiring these people? Are certain (ethnic, social, political) groups left out because of existing disadvantages in their qualification?
- How?** What is the delivery mechanism of our assistance? How exactly do we do our work? How exactly do we act?

The Peace and Conflict Assessment (PCA) is based on the DNH approach, but more systematic and comprehensive. The BMZ has adapted the original PCA methodology, which was developed by Paffenholz and Reyhler, to create a management tool to ensure the conflict-sensitive design, planning, implementation, and evaluation of interventions, programmes and portfolios of German Development Cooperation.

PCA can be carried out at country level and/or project level. At country level, the result of a PCA is the review (and possibly adjustment) of the respective country portfolio. If the political will ‘for more peace and stability’ is articulated, the existing priority areas and/or the strategies of existing priority areas are crosschecked with regard to their peace and conflict relevance. Depending on the country situation this could lead to an adjustment or change in the sector priority areas. In this context, the application of PCA concerns mainly BMZ, the GTZ Country Office and the partner government. At project level, PCA can serve to facilitate project management in difficult contexts. It is used by the implement-

ing organisations of German Development Cooperation for the conflict-sensitive design and implementation of individual projects or programmes. This guidebook describes how PCA is implemented at the level of PSD projects.

2.2.Peace and Conflict Assessment (PCA)

PCA is a methodological framework that gives strategic orientation for the handling of the issues ‘peace’ and ‘conflict’. This framework consists of four individual PCA elements, which include many tools and instruments. For this reason, PCA is sometimes described somewhat misleadingly as a ‘toolbox’.⁷

The application of PCA at the project level facilitates crucial choices, such as the selection of target groups, the geographical project area, or the strategic direction and methodology to be applied by a project. The use of PCA prior to and during planning and implementation helps to increase the conflict sensitivity and the impact of the measures used. It can also contribute to the evaluation of ongoing and completed interventions. The application of the PCA will vary according to the type of intervention, the purpose (i.e. planning, assessment or evaluation) and the context in which the intervention is taking place (Paffenholz and Reyhler, 2007). The BMZ defines four elements for a PCA:

Figure 6
Four Elements of the Peace and Conflict Assessment (PCA)⁸

Analysis-centred PCA Elements		Management-centred PCA Elements	
Element 1a: Peace and Conflict Analysis	Element 2: Peacebuilding Relevance Assessment	Element 3: Risk Management	Element 4: Peace and Conflict-related Impact Monitoring
Element 1 b: Peacebuilding Needs Assessment			

It should be noted that while PCA is a logical sequence of closely linked elements, it is not a linear or path-dependent process through which the results of the initial peace and conflict analysis absolutely determine the development cooperation measures identified at the end. PCA users should keep in mind any alternative analytic outcomes and options for action, and incorporate learning loops. They can and should regularly review their conclusions in the light of their growing body of experiential knowledge.

2.2.1. Element 1: Peace and Conflict Analysis and Peacebuilding Needs Assessment

The two-fold objective of this element is to gain a more in-depth understanding of the conflict situation (Element 1a) and to identify points of entry for development cooperation to support peacebuilding (Element 1b).

Element 1a) Peace and Conflict Analysis

The Peace and Conflict Analysis forms the basis for all further steps in the PCA. Conflict Analysis is an instrument in which a conflict situation - often comprising many conflicts - is analysed in order to identify and better understand the situation in all its complexity. It

⁷ For a detailed description of PCA see GTZ, 2007a.

analyses the conflict, inter alia, by describing the causes, actors, trends and scenarios, and relates these to development cooperation. As such, it is similar to the situation analyses that precede all planning in development, but it differs in the way it focuses on the social and political tensions and conflicts that impact negatively on a country's development and which are carried out with violence or may (potentially) become violent.

GTZ and the International Financial Cooperation's Foreign Investment Advisory Service (FIAS) provided separate, but complimentary, support to the Afghan Government in the establishment of the Afghan Investment Support Agency (AISA), which started operations in September 2003. AISA is mandated through the Afghan Investment Law, which also established a High Commission on Investment. The High Commission oversees AISA and is the highest administrative authority to implement the investment law. Support to AISA aimed at improving the investment climate by setting up an efficient institution.

FIAS did a needs assessment for AISA and developed a three-year business plan; it published marketing materials and trained investment promotion specialists. FIAS also assisted AISA by co-sponsoring its U.S. road shows in Washington, New York and San Francisco, providing guidance to AISA staff on how to approach potential investors.

Through GTZ programs, AISA became a successful one-stop shop for the registration of new enterprises: domestic and international investors could register their business with AISA, which then handled all the formal requirements for opening a business in Afghanistan. AISA reduced the time necessary for the registration of a business to one week - which is short even by OECD standards. AISA also supported investors to navigate the difficult business context. And, as a capable institution, it acted as an advocate for the private sector in the reform process and also for transparent non-discriminatory governance in general.

During its first two years, AISA facilitated the establishment of more than 3,300 enterprises with a planned investment of more than USD 1.3 billion and an expected 130,000 jobs.

Note: Program support to AISA was by MIGA, part of the World Bank Group. In July 2007, MIGA's advisory service merged into FIAS.

Box 1

Afghanistan -
Donor
Coordination
and the Afghan
Investment
Support Agency

While there are several tools for a Peace and Conflict Analysis, they all include:

- a conflict profile, which combines the basic data on the conflict, and describes it in terms of time, space and the issues that allow for a first situation assessment.
- an actor analysis, which identifies the stakeholders and their interests in the conflict, e.g. conflicting parties, peace actors, victims, etc.
- an identification of 'connectors' and 'dividers'
- scenarios which explain current dynamics and possible developments.

It is also possible to carry out a Peace and Conflict Analysis which focuses on the economy. Such a sectoral analysis looks at the relationship between the conflict and the economy and its actors. It can supplement and deepen the general analysis at the national level. The reason for analysing this relationship is to find out:

- the economic root causes of the conflict, and its escalating and de-escalating factors.
- the economic dynamics of the conflict.
- what economic resources and actors play a role in the conflict.

⁸ Please consult Annex 6.1 for a more detailed table on PCA.

- how the private sector is involved in the conflict, and what ‘connectors’ or ‘dividers’ are related to the private sector.
- the potential impact of economic development on the conflict.

A value chain mapping exercise can help in this respect (see Figure 14).

The methodology for the Conflict Analysis depends on the specific situation. Ideally, it combines desk-research (based on existing conflict studies, literature, websites, telephone interviews), field research (interviews with stakeholders and experts, observing the impact of the conflict on the ground, etc.) and participatory analysis (workshops or individual talks to get feedback on certain questions and findings).

Box 2

Understanding
the Conflict
and the
Peacebuilding
Needs

- Projects need current and accurate information about the conflict: who is involved in the conflict, what are the conflict issues, what do the conflicting parties want, what are the root causes and escalating factors, what are the regional differences within the country?
- The role of economic actors and the private sector should be well understood: Who are the ‘dividers’ (people, companies, institutions, customs, etc. that cause or aggravate the conflict), who are the ‘connectors’ (people, companies, institutions, customs, etc. that bridge conflict lines), and who are the victims and perpetrators?
- It is important to understand local power systems and networks: which roles do local leaders and government officials play in the conflict? Are they committed to peace building? If the government is a party to the conflict, check whether it makes sense to cooperate with the government at all, or if the project can operate independent of government structures.
- What is needed to build peace? Don't just make assumptions! Ask different groups in society, especially ‘connectors’ and victims.

During field research and participatory analysis it is important to be sensitive to the cultural context (e.g. language and terminology used to talk about the conflict). Participatory planning and workshops with local actors contain the risk of missing the ‘right’ and involving the ‘wrong’ partners. Particularly in immediate post-conflict situations, organisations and persons with direct links to conflicting parties are often the most visible, though not necessarily the most eligible partners. Participatory planning should therefore only start when the conflict analysis has identified the causes of the conflict, the persistent lines of conflict, and the actors involved.

Element 1b) Peacebuilding Needs Assessment

Analysing the context and the challenges ahead is only a first step. In order to engage in a process of positive change it is necessary not only to identify the starting point (the result of the peace and conflict analysis), but also to develop a vision for a peaceful future, free of violence - the so-called ‘ideal situation’. In the PCA element 1b it is identified what is needed to reach this ideal situation.

The peacebuilding needs are formulated in general at the country level. They can be identified by comparing and contrasting the ‘vision for peace and stability’ with the results from the Peace and Conflict Analysis (= the present reality). The peacebuilding needs are those areas that require action to move from the deficient to the ideal situation. They answer the question: what needs to happen in order to make the vision for the country or society a reality in the coming years?

Between 2002 and 2004, the Joint Utstein Study on Peacebuilding - commissioned by the evaluation departments of the foreign and development cooperation ministries of Germany, the Netherlands, Norway and the United Kingdom - surveyed the four donors' peacebuilding experiences in 14 partner countries (Royal Norwegian Ministry of Foreign Affairs, 2004; GTZ, 2003g). It revealed that peacebuilding needs in (post-) conflict societies can be grouped into the following sector clusters:

<p>1. (Good) Governance / Political Framework</p> <ul style="list-style-type: none"> • Democratisation (parties, media, NGO, democratic culture) • Good governance (accountability, rule of law, justice system) • Institution building • Human rights (monitoring law, justice system) 	<p>2. Socioeconomic Development</p> <ul style="list-style-type: none"> • Physical reconstruction • Economic infrastructure • Infrastructure for health and education • Repatriation and return of refugees and IDPs • Food security
<p>3. Security</p> <ul style="list-style-type: none"> • Humanitarian mine action • Disarmament, demobilisation and reintegration of combatants • Disarmament, demobilisation and reintegration of child combatants • Security sector reform • Small arms and light weapons 	<p>4. Justice and Reconciliation</p> <ul style="list-style-type: none"> • Dialogue between leaders of antagonistic groups • Grass roots dialogue • Other bridge building activities • Truth and reconciliation commissions • Trauma therapy and healing

Figure 7
Categories of Peacebuilding
Needs

The cluster on socioeconomic development in the table above is a useful entry point for planning PSD interventions in (post-) conflict situations. The results of the Peace and Conflict Analysis in the economic sector can be compared with the economic peacebuilding needs. This establishes how big the gap is between the reality and the vision, and it helps to develop approaches to bridge this gap using PSD interventions. When designed appropriately, conflict-sensitive PSD interventions will address the economic peacebuilding needs in a direct (C-1) or indirect (C-0) way. Often, the economic peacebuilding needs are of central importance for the stabilisation of (post-) conflict situations and play a key role among the peacebuilding clusters.

Formulating peacebuilding needs has several advantages. It 'forces' planners to be explicit about the changes that are considered necessary in specific sectors. This promotes a higher degree of transparency on the part of development cooperation with respect to its own objectives, and at the same time allows an improved strategic orientation of development cooperation, both at the political level and at the level of individual projects. Finally, a Peacebuilding Needs Assessment is also crucial to make the existing results-based monitoring system of a project (more) conflict-sensitive. It enables planners to draw up checklists for harmonising the targeted results of the project outputs and the factors for peacebuilding within the society concerned.

2.2.2. Element 2: Peacebuilding Relevance Assessment

The objective of this element is to assess the peacebuilding relevance of a planned or existing development intervention and – if necessary – to identify entry points for its adjustment. Relevance assessments originated in the realm of evaluation and make useful tools for checking strategies and interventions that are not primarily directed at peacebuilding. They ensure the link between the analysis stage and the implementation of an intervention. They also assess the viability of the intervention's goals and methods, i.e. whether or

not the intervention has the potential to change the situation in the desired manner, such as contributing to achieving the peacebuilding needs.

The Peacebuilding Relevance Assessment is both innovative and essential; other planning approaches tend to skip this step and seek to assess the effectiveness of an intervention rather than first asking whether it is relevant at all. In the planning stage, the Peacebuilding Relevance Assessment helps to improve the targeting of the intervention; in the review or evaluation phases, it judges the relevance of ongoing interventions and suggests ways to improve their relevance for peacebuilding.

A Peacebuilding Relevance Assessment consists of two elements:

- Comparing the goals, objectives and main activities of the planned or existing intervention with the identified sectoral peacebuilding needs.
- Examining how and to what extent they are consistent with these needs (a relevance scale can help to prioritise interventions).

This means that the economic peacebuilding needs provide the frame of reference for assessing the conflict sensitivity of elements of PSD strategies and interventions.

The following five categories help to structure the relevance assessment against the background of the intended change accruing from an intervention:

- 1) *Strategic relevance*: Is the overall strategy/programme approach appropriate?
- 2) *Thematic relevance*: Are the pertinent issues addressed?
- 3) *Geographic relevance*: Are measures implemented in the appropriate regions?
- 4) *Actor-specific relevance*: Are the relevant actors involved?
- 5) *Timing*: Are timeframes and timed priorities (including sequencing) appropriate?

Since the relevance assessment reveals the degree to which an intervention contributes to crisis prevention, conflict transformation, or peacebuilding, it also determines the appropriate C-marker:

Figure 8
Link between Relevance
Assessment and C-marker

Relevance (of interventions for crisis prevention, conflict transformation, peacebuilding in (post-) conflict situations)	C-Marker	Sector
High relevance	C-2	Peace programmes
A clearly defined, visible and perceivable relevance which may sometimes be of limited character; the peacebuilding needs are addressed directly by the project design/strategy.	C-1	e.g. PSD interventions
No (intended, obvious) relevance, the peacebuilding needs are addressed indirectly by the conflict-sensitive project design/strategy.	C-0	

2.2.3. Element 3: Risk Management

Risk Management seeks to identify the potential or evident (negative) effects that a conflict may have on the intervention personnel, investments and activities, and proposes ways of managing them professionally with a security strategy. Due to the often volatile environment in (post-) conflict situations, project personnel and assets face threats that cannot be

accounted for with the risk assessment of the general planning and steering processes. It is crucial to remember that all development measures, including PSD interventions, can trigger negative responses from conflict parties. Development cooperation is often regarded as a conflict actor, whether it works directly on peace issues or on other sectoral areas.

Comprehensive Risk Management comprises:

- *Security and conflict analysis* that identifies the anticipated immediate risks posed to individuals and infrastructure in the implementation of the (planned) development cooperation measures. The security concept is developed on the basis of the analysis of the potential threat, the possible vulnerability and the capacities of the organisation.
- *Continuous monitoring of the environment*. Relevant areas for monitoring are identified from the results of the security and conflict analyses in order to observe continuously the dynamic trajectories of conflicts and the security situation. Current trends and developments are then traced systematically, which provides a basis for the risk assessment.
- *Assessment of risks*. The trends that have been identified in the monitored areas are assessed in terms of their potential risks. This assessment covers: a) the feasibility of the development cooperation strategies, b) the feasibility of the concrete development cooperation measures, and c) personnel safety.
- *Steering and adjustment of measures*. In order to be able to respond appropriately and responsibly to the changed frame conditions and risks, strategies, modes of implementation, personnel aspects and additional (security) measures are reviewed and brought into line with the new situation.

To date, comprehensive risk management in development cooperation has been developed at country level in only a few cases. Where risk management systems are in place (e.g. the Risk Management Office in Nepal) they are highly effective, but expensive. Such systems can be operated most cost-effectively in association with other actors, especially donors.

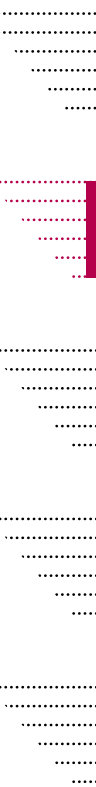
At the project level, Risk Management depends on whether a new intervention is planned or an existing one is being adjusted.

When a new project is being prepared, a security analysis is conducted to determine whether the planned project is feasible in the prevailing conditions. The results are documented in the form of a description of the risks, and recommendations are made for managing them. The planned timing of the measure in the region of intervention is examined closely once again, this time from a security angle. The special risks faced by the respective project institutions, implementing organisations and target groups are also documented, and any concerns about the content of individual project components are raised.

In the case of ongoing projects, new or additional options for action developed in the PCA element 'Relevance Assessment' are evaluated with respect to their feasibility and risks. Special risk factors should be incorporated into the subsequent results-based project monitoring system.

Depending on the threat level, a detailed security analysis focusing on the project and its immediate radius of intervention may generate additional security strategies that complement the frameworks in place at the national level.

Risk Management fulfils the requirement of the BMZ that the security of all stakeholders must take priority over the implementation of individual interventions (BMZ, 2005). These assessments can be carried out with the help of checklists that focus on the security situation, the political and administrative climate, the relationship to partners and stakeholders, and the relationship to the parties in conflict and other intervening actors.



2.2.4. Element 4: Peace and Conflict-Related Impact Monitoring

Whereas the Risk Management analyses and manages possible negative impacts of the conflict on the intervention, Peace and Conflict-related Impact Monitoring follows the opposite logic: it analyses and manages possible negative impacts of the intervention on the conflict or peace situation. Peace and Conflict-related Impact Monitoring is used to ensure that the impacts and results of development cooperation do not exacerbate a conflict, but rather strengthen its peacebuilding effects.

The peace and conflict perspective complements the 'normal' monitoring system that each project or programme has established on the basis of its sector objective. It goes beyond conventional impact-based monitoring approaches by not only exploring the impacts of the project outputs, but also considering the impacts of the project as an actor on peace and conflict. The scope varies according to the C-marker assigned to the project in question.

Regardless of the C-marker, all projects in (post-) conflict situations - i.e. in 'yellow' and 'red' countries - must monitor possible unintended negative impacts; this works best with an inductive approach (see below). For the inductive approach, the DNH methodology provides a good framework for monitoring and assessing the unintended negative (and positive) impacts. In contrast, projects assess their intended (sector or peace and conflict) impacts with results chains and indicators, thus following a deductive approach (see chapter 5 for more details on monitoring).

When the *deductive approach* is applied, a results hypothesis is formulated and then tested in relation to reality. This hypothesis is based on theoretical knowledge, practical experiences or plausibility. The use of results chains in development cooperation is a typical example of the deductive approach. The advantage of this approach is that it reduces the field of monitoring from the outset, thus simplifying the selection of indicators and the interpretation of data. The limits of the deductive approach lie in precisely this reduction of the field of vision: there is a risk that key changes and problems go unnoticed. Moreover, the deductive approach is not very flexible and makes it more difficult to conceptualise complex links. In the context of Peace and Conflict-related Impact Monitoring the deductive approach is therefore suitable mainly for monitoring the intended positive results of a project.

The *inductive approach* is characterised by an open procedure in which the monitoring team identifies changes in the project environment that affect the peace and conflict situation. This is often an iterative process of survey and assessment. For this purpose checklists can be used that are either based on international experiences with the conflict-sensitive monitoring of development cooperation (e.g. the DNH methodology), or that are prepared by the monitoring team on the basis of the Peace and Conflict Analysis. Other inductive methods include participatory monitoring and conflict monitoring. The strength of this approach lies in the profound understanding that can be gained from the project results. In particular, this approach makes it possible to identify unintended positive and negative impacts of a project. Its weaknesses lie in the relatively large amount of time required and the possible subjectivity of the monitoring team.

As a general rule, a mix of deductive and inductive methods should be applied.⁹ Monitoring for results is standard procedure in development interventions, so the following

⁹ *The empirically sound monitoring of conflict-sensitive changes calls for comparison of the situation before and after the intervention, as well as comparison of an area with intervention and an area without. This requires the preparation of a high-quality baseline study at the outset of the project.*

	Intended outcomes	Unintended impacts
Positive	deductive (results chains) inductive (participatory methods)	inductive (DNH, participatory methods)
Negative		inductive (DNH, participatory methods)

Figure 9
Monitoring Intended Outcomes
and Assessing Unintended
Impacts on Peace and Conflict

description of Peace and Conflict-related Impact Monitoring focuses rather on the inductive approach of avoiding unintended negative consequences. As part of a PCA it is appropriate to modify and adopt the inductive approaches such as the DNH methodology, to be able to integrate the data and ideas gathered in the previous steps (PCA elements 1 - 3). On this basis, a project-specific list of questions can be drawn up to identify unintended impacts. The original list of questions drawn up when the project was launched should be adapted to the (ongoing) changing conflict situation and new project activities at regular intervals during project implementation.

Based on the DNH principle, the following steps for the conflict-sensitive assessment of unintended impacts are recommended:

1. Define the social sphere and geographical area in which project impacts on the conflict may be anticipated.
2. Identify the factors as well as the actors for peace and for conflict that may possibly be affected by the project (using the Peace and Conflict Analysis as a basis).
3. Add to these factors and actors any other spheres or areas where the project might potentially impact on the conflict (based on the DNH-checklists in Annex 6.7).
4. Review the project being planned or implemented in the light of the key questions for the DNH-approach.
5. Formulate hypotheses on possible unintended project impacts on the conflict; based on these, draw up a list of questions for the Peace and Conflict-related Impact Assessment.
6. Referring to the list of questions, collect data on the unintended (and intended) impacts of the project using various survey methods (e.g. one-to-one interviews with beneficiaries, group discussions, expert interviews with various actors, desk study, qualitative data), and triangulate the data. It is important to pursue a participatory approach and remain on the lookout for hitherto unexpected impacts.
7. Document the intended and unintended project impacts, and draw up recommendations for further project steering.
8. Revise the list of questions on the basis of the fresh insights gained in preparation for the next episode of impact assessment.

Depending on the duration, the resources and the political sensitivity of a project, this kind of detailed impact assessment should be repeated every six to twelve months.

3

PLANNING OF PSD INTERVENTIONS IN (POST-) CONFLICT SITUATIONS

This chapter describes what the crucial planning stage of PSD interventions in conflict-affected countries must entail in order to:

<ul style="list-style-type: none">• maximise the chances of achieving the desired outcomes of the intervention	C-0
<ul style="list-style-type: none">• reduce negative impacts of interventions	
<ul style="list-style-type: none">• minimise conflict risks for personnel and investment	
<ul style="list-style-type: none">• (wherever and whenever possible) contribute to crisis prevention, conflict transformation or peacebuilding.	C-1

The chapter begins with a discussion of the principles for the planning of PSD interventions in (post-) conflict situations and then explains how conflict sensitivity can be integrated into standard planning processes. The third section highlights why target group and partner selection merit special attention in (post-) conflict situations. Sections 3.4 and 3.5 discuss in greater detail the planning implications for C-0 and C-1 interventions and give examples of possible PSD interventions following five basic approaches to PSD in (post-) conflict situations. Section 3.6 elaborates on the potentials of peacebuilding PSD interventions.

Although there are no blueprints for conflict-sensitive PSD, the PCA methodology with a focus on the economic dimension of a conflict can reveal which approach or approaches are most suitable in a particular situation. PSD interventions in (post-) conflict situations have *five basic strategy options*:

1. They can contribute indirectly to peacebuilding through conflict-sensitive design and implementation (= Approach 1).

Projects and programmes that follow this approach are usually marked C-0. In order to make a direct, more visible contribution to peacebuilding, projects and programmes can:

2. Address root causes or escalating factors of conflicts (= Approach 2).
3. Decrease the economic resources of conflicts (= Approach 3).
4. Work on the symptoms or impacts of conflicts (= Approach 4).
5. Support 'connectors' - those elements in society and especially in the private sector that further peacebuilding and reconciliation (= Approach 5).

Projects and programmes that are designed using one of the Approaches 2 to 5 are usually classified as C-1. These approaches are entry points for planners, they are not mutually exclusive and interventions may include aspects of several approaches.

Principles for Conflict-Sensitive Planning..... 3.1.

Over the last decade, German Development Cooperation has become stringently impact-oriented, whereas before, planning and monitoring were based more on inputs and outputs. The underlying theory of impact orientation is expressed in the project results chain (see Figure 10 below).

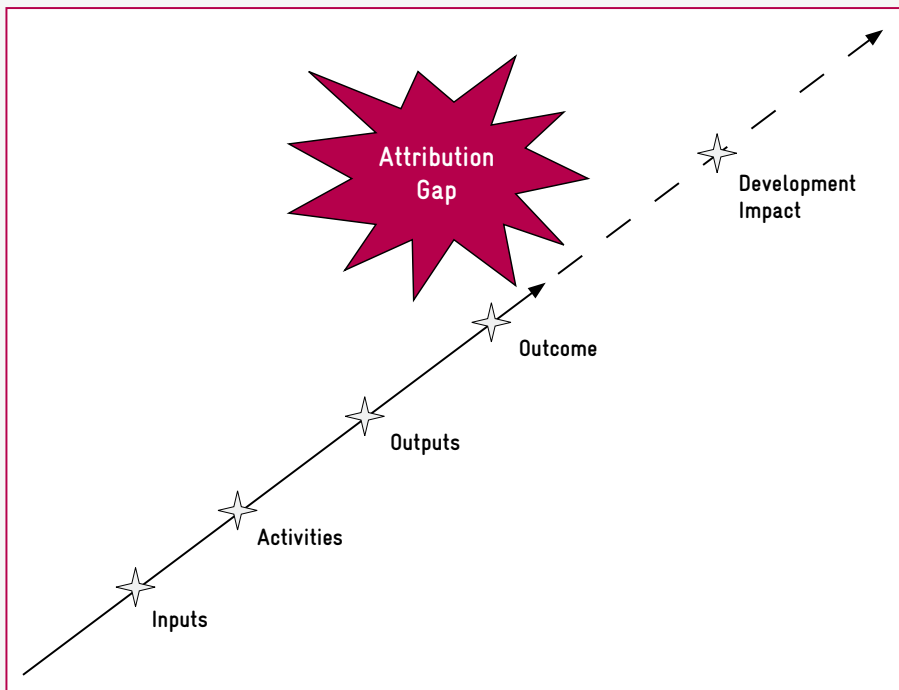


Figure 10
Simplified Results Chain for a
Development Project

The following simplified example illustrates the results chain theory: a project receives inputs in the form of financing for staff and other resources. These inputs are used to implement certain activities, for example business management training for entrepreneurs. The activity generates certain outputs, for example 500 entrepreneurs are trained in business management. Finally, the output will produce an outcome, for example that the trained entrepreneurs improve their business operations. Up to this point, one can attribute project outcomes to project inputs, although there are some external factors influencing the transformation of inputs into outcomes. However, above the outcome level these external influences become so numerous and strong that there is an attribution gap between outcome and development impact, for example improved business operations leading to more jobs and increasing income levels for poor people.

As outlined in the previous chapters, every PSD intervention in a (post-) conflict situation uses and distributes resources (inputs) in its project area and thus has positive and / or negative impacts on peace or conflict. In many cases this impact is unintentional, i.e. it is not a planned output, outcome or development impact in the original results chain. Unintend-

ed negative impacts tend to increase when PSD interventions in conflict or post-conflict settings try to work around a conflict, i.e. when they ignore it and do 'business as usual'. Experience shows that this can be harmful for peace and dangerous for the project staff.

Today, it is common understanding that development interventions cannot work around a conflict; rather they work in a conflict (i.e. they are affected by a conflict environment) or even on a conflict (i.e. they seek to address conflict and peace issues). The minimum requirement for interventions in countries with growing or acute prevention needs ('yellow' and 'red' countries) is to consider how conflict dynamics affect implementation and vice versa. In addition, interventions may contribute to crisis prevention, conflict transformation and peacebuilding by what they do and by how they do it.

The scenarios 'working in conflict' or 'working on conflict' will determine the planning and implementation processes of PSD interventions for all phases of a conflict (before, during and after). As the challenges vary according to the type of conflict and its dynamics, strategies and interventions always need to be adjusted to a specific situation. There are no blueprints for different types or phases of conflict; the type and mix of measures will always be context dependent. Conflict-sensitive project management must be a continuous cycle of planning, implementation, monitoring, evaluation and re-planning (adjusting plans).

While conflict-sensitive PSD interventions marked C-0 have the general two-fold objective of economic development and doing no harm, a third objective is added in the case of C-1 interventions, namely crisis prevention, conflict transformation or peacebuilding.

Although conflict-sensitive planning of PSD interventions is context-dependent, extra care must be taken to balance economic growth and socially inclusive economic development. Economic and investment opportunities should be accessible to all sections of society, especially marginalised groups. Economic development can only make a significant contribution to the prevention of violent conflict and the consolidation of societies' capacity to manage tensions peacefully if all the formerly conflicting parties (the winners as well as the losers) have a chance to participate.

3.2.Applying PCA in Project Management

Planners can ensure the conflict sensitivity of interventions by applying PCA at all stages of the project cycle. PCA helps planners during the appraisal mission on the ground, in the planning phases at headquarters, while preparing the intervention proposal and, not least, during implementation, monitoring, adjustment and evaluation. This versatility makes PCA a powerful management tool. The scope of application of the PCA depends on the C-marker. In C-0 interventions, the focus is on the application of PCA elements 1 and 4, while C-1 interventions require all four PCA elements. In all cases, PCA should be integrated into 'normal' project planning and management tools.

Conflict sensitivity is therefore not an additional independent management task. Rather, it requires that staff adapt their perspective to account for peacebuilding issues within their regular project management responsibilities. The remaining challenge is to ensure that the results and conclusions of the analysis are implemented in the respective programming steps (problem analysis, objectives, logical framework, activities, monitoring & evaluation, and budget). In other words, staff should include it in their work routine. The following table illustrates how PCA can be used to ensure conflict sensitivity in project or programme management.

Standard Project Cycle Management (PCM) and Logical Framework	Integrating the peace/conflict lens into PCM and Logical Framework
Context + stakeholder analysis	Integrate conflict and peace context + actor analysis as well as peacebuilding needs analysis (PCA element 1).
Problem analysis	Ensure that results of analysis of conflict + the peacebuilding needs are included into the problem analysis.
Analysis of objectives	Discuss whether peace/conflict influences the objective or not (this applies for programmes with a development or humanitarian goal; e.g. should 'peace' be integrated as a sub-objective or will it be a crosscutting issue).
Planning with the logical framework: <ul style="list-style-type: none"> • Formulating the objectives • Formulating the purpose, results and activities • Developing monitoring indicators + source of verification • Analysing assumptions + risks 	Integrate 'PCA' into logical framework: <ul style="list-style-type: none"> • Deciding whether to integrate peace as an additional objective or sub-objective. • Checking purpose, results + activities for their conflict/peace sensitivity and assess whether they have a direct reference to the conflict environment (PCA elements 1 & 2). • Integrating the peace/conflict lens into the programme monitoring system as well as to the range of indicators (PCA element 4). • Identifying conflict-related risks for staff, investments and the likelihood to reach the objective of the programme. Development of coping strategies for the handling of the risks (PCA element 3).

Figure 11 Conflict-Sensitive Project Cycle Management and Logical Framework¹⁰

Target Group and Partner Selection..... 3.3.

To ensure that interventions do not have a negative impact on a conflict situation, it is important to have a good understanding of relevant social groups, their relationships and the underlying conflict potential. Unfortunately, post-conflict situations often result in opaque environments where conflict lines are blurred, overlapping or volatile. It is not always clear which groups will benefit from interventions and who will be left out or put at a disadvantage. Therefore, extensive knowledge of the situation in the country is required. One way of putting this into practice is the application of PCA during the planning phase of a project: a well-grounded Peace and Conflict Analysis gives the first valuable overview of the most important stakeholders. As a second step, open orientation phases at the beginning of a project often yield positive results in difficult and unclear situations. They make it possible to start a project by deploying a project manager before the details of intervention have been defined. This enables the manager to collect sufficient information to prepare the intervention thoroughly and to select appropriate partners.

Target Group Selection

Target group analysis and selection must be done thoroughly to avoid aggravating inequalities, which could worsen the conflict at a later stage. The minimum requirement is that

¹⁰ Source: adapted from Paffenholz and Reyhler, 2007; p. 106.

Box 3

Angola - Reintegration Programme

From 1997 to 2003 the German government supported Angola's reintegration programme. War had ravaged the country for over three decades, and after the war, the traumatised population had great difficulties earning their livelihoods.

The objective of the programme was to enable people in eight selected settlement areas to produce food and to earn incomes from crafts and small business activities. The main programme activities were the building of irrigation facilities, promotion of small enterprises, training and further education, and providing grants to support small self-help activities.

Key to the programme's success was the broad target group which included demobilised soldiers, displaced families as well as women, widows and orphans. By settling former soldiers and displaced persons in the same areas, and making both groups participate equally in the planning process, the reintegration programme helped to reconcile the conflicting parties.

the project should not be perceived to be partial towards one of the conflicting groups. Non-discrimination should be a clearly formulated and communicated basic operating principle of interventions. There is, however, an ongoing debate as to whether or not PSD interventions should positively discriminate target groups. By definition, the principle of non-discrimination is breached in projects that focus on specific target groups. Looking at reintegration programmes sheds some light on this contradiction. There are two approaches to the reintegration of returnees, i.e. internally displaced persons, ex-combatants, refugees or migrants: targeted integration or community-based integration. The concept of targeted integration focuses project services on identified members of the chosen target group. For example, reintegration aid is provided only for former combatants. Community-based integration means that project services are not provided directly to members of a particular target group, but rather to communities as a whole where many families and members of the target group live or have returned to live.

Experiences with *targeted interventions* have shown that the positive discrimination of ex-combatants is difficult to accept for communities who might have suffered from combatants' violence. This can even incite more conflict. Moreover, depending on the length and intensity of the conflict, ex-combatants are often physically and psychologically ill-equipped to make use of PSD project services, such as entrepreneurship training. International experience has shown that this support should rather go to the families (especially women and youth) and communities that must absorb the ex-combatants.

Intervention approaches should be differentiated to accommodate the needs and potentials of different *gender* groups, as women and men experience violent conflict in different ways. Violence often has specific sexual or gender-based aspects, so women and men will have different needs in post-conflict peacebuilding. One lesson learnt from Disarmament, Demobilisation and Reintegration (DDR) programmes is that female combatants are often excluded from such measures if they did not carry arms, as this is often a prerequisite to qualify for the reintegration benefits. The stigma of rape and having children with former combatants also poses special challenges to the reintegration of women.

Since gender inequality tends to slow economic growth, and since women play an important role in post-conflict reconstruction and peacebuilding, promoting gender equality and empowering women in order to reduce the risk of conflict is very important. This is particularly significant in post-conflict situations because wars and violent conflicts tend to

increase disadvantages for women. Women and men should be involved equally in efforts to resolve conflicts and in peace negotiations. The changes in gender roles and the collective rights of women that often emerge in violent conflicts should be used to strengthen gender equality in the long term. The role of men in violent conflicts needs to be taken into account to address sexualised violence and the radicalisation of young males and their willingness to resort to violence.

Another important target group are *youth*. Several studies highlight their importance for peacebuilding and conflict prevention. Young people are the most important asset for the future development of countries and societies. Their skills and employability are important factors in the future competitiveness of their country's economy, which is a decisive factor for economic growth and prosperity. These issues are, in turn, essential for reducing the risk of war. In order to facilitate peaceful development, young people need to be equipped with democratic values and have skills for peaceful conflict resolution; more importantly they must be offered educational opportunities and chances for income generation. The youth in post-conflict countries, particularly those who are marginalised and who lack social and economic perspectives, often have a high propensity for violence. They play an important role in (violent) demonstrations and civil unrest, which are often a precursor of violent conflict ('angry young men'). This corresponds to Collier's finding that conflict tends to be lower where male secondary school enrolment is high (Collier and Hoeffler, 2001).

Although in all conflicts the majority of *returnees* are poor and vulnerable, returnees and diaspora communities can be a valuable asset for economic reconstruction. Certain groups of returnees are a source of expertise and finance and can provide valuable networks for international trade. This asset for reconstruction and private sector development should be exploited by involving them in reform processes for a business-enabling environment, in investment and SME development or through PPP approaches.

There is a controversial discussion about whether former *warlords* or *militia leaders* should be included in PSD interventions. While their inclusion is in most cases morally questionable and can cause added grievances, there are also good reasons to include them. Impeding their involvement in legal economic activities often forces them into illegal activities or the continuation of their old business of being warlords. In countries with short conflicts, warlords and militia leaders often recruit themselves from leading civilian positions in their society; in countries where conflicts continued over long periods they are often the most able managers and highly regarded leaders of their respective groups. Their exclusion could result in serious tensions and the rejection of interventions by the respec-

From 2001 to 2004 the German government supported the Ministry of Education, Science and Technology of Kosovo to promote vocational training courses able to satisfy the demand of the labour market.

During the Balkan conflict, vocational education in Kosovo only took place informally; Kosovans were systematically excluded from training institutions. The post-war vocational training courses had not yet been adapted to the new needs of the economy.

The project combined emergency aid, such as the quick reconstruction and modernisation of vocational training facilities, with schemes for developing sustainable structures: developing curricula tailored to the needs of the labour market and improving the qualifications of the training staff in vocational training centres.

Box 4

Kosovo -
Emergency
Aid and Sustainable
Structures
for Vocational
Training Centres

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

tive group or region. In many cases, they are also important domestic investors, providing substantial capital for normal and legitimate businesses. Any obstacles to their commercial activities usually force them to invest in illegal activities or abroad, although there is a dire need for domestic investment to support reconstruction and economic development. Taking all these points into account there is no clear-cut answer to this discussion. The decision whether to include or exclude them must consider carefully the local circumstances and the project approach.

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

A similar discussion applies to *war-profiteers*: exclude them and they might intensify their 'dividing' role and push for conflict, or they might invest their often considerable capital either in illegal businesses or abroad. If they are included, there is the risk of promoting divisive forces; it may even contribute to funding the next war. It should be kept in mind - and be included in the economic Conflict Analysis - that a whole range of industries profits from wars. Obvious examples are the arms industry or the owners or beneficiaries of extractive industries. But there are also related industries such as metallurgic enterprises that can produce weapons covertly in normal workshops. Other industries or agricultural producers may also be involved in rebel finance or organised crime (e.g. hotel business for prostitution, transport and construction for money laundering, etc.).

Partner Selection

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

The problems related to the selection of target groups also apply when selecting project partners. In general, PSD interventions should support and work with the 'connectors' of a society. Typical 'connectors' in the private sector are those business people, business membership organisations or industries that benefit from peace more than from conflict. To avoid negative impacts on the peacebuilding process, care should be taken that interventions do not support persons, business membership organisations or industries that benefit from conflict or oppression ('dividers'), or which are closely related to organised crime, money laundering or the financing of rebels or terrorism.

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

The selection of partners and intermediaries must therefore be undertaken with care. Their role in the conflict, their capacity to deal with conflict issues and their trustworthiness (especially amongst the target groups and the conflicting parties) should be assessed thoroughly. No person selected as a partner, nor any organisation in a conflict area is likely to be neutral, so an assessment of the partners' own agendas is important (whether open or hidden), and how they fit in local power structures. It may be necessary to identify a number of organisations for collaboration in order to bring about mutual accountability, inclusiveness and balance.

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

The selection of project partners and their role in the project depends on the project approach and the local situation. Typical PSD partners such as government institutions, training centres and civil society or private sector organisations are often not available or operational in (post-) conflict situations. Sometimes they have become discredited through their role in the conflict. At the same time, interventions that have conflict-specific target groups need intermediaries with access to those groups, such as returnees or ex-combatants. This may require cooperation with intermediary organisations, which are not the typical partners of 'normal' PSD projects.

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

Since official development cooperation is generally linked to the national government of the partner country, two problems can emerge for PSD projects in a (post-) conflict situation. If the government is one of the conflicting parties, project interventions will be

regarded as taking sides, potentially obstructing collaboration with other parties to the conflict, and putting the project itself at risk. Second, in many (post-) conflict countries the national government is weak and unable to deliver the necessary services for a functioning economy. In such situations (international) NGOs or other aid organisations often take over governmental tasks. While this may be useful for the operation of a PSD project, it should be treated with caution as such an arrangement can easily hinder the necessary development of a capable local institutional framework. If such a set-up is used, the partner structure should be reviewed frequently and options for local institution building should be considered as early as possible. In cases where no adequate institution exists for certain tasks, the initiation of new institutions may have to be considered.

Planning Conflict-Sensitive PSD Interventions (C-0)..... 3.4.

In line with the BMZ Sector Strategy, German development projects marked C-0 must be designed in a conflict-sensitive manner, with the overarching goal of systematically avoiding unintended negative impacts on a peace or conflict situation. In this context it is essential to ask four key questions regarding the respective intervention:

- *What* are we doing?
- *Where* will the intervention take place?
- *Who* will we be working with?
- *How* will we proceed?

For the conflict-sensitive planning or orientation of a C-0 marked PSD project it is sufficient to conduct a reduced and adapted PCA with three elements. Elements 1 and 4 (Peace and Conflict Analysis and Peace and Conflict-related Impact Monitoring) form the methodological minimum standards, while the core of PCA element 3 (Risk Management) is a mandatory aspect of the managerial responsibility of the respective programme managers. Element 2 of the PCA (Relevance Assessment) is less significant in this context. For C-0 interventions the PCA can be applied in the following reduced form:

1. *Peace and Conflict Analysis:* The first step is to establish whether key data about a conflict are already available, or whether a conflict analysis has already been carried out. Here it is possible to refer to internationally available conflict analyses – authorised by the BMZ – or to the conflict-related section of the newly-introduced brief politico-economic analyses.¹¹ If no conflict analysis or brief politico-economic analysis is available, the conflict-related themes relevant to the project must be analysed and incorporated into the project design within the scope of the project appraisal. This can take place in an abridged form on the basis of a DNH check. Here it is important to analyse the causes of the conflict as well as the connecting, dividing, escalating and de-escalating conflict factors that affect the project environment. Based on this analysis, the potential of the project for strengthening or weakening the ‘connectors’ and ‘dividers’ should then be identified.
2. *Peace and Conflict-related Relevance Assessment:* It can be assumed that C-0 PSD projects are of limited relevance for any direct contribution toward the peacebuilding needs of the respective country. The relevance assessment can therefore be omitted, unless there is an explicit requirement or the political will to explore the potential, for instance, of turning a C-0 project into a C-1 project.

¹¹ In 2006, BMZ replaced the socio-cultural analysis (Soziokulturelle Kurzanalyse, SKK) for country concepts by a politico-economic analysis (Politökonomische Kurzanalyse, PÖK); the latter has a stronger connection to the BMZ criteria catalogue (Kriterienkatalog, KK) and the indicators for crisis early warning. The politico-economic analysis and the socio-economic analysis (Sozioökonomische Kurzanalyse, SOKA) are part of each BMZ country concept.

3. *Risk Management:* In the case of C-0 PSD projects, risk management is confined to a security analysis. All projects in crisis-prone or (post-) conflict countries must address the risk that staff, project partners or project assets may be subjected to attack. A security analysis should therefore be conducted to examine and realistically assess potential threats as well as the existing capacities of the project and its staff to deal with them appropriately. The security strategy for a project will be embedded into the country-specific security provisions for German Development Cooperation, which are based on the respective national security strategy of the German Embassy and possibly also of other multilateral organisations such as the UN. - The second component of risk management - the monitoring of the environment from a development-policy point of view - can be omitted in C-0 PSD projects. The political risks present in the respective country context are dealt with through the standard project planning procedures.
4. *Peace and Conflict-related Impact Monitoring* should take into account both the intended (positive) and the unintended (positive and negative) impacts of a project, yet the focus must always be on monitoring (and containing) the unintended negative results. Both types of result (intended and unintended) should undergo: (a) a 'security check', as there is always a risk that certain envisaged results of development policy are not desirable or acceptable for some groups who may resort to violence; (b) a DNH-check at regular intervals to identify unintended negative impacts, thus creating a basis for adaptation of the project. Alternatively, conflict-relevant issues can also be monitored within the scope of the normal results-based monitoring system.

Box 5

Nepal –
Broadening
Support for
Value Chain
Actors

In Nepal the conflict between the government and Maoist rebels has continued for more than a decade. In 2004, when the conflict was still in full swing, and two years before the historic peace accord, a GTZ-supported private sector development project with a focus on export-oriented value chains decided to re-think its strategy.

Value chain mapping in various sub-sectors, such as carpets and tea, showed that small scale producers were very much affected by the conflict, either directly because violence was mostly committed in rural areas or indirectly due to the reduced demand from exporters who suffered from transport problems caused by road blocks and strikes.

A Do-No-Harm-check revealed the need to focus activities upgrading the value chain support to the producers and labourers in the value chains and to balance the interests of exporters and producers. In the tea industry, for example, applying the lessons from the DNH approach resulted in a shift of focus from tea exporters to tea producers.

Approach 1: Do-No-Harm. If a PSD project applies these PCA elements, it will aim to contribute to peacebuilding indirectly by doing no harm. The overarching goal of this approach is to systematically avoid unintended negative impacts. The core questions to be answered by the project management are: Is economic development really what people need right now? Who should benefit, and who should be project partners? PCA gives answers to these questions. The initial Conflict Analysis and the subsequent Peacebuilding Needs Assessment clarify the setting, define intervention areas and identify 'connectors' and 'dividers' as well as potential target groups and partners. The Peace and Conflict-related Impact Monitoring helps to ensure that implementation is conflict-sensitive and indicates when adjustments may become necessary. It should be noted that, when finally implemented, the PSD measures may not be different to 'normal' PSD projects, but they will be conflict-sensitive; negative impacts on the implementation environment will be reduced and they will stand a greater chance of achieving their objectives.

Planning Conflict-Relevant PSD Interventions (C-1)..... 3.5.

PSD projects classified C-1 have a clearly defined relationship to the conflict context in the respective country or region. They make a direct (and sometimes indirect) contribution toward crisis prevention, conflict transformation or peacebuilding. This contribution is described at the level of the secondary objectives, the level of results, or within the scope of a project sub-component, thus making it an integral component of the project concept. At the level of the primary objectives, however, the project will aim to achieve development results in the economic sector (e.g. competitiveness of selected industries).

For C-1 PSD projects, the key aspect is the relationship of the economy to the conflict. The existing potentials of the economic sector are utilised to address national peace building needs, and the project makes a direct or indirect contribution towards peace building through the conflict-sensitive design of its individual measures.

The conceptual orientation of C-1 projects thus goes beyond conflict-sensitive project design (C-0). C-1 projects must be conflict-sensitive as well as conflict-relevant, meaning relevant for peacebuilding.

Box 6

PSD
Interventions
marked C-1

All four elements of the PCA are applied in the case of C-1 projects:

1. *Peace and Conflict Analysis and Peacebuilding Needs Assessment.* The starting point is always a Peace and Conflict Analysis at the country level. This will either already have been conducted and authorised by the BMZ Country Division, or it will be prepared within the scope of the brief politico-economic analyses. Moreover, it is possible that the responsible BMZ Country Division commissions the preparation of a new Peace and Conflict Analysis in cooperation with an implementing organisation. The economic sector-specific peacebuilding needs for C-1 projects are defined on the basis of the national peacebuilding needs identified at the country level. They can also be derived from a supplementary sector-specific conflict analysis (see annex 6.5 for a checklist on an economy-related conflict analysis), or by analysing links between various existing sector studies along the conflict lines. These should describe at the very least the causes, lines, structures, actors, dynamics and scenarios of the conflict for the respective sector and/or region. The sector-specific peacebuilding needs constitute a key framework of reference for assessing the peacebuilding relevance of a project or its measures, whether a new project is being planned or an existing project is being reviewed.
2. *Peace and Conflict-Related Relevance Assessment.* This assessment establishes whether the planned concept (or one already being implemented) makes a relevant contribution toward addressing the previously determined sector-specific peacebuilding needs, or how the relevance of a project can be raised so that it can be classified as C-1. If the project has not yet been classified, the Peace and Conflict-related Relevance Assessment determines the appropriate C-marker. Whereas C-2 and C-0 projects are defined unequivocally in terms of their peacebuilding relevance (C-2: HIGH relevance – C-0: NO relevance), this is more difficult for C-1 projects, and the boundary between C-1 and C-0 sometimes becomes hazy. The peacebuilding relevance of a C-1 project may fall anywhere between the following two poles: (a) most of the activities / components and anticipated results are clearly related to the sector-specific peacebuilding needs, i.e. the project has a recognisable peacebuilding relevance; or (b) there are only some activities consistent with the peacebuilding needs, i.e. the project is of limited peacebuilding relevance.

3. *Risk Management: Context Monitoring and Security Analysis.* Conflict-related Risk Management avails itself of the established (development) policy instruments and mechanisms (e.g. the crisis plan and security provisions of the Federal German Foreign Office, and the information systems of other donors such as UNHCR or NGO networks). These provide valuable information on current developments in the conflict environment and on aspects of staff security that can influence an appropriate security strategy for the project. Where new projects are being planned or existing projects adjusted, a *feasibility* check is conducted to ensure that appropriate framework requirements for the planned project exist, and that the project implementation can therefore be guaranteed. Here, checklists can be used which focus on the security situation, the political and administrative climate, the relationship between partners and stakeholders, and the relationship with the conflicting parties and other intervening actors (Paffenholz and Reyhler, 2007). The results are documented in the form of recommendations on the timing and target area for the measure, the project-executing agency, implementing organisations, target groups, and the specific design of individual components. Particular risk factors should be incorporated into the subsequent project monitoring system. During the implementation of C-1 projects, the need to develop a system for *context monitoring* depends on the sensitivity of the project's immediate political environment. Where possible, the results of these project-related monitoring activities should be integrated into overarching (national) monitoring systems. The project-level activities should, in any case, be linked to the 'normal' project monitoring system (see element 4). The completion of a *security analysis* is a binding requirement in all countries with a heightened or acute need for prevention; it can be undertaken at any time. All projects in crisis-prone or (post-) conflict countries must address the risk that staff, project partners or project assets may be subjected to politically motivated attacks; because of their direct links to places of conflict they are working in a highly politicised context. A security analysis should therefore examine and realistically assess potential threats as well as the existing capacities of the project and its staff to deal with them appropriately. The security strategy for a project will be embedded in the country-specific security provisions for German Development Cooperation, which are based on the relevant national security strategy of the German Embassy and possibly of other multilateral organisations such as the UN.

4. *Peace and Conflict-Related Impact Monitoring.* Positive impact on peace: An intended, positive impact on peace is defined at the level of components and secondary objectives; as such it is an integral component of project impact monitoring. If the project has an explicit peacebuilding component, there will always be corresponding indicators for that component in the overall project monitoring system. Negative impact on peace: All measures (especially those with no explicit link to peace that are designed to help achieve the sector objective) should be analysed for their possible unintended, negative impact on peace, primarily using the Do-No-Harm instruments. Project personnel should be sensitised to potential negative impacts. Agreement must be reached within the project as to how these potential unintended impacts can be monitored. It is not always recommendable to define corresponding indicators. Alternatives, such as participatory and other qualitative methods that involve project staff, partners, beneficiaries and other stakeholders can be revealing and support the project in a process of institutional learning. If the project includes a specific peacebuilding component (with an intended positive impact), the peace and conflict impact chain (for that component) is developed together with the corresponding indicators for impact monitoring. The potential negative results (risks) should also be defined in this process. For the other components or activities, a DNH check is a minimum mandatory requirement to assess the results for peace. If a C-1 project has no explicit peacebuilding component (but perhaps just various conflict-related sub-activities within

the individual components), then there will be no corresponding impact indicators. Instead, the potential negative results and risks for conflict transformation and peacebuilding should be reviewed when developing the usual sector-specific impact chains and indicators for each component of the project or programme.

Because conflict contexts are unique there are no blueprints for conflict-relevant PSD interventions. In general, however, conflict-relevant PSD interventions are likely to fall under one of the following general categories:

Approach 2: PSD intervention contributes to peacebuilding and conflict prevention on different intervention levels by addressing root causes or escalating factors of conflicts. It is not always easy, however, to distinguish between root causes and escalating factors. Some examples of economic causes and factors of conflict might be: the unfair distribution of employment, opportunities, wealth and resources; the failure of reforms; unstable currency or sudden devaluation of a currency; corruption in government spending; regional imbalances; dependency on an export resource; illegal exploitation of natural resources; bad practices of large companies (pollution, bad working conditions, child labour, discrimination, abuses of human rights, etc.); and many more. Moreover, economic activities are crucial for the process and duration of conflicts: wars are financed by the (illegal) exploitation of natural resources, by remittances from migrants and by foreign nations. A PCA helps to clarify the specific challenges in the given context; it can identify how to address the needs that result from the challenges, determine whether the project activities can make a relevant contribution and it can guide the process of implementation and monitoring.

Approach 3: PSD intervention is used to reduce the economic resources of a conflict. Economic resources nourish conflicts if conflicting parties can exploit them (illegally). This kind of war economy is common in weak or failing states, and economic promotion programmes may find it difficult to cope with

Box 7

Sierra Leone -
Waste
Management

Youth employment is one of the most pressing peace building needs in Sierra Leone after the end of the civil war. Germany supports the project “Klin Salone” which aims at the rehabilitation and private organisation of the Freetown Waste Management System while at the same time contributing to youth employment. The waste management system consists of three operational sections: the door-to-door collection of trash, waste transport from transit sites to dump sites, and waste management and recycling at the dump sites. At first, GTZ supported the creation of a primary waste collection system involving youth groups of the “Klin Salone Association for Waste Management”.

42 youth groups, employing a total of 260 youths, operate the labour-intensive, door-to-door waste collection and cover their operational costs through subscription fees. While the establishment of the collection system has been successful, technical as well as financial assistance is needed for the rehabilitation and privatisation of the waste transport and recycling systems.

The results achieved:

- Creation of a functioning waste management system
- 450 sustainable jobs have been created in the context of the FWMS alone, while the whole of Klin Salone employs 710 young people. 112 youth groups are organised in the waste system.
- The costs to the public sector of the waste management have been reduced to around 45,000 USD per month.

The project “Klin Salone” gives jobs and hope to young people who have grown up amongst war and violence.

Box 8

Mali -
Conflict Sensitive
Reintegration and
Reconstruction

In 1990, the unfulfilled Tuareg demand for autonomy triggered a rebellion, which led to armed conflict in Mali. The fighting lasted until 1995, when it was finally brought to an end, also due to the arbitration of the GTZ-Programme Mali North. The war caused the complete depopulation of the region and the return of the refugees took until 1997. Since 1996, Mali North supported the renewed settlement of displaced persons and refugees. In addition to building infrastructure, GTZ promoted the development of local business with a view to enabling people to generate their own income. GTZ then worked on creating sustainable economic stability in the region and improved utilisation of the country's limited resources has been tackling the issues of the destroyed infrastructure, the lack of state administration and the local population's struggle for survival.

GTZ focuses primarily on the Timbuktu region, the region most severely affected by the effects of the rebellion. In all its activities, GTZ has been careful to ensure that local people are involved from the outset and are provided with work and wages, thus giving new impetus to the local economy. This increases individual responsibility and promotes acceptance of the projects. By involving various sectors of the population in the programme's advisory board and in the implementation of the project, work on the ground serves simultaneously to reduce ethnic conflict and disputes relating to land use and to prevent renewed violent unrest.

The money invested in labour-intensive projects went directly into the local economy and enhanced market demand (e.g. for cereals, everyday articles, small farm animals, etc.). The programme contributed to the survival of the local population by combining short and long-term measures and the organisations involved made sure that the programme benefits were distributed evenly to all population groups.

such challenges. However, there may be opportunities to divert economic resources, which are being used for the conflict, towards peaceful purposes. At the macro level, for example, this could involve the support of the central bank to combat money laundering by supervising other banks; or neighbouring states may be prepared to control smuggling across their borders. At an intermediate level, business associations and other organisations can be supported as they promote alternative income sources for illegal businesses. At the micro level, communities and individual enterprises may also need help in switching to alternative incomes (e.g. production and trade of medicinal herbs instead of illegal drugs). Efforts to counteract war economies will be more successful if carried out in collaboration with interventions that promote good governance. Again, the PCA is well suited to prepare PSD projects that follow this approach. Risk Management is crucial in this regard, as it can mitigate potentially dangerous reactions from those who thrive in the war economy and who therefore have no interest in peace and cooperation.

Approach 4: PSD interventions can address the impact of conflict and peace on the economy. The economy at large, and the private sector in particular, are generally badly affected by a conflict. There are direct costs (e.g. increased spending on security and health, loss of assets and human resources) and indirect costs (e.g. loss of business opportunities, reduced investment, capital leaving the country, increased country credit risk rating, devaluation of currency), which decrease the profitability and competitiveness of businesses. PSD projects can help the private sector to prepare for conflict-related risks and to cope better with their impact, for instance

through the use of insurance schemes or subsidies for companies operating in conflict zones, or through communication with conflicting parties. PSD projects can also support the positive impact of peace on business (i.e. the peace dividend). At the macro level, measures such as currency reform, open market legislation and supervision can help to create a stable and safe environment for business. At an intermediate level, PSD projects can help stabilise the economy by assisting the institutional landscape to establish business development and financial services for the private sector. At the micro level, training and technical advice can be provided to support individual enterprises and employees. To devise strategies that respond appropriately to the complex challenges, it is not enough simply to know that a conflict has had a major effect on the economy. A PCA provides PSD projects with the conflict-related information they need to navigate the complexities of these approaches.

Approach 5: PSD interventions can support 'connectors'. From the PCA with an economic focus, planners will know who are the so-called 'connectors', or peace-promoting actors, in the economy and in the private sector (as opposed to the 'dividers'). PSD projects should promote the interests of these actors, enhancing their capacity and their role in crisis prevention, conflict transformation and peacebuilding. At the macro level this can involve, for example, financial and advisory support for international exchange visits, the organisation of peace dialogues, the formation of national business-for-peace initiatives, etc. Business associations and other intermediate level structures may be supported to become involved in national peace initiatives, social community work and the promotion of Corporate Social Responsibility (CSR) amongst their members. At the micro level, CSR measures will play an important role, especially for larger enterprises. Smaller enterprises can be reached more easily through their intermediate member organisations as part of a project sub-component, thus making this an integral component of the project concept.

In Nepal, a GTZ-supported private sector development project encouraged business chambers to establish a National Business Initiative for Peace (NBI). NBI promotes corporate social responsibility amongst its members and talks to both conflicting parties in the country about urgent peace building needs.

Another initiative of the project are the Business Talks for Change, six of which have taken place in the capital Kathmandu since 2005. The original objective of the Business Talks was to create a safe space for decision makers to discuss burning issues or sensitive topics related to the business community and the national economy. Moreover, when no communication channels remained open between the Maoist rebels and the government during the conflict, the Business Talks also bridged the gap between the conflicting parties.

The topic of each Business Talk is an economic subject (e.g. foreign direct investment) chosen by the project. The talks are by invitation only, which allows a small number of hand-picked participants - open-minded and high-ranking representatives from the public sector, the private sector and civil society, as well as foreigners working in Nepal - to engage in dialogue about real issues. Meetings are off the record and the media are excluded, which creates a relaxed atmosphere and encourages open discourse.

The results of the Business Talks have been very encouraging. Participants start to engage with opposing points of view and begin networking. Maoist leaders, for instance, started to change their ideas about a market economy and got into personal contact exchanged telephone numbers with business people.

Box 9

Nepal -
Business
for Peace

3.6.Outlook: Planning Peacebuilding PSD Interventions (C-2)

Box 10

Nepal –
Entrepreneurs
for Peace

Excerpts from a speech by the President of the Federation of Nepalese Chambers of Commerce and Industry (FNCCI) on the 39th annual meeting, 2005:

“The business community is generally the victim of conflict from both ends. Businessmen are likely to have some wealth even if it may be from loans. Their wealth seems to make them the target of attention, be it for the resources or be it for blocking the flow of resources to the adversary.”

“We have lost not only wealth, but even life due to the conflict. But we are even today ready to do our utmost to bring the present conflict situation to an end.”

“Peace is the foremost requirement for the long-term solution of the problems faced by Nepal”

“The Nepalese business community strongly feels that the constitutional monarchy and multi-party democracy are the two pillars for the prosperous future of Nepal.”

“I would like to call on all actors of nation building, especially those involved in running the government or are likely to run the government, to stop thinking about minor differences between themselves and help to mitigate the conflict.”

Peace programmes with the primary objective of crisis prevention, conflict transformation or peacebuilding are marked C-2. They have a strong and explicit relevance in addressing the peacebuilding needs of a country. For their design, implementation and monitoring a full-fledged PCA has to be applied. Examples for such programmes include capacity building for non-violent conflict management in civil society, support for truth commissions or the reintegration of ex-combatants.

So far, no PSD programmes with the primary objective of peacebuilding have been designed in the context of German Development Cooperation. However, given the private sector's strong interest in stable frame conditions and a peaceful business environment, there is potential for future programming. Business leaders and associations, federations of associations as well as chambers of commerce, have initiated activities to contribute to peacebuilding in South Africa and Nepal. Development cooperation can learn from these experiences and further develop appropriate support services. The words of the President of the Federation of Nepalese Chambers

of Commerce and Industry (FNCCI) in Box 10 illustrate the motivation of the private sector to contribute to peacebuilding and conflict mitigation in Nepal: “I...call on all actors in nation building, especially those involved in running the government or who are likely to run the government, to stop thinking about minor differences between themselves and help to mitigate the conflict.” Considering that the FNCCI membership comprises 91 district or municipal level chambers from 74 of the 75 districts of Nepal, 66 commodity and sectoral associations, 376 leading public and private sector enterprises, and 10 bi-national chambers, the weight and reach of this message is significant.

PSD peacebuilding programmes should be attractive for the business sector if socioeconomic peacebuilding needs are given high priority in a country. CSR activities that set examples for the private sector could be initiated at the micro level. On the meso level, business initiatives for peace can be supported, such as a joint approach of associations and chambers lobbying for peace and advising members on how to contribute to peacebuilding on the business level. These initiatives could be part of a political dialogue, or might even mediate between conflicting parties at national or regional level.

MANAGEMENT AND IMPLEMENTATION OF PSD INTERVENTIONS IN (POST-) CONFLICT SITUATIONS

4

The previous chapters have illustrated how conflicts and socioeconomic peacebuilding needs can be assessed, and how interventions can be designed to be conflict-sensitive. However, the management and implementation of PSD interventions in (post-) conflict situations present a different kind of challenge when faced by the reality on the ground.

This chapter starts by listing six major principles for conflict-sensitive project management as a foundation for the sections which follow. Section 4.2 outlines a process for selecting suitable PSD approaches for specific peace and conflict situations. The third section examines the usefulness of the PSD concept of systemic competitiveness in the context of (post-) conflict situations, and looks at conflict-relevant applications of three conventional PSD approaches (Business Enabling Environment, Local and Regional Economic Development, Value Chain Promotion). The fourth section describes a range of recent business initiatives focusing on companies' social responsibility and their contribution to peace. The last section focuses on post-conflict recovery and the role of PSD.

Principles of Conflict-Sensitive Project Management..... 4.1.

Before deciding how to implement PSD in (post-) conflict situations, it is important to take a look at some general principles of conflict-sensitive project management. These principles apply to all interventions and should also be considered when choosing suitable PSD approaches and instruments for a specific (post-) conflict situation.

The principles of conflict-sensitive project management most relevant for PSD interventions are:

- Do-No-Harm
- Safety first
- Be flexible
- Choose the right partners
- Pay special attention to personnel issues
- Cooperate, coordinate and communicate with all relevant stakeholders

Do-No-Harm (DNH) is imperative when working in or on a conflict, and the question, "How to implement?" is as important as the traditional focus on "What to implement?" The basic message of DNH should be remembered at all times: the use and distribution of project resources, as well as the implicit messages sent through the behaviour of the project personnel and their partners has an impact on the intervention setting and on the conflict. Project managers must be acutely aware of any unintended harmful impacts caused by doing the right things in the wrong way; they should adjust their intervention to minimise the risks and maximise the potential positive impact.¹²

Safety first. The safety of individuals is always more important than the implementation of project activities. This does not mean that development cooperation has no scope for

¹² For further details on DNH refer to the checklist in the Annex (6.7).

action in challenging environments, but rather that a proactive approach to security management is needed. Element 3 of the PCA (Risk Management) provides a systematic approach to analyse and assess potential security hazards and it gives recommendations on how to manage these risks. Risk and security management should be done in collaboration with other donors, not only to reduce costs but also to share information for joint implementation and to find common answers to changes in the conflict situation. Applying DNH again informs planning and helps to minimise the risk of sending wrong signals. For instance, using armed guards to protect civilian personnel is only appropriate in exceptional circumstances because it implicitly communicates the message that a situation is not safe; it also implies that development cooperation assets and personnel merit special protection which the public security forces cannot provide, and that, for those who can afford them, arms are an appropriate means of containing the threat. This results in a loss of trust among the local people and lends arms and armed violence an undesired legitimacy. German Development Cooperation tries to stay engaged as long as possible and the complete discontinuation of activities and withdrawal of all staff members are exceptional.

Be flexible. Result-orientation in German Development Cooperation has led to more flexible project management arrangements. Implementing organisations (such as GTZ, KfW or DED) are accountable towards the German Government for achieving planned impacts, but they are free to choose suitable strategies, approaches and instruments. Implementation has become part of a continuous cycle of planning, implementing, monitoring, evaluating and re-planning (adapting), in particular after regular project reviews. This flexible implementation approach is even more relevant for volatile (post-) conflict situations, where the conflict context can change quickly and frequently, where shorter and quicker impact chains may be necessary, and where a trade-off between economic development objectives and conflict sensitivity may have to be accepted. Conflict situations are not suited to 'development by the book', and accepted development standards might need to be temporarily suspended. Project managers will need the full backing of their own organisation and ideally the donor country's government to feel safe and act flexibly. Broad-based project steering committees or project advisory boards can also be useful to enable project managers to take quick and 'unorthodox' decisions. Flexibility has implications for project budgeting; it is likely that additional expenditure will be needed on human resources, security, monitoring and pilot measures. This needs to be communicated to all relevant parties.

Choose the right partners. While project partners and target groups are usually chosen during the planning stage, it is crucial that ongoing PSD projects regularly reassess their partners and target groups. If the initial selection leads to tensions or new conflicts, changes should be made, not only to the selection of target group or partners, but also to the modes of cooperation. DNH and PCA monitoring mechanisms (such as the Peace and Conflict-related Impact Monitoring or the security analyses included in Risk Management) help to detect unintended developments and recommend alternative courses of action. Projects which require substantial procurement (e.g. for infrastructure or food-aid) should as far as possible contract local companies and act in concert with other projects. Contracted firms should be committed to conflict-sensitivity, for example through contractual clauses that demand fair wages to be paid to employees who are hired using non-discriminatory, transparent processes.

Pay special attention to personnel issues. In difficult (post-) conflict situations the project management must take more care than usual when selecting and assessing project person-

nel. The implementing agency or an alliance of like-minded organisations should have one common recruitment policy, and local staff selection should follow DNH guidelines. Project staff should ideally be an even mix of men and women, young and old, and should include members of the elite and of excluded groups. At the same time, however, recruitment should be non-discriminatory, based on technical eligibility and qualification, not on ethnicity, origin or other demographic criteria. Candidates who do not appreciate a mixed workplace should be rejected. Such an open approach is preferable to quota models or positive discrimination. If there are no qualified people amongst historically discriminated groups because, for example, they have been excluded from education and business environments for many generations, the project may need either to use positive discrimination, or to give scholarships and internships to people from discriminated groups. Cases such as these require highly sensitive and active management to ensure that all groups feel fairly treated. Human resource management also requires special attention in (post-) conflict environments; this applies to both international and national staff, as well as project partners and target groups. DNH and PCA can help to manage these challenges. For international staff, (post-) conflict environments can be extremely tough in professional, personal or psychological terms. Such situations call for special staff profiles, as well as training and coaching. Ideally, beside their technical qualification in a specific sector, international advisors should have previous experience of conflict and possess strong mediation and communication skills. Intercultural and negotiation skills are also necessary. Non-economist conflict experts should be part of the team or at least should be called in as temporary advisors to the project to avoid dangers of sector tunnel vision. Conflict experts should also help the project continuously to collect information about the changing conditions and assess the risks to project assets and personnel.

Cooperate, coordinate and communicate with all stakeholders. Development interventions should always strive for maximum coordination and cooperation; they should speak with one voice or work in joint initiatives whenever possible to avoid further complicating already complex situations. At the project level, different PSD projects should come to an agreement on how to handle critical issues such as subsidies (uncoordinated handling of subsidies can cause greed and grievances). At the sector level, development interventions from different sectors can achieve maximum impact through coordination, especially in the four key peacebuilding needs, i.e. good governance and political framework, socioeconomic development,

After ten years of civil war, Sierra Leone has been devastated and its population displaced. In large parts of the country housing, basic infrastructure and production facilities have been destroyed, in most regions economic activities are barely at subsistence level.

The Programme for Rehabilitation, Reintegration and Reconciliation Activities brings together many activities in the fields of reconciliation, reconstruction, agriculture, vocational training, environment, gender, etc. and also has a component for income generation. The programme provides emergency aid and supports the return and reintegration of refugees both from abroad and those displaced internally. Simultaneously, the programme encourages self-help to promote sustainable development in the village communities.

Getting ex-combatants and villagers to work together to rebuild basic infrastructure plays an important part in reconciliation and the social reintegration of the former fighters. Community-based reintegration supports the peace process in Sierra Leone by contributing to long-lasting reconciliation and economic reconstruction in the communities involved.

Box 11

Sierra Leone –
A multi-sector
Approach to
Reconstruction
and
Reintegration

security, and justice and reconciliation. The Programme for Rehabilitation, Reintegration and Reconciliation Activities in Sierra Leone, for instance, successfully combined the topics of reconciliation, reconstruction, agriculture development, vocational training, and environmental and gender issues (see Box 11). Integrated and multi-level programmes offer the chance to make cooperation and coordination part of day-to-day programme management and may be more effective than stand-alone projects.

Transparent external communication (for example on critical issues, such as who will get support and under what conditions) and the facilitation of dialogue between opposing sides are also crucial for projects working in (post-) conflict situations. PSD projects can bring members of opposing sides together in joint technical training, planning workshops, study tours, trade fairs and other dialogue forums, and thereby contribute to the building of trust. Such events vary in formality and often include social elements that can improve the atmosphere between stakeholders. The use of local languages in project work can be a delicate issue, in particular in countries where different groups use minor language differences as a way of distinguishing one group from another. In countries where different languages are prevalent, it may be necessary for projects to provide documents and publications in all relevant languages to avoid feelings of discrimination. In cases where language differences between opposing groups are minor, pragmatic solutions have to be found; here it seems more important that the project is perceived in general as neutral and non-discriminating and that it avoids biased wording.

4.2.Selecting PSD Approaches for (Post-) Conflict Situations

The principles of conflict-sensitive project management and the results of the Peace and Conflict Assessment (PCA) are the first filter for selecting PSD approaches that are suitable for a specific (post-) conflict situation. After a PCA has been conducted, project managers have to decide whether or not to define objectives directly related to peace or conflict, in addition to the 'normal' PSD objectives, which are generally aimed at systemic competitiveness. There are two options in this regard.

Option 1: The project works in a conflict environment but not explicitly on the conflict issues (Do-No-Harm; Approach 1). This approach may be sufficient if the socioeconomic peacebuilding needs are not very prominent, and if it is considered feasible for 'normal' PSD interventions to be implemented according to the principles of conflict-sensitive project management. Projects that follow this approach are usually marked C-0.

Option 2: If the socioeconomic peacebuilding needs are prominent, separate peace and conflict-related project objectives are recommended. There are four possibilities, namely: to work on the conflict by addressing the economic root causes or escalating factors of the conflict (Approach 2); to help decrease the economic resources of a conflict (Approach 3); to address the effects of conflict and peace on the economy (Approach 4); or to support economic actors to become 'connectors' (Approach 5). Projects that follow any one of these approaches are usually marked C-1.

Once the objectives and strategic approaches have been defined, suitable PSD approaches need to be selected. Again, there are two basic options: either to adjust conventional PSD approaches to make them conflict-sensitive, or to develop entirely new approaches.

The first option is usually easier to implement and is therefore preferable. In practice, the best and most suitable approaches in this context have proved to be ‘Business Enabling Environment’ (BEE), ‘Local and Regional Economic Development’ (LRED) and ‘Value Chain (VC) Promotion’. However, new approaches may be necessary in situations where it is likely that conventional approaches will fail, for example in countries where infrastructure, institutions and business relations have been completely destroyed during the conflict (e.g. Afghanistan).

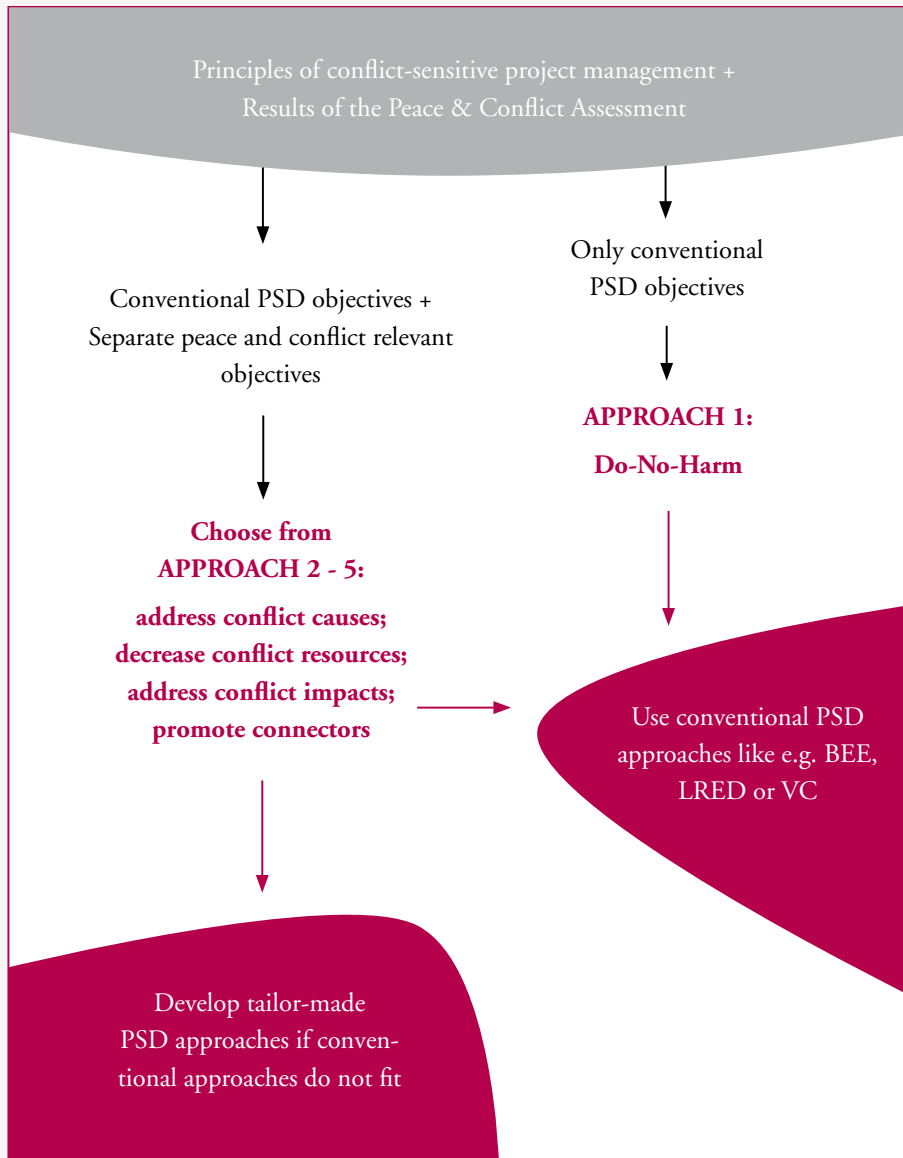


Figure 12
Selection of suitable PSD
Approaches in a (Post-)
Conflict Situation

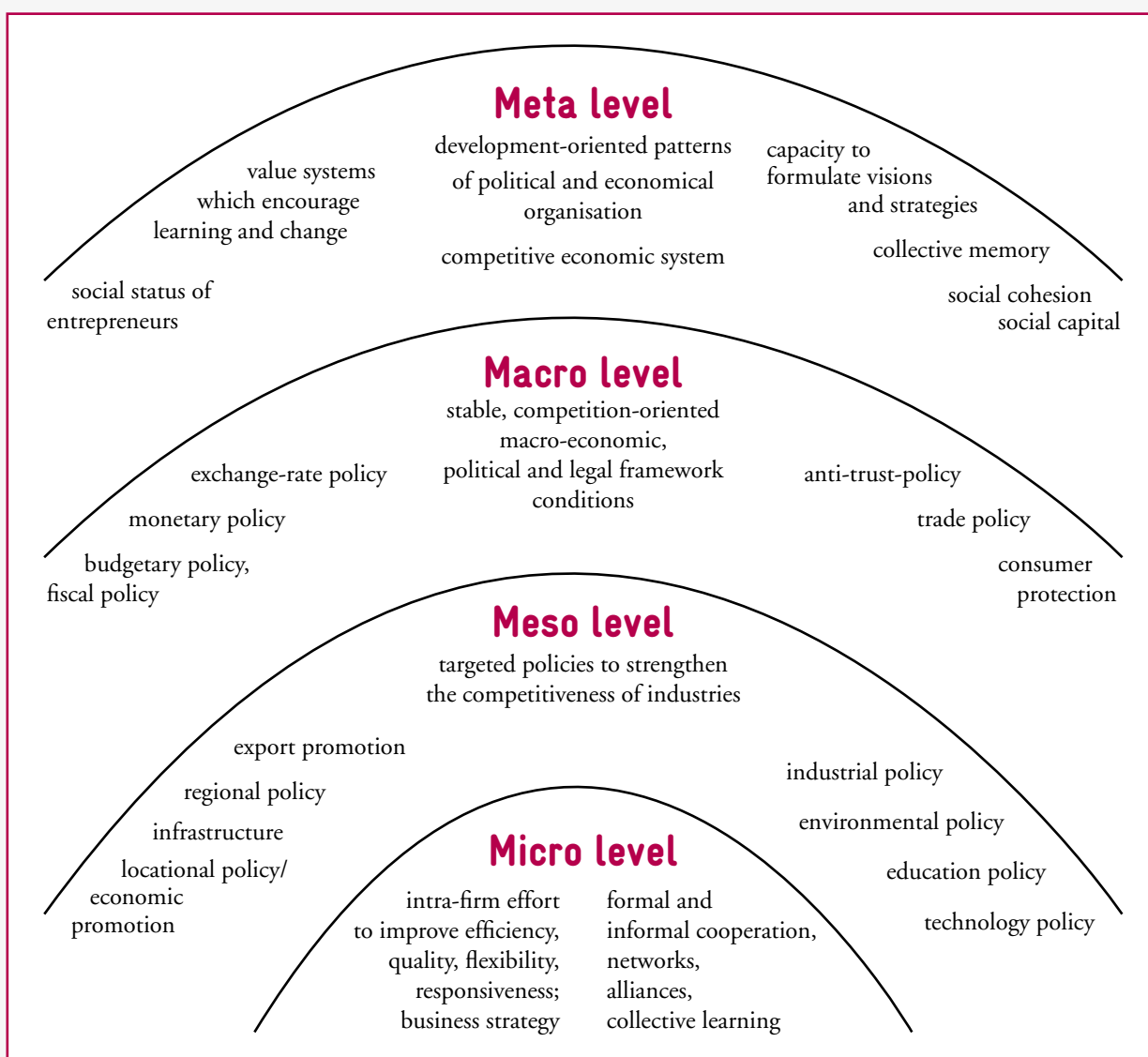
PSD approaches do not automatically serve peace purposes, but often require adjustments and intelligent application to the conflict context. The underlying economic concept of all PSD approaches - i.e. systemic competitiveness - has to be reassessed and probably adapted according to the existing realities on the ground. Especially in (post-) conflict situations where formal economic and legal systems have been destroyed or disrupted, the paradigm for competitiveness may only be applicable to a limited extent.

4.3.Promoting Systemic Competitiveness in (Post-) Conflict Situations

In the context of German Development Cooperation, private sector development is built on the concept of systemic competitiveness. It operates at four levels: meta, macro, meso and micro (see Figure 13 below).

PSD promotion based on systemic competitiveness calls for the participation of multiple stakeholders, the local and international private sector, and representatives from the public sector and civil society. In addition, the responsibilities and the ranking of different legal entities at the national, sub-national and local levels need to be considered. Integration into overall government programmes, and cooperation with other donor initiatives (in the context of the Paris Declaration and programme-based approaches) are integral to a systemic PSD approach. The supranational perspective becomes increasingly relevant due to various significant international and regional pacts and conventions which shape

Figure 13
Determinants of Systemic
Competitiveness



Source: Jörg Meyer-Stamer, 2001, <http://www.meyer-stamer.de/systemic.html>.

the national policy framework to a growing extent (e.g. international trade agreements). The approach also builds on the linkages between enterprises of different sizes which are integrated in local, national and global value chains. In this context, the involvement of large international companies is increasingly recognised for developing the competitiveness of local producers (GTZ / Küsel et al., 2008a).

What are typical scenarios in post-conflict situations?¹³

At the macro-level, the demands of a war economy may have drastically reduced state capacity to provide even basic social and economic infrastructure. Democratic institutions and state authority, even if they existed in the first place, are likely to have been severely impaired. In many cases, inflation will have eroded confidence in national currencies. Furthermore, after peace agreements have been reached, there are often serious questions about how ex-combatants can be reintegrated into local communities and civilian life. As a result, immediate post-conflict periods are often characterised as precarious and chaotic transitions rather than agendas ordered to specific objectives and timetables.¹⁴ In response, significant levels of international assistance may be required to mediate the design of new political institutions, finance the reconstruction of social and economic infrastructure, and assist the transition to peaceful and sustainable livelihoods.

At the meso-level, sources of foreign investment and regional trade patterns may have been disrupted through the closure of borders and the severance of a variety of other economic relationships. The interests of formal and informal networks and organisations that profited and grew during the period of violent conflict often need to be challenged or accommodated.¹⁵ It may include addressing groups that profited from illegal activities such as smuggling or extortion and the more formal requirements of military demobilisation and reintegration.¹⁶

Finally, at the micro-level, in the immediate post-conflict period local populations are often destitute because skilled labour and capital have left the conflict zone in search of greater security. The resettlement and social reintegration of ex-combatants and impoverished returnees may take place against a backdrop of questions of land reform and limited employment and re-training opportunities in weak markets.¹⁷

Accordingly, PSD interventions can be designed to attend these issues. The following are examples of typical activities from PSD Projects in (post-) conflict situations.

Box 12

Bangladesh -
Social Stan-
dards in the
Garment
Sector

In Bangladesh, social inequality has seriously hampered the competitiveness of the ready-made garment industry – a major source of employment and export revenues for the country. Collapsing or burning garment factories with hundreds of victims are just the tip of the iceberg of extremely poor labour conditions which have resulted in frequently violent strikes by workers. Unbalanced economic development and socioeconomic disparities are among the structural causes of conflict in Bangladesh. A Peacebuilding Needs Assessment identified the promotion of inclusive economic development and the reduction of socioeconomic disparities as priorities in the socioeconomic field.

In reaction to this, a PSD programme implemented by GTZ in Bangladesh has been partly re-oriented to focus on social standards in the garment sector, in the context of economic development. The Programme for the Promotion of Social, Environmental and Production Standards in the Ready-Made Garment Sector follows a multi-level and multi-stakeholder approach, cooperating with local suppliers, international buyers, government, non-governmental organisations, and business associations.

¹³ GTZ, 2005e.

¹⁴ Debiel and Terlinden, 2005.

¹⁵ Collier, 2004.

¹⁶ International Alert, 2004.

¹⁷ Gleichmann et al., 2004.

PSD interventions in (post-) conflict situations can be implemented at four levels:

- *Meta level:* PSD activities can influence important actors in the private sector to change their attitudes towards peace and conflict in general, and in particular towards disadvantaged groups or the opponents of conflict. Examples from Bangladesh (see Box 12) and Nepal (see Boxes 9 and 10) illustrate, how peace-oriented content, attitudes and messages can be integrated into normal PSD interventions.
- *Macro level:* PSD activities can help to improve the framework for economic development and peace. This might involve support for good governance in extractive industries, or the promotion of tax rebates for enterprises operating in zones previously heavily affected by conflict or which employ socially disadvantaged people; they might promote legislation on the just use of profits from the exploitation of natural resources, encourage trade between conflicting parties, launch anti-corruption measures, or support policies that foster the economic development of disadvantaged and discriminated regions and groups.
- *Meso level:* PSD activities can support private sector or civil society organisations that attempt to foster an inclusive business culture. Such ‘connectors’ can be strengthened, for example, through the promotion of corporate social responsibility (CSR) amongst business associations, by bringing together members of conflicting parties in business support programmes, or by integrating members of different ethnicities.
- *Micro level:* PSD activities can directly support individuals and enterprises, for example by giving advice on how to apply social standards in their business operations, or by providing training in conflict management; small enterprises may need support in the shift from illegal business practices (such as producing drugs) to legal alternatives; direct assistance to companies may also be warranted in order to facilitate the reintegration of ex-combatants and returnees.

Three conventional PSD approaches have demonstrated their potential to contribute to crisis prevention, conflict transformation or peacebuilding, while promoting systemic competitiveness. The first approach is the development of a *Business Enabling Environment (BEE)* which focuses on the macro level, but impacts at all levels. The second approach is *Local and Regional Economic Development (LRED)*, which emphasises the micro and meso levels. The third approach is *Small and Medium Enterprise (SME) development and Value Chain (VC) promotion* - this can span all four levels but usually also stresses micro and meso levels.

Complementing these PSD approaches with financial systems development as well as vocational training can increase their crisis prevention, conflict transformation or peacebuilding potential. Microfinance services, for example for micro-entrepreneurs and disadvantaged groups, can enhance the effectiveness of LRED and VC promotion. Short-term vocational training courses are also often linked to these interventions, especially in situations where qualified workers have migrated or where ex-soldiers and returning refugees need to be integrated into the local economy.

4.3.1. Business Enabling Environment

Changes in the business environment typically affect all four of the development intervention levels outlined above - especially if they are the result of a political process. A good

business environment is a prerequisite **for sustainable economic development and stability**. Therefore, a legal, institutional and regulatory framework that is conducive to economic development is also a key aspect of peacebuilding.

A business enabling environment involves the creation of a **policy framework** that eliminates unnecessary regulations and red tape, as these hinder the development and performance of businesses. Programmes to reform the business environment in developing and transition countries aim to increase levels of **investment and innovation**, and create more and better jobs. This is done by:

- reducing the costs of doing business (e.g. business taxes and business registration fees);
- reducing policy risks for businesses;
- increasing competitive pressures on businesses through new market entrants.¹⁸

As most of these functions are governed by the state, the **role of the state** in the conflict needs to be understood before starting business environment reforms in (post-) conflict situations. Effective implementation of reforms may be difficult, for example in fragile states or in countries where the state is seen as a culprit and divider. In some cases, the image of the local government and administration differs from the national perception and presents more opportunity for PSD projects to engage.

Business environment reforms are advantageous in conflictive settings because they aim at providing a level playing field for all businesses alike (in contrast to selective promotional tools) and usually receive broad support from stakeholders. However, the impacts of **reforms are never impartial** and a careful analysis of results is important. Organising a public-private dialogue to ensure that new regulations do not create new or worsen existing conflicts is part of every reform process, and should receive extra attention. Disadvantaged groups should be enabled to share their views by using appropriate facilitation techniques or through the organisation of separate workshops. In addition, new regulations should, if possible, be developed and tested at the local level and then replicated in other regions or at the national level. Any intervention at the national level requires an extremely thorough DNH-check.

One of the main challenges of BEE in post-conflict situations is to create quick and tangible impacts (peace dividends). Policy reforms usually have long lead times, and even after policies have been put in place it may take some time to see an impact on the ground. Since policy implementation is often poor in developing countries, and particularly if they are affected by conflicts, it is advisable for PSD projects to start by supporting the kinds of policy reform which are likely to be passed and implemented quickly. These are usually reforms in which decision makers have a strong personal or political interest, for example attracting foreign investment. These could include tax rewards for investors who procure a large portion of their required materials and services locally to benefit the local economy.

Addressing regulatory obstacles can also be part of local and regional economic development and value chain promotion, where business environment aspects may be part of the analysis and intervention toolbox. PSD practitioners should be encouraged to find tailor-made solutions for specific (post-) conflict situations, as long as the benefits outweigh the costs, and as long as DNH standards are respected. In the context of BEE initiatives, this could include:

- *Reform of state companies:* In many conflict-ridden countries, a large proportion of available goods and services are produced by inefficient state-owned companies. The state may

¹⁸ Donor Committee for Enterprise Development, 2007.

even be so dominant that a sizeable private sector could not yet develop. In such situations, rigid and fast-paced privatisation could destroy jobs and cause more conflict. Instead, PSD projects can help governments to reform state companies gently. Again, foreign companies or 'business angels' could get involved through a PSD project.

- *Promoting the concept of social entrepreneurship:* Traditions and religions in most developing countries promote the culture of donating to the poor. PSD projects could work through spiritual or traditional leaders to foster the concept of social entrepreneurship amongst local business people.

4.3.2. Local and Regional Economic Development

The aim of Local and Regional Economic Development (LRED) is to enable the stakeholders of a specific location (such as a municipality or district) to undertake (joint) initiatives for economic development. LRED interventions try to mobilise development potentials in the local private sector by establishing linkages between key individuals, selected organisations in the private and public sectors, and important interest groups from civil society. These actors then pool their efforts to identify and enhance existing local and regional economic potentials in order to increase the *competitiveness of selected locations*. Public-private mechanisms that harmonise strategies for economic development at local and regional level ensure their effective and sustainable implementation and strengthen the capacity of local governance. This generates new employment and income opportunities for the population in these locations, leading also to more revenue for the respective local administrations.

In (post-) conflict situations, LRED emphasises a participatory and dialogue-oriented process, engaging the different stakeholders in joint problem analysis, planning and implementation. This *integrating* approach has proved to be very suitable, in particular for addressing regional disparities. Tact and detailed local knowledge are necessary to ensure the dialogue takes place between the right people and in the right atmosphere. There is no blueprint solution to LRED as each locality is unique. This is particularly true for (post-) conflict situations where some areas have suffered more from violence and destruction than others.

Each step of a LRED project must be DNH-checked. The *selection of locations* must be fair and transparent in order to avoid grievances arising in areas that cannot be targeted. The selection criteria and process should be communicated to the public; a tender process may be useful to allow business associations and local governments from all over the country to compete for a LRED project.

Once target locations have been selected, the *local situation must be analysed* by external sector and conflict experts to identify key constraints and potentials, as well as the stakeholders and their relationships. A PCA should guide the analysis.

Depending on the local situation, there are two options for how to proceed after the analytical work. If the overall atmosphere is peaceful and open for dialogue, it is advisable to conduct a large *kick-off workshop* for all relevant local stakeholders to inform them about the LRED initiative and to select a local core team for the process. If the atmosphere is still tense, it may be better to delay the public workshop; in this case, the LRED project may directly select people for the local team.

In either case, it is important to ensure that:

- the team consists of impartial actors who are accepted by the local people;
- all social groups are represented in the team;
- conflicting parties are represented equally on the team, or not at all;
- a facilitator and a conflict expert with detailed knowledge of the conflict situation join the team;
- the expectations of the team members are reflected to reach a joint understanding of goals, obstacles and ‘rules of the game’;
- the conflict is discussed as openly as possible, including possible positive and negative influences of the LRED project on the local peace and conflict situation, and vice versa.

The conflict analysis and the peacebuilding needs assessment (PCA elements 1a and 1b) can provide useful guidance for the preparation of the team meetings.

With regard to the *public workshop* every detail is important. There must be the right mix of participants from different ethnic communities and from different social and economic levels, and there should be gender balance. Guests of honour must be invited without causing grievances. The same refers to the location and timing of the workshop. During the kick-off workshop the concept of conflict-sensitive development can be a topic, alongside the economic issues. The impact of peace and conflict on local business activities can also be discussed, whereas political discussions should be avoided. This requires a *skilled moderator* who needs to create an atmosphere of dialogue and local ownership.

Once an overall action plan has been decided, field work usually commences with *interviews and mini-workshops* for specific sub-sectors. Again, a balanced selection of persons from all backgrounds is essential, and all aspects must be DNH-checked. Transparency of the project objectives has to be ensured during interviews and workshops. The conflict should only be addressed from a business angle, since it is often easier to talk about how the conflict affects business than about the conflict *per se*.

Following the field work, an *internal workshop* is held with the core team to evaluate potentials in the location. This concludes with a discussion of proposals for implementation. Again, DNH principles should be used to select and prioritise suitable activities. In immediate post-conflict recovery situations, emphasis should be laid on activities that promise a quick and visible impact.

A *presentation workshop* publicises the planning results. It is crucial to invite all actors from the initial workshop, as well as the participants from the field work, to ensure transparency and strengthen ownership by the stakeholders. If the opening workshop proved successful, it is advisable to use the same venue and follow a similar process. The presentation should illustrate the process of data collection, and show how the decisions on the proposed activities for implementation were derived. There must be ample time for discussions and people should be able to give answers anonymously, for example by collecting feedback written on facilitation cards to be presented by the moderator.

For each of the agreed LRED activities a *planning workshop* is conducted with the stakeholders concerned. The LRED team should ensure that planning is conflict-sensitive, especially in terms of who will benefit from the activity. The team should also regularly monitor the implementation of activities with the help of a DNH-checklist.



Box 13

Nepal -
Delivering Local
Economic
Development
(LED) in
Conflict
Environments

At the height of the conflict in Nepal, in 2005, the GTZ-supported Nepal-German Private Sector Promotion Project (PSP) intended to contribute to conflict transformation and crisis prevention by addressing an economic root cause of the conflict and ensuring a conflict-sensitive implementation strategy for LED. A 'Joint LED Initiative' was founded, involving a GTZ urban development programme and the German Development Service (DED). The team discovered that the LED approach was suitable for conflict environments because it is transparent, action-oriented and focused on quick impacts; it is also participatory, involving all relevant stakeholders in planning, implementation and monitoring. LED tools can easily be adjusted to meet the requirements of conflict-sensitive development including 'Do-No-Harm'.

The 'Joint LED Initiative' was piloted in the Lekhnath municipality. The local chamber of commerce facilitated the project and coordinated implementation. A team consisting of the municipality, the chamber and a 'Local Development Society' was created in the pilot location. Within six months, and without any major interference from the conflicting parties, it had identified competitive advantages and implemented 18 activities in seven sub-sectors. There is general agreement that the activities benefited all groups in the community, even the sympathisers of the Maoist movement (one of the conflicting parties). This suggests that the dialogue, which was part of the LRED activities, can contribute to conflict transformation.

The Joint LED Initiative considered a number of ways to make LED conflict-sensitive:

- **Transparency:** The entire LED process, including monitoring and feedback, must be transparent and open to the public right from the beginning. This includes the communication of conflict-sensitive principles, rationale and objectives.
- **Impartiality:** The local lead institution and the LED team should be acceptable to all conflicting parties and impartial towards the conflict. Ideally, they already play a positive role in dialogue and conflict transformation. They have to ensure that no politicisation takes place before, during or after the LED exercise.
- **Inclusion:** Participants of the workshops should include representatives or speakers of all disadvantaged groups (e.g. women, lower castes, ethnic groups). Their concerns must be heard, but expectations must be carefully managed during the exercise (frustration may arise since not every good idea can be financed or implemented). It is important to ensure that even the conflicting parties understand the LED approach and goals.
- **Caution:** Participation in workshops must be carefully considered and prepared. Otherwise there is a risk of the workshops being hijacked by political agitators. The workshops and the workshop participants must be acceptable to all conflicting parties.
- **Agreements:** Each activity must be based on facts and agreements with people concerned, especially disadvantaged groups and conflicting parties.
- **Do-No-Harm:** In the pre-exercise planning workshops, for interviews and later during monitoring, 'Do-No-Harm' checks must be done for each activity at regular intervals. They can contribute to the development of coping strategies and the redesign of activities for a positive effect also on conflict factors.
- **Conflict management:** LED facilitators should bear in mind that dialogue between various stakeholders can also create new conflicts or increase existing conflicts, especially when it comes to the investment of scarce public funds. Such conflicts must be managed carefully.

4.3.3. Value Chain Promotion

While LRED is a location-specific development approach, Value Chain (VC) promotion is focused on upgrading certain industries. If the supported sectors and the support measures are carefully chosen, VC can have positive effects for peaceful development. The agricultural sector, for instance, is not only important for general food security and poverty reduction but often also for post-conflict stabilisation, providing income and employment for returning refugees and demobilised soldiers. The support measures must be geared towards the immediate needs of the people, for example by helping them to market their produce at fair prices.

A product (or a service) is generally created in a process linking primary producers, input suppliers, buyers, processors, sellers and consumers in a value chain. The VC promotion approach attempts to optimise the value chain in such a way that the demands of the end-consumers are fully met by harmonising value chain actors, and by improving quality and productivity along the value chain. Such measures increase the competitiveness of the specific product against similar products, allow the targeting of niche markets and create growth and new employment. Strategies for upgrading value chains are typically designed to ensure income distribution in favour of the poor, e.g. by improving the processing of primary products according to market demand.

The standard value chain approach follows the sequence below:

1. Identification of sub-sectors or value chains to be promoted
2. Analysis and mapping of the sub-sectors or value chains
3. Development of an upgrading strategy
4. Implementation of the strategy
5. Assessment of results

With its multiple intervention points and the focus on the interaction and interdependence of many stakeholders, the Value Chain promotion approach lends itself to conflict-sensitive and conflict-relevant development. The first relevant issue to be considered is the *selection of sub-sectors* or value chains to receive project support. Possible selection criteria are:

- Importance of the value chain for the livelihoods of conflict-relevant target groups;
- Relevance of the value chain for the national or local economy and the possible stabilisation effect at the national level and/or specific conflict-affected regions;
- Potential for employment creation within the value chain, especially for disadvantaged groups;
- A conducive policy environment for the value chain promotion - or at least the absence of objections from the policy level;
- Donor involvement and linkages with other development projects.

Once a sub-sector or value chain has been selected, a series of workshops with all relevant value chain stakeholders is usually held to analyse the potentials for value chain upgrading. In a (post-)conflict setting, this is a good opportunity to bring former conflicting parties together and initiate a dialogue around a common economic interest. During these workshops the value chain actors can also be introduced to the subject of conflict-sensitivity. In the context of a value chain mapping exercise, which is usually conducted during stakeholder workshops, questions regarding the conflict can be included, for example:

- Which value chain actors are affected by the conflict and how are they affected?
- Which conflict causes exist within the sub-sector or externally?
- Which risks do actors face, and how do they - or could they - influence the conflict?

The following diagram shows how the value chain map can illustrate the impact of a conflict, in this case on the tea industry value chain supported by a PSD intervention in Nepal.

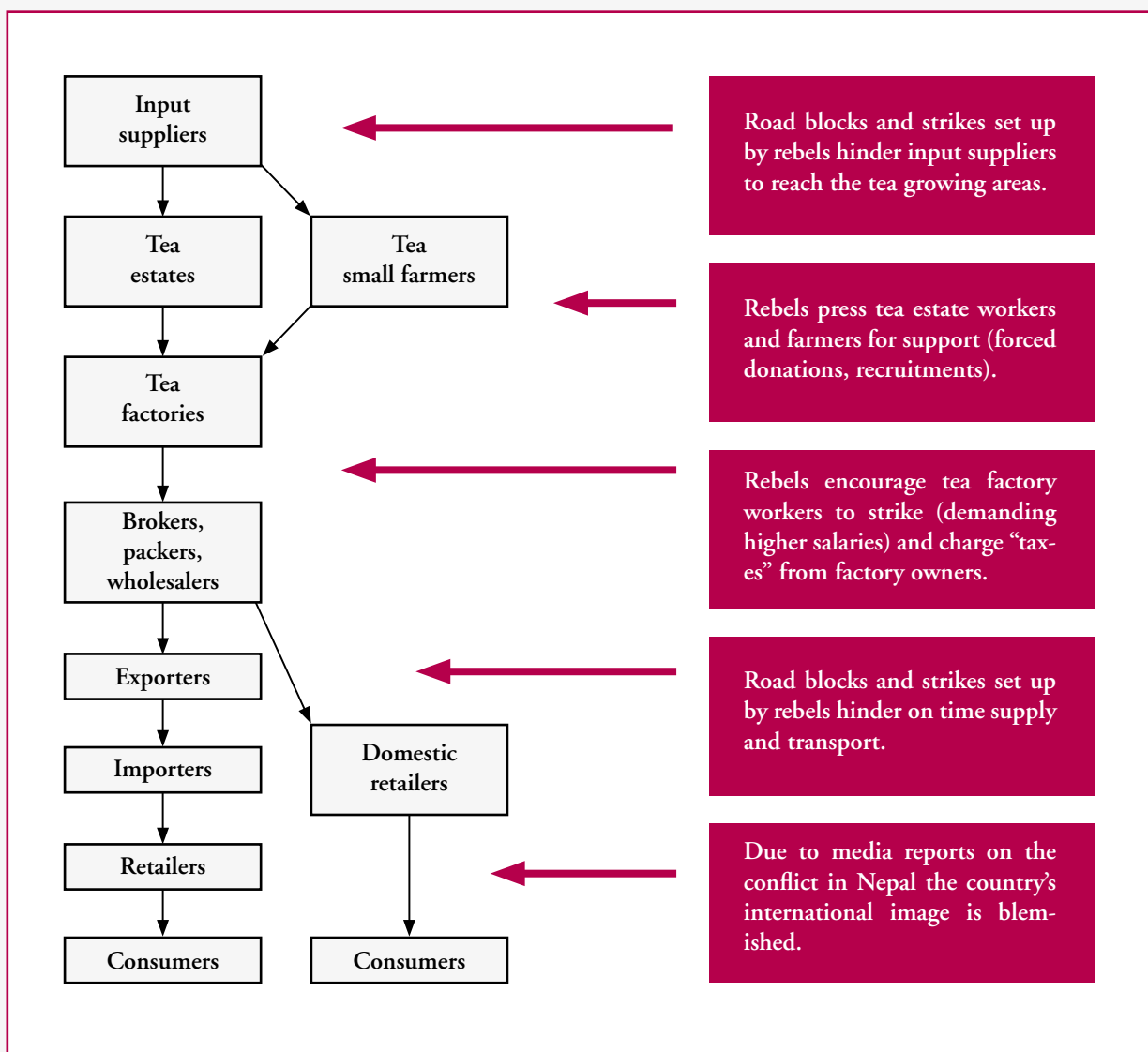


Figure 14:
Value Chain Map with
Conflict Impact on Actors
(example Nepalese tea industry)

Finally, conclusions need to be drawn from the value chain analysis. The value chain *upgrading strategy* and its implementation can be made conflict-sensitive by combining the information from the value chain analysis with information from the peace and conflict analysis and the peacebuilding needs assessment (PCA elements 1a and 1b). A project may then choose, for example, to mitigate the negative effects of the conflict on certain actors in the value chain.

The key to conflict-sensitive upgrading of the value chain is effective *dialogue* with the potential partners and target groups, to convince them of the potential win-win improvements that come with the interventions. Optimising a value chain often leads to better product quality, decreasing transaction costs and increasing profits - a key argument to

convince business people to invest in better working conditions for their labourers and to support skills upgrading.

Value chains often suffer from mistrust, lack of communication and coordination between the actors, especially in (post-) conflict settings, where value chain actors may include members of the conflicting parties. A participatory process has the potential to *build trust* and foster cooperation for a common goal. Communication and mediation are therefore key elements of any implementation strategy, which needs to be reflected in the planning and budgeting processes.

The value chain approach can *widen the perspective* of those involved in or affected by a conflict. New perspectives on a conflict may follow from discussions with buyers in foreign countries or other producers and traders in different regions. In Nepal, for example, after talking to buyers in Germany, tea traders realised that they had to support peace to improve the country's image overseas.

Value chains that address *international social or ecological concerns* can be used as examples for the design of conflict-sensitive practices (e.g. child labour in the Nepali carpet industry). This can open up avenues for market-driven improvements to the selected industry. The involvement of larger firms and international companies could be an incentive for local companies to start CSR activities. Moreover, the involvement of prominent business leaders could be used to win them as 'peace agents'.

Negotiations between value chain actors can also cause or trigger conflicts, especially when powerful or hitherto privileged business people stand to lose their advantage through the optimisation of a value chain. PSD projects may not be able to moderate or solve such conflicts, and therefore may need to start with less conflictive improvements. DNH checks help to identify such situations.

Business Initiatives for Peace..... 4.4.

PSD interventions are usually driven by a government, donor or aid agency. However, the international private sector itself has recently started some initiatives to promote peace, stability and social responsibility amongst companies. The role played by businesses in crisis regions, especially by multinational corporations (MNC) (and amongst these, especially those extracting natural resources) has been discussed since the late 1990s under the heading of Business in Conflict (BIC).

A variety of initiatives sprang up in the last decade to ensure conflict-sensitive and peace-building business practices. The majority of these are self-obligation initiatives (such as codes of conduct and voluntary international business standards), or they are incentives, laws or business monitoring by civil society groups. Development cooperation has rarely used the potential of global economic players for crisis prevention and conflict mitigation, but further opportunities should be explored in light of the mobilising potential of international business initiatives.

The following section discusses some of the more prominent initiatives that can be harnessed to support greater stability and sustainable economic development. The primary entry point for PSD interventions in this context is their support for the local implementation of international initiatives. Not only MNCs or very large domestic companies need assistance when it comes to the details of implementation; local and national governments, private sector associations and civil society institutions also need support.

The *UN Global Compact (GC)* contains ten principles on human rights, labour standards, the environment and the elimination of corruption. While adhering to the principles of the Global Compact is in itself a conflict-sensitive act for businesses, the GC has developed a special business guide under the heading Conflict Impact Assessment and Risk Management, which aims to help companies to develop strategies to minimise the negative effects and maximise the positive effects of investing in areas of conflict or potential conflict. The ultimate goal of the guide, which addresses such topics as human rights, international humanitarian law, labour issues, the environment and transparency, is to help companies to contribute to conflict prevention.

The *Voluntary Principles on Security and Human Rights* is an initiative of the governments of the United States of America, the United Kingdom, Norway and the Netherlands, together with companies operating in the extractive and energy sectors and a number of NGOs. Similarly, the *OECD/DAC Network on Conflict, Peace and Development Cooperation (CPDC)* promotes conflict-sensitive business standards and has published guidelines to advise companies on appropriate behaviour in conflict-affected countries.

The disclosure of revenues from extractive industry operations is considered as essential for crisis prevention. The *Extractive Industries Transparency Initiative (EITI)*, for example, is a coalition of governments, companies, civil society groups, investors and international organisations, which support improved governance in resource-rich countries through the publication and verification of company payments and government revenues from oil, gas and mining operations. Another initiative, the *Publish What You Pay Campaign*, seeks to help citizens of resource-rich developing countries to hold their governments accountable for the management of revenues from oil, gas and mining industries. This global coalition of over 300 NGOs calls for the mandatory disclosure of the payments made by oil, gas and mining companies to all governments for the extraction of natural resources, while governments are encouraged to publish full details on revenues. The *Kimberley Process* is a joint initiative of governments, the international diamond industry and civil society to stem the flow of 'blood diamonds' produced illegally in conflict regions. It is currently composed of 45 member countries which account for approximately 99.8% of the global production of rough diamonds.

Multi-stakeholder alliances bring together partners with diverse interests - typically governments, international organisations, NGOs and representatives of the business community - in order to achieve common goals. These include the aim to prevent or reduce violent conflicts, to manage the effects of conflict or jointly to rebuild countries after conflict. An example of such an alliance is the partnership between UNDP and the Business Humanitarian Forum (BHF), which encourages business investment in Afghanistan with the aim of supporting reconstruction efforts and economic development.

Corporate Social Responsibility (CSR) refers to the commitment of the private sector to comply with the tenets of socially and environmentally responsible management. Companies voluntarily commit themselves to respect fundamental social, human rights and environmentally relevant principles which go beyond legally prescribed standards. Businesses increasingly see CSR as the basis for sustainable business management. The numerous advantages for the companies involved include risk minimisation, consumer satisfaction, quality improvements, cost-cutting and enhanced staff motivation. CSR is not charity, but strategy. It has three basic intervention levels: the company level, the community level and the macro or policy dialogue level.

Despite the various initiatives and the increasing international pressure on large multinational corporations, it is the local *Small and Medium Enterprises (SME)* in conflict-affected

countries that are often considered more committed partners for peacebuilding. There are two main reasons for this. First, in comparison to smaller local enterprises, MNCs suffer relatively little from conflicts and they find it easier to stop or relocate their operations; therefore they may feel less compelled to get involved in peacebuilding. Secondly, many MNCs do not seem to be interested in their impact on local conflicts or may even thrive on these conflicts, whereas local SME are more likely to be victims of conflict or feel an obligation to do something for peace in their country.

PSD in Post-Conflict Recovery..... 4.5.

The overriding concern after a conflict is to maintain an often fragile peace and prevent an immediate relapse into violent conflict. Throughout the 1990s, an increasing number of multilateral and bilateral development agencies have intervened in post-conflict countries. The dominant approach to reintegration of conflict affected people and reconstruction was that of a 'continuum' of interventions, moving from emergency relief activities to reconstruction and ultimately to development (GTZ 2003i). Challenged by practical experiences, the conceptual, chronological and sectorally defined distinctions between these fields were abandoned and the continuum model was developed into the 'contiguum' approach. It is now accepted practice that in all phases of violent civil conflict, this multi-sectoral approach is essential. Instead of chronological stages and separation of relief and development, the contiguum approach offers a coordinated and integrated model that embeds relief work from the outset in a long-term, development-oriented, holistic approach (see OECD/DAC 1998, p48).

Experience in several settings has led to the emergence of good practice recommendations for conflict-sensitive approaches to socio-economic reintegration and reconstruction (World Bank 2005c). These include:

- Tailoring interventions in response to the detailed socio-economic needs assessments of ex-combatants and receiving communities;
- Building upon the existing self-help livelihood strategies of local communities;
- Building participation, transparency and accountability in the design, implementation and evaluation of programmes;
- Building capacity of government to assume long-term responsibility of local development processes;
- Tailoring interventions in response to the detailed socio-economic needs assessments of ex-combatants and receiving communities (GTZ 2006f).

The main components of reintegration programmes often include: the formulation of a national policy; socio-economic profiling of the people to be reintegrated; local level emergency aid; transport to selected resettlement regions; discharge payments; reinsertion packages, reconstruction projects, employment promotion, and vocational training.

Thus, the private sector is invariably involved in the post-conflict reconstruction of social and economic infrastructure. A window of opportunity for a fresh start, which may only be open immediately after a conflict, can include significant possibilities for economic development. How PSD interventions are designed can have lasting effects on the foundations for sustainable economic growth. It can have an immediate impact on employment

Box 14

South Caucasus -
Post Conflict
Reconstruction and
Private Sector
Development
(Source: GTZ
2006c)

Following the collapse of the former Soviet Union at the end of 1991, armed conflict ensued in and around three of the four previously autonomous regions of the South Caucasus.

Germany has assisted the social and economic reconstruction of selected border communities in Armenia, Azerbaijan and Georgia through the programme 'Food Security, Regional Cooperation and Stability in the South Caucasus' (FRCS), implemented by GTZ. The programme was designed to address key challenges of corruption, insecurity and the alienation caused by the top-down approaches associated with the former Soviet planning model. As such, it focuses on governance, the promotion of greater accountability, and on transparency.

The programme has four main components: community development, strengthening capacities for conflict management and regional cooperation, support for agriculture, and small and medium enterprise (SME) development. FRCS strengthened the capacity of local governments to promote economic reconstruction and development as well as small businesses to participate in the reconstruction measures. In the context of conflict management and regional cooperation initiatives the programme promoted training, dialogue and exchanges between local small business associations, farmers and government officials. Local governments were assisted to include peace and conflict analysis into their local monitoring. This contributed to the re-establishment of regional economic trading patterns. Similarly, rural credit and employment demands were supported through business development services and vocational training. Through these systematic links, the FRCS programme contributed to private sector development while reducing the likelihood of a return to conflict.

levels and influence the long-run competitiveness of firms of all sizes. While tackling these issues, PSD interventions in post-conflict recovery must tackle six key challenges:

- They have to balance people's short-term needs with the required long-term reforms; in doing so, they must be careful not to cause new grievances, for example when reforms cut into the privileges of certain groups of society;¹⁹
- They often face weak states and a break-down of 'social capital': lack of honest leadership, people who only trust their own family members, corrupt government officers, business people who are part of powerful mafia-like networks, large scale money-laundering through business operations, etc;
- They usually have to deal with a dysfunctional economy: hyperinflation, thriving black markets, bad roads and telecommunications, interrupted trading relationships, doubtful property rights, poor law enforcement, no formal business networks, and so forth;
- They frequently have to 'compete' with other development interventions, as numerous projects try to help war-affected people. Grants and subsidies usually abound in such situations, and different projects may apply different rules to their aid, which can cause confusion and frustration amongst the local population;
- They have to be designed and implemented to be distinguished from aid and clearly communicated with the target group and the implementation partners in this way;
- Finally, the human resources for private sector development are generally scarce, since skilled and motivated people may have fled the country, been killed, or marginalised by

¹⁹ Chapter 3.3 'Target Group and Partner Selection' focuses on this aspect in detail.

criminals. Initially, projects may have great difficulties finding skilled personnel and suitable local entrepreneurs.

Design of PSD interventions in (post-) conflict recovery

In response to the challenges for PSD interventions mentioned above, initiatives have to be innovative and flexible, and adjusted to immediate concerns if they want to make a meaningful contribution to peacebuilding in the immediate post-conflict recovery.

- Instead of using standard support packages, the approaches are increasingly being adapted to suit the residual capacities that the various target groups possess.
- A target group analysis (gender, age, rural-urban composition etc.) is thus prerequisite to design appropriate interventions.
- From experience, a combination of targeted and (non-discriminatory) community-based reintegration measures have proven effective in order to reach the target groups while also minimising conflicts. Supporting ex-combatants' families instead of ex-combatants themselves is an option to consider, in particular when ex-combatants have remaining handicaps from the conflict hindering the effective use of services.
- It has to be clear, that economic reintegration support is dependent on a (self-) selection process based on assessment of potential and that project services should be complemented with a substantial personal contribution - within the scope of the possible.
- The potential impact of migrants and refugees on the immediate post-conflict situation should be considered; they can be a useful source of funds and skills. PSD projects may, for example, organise a reliable money transfer system (remittance services) or offer investment advice to returning migrants.

The general goals of PSD interventions in post-conflict recovery may be described as '2+2', two short term goals (security + peace dividend) plus two long term goals (addressing conflict causes + reforms). A systematic combination of economic development approaches and infrastructure reconstruction, as illustrated in Figure 15, is generally advisable.

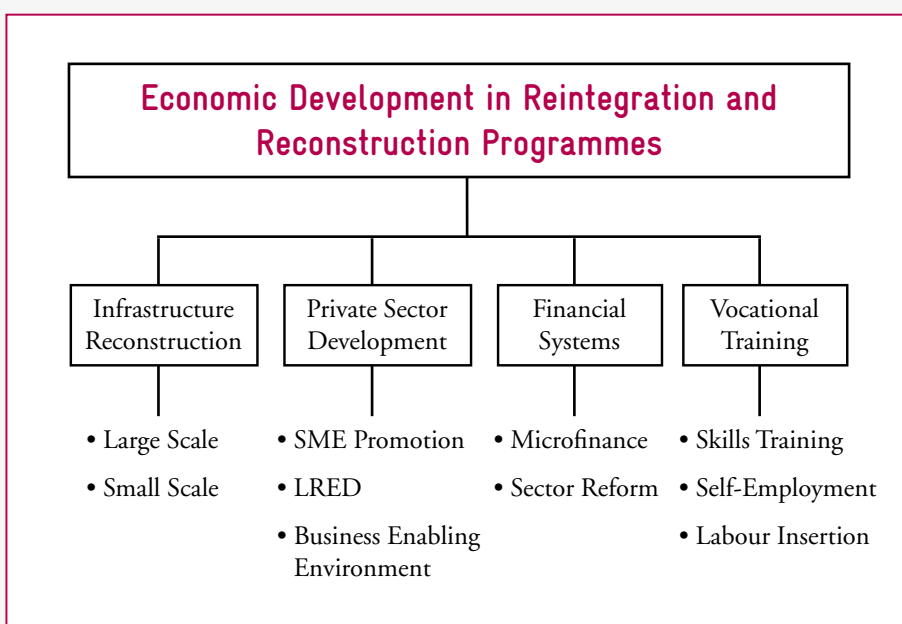


Figure 15:
Combination of Approaches
for Economic Development in
(Post-) Conflict Recovery
Source: GTZ (2006f).

The central theme around which to organise interventions is to re-establish the dynamics of markets and to use their potential for development. This worked well in the case of Mali North (see Box 8) with economic recovery and investment- and labour-intensive measures:

- Investments focused on locally produced goods required in the process of recovery and on the disbursement of funds as salaries. Invested funds and increased local incomes could be directly linked to increased demand in the market place (for wheat, small livestock or commodities).
- The combination of short and medium-term measures helped to address the precarious situation of the target group and to trigger a process of sustainable development at the same time.
- Ownership and inclusion were important aspects of sustainability. The target group was directly involved in the selection of activities which bolstered ownership of the project and increased motivation. Guided by DNH principles, the project avoided the creation or widening of inequalities.
- A participative and decentralised implementation approach involved leaders from both former conflict parties in programme development.

These elements, fostered by efforts to facilitate communication, aided the peace process in Mali significantly. A further recommended case study is that of the Rehabilitation, Reintegration and Reconciliation Activities (ReAct) Programme implemented in Sierra Leone (Annex 6.15).

From a systemic point of view, classic PSD approaches can be combined as follows:

- *Micro-level:* Skill training enhances opportunities for either self-employment or employment in SMEs. Both opportunities can be supported by increasing access to microfinance and business skills training. A good combination is likely to be most effective in meeting short-term employment objectives in immediate post-conflict periods. The CEFE (Competency based Economies through Formation of Enterprise) approach may be useful to help entrepreneurs start or improve their own businesses.²⁰ Further, business incubators can increase survival rates for innovative start-up companies. SME promotion strategies can include value chain promotion,²¹ linkage programmes, as well as small-scale infrastructure and reconstruction initiatives. Quick and tangible peace dividends for those groups who are crucial to secure peace (for example ex-combatants) and for those who have suffered most during the conflict are essential.
- *Meso-level:* Groups of businesses defined either through sector or geographical area can be assisted through strategies to promote value chains or LRED.²² Local business people can also be supported to form business membership organisations as providers of business services and as a legitimate voice for the local business community. Such organisations have been also successful in promoting reconciliation and social responsibility.
- *Macro-level:* Strategies to improve large scale infrastructure, financial systems and investment conditions may be necessary to enable SMEs to fully participate in the reconstruction boom that typically follows peace agreements. This indicates the need to initiate reforms as soon as possible. Reforms have to aim at creating stability, improving the business environment²³ and reducing conflict causes. Interventions include assisting the preparation of laws and regulations regarding property rights, labour issues, business taxation and investment promotion, or helping business membership organisations to enter into a constructive dialogue with the government and civil society organisations.

²⁰ However, the basic capacities of target groups need to be evaluated carefully beforehand.

²¹ See chapter 4.3.3.

²² See chapter 4.3.2.

²³ See chapter 4.3.1.

While these options may be far from complete, they do offer a reasonable starting point. Institutional weaknesses in (post-) conflict situations might require unusual approaches at meso- and macro level:

Greenfielding: where institutions are not present or where pre-conflict institutions have not been re-established, a PSD project may establish new private sector institutions from scratch. For example, GTZ established an investment promotion and business registration authority in Afghanistan because there was no existing institution which could have done this job effectively.

Build-Operate-Transfer (BOT): PSD projects may use the BOT approach and build up economic and/or institutional structures to deliver public and even private services, thus providing, for instance, drinking water, electricity, agricultural inputs or vocational skill training (operate). Finally, and gradually, local partners should be trained to take over these enterprises (transfer). Alternatively, a project may involve foreign companies or 'business angels' to help local entrepreneurs deliver such services.

As mentioned above, specific country conditions, must be applied to the general model to determine priorities among the various strategies. Notably, there is no lack of funds for post-conflict SME promotion, but rather a lack of capacities. Since capacity building is time-consuming, SME promotion may have to be top-down initially; but entrepreneurs gradually should take over more responsibilities.

As with every development intervention, exit strategies for short-term interventions must be defined and communicated clearly to the target group and local partners in order to avoid later frustration, especially when grants and subsidies are phased out.

To summarise, the following table illustrates good practice PSD in demobilisation and re-integration programmes.

Figure 16:
Overview of Good Practice
PSD in Demobilisation and
Reintegration Programmes
(see GTZ, 2003j).

	Demobilisation Programmes	Reintegration Programmes
Mix of approaches	<ul style="list-style-type: none"> • Demobilisation, reintegration assistance, social reintegration and economic reintegration. Private sector development instruments are deployed in the field of economic reintegration. • Creation of a safety net for the excombatants (e.g. in the form of reintegration support services) is crucial if their reintegration is to be sustainable. • Integral part of the 'economic reintegration' component will be the provision of economic development and employment measures such as job placements, vocational training, support for small and medium-sized enterprises (SMEs), rural development measures, or the promotion of employment and training in functioning sectors such as agriculture. • Information centres and employment agencies have proven themselves to be important components for reintegration programmes targeting specific groups. 	<ul style="list-style-type: none"> • Multi-sectoral (e.g. agriculture, support for SMEs, infrastructure) and combined measures involving different fields (decentralisation, private sector development etc.) - local development and local economic development. • Labour-intensive infrastructure projects at local level (reconstruction of roads, public buildings, drinking water and energy supplies, markets etc.) including vocational training and support for small businesses and agricultural production, in order to stabilise and rapidly mobilise local economic systems. • Before the resettlement of refugees and the internally displaced can take place, land property rights and the ownership of the other means of production need to be clarified. • The actual agricultural productivity, the development of the settlements and the economic and social consolidation of the resettled communities are all of particular significance for the overall success of the rural resettlement.

	Demobilisation Programmes	Reintegration Programmes
Target group	<ul style="list-style-type: none"> • Targeted and community-based reintegration measures are combined in order to reach the target groups while also minimising conflicts. • All the ex-combatants typically are given access to reintegration assistance, however economic reintegration support is dependent on a (self-) selection process based on assessment of potential. • Depending on the health of the ex-combatants, development cooperation may prefer to offer the family members access to services, rather than the ex-combatants themselves. • The rehabilitation of the infrastructure carried out in the host communities by the ex-combatants and the village residents during an artisanal training phase represents an important aspect in the initiation of reconciliation and social reintegration. • After a long term (e.g. 3 year) demobilisation programme, the ex-combatants should no longer be treated as a specific target group. 	<ul style="list-style-type: none"> • Non-discriminatory approaches which benefit the whole population of a district or region have proven to be effective. • Instead of using standard support packages, the approaches are increasingly being adapted to suit the residual capacities that the various target groups possess (coping mechanisms). • In addition to the personal identification, for returning refugees an individual socioeconomic profile is also created, in order to be able to fit support measures to the individuals' potentials. • Design of measures according to target group analysis (gender, age, rural-urban composition etc.) and target group participation. • Demand-orientation: the project services should only be made available at the request of the beneficiaries, who in turn must be expected to make a substantial personal contribution – within the scope of the possible. • Project services should only be provided to communities or villages, not to individuals. • The projects should only finance measures undertaken by public and charitable institutions, not by individuals. • Equal treatment for all target groups is crucially important for minimising conflict. • The involvement of young people is essential for reconciliation and the prevention of conflict.
Approach	<ul style="list-style-type: none"> • Planning and proposal of reintegration measures should be undertaken prior to the demobilisation of the combatants. • In order to contribute to the 'de-militarisation of behaviour', the de-mobilisation programmes should not be too short (at least 2 years according to ORF Mozambique). • The acceptance of the service proposal must involve the participation of the target group, and should take into consideration the hierarchical and social differences within the military structures. In some projects, it emerged that the vocational training provided by the project, which fitted the demands of the labour market (e.g. for masons), was not taken up by many ex-combatants as they wanted more prestigious occupations (such as lorry drivers), despite the lower prospect of earning a livelihood. 	<ul style="list-style-type: none"> • For the activation of the local economy, as much as possible of the investments made there should stay in the region. Therefore, the reconstruction should, as far as possible, involve local products. • As with microfinance services, the provision of non-financial services should also be based in the proximity of the target group's work and home. If the access to services is only available in urban areas, this encourages the settlement in these areas and the localised concentration of the target group. • For a sustainable effect that minimises conflict, private sector development projects should: <ul style="list-style-type: none"> – ensure the co-determination and even joint-management of the measures (e.g. investments in reconstruction) by the communities involved; – involve all the conflicting parties through localised and participatory implementation;

	Demobilisation Programmes	Reintegration Programmes
Approach (ctd.)	<ul style="list-style-type: none"> • It is possible that the war-economy strengthens in the aftermath of an armed conflict, as occurred, for ex-ample in Cambodia: former war-lords secure access to resources such as land, which they then let their former underlings work for them; in this way they strengthen their position. Development projects, especially those in the field of economic promotion and employment, run the risk of underpinning the post-war structures described above, because of the nature of their individual measures and the conditions attached to them (e.g. the access to microcredit). 	<ul style="list-style-type: none"> – promote agreement and consensus building among the population and in the residual private sector; – involve NGOs; – use the existing structures and cooperate closely with all relevant institutions and organisations at the regional and local (and national) levels. • The successive nature of reintegration, reconstruction and development measures following (continuously) upon emergency measures, does not necessarily lead to adequate sustainability. From the very outset of the emergency assistance, (contiguous) measures for sustainable development should also be initiated. Thus, for example, with emergency and microfinance funds, from the very beginning a strict loan enforcement system should be introduced; and ‘food-for-work’ programmes for the reconstruction of infrastructure should be accompanied by the simultaneous introduction of management systems and fee structures.

Essential for any post-conflict PSD interventions are *cooperation, coordination and dialogue* - within one's own institution, between aid agencies, with the government, the private sector and civil society, and with the peacekeeping forces. Minimum standards and good practices should be agreed upon, in particular for the use of grants and subsidies, the targeting of support, and the linking of different sector approaches. Projects may need extra staff as coordination can take lot of time. An important contribution PSD projects might make to overall coordination and dialogue is to facilitate public-private dialogue and partnerships.

Increasing demand and experience has led a number of agencies to set up special facilities to respond more rapidly and flexibly to specific needs of different post-conflict settings. Reintegration and reconstruction programmes are increasingly executed through large-scale cooperation among donor agencies, national and international non-government organisations and host governments. Cooperation may be organised through Consolidated Inter-Agency Appeals by the United Nations and/or through initiatives under the Post-Conflict Fund of the World Bank. Resources from a wide array of donors may be pooled and the specific technical expertise of organisations such as UNHCR, ILO and GTZ may be coordinated under the umbrella of national programmes.

5

MONITORING AND EVALUATION OF PSD INTERVENTIONS IN (POST-) CONFLICT SITUATIONS

The previous chapters have covered the planning, management and implementation of PSD interventions in (post-) conflict situations. This chapter turns to Monitoring and Evaluation (M&E) of PSD interventions in (post-) conflict situations. M&E has a key function for project steering in volatile (post-) conflict situations, enabling project managers to respond quickly to observed changes in the political sphere and in the project's environment. The central question that a conflict-sensitive M&E system answers is whether the expected positive project impacts will outweigh the (potential) unintended negative impacts.

Conflict-sensitive M&E systems do not differ significantly from 'normal' impact-oriented M&E systems common in German Development Cooperation. The peace or conflict situation is considered a major external factor which interacts with a project in two directions: it can impact on a project, or a project can impact on it. Therefore, conflict-sensitive M&E adds three aspects to a conventional, impact-oriented M&E system: it puts special emphasis on observing security risks, on observing the negative impact of a project (doing harm), and on observing the risks of failing to achieve the intended project results due to the conflict dynamics. All necessary information is provided by application of the four elements of the Peace and Conflict Assessment (PCA).

This chapter describes the integration of conflict-sensitivity into a standard impact-oriented M&E system. It starts by outlining important design principles for an M&E system in (post-) conflict situations (section 5.1). The following sections present the elements of a conflict-sensitive M&E system that observes and evaluates the security situation (section 5.2), the risks for the achievement of the project objectives due to conflict trends (section 5.3), unintended impacts of the project (section 5.4), and intended results (section 5.5). The chapter closes with a discussion of relevant aspects for external project evaluations and project progress reviews (section 5.6).

5.1.Design Principles for Conflict-Sensitive M&E

Monitoring and Evaluation (M&E) in the context of German Development Cooperation is impact-oriented and combines internal and external instruments. The project monitoring system is a tool for self-evaluation, while external evaluators may assess a project's relevance, effectiveness, and efficiency. Both the internal and the external M&E elements are standardised and well established within German Development Cooperation.

Normal project M&E in non-conflict environments is designed on the basis of one or several results chains. The *results chain* follows a linear logic: if 'A' is implemented, 'B' will happen. The project uses certain inputs to implement various activities; these activities create outputs, which are used by project partners or target groups to create outcomes. All of these results can be measured. Beyond this point, however, it is almost impossible to measure how outcomes have an impact on development. This is called the 'attribution gap'. The results chain theory acknowledges that there are many external factors that influence the results chain. The further one moves up the results chain, from inputs towards devel-

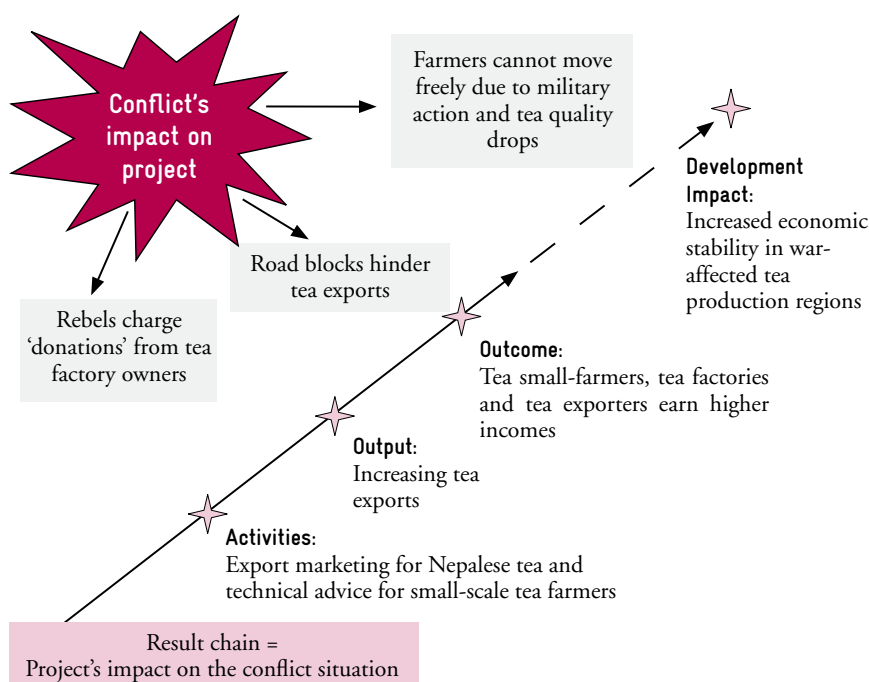
opment impact, the more external factors play a role, and these cannot be controlled by a project. As the project interacts with such external factors, an impact-oriented M&E system also monitors the relevant changes in the project environment.

The peace or conflict situation is a key *external factor* of the project environment which interacts in two ways with a project: on the one hand, it can support or block the project impacts, on the other, the project can have intended and unintended, positive and negative impacts on the peace or conflict situation. The example from Nepal in Box 15 illustrates two such interactions (negative conflict impact and positive project impact).

Box 15

Nepal -
Interaction
between
Conflict and
a PSD Project

The GTZ-PSD project in Nepal has been supporting the country's tea industry for a number of years. Initially assistance was focused on export promotion, and direct exports of Nepalese tea to Europe increased substantially. Soon small-scale tea farmers were also included in the PSD project strategy, in an attempt to improve the livelihoods of poor people in rural areas which were badly affected by the ongoing conflict between the Nepalese government and the Maoist rebels. However, the Maoist rebels gained increasing control of the tea growing areas. They frequently called for strikes among the factory labourers, established road blocks and enforced 'donations' from business people and farmers. Military actions further hampered the mobility of the tea growers and traders. As a result, tea quality and exports dropped. When the conflict was finally ended, however, the PSD project was able to continue its support to the tea growers and thus created a peace dividend for poor people in the war-affected East. The figure below illustrates the interaction between conflict and project.



As the peace and conflict situation forms a major external factor, some *conflict-sensitive adaptations* to the 'normal' impact-oriented M&E are called for. These adaptations can easily be built into the existing system and do not require the establishment of a separate, parallel M&E system. Three questions are of special interest for a conflict-sensitive M&E system:

- What are the unintended impacts of the project on the peace and conflict situation?
- How is the security situation at country level as well as in the project area, and what security risks do project staff members, partners and target groups face?
- How is the peace and conflict situation most likely to develop and will this hinder the project from achieving its objectives?

In line with the three questions above, the conflict-sensitive M&E system adds three aspects to the conventional impact-oriented M&E:

- Monitoring the project environment should include an additional focus on monitoring the *security situation*.
- Systematic monitoring and evaluation of the risks from the potential detrimental impacts of the conflict on the achievement of the project objectives.
- To ensure adherence to the DNH principle, monitoring of the intended impacts of a project along the results chain needs to be complemented by monitoring of the unintended impacts.

The following table highlights the three additional aspects of conflict-sensitive M&E in relation to normal M&E.

Figure 17
Differences between Normal
and Conflict-sensitive M&E

	Normal M&E system	Conflict-sensitive M&E
Monitoring project environment (= impact of the conflict on the intervention)	Focus on factors relevant for economic development	Focus on factors relevant for economic development + A. Focus on security situation + B. Focus on potential detrimental effects of conflict on the project success (= risks for staff, investment, achievement of objectives)
Measuring results (= impact of the intervention on the conflict situation)	Intended results in terms of output and outcome	Intended results in terms of output and outcome (including peace or conflict-related indicators in the case of C-1 and C-2 projects) + C. Unintended impact on the peace and conflict situation (DNH)

While the design elements of conflict-sensitive M&E are rather easy to grasp, the process of designing such a system for a specific PSD project may not always be that simple. The six steps used for setting up conventional results-based M&E must be adjusted according to the key principles of conflict-sensitivity, as outlined in Figure 18. The most important considerations are the participation of all stakeholders, impartiality, transparency and the maintenance of flexibility during implementation. Information for the M&E system can be recycled from the peace and conflict assessment (see Figure 19). Hence, the conflict-sensitive M&E system becomes an important project management and reporting tool, an advantage rather than a burden for project staff.

Establishment of a 'normal' results-oriented monitoring system	What to consider; when should aspects of conflict-sensitivity be integrated?
<p>Step 1: Define system boundaries for the project</p>	<p>In a conflict context, the 'external factor' of the existing peace and conflict situation plays an important role and influences the definition of the system boundaries of a project. If possible, this system boundary should ensure that the project remains impartial; this can be difficult if the government is one of the conflict parties. PSD projects should also check whether potential private sector partners play a divisive role in the conflict.</p>
<p>Step 2: Agree on the objectives and the design of the monitoring system</p>	<p>The development agency and the official national project partner should agree to make the M&E conflict-sensitive. This agreement should also define the critical issues such as who needs what kind of information at what time and for what purpose, and who will collect data. PSD projects could try to integrate their M&E requirements in government or private sector organisations, but only if they can be sure that this will not be harmful (possible misuse of information).</p>
<p>Step 3: Agree on the result hypotheses</p>	<p>In the case of a project that is marked C1, the result hypotheses should address peacebuilding needs as well as private sector development objectives; projects marked C0 sometimes do not have such a direct connection to peacebuilding needs. Projects working on value chains can use value chain analysis to identify the links between conflict and value chain actors. It is important to be realistic and not to generate too many expectations (PSD alone cannot make peace!). Conflict-related risks should be analysed along with the result hypotheses, based on the risk assessment of the PCA (PCA element 3).</p>
<p>Step 4: Agree on indicators and milestones</p>	<p>Peacebuilding needs can either be integrated into PSD/economic indicators and milestones (conflict sensitive projects marked C0), or they can be reflected in separate indicators and milestones (C1 and C2 projects). The peace and conflict-related impact monitoring (PCA element 4) helps to formulate relevant indicators for both cases (see chapter 2.2.4.). However, peacebuilding needs and indicators based on them must be reviewed regularly due to the changes in the implementation environment.</p>
<p>Step 5: Collect data</p>	<p>The data collectors must be neutral, qualified and sensitive to the conflict situation. Data collection itself is a project activity and must be done in a conflict-sensitive manner. The data sources should be objective and all stakeholders (including conflicting parties) should get the chance to provide inputs. Attention must be paid to include disadvantaged and excluded groups. Perceptions (grievances) matter as much as hard facts. Data collection for specific conflict indicators may need to be more frequent in the case of volatile conflict situations.</p>
<p>Step 6: Use of monitoring data</p>	<p>Monitoring data can be sensitive and should be evaluated before being made available to the public. Project management should use monitoring data to reflect the strategy; necessary adaptations should be discussed with all stakeholders.</p>

Figure 18: Aspects of Conflict-sensitivity in Results-oriented Monitoring

	Element 1a: Peace and Conflict Analysis	Element 1b: Peacebuilding Needs Assessment	Element 2: Peacebuilding Relevance Assessment	Element 3: Risk Management	Element 4: Peace and Conflict-related Impact Monitoring
Monitoring the security situation	Thorough analysis of (conflict) situation provides information about the most important security risks that have to be monitored.	---	---	Risk Management puts together all relevant information concerning security threats as baseline for the project.	---
Monitoring potential negative impacts of the conflict trends on the project success	The Peace and Conflict Analysis indicates what to look for when monitoring risks resulting from the conflict.	The gathered PB needs might be threatened or reinforced by any further conflict dynamics and trends.	---	Monitoring of conflict risks is based on and updates the risk management element of the PCA.	---
Measuring unintended impacts (no conflict- related indica- tors existent; applying or up-dating a DNH-check in C-0 Projects)	Thorough analysis of (conflict) situation is basis to formulate adequate criteria for DNH-check and helps in finding the answers.	Peacebuilding needs are the reference when asking for the most important conflict actors and issues which might spoil the efforts for the PB needs.	The result of the relevance assessment is the baseline to check for the (still valid?) relevance of interventions (do we still do the right – and relevant – thing?).	Results of the risk management give hints on which specific areas of observation are crucial to avoid provoking even more risks.	Usually, this PCA-element is based to a large extent on DNH, so that these results can serve as starting point for further DNH-checks.
Measuring intended im- pacts on peace or conflict situation (with specific con- flict-related indicators in C-1 and C-2 projects)	Conflict-related indicators for the M&E are based on the Peace and Conflict Analysis.	Conflict-related indicators are attributed to the (sectoral) peacebuilding needs.	---	---	Conflict-related indicators originate from the peace and conflict-related impact monitoring.

Figure 19: PCA Information for Conflict-sensitive M&E

Monitoring of the Security Situation..... 5.2.

Any project working in a conflict, pre-conflict or post-conflict environment should monitor the security situation in the country and project area because the lives of people and the project resources are at stake. The objective of security situation monitoring is to detect security risks to project staff or project resources so that the project management can take appropriate decisions. Although the design and operation of the security situation monitoring depends on the specific country conditions, the following aspects should be considered.

The *contents* of the security situation monitoring can be defined by the risk management element of the PCA (element 3). From here, the project will get a clear indication of which aspects it is important to monitor, for example troop movements in the project area or threats made by one of the conflict parties.

The appropriate *structure* for the security monitoring system depends on the volatility of the situation, on the available resources and on potential partnerships with other projects or organisations interested in monitoring the security situation. Monitoring of the security situation can be integrated into the project's 'normal' environment monitoring system or it can stand alone, for example as part of a larger initiative with other development actors.

It is the *responsibility of the project management* to ensure that security advice and support reaches all staff members on time - international as well as national. Management should check regularly whether staff members understand the security advice and if they implement it appropriately (e.g. internal controls of log-books for project vehicles and project staff movements).

Ideally, all development agencies in a country or project area should set up a *shared security monitoring* system. If

The Risk Management Office (RMO) was established in 2002 to support DFID (Great Britain) and GTZ (Germany) to work safely and effectively in the context of Nepal's conflict. The RMO is a small group comprising a risk management adviser, assistant risk management adviser, information coordinator and senior risk management coordinator.

RMO has the following vision for DFID and GTZ Nepal:

- Risk is consistently well managed in all programmes and projects
- Risk management is not just a priority but an organisational value
- Risk management is truly integrated into the operational programme cycle
- Risk analysis and planning benefit good programming and vice versa
- Risk management performance is assessed and tied to HR incentive systems

The core activities of RMO are:

- Analysis at nexus between politics, security and development
- Frequent field assessments and liaison with programmes
- Input into programme design
- Routine provision of advice to programmes
- Risk management training
- Monthly risk management meetings
- Crisis/incident management when required
- High level of contribution to the group of like minded donors and other parties involved in the peace process

Box 16

Nepal -
The Risk
Management
Office

the government is part of the conflict, it is advisable to exclude it from the network. For German Development Cooperation, security monitoring and advice is usually handled by the German Embassy, with sub-functions undertaken by the various German development agencies (e.g. the GTZ country office).

There are several design elements for shared security monitoring which have proved to be effective. The process should start with a written agreement between the network members (i.e. the development agencies and embassies involved) with regard to the design, operation and financing of the system. Basic operating guidelines can be helpful for the communication of standards and break-off points to the conflicting parties (see Annex 6.10).

Internal crisis plans and crisis behaviour guides will help project staff members to react appropriately in emergency and violent situations. In addition, all staff members should be given *security training* to learn how to behave in response to a crisis.

In emerging and hot conflict phases, when the daily situation is very volatile, it might be necessary to undertake security monitoring on a daily basis. Therefore, a fully dedicated position (*security advisor*) or even a small *risk management office* with informants in different regions should be created (see Box 16).

A risk management office can also take on the functions of more *general conflict situation monitoring*. The office gathers information on crucial questions such as: Where did violence happen during the last 24 hours? Who was affected? Who committed it? What are the intentions and demands of the perpetrators? and, What are the likely events in the near future? On this basis, the management can discuss the respective consequences and take necessary decisions for the programme implementation, activities of staff, additional precautions that have to be taken, etc.

Security monitoring data must be interpreted and *communicated* to the end users. This is by no means an easy job and should be done by experts (the security advisor or office). Regular communication can include daily electronic or phone messages to project staff (with recommendations on how to behave in a specific situation), monthly regional risk reports, conflict trend analyses for decision makers in development agencies and embassies, or updates of crisis plans and crisis behaviour guides. Break-off points for projects or for certain project activities should be defined by relevant decision makers and monitored by the security advisor. Security monitoring results should only be shared outside the network if the use of this information is clear and controllable; the misuse of information by conflicting parties is to be avoided under all circumstances.

5.3.Monitoring of Conflict Trends

Any project working in a conflict, pre-conflict or post-conflict environment should regularly monitor the overall peace and conflict situation, because changes in the peace or conflict situation often require *changes in the project strategy*.

The focus of the day-to-day *security monitoring* is too narrow to understand the conflict situation adequately. Monitoring the conflict situation means observing and interpreting events and trends such as political and military activities, the progress of a peace process, the emergence of new conflicts, the risks of conflict escalation, and the behaviour of 'dividers', 'connectors' and victims, etc. Conflict situation monitoring is based on and updates

the information provided by the PCA, in particular the conflict analysis (PCA element 1a) and the Peacebuilding Needs Assessment (PCA element 1b) and the Risk Management (PCA element 3).

In practical terms, monitoring of the conflict situation is part of the 'normal' *monitoring of the project environment*, which is an established standard in impact-oriented project management. However, in acute conflict situations this kind of monitoring should be done more frequently and more thoroughly. Reading daily newspapers from different political backgrounds is a first step and may in some cases provide all the necessary information. But in countries without functioning media, and especially in situations of tension and fear when information is not exchanged in the public sphere, other ways of collecting information are needed, for example by talking to well-informed locals or foreigners. Information gathering may be informal, but it should always be systematic and should include first hand impressions from the field (partners and target groups). The relevant PCA checklists can be used for the ongoing conflict situation monitoring (see checklists in Chapters 6.2-6.9). The persons doing conflict situation monitoring should be neutral, qualified and aware of conflict-sensitivity. This is of particular importance when conducting monitoring in the field.

The Project management is responsible for evaluating the information collected and for responding adequately to changes in the conflict situation or to the peacebuilding needs; at any time, project managers should be able to answer basic questions such as:

- Do the changes in the political project environment require a change in the project strategy, in the selection of partners or target areas?
- Should operations be increased, suspended, stopped or shifted?
- Is our project still relevant in relation to the peacebuilding needs?
- How can we avoid or mitigate certain risks posed by the conflict?

Although a security advisor may make valuable contributions to conflict situation monitoring, he or she will not be able to answer - or advise on - these project specific questions. The project management should therefore discuss the information gained with the stakeholders, the project team, the implementation partners and even with members of the target group. If monitoring results are shared with others it is important to ensure that passing on this information does not create additional problems, e.g. one of the conflicting parties misusing confidential information. If adjustments seem necessary, the trade-offs between change and consistency must be weighed against each other. If changes are deemed necessary, the principle of transparency and coordination must be applied. DNH checks should be used to guide major project strategy changes, which should, in turn, be communicated and implemented in a spirit of Do-No-Harm.

Monitoring of Unintended Impacts..... 5.4.

Any PSD project working in a conflict, pre-conflict or post-conflict environment should monitor its unintended negative (and also positive) impacts on the peace and conflict situation. As outlined earlier, every aid intervention in a conflict situation has unintended impacts on the development of that situation. Project resources and project activities play a particularly important role. The simplest and at the same time most effective tool to assess these unintended impacts is the application of the Do-No-Harm (DNH) approach

and the DNH checklist (see Annex 6.7). The regular application of the DNH check is essential to reduce or prevent unintended negative impacts, and to learn from unintended positive impacts.

The basic idea of the DNH approach was introduced in Chapter 2.1. Applying DNH implies broadening one's understanding of what is being done, why it is being done, and in which context and with which intended and unintended consequences it is being done. This concept has established itself as a minimum standard for all sectoral development interventions by international organisations operating in regions of (potential) conflict.

If a DNH check has been carried out during the analysis stage of a Peace and Conflict Assessment (PCA) in the project planning phase, *the most relevant DNH questions can easily be integrated into the project M&E system*. However, these questions should be verified and cross-checked for their relevance before integrating them into the M&E, and regularly thereafter. If a PCA has not been carried out in the project planning phase, a thorough DNH check should be conducted as part of the M&E setup. This check should cover the full range of project operations, including the 'normal' operation of the M&E system itself.

Depending on the volatility of a conflict and the dynamics of project activities, it will be necessary to monitor specific DNH criteria more or less frequently, maybe even daily during crisis periods. *Formal research* (interviews, studies, etc.) can be added to more *informal information gathering* (e.g. observations and discussions with partners and target groups during day-to-day project activities). Insiders' views should be cross-checked with outsiders' views in order to avoid blind spots which are common amongst project personnel.

Regardless of whether they are external personnel or project staff, those doing the initial DNH check and the monitoring of specific DNH criteria should be *impartial, qualified and conflict-sensitive*. Project team members and stakeholders must be made aware of the potential *trade-off* between conflict sensitivity and project progress. Especially 'hard-core' PSD experts may find this change of perspective difficult to accept and need to be made aware of the long-term benefits of such an approach. With regard to the diversity of sources, *all relevant stakeholders and conflict parties* should have the chance to contribute opinions and information regarding unintended project impacts. In particular, the less visible and less vocal groups such as women, youth and children, seniors and minorities must be included. To make this possible, an *atmosphere of trust and confidentiality* between the interviewers and the interviewees has to be established. It is important to ask open questions and give respondents sufficient time to answer.

DNH aims primarily at discovering and avoiding unintended negative impacts, but the DNH checklist should also include questions that assess *unintended* positive impacts of the project on the peace or conflict situation. Again, the relevant questions could be based on the whole range of information that is accessible or provided by PCA. For example a project supporting small entrepreneurs with technical training services could check whether training participants from former conflict parties have positive personal interaction during and after the training courses (the underlying peacebuilding need would be reconciliation between the former parties to the conflict).

Project management should discuss the results of the DNH check and/or the monitored DNH criteria with all stakeholders concerned, and should find *appropriate responses*. If changes to the project operation or strategy are necessary, they must be communicated to the people who will be affected by the changes, and implemented in a sensitive manner (doing no harm). If results are shared with others, it is important to ensure that this does not create problems such as the abuse of information by one of the conflicting parties.

Monitoring of Intended Impacts..... 5.5.

The monitoring of intended project results using impact indicators is the normal business of project M&E, but there are some differences in a conflict context. Project impact indicators will differ according to the C-marker. PSD interventions in (post-) conflict situations marked C-0 are conflict-sensitive, but do not aim to contribute specifically to the peacebuilding needs of a country. Accordingly, these projects have no specific indicator that is attributed to peacebuilding or conflict transformation. It is a different matter with PSD projects in (post-) conflict situations marked C-1 or C-2. The latter have primarily conflict-related indicators, whereas typical PSD interventions marked C-1 usually have several indicators related to economic development and at least one indicator related to a peacebuilding need. Regardless of the C-marker, however, it is important to ensure that any project indicator related to economic and private sector development is DNH checked, i.e. that the activities and inputs behind it cause no (unintended) harm.

The conflict-related indicators of a PSD intervention must be attributed to the (economic) *peacebuilding* needs identified during the PCA; the indicators usually derive from the PCA element 4 (peace and conflict-related impact monitoring). Since any indicator describes a change from a present situation to a future (better) situation, it is important that planners formulating conflict-related indicators are transparent about the underlying assumptions made concerning the desired change.

There are three specific aspects to consider when *formulating* conflict-related indicators:

- *What*: In accordance with the 'ABC triangle of conflict transformation', changes that are relevant to a conflict occur in the spheres of *attitudes, behaviour and context*. It is therefore necessary to specify in which contexts actors will change in terms of attitude and behaviour, and/or in which institutions structural changes are supposed to occur. The peace and conflict analysis (PCA element 1) can give some guidance in this regard, as it supplies information on (structural) causes and factors for peace and for conflict, and on the key actors.
- *When*: Changes can occur in the *short-term*, for example when participants in a training course are immediately and successfully able to apply what they have learned. Changes can occur in the *medium-term*, such as when an organisation which was given support for its establishment and consolidation subsequently participates actively and constructively in the promotion of peace talks. Changes may sometimes also become apparent only in the *long-term*, for example when a measure to create formal land titles leads to a reduction in violent conflicts over land in the years thereafter. In the case of measures with a medium or long-term effect, *proxy indicators* should be used to indicate the extent to which a situation has already moved in the desired direction.
- *How*: Given the high degree of politicisation and polarisation of societies in conflict, there might be major differences in the way the parties to that conflict evaluate individual and societal changes. Therefore, it may be difficult to collect objectively verifiable, quantitative data; instead, it might be preferable to obtain subjective feedback from many different perspectives (qualitative data).

When defining the economic indicators of C-0 or C-1 marked PSD interventions one may need to accept the fact that *good practices for sustainable economic development have to be adjusted to the requirements of conflict-sensitivity*. For instance, it is common that PSD projects focus more on growth and less on equity; and they rarely work directly with a target group but usually reach out to entrepreneurs in general through strong intermediaries (such as business associations). This approach often means that PSD projects 'pick the

winners' amongst their potential partners as well as amongst the target group. In (post-) conflict settings, however, the opposite may be necessary: the project must focus on equity, work with weak intermediaries or even directly with the target group; activities may have to be targeted to specific groups with little entrepreneurial or economic potential (e.g. war victims, ex-combatants, unemployed youth). Possible solutions would be either to define separate indicators for growth and for equity, or to define strictly pro-poor growth indicators. With regard to weak intermediaries, indicators should also measure their growing institutional strength and their conflict-sensitivity. Indicators for the targeting of measures should allow flexibility so that targeted and non-targeted activities can take place at the same time or even together (for example: rather than having one technical skill course for ex-combatants and one for small entrepreneurs it may be better to bring both groups together in one course so that the ex-combatants learn from the small entrepreneurs and at the same time reintegrate into society).

Another area of compromise could be timing and beneficiary contributions. Where people have lost family members and assets due to war, PSD projects may have to accept that cost sharing is not a viable option. However, project indicators could reflect a time horizon of decreasing subsidies and grants and increasing personal contributions, with a zero baseline. This time horizon must be properly communicated to the beneficiaries from the beginning in order to avoid later grievances. The same applies to short-term as opposed to medium and long-term project strategies. PSD usually aims at systemic impacts (i.e. long-term changes); however, in (post-) conflict situations quick impacts at the target group level are needed just as much as medium and long-term changes. Therefore, it is advisable to formulate separate indicators and milestones for the short-term, medium-term and long-term objectives; these indicators should also reflect a gradual change of project emphasis from short to long-term.

Obviously, there are no blueprints for good indicators. Economic and conflict-related impact indicators must be tailor-made for each project.

5.6.External Evaluations and Progress Reviews

External evaluations and project progress reviews complement a project's M&E system. In order to make these elements conflict-sensitive, PSD projects should include the following aspects in their standard project evaluations and progress reviews (following the logical framework of PCA and DNH):

- Assessment of the project's conflict-sensitivity in terms of personnel, planning, implementation and M&E;
- Assessment of the frame conditions and especially the security situation, and its monitoring by the project;
- Assessment of the intended and unintended impacts of the project on the conflict situation;
- Assessment of the impacts of the conflict on the project, the opportunities and risks caused by the conflict and possible project responses to avoid or mitigate the risks;
- Assessment of the project's responses to the results of the M&E;
- Assessment of whether peacebuilding needs have changed and whether the project is still relevant with regard to the peacebuilding needs;

..... Assessment of whether project reporting is appropriate: do the right people get the right information at the right time to take the right decisions?

In the final conclusion, the evaluators will give their recommendations about whether or not a project should be continued, or if it needs to be adjusted to match the (new or changed) realities. Cut-off points for project support may be re-defined.

External evaluations and progress reviews need to be well prepared. Evaluation teams should incorporate at least one person qualified in PCA or similar tools, and all evaluators should be neutral and aware of conflict-sensitivity. The project manager must provide the evaluators with up-to-date information on all aspects of the conflict, as well as security guidelines and hints on what conflict-sensitivity means in the particular country situation (e.g. what kind of language should be used during interviews or which words and behaviour are taboo). Project partners and target groups, especially interview partners for the evaluators, must be informed beforehand about the purpose and content of the evaluation; it may also be necessary to inform the conflicting parties. An atmosphere of trust and confidentiality should be created before the evaluation starts (e.g. by sharing evaluators' CVs with the interview partners or by explaining how the information will be used).

As far as project progress, and monitoring and evaluation reports are concerned, the general rule applies: *the right people should get the right information at the right time to take the right decisions.* Project management should clarify with the relevant government representatives and all stakeholders, who needs what kind of information, how often and for what purpose. It must be ensured that sensitive information does not get into the wrong hands. Problems can arise, for example, if one of the conflicting parties (possibly also the government!) misuses information provided in project reports. Therefore, it might be better to report sensitive information separately and confidentially to the relevant recipient, e.g. to the embassy.



ANNEX



6

ANNEX

6.1.Overview of Peace and Conflict Assessment

PCA Element	1. Peace and Conflict Analysis and Peacebuilding Needs Assessment	2. Peacebuilding Relevance Assessment	3. Risk Management	4. Peace and Conflict-related Impact Monitoring
Objective	<p>Gain a more in-depth understanding of the conflict situation.</p> <p>Identify points of entry for development cooperation to support peacebuilding.</p>	<p>Assess the peacebuilding relevance of development cooperation measures.</p> <p>Identify points of entry for the adjustment of measures.</p>	<p>Review the feasibility of development cooperation measures in the conflict context.</p> <p>Develop a security strategy.</p>	<p>Avoid impacts that exacerbate the conflict</p> <p>Strengthen impacts that build peace.</p>
Key Questions	<p>Which conflicts are constraining the development of the country or the project region?</p> <p>What are their causes?</p> <p>Which vision of peace does development cooperation seek to bring about?</p> <p>What needs to be changed in order to achieve this (PBN)?</p>	<p>What are the objectives, activities and principles of work of the development cooperation measure(s)?</p> <p>Do they make a positive contribution to peacebuilding?</p> <p>Which objectives and activities are not relevant?</p> <p>What would be the points of departure for strengthening the promotion of peacebuilding? How can the measures be adjusted?</p>	<p>Are conditions conducive to the implementation of the development cooperation measure?</p> <p>Is the safety of all actors guaranteed?</p> <p>How can the measure respond to conflict-based risks?</p>	<p>Which measures make an effective contribution toward peacebuilding? What are the factors for success? Which conclusions can be drawn from this for other measures?</p> <p>Which aspects of the project exacerbate the conflict? Why? How can these impacts be avoided?</p>
Instruments	<p>Guideline 1a</p> <p>Peace and conflict analysis</p> <p>Guideline 1b</p> <p>Development- and peace-policy deficits, and vision-building for peace</p> <p>Peacebuilding needs assessment</p>	<p>Guideline 2</p> <p>Description of the development cooperation measures</p> <p>Relevance assessment</p>	<p>Guideline 3</p> <p>Analysis of the conflict environment</p> <p>Security analysis</p>	<p>Guideline 4</p> <p>DNH</p> <p>Results chains</p> <p>Participatory monitoring</p>
Application in Contract and Cooperation Management	<p>Analysis of the context</p> <p>Conflict-sensitive monitoring of the cooperation environment</p>	<p>Conflict-sensitive planning and steering</p>	<p>Security management</p> <p>Conflict-sensitive monitoring of the cooperation environment</p>	<p>Results-based monitoring</p> <p>Monitoring of the Priority Area Strategy Paper</p>

Checklist: Political Conditions in the Conflict Environment..... 6.2.

Source: "Promoting Good Governance in Post-Conflict Societies" (Discussion paper, GTZ) and other GTZ internal working papers.

The following checklist provides practitioners with some guiding questions for identifying and understanding the environment, actors and processes in these political transition phases. It helps to identify the most important trends and barriers.

Relationship between state and society

- Does the state control the various sectors of politics? Does the state control the entire national territory?
- What is the public's attitude towards the state?
- Do the citizens feel protected by the state? Are state institutions service-oriented and responsive to public demands?
- Are state instruments available for balancing interests and managing conflicts and are these widely used?

Political system

- Does the country's political system have formal provisions for the separation of powers and control mechanisms ("checks and balances")?
- Are elections generally secret, fair and free? Are there people or groups excluded from voting and standing for election?
- Is the constitution a source of national identity?
- Are the values embodied in the constitution reflected in the state's actions?
- Are the state's actions aimed at eliminating discrimination in society?
- Does the population feel represented by parliament? Are ethnic differences in the population a topic for parliamentary debate?
- Are the major parties organised along lines of ethnicity, regional origin or religion instead of political programmes?
- Does one political party or an ethnic or religious group dominate the administration?
- Do factors like ethnicity, gender, age, origin, political allegiance or religion affect professional access to the administration and subsequent career opportunities?

Political culture and development paradigms

- Is there a public debate on the role of the state?
- Are there provisions for the participation of civil society in decision-making processes and are these used?
- Are positions of power in the state and the economy open to all?
- Can non-state power structures bypass formal decision-making processes?
- How do political actors secure their influence?
- Are there particular social groups that tend to dominate political debates and decision-making processes?
- Which issues dominate the prevalent development paradigms?

Politics and gender

- Are "women's rights" part of the public debate? Do women have adequate knowledge of their rights?

- Do women experience gender specific restrictions from traditional or religious legal systems?
- Is employment compatible with women's social roles?
- Are women generally regarded as having less professional competence than men?
- Does the state promote women's employment?

6.3.Checklist: Preconditions for Economic Development in Conflict Situations

Does the area offer a reasonable degree of security?

- Depending on the specific approach to economic development, the security and safety requirements may differ. Macro and meso-level interventions pose fewer dangers than micro-level activities.
- Consider the security and safety risks for project staff, the partners' staff and also for target groups (especially disadvantaged groups). For example: it may not be realistic to expect women to visit vocational training courses if they have to travel through territory which is controlled by soldiers.
- To assess security and safety risks consider aspects such as: weapons and methods used by the conflicting parties (e.g. landmines, kidnapping, etc.); law and order; transport facilities and infrastructure; communication facilities.

Is there sufficient macro-economic stability?

- There must be a minimum of macro-economic stability to start economic development measures. For example, there should be no hyperinflation; people should trust the local currency, otherwise there should be an established foreign currency; the black-market should not completely dominate the economy.
- If only a minimum of economic stability is assured, emergency aid may be more feasible than economic development.

Is there sufficient population stability?

- Population stability is important for business transactions. For example, banks will not lend money to people who are likely to move away.
- It is important for a project to understand the patterns and risks of migration before, during and after conflicts. Out-migration is a loss of labour, skills and purchasing power. Returnees on the other hand may be competing for scarce resources with those who stayed behind. Migration can also be a positive economic force, e.g. migrants sending remittances back to the conflict area or returnees investing money and new skills.

Are people able to carry out business activities?

- In most economic development programmes business activities are an important element. If the conflict situation does not allow business activities to take place, emergency aid may have to replace economic development until the situation has changed, for example when the conflicting parties stop interfering with business; trading and travelling are possible; business relationships are revived; emergency aid ceases to be a replacement for all business activities.
- Access to banks for withdrawing, depositing or transferring money is an important element of business activities. Lack of banking services can be a problem for economic development.

Is there a demand for business services?

- Most economic development programmes offer financial services, business development services or vocational skills services. If there is no demand for these services (= purchasing power + willingness to purchase) the project approach may have to be adjusted. Subsidies may have to be used – but make sure that transparent and conflict-sensitive rules are applied when giving subsidies; have a clear exit strategy from the outset.

Is there sufficient human and social capital?

- Human and social capital is often severely damaged by a conflict: people are killed or leave the area; they stop trusting each other; local organisations break apart. A project may have to bring in skilled people from outside, but this can pose new problems (especially jealousy among local people). Therefore, the role of the outsiders and the intended duration of their stay should be defined and made transparent to the local community. In addition, there may be a greater need to invest in education and training for the local people.

Checklist: Economic Peacebuilding Needs..... 6.4.**Macro-Level**

- What is needed for macro-economic stability and growth? (e.g. low inflation, stable currency, an independent central bank, regulations for microfinance or SMEs, security, property rights)
- What is needed to ensure that economic growth will benefit the poor and disadvantaged groups? (e.g. support for the informal economy, corporate social responsibility, laws, increasing social/economic development investments, employment programmes, vocational skills programmes, microfinance programmes, creation of an enabling environment for SME growth)
- What is needed to change the attitudes of government officials in charge of economic development towards conflict and peace issues?
- What is needed to provide reliable frame conditions? (e.g. credibility of government)

Meso-Level

- What is needed to ensure business membership organisations and business service providers can work in a conflict sensitive manner? (e.g. staff recruitment, services offered, client and member selection)
- What kind of business services are lacking?
- What is needed to improve the dialogue and partnership between the private sector and the public sector or civil society?
- What is needed to change attitudes of business membership organisations and business service providers towards conflict and peace issues?

Micro-Level

- What is needed to ensure businesses can work in a conflict-sensitive manner? (e.g. jobs for disadvantaged groups; trade and business relations with conflicting groups; sensitisation of business partners about vulnerable)
- What is needed to ensure that disadvantaged people can make use of job offers? (e.g. job skills)
- What is needed to change attitudes of business people towards conflict and peace issues?

6.5.Checklist: Economic Aspects of a Conflict

Macro-Economy

- Possible indicators to understand the macroeconomic impact of a conflict are related to: foreign, private and public investment; GDP (per capita, per sector); trade; foreign currency reserves; inflation; employment; migration; remittances.
- The economic cost of a conflict can be estimated by comparing GDP during the conflict with potential GDP (assuming that the pre-conflict GDP growth would have continued). Similarly, the economic benefit of peace can be estimated by comparing GDP during the conflict and actual GDP after the conflict or theoretical GDP after the conflict (assuming that the pre-conflict GDP growth would have continued). Some experts assume that conflicts have a severe impact on GDP (up to 10% decrease).
- A conflict can accelerate or exacerbate underlying structural economic problems.
- Remittances play an important role in conflict. Many families in conflict zones can only survive due to remittances. Even the state benefits because overseas remittances bring in foreign currency. Often the conflicting parties try to cash in on remittances, for instance “taxing” the families that receive them.
- Analyse the impact of conflict on different sectors: the primary sector may be more resilient during a conflict than the manufacturing sector; the same is true for the informal sector versus the formal sector.
- Analyse discrepancies in terms of public investment: certain regions or groups may be at a disadvantage.
- Banking sector: changes in deposits and lending; remittances; money laundering.

Meso-Level

- Meso-level institutions (chambers, business associations, business service providers, financial institutions) can be directly affected by a conflict, e.g. through looting, repayment defaults, disturbed operations, increased security spending.
- Meso-level institutions may change their strategies due to a conflict, e.g. focusing on low-risk clients in urban areas or withdrawing completely from conflict areas.

Micro-Level

- Analysis of the value chain and the local economy can be very useful for identifying the impact of the conflict on different actors in the value chain and their reactions to the conflict.
- Utilisation of natural resources and the environmental impact of extractive industries (oil, gold, etc.) can cause conflicts. The role of large companies (especially multinationals) in the conflict should be investigated.
- Transportation of people and goods is generally badly affected by a conflict and has an important impact on enterprises.
- Dangers of a war economy: illegal and criminal business operations. It is important to understand these operations and investigate alternatives for the poor who are often forced to operate in war economies.
- The economic role of women and disadvantaged groups may change due to the conflict situation, e.g. if there is a lack of men in the villages women will have to take over typical male jobs.
- Migrants create new local economies.

Conflict causes

- The economic causes of a conflict may, for example, include regional income inequalities; injustice concerning access to land, water and other resources; economic exclusion of certain groups from society; exploitation of natural resources without considering the needs and rights of the local population. (N.B. The stated reasons for a conflict do not always reflect the real root causes).
- Analyse the role of the private sector in the causes of the conflict: e.g. larger companies may benefit from a government's injustice against minorities; corruption may prevail; business associations may exclude disadvantaged groups; enterprises may illegally exploit natural resources.
- Economic development programmes can cause or accelerate conflicts or peace, e.g. economic liberalisation and privatisation may lead to new employment or to unemployment.
- The resources brought in by aid programmes can also cause grievances and greed, thus creating conflicts.

Conflict parties as economic actors

- Check how the conflicting parties spend or invest their incomes and whether they are important economic actors. For example, security forces and rebel armies are important economic actors: they provide jobs and soldiers spend large parts of their salaries in conflict areas. For demobilisation it is important to understand the benefits of being a soldier and the employment alternatives they have.
- In long-term conflicts warlords often turn into (illegal) business-people who control natural resources or local trade and provide employment to the local population (e.g. drug farmers or gold miners).
- The local population suffers under the conflicting parties. Government may increase taxes and rebel armies may extort money, food, shelter, etc. from the local population.
- Often there are vested interests to keep a conflict simmering because warlords want to continue controlling land and natural resources, soldiers are keen to get their salaries without risking their lives, and the government may profit politically and financially.
- War economies operate similarly to legal economies, with their own currency and financial system, employment and income opportunities, business relationships, value chains, etc. Usually there are a few very powerful people at the heart of a war economy, who control the major assets (monopoly or oligopoly market situation).

Peacebuilding capacities in the private sector

- Who are the 'connectors' and the 'dividers' in the private sector? Some companies or industries play a negative role, e.g. by exploiting labourers and natural resources or through the exclusion of disadvantaged groups. Others may play a positive role, such as offering jobs to low income people and excluded groups.
- Look out for business people or business associations interested or engaged in peace initiatives. What capacities do they have and which ones do they lack?
- Assess whether Corporate Social Responsibility could be introduced as an entry point for peacebuilding activities by the private sector.

6.6.Checklist: Conflict-Sensitive Due Diligence of Project Partners

Institutional Background

- Was the conflict relevant for the foundation of the organisation?
- What was the impact of the conflict on the organisation?
- Did the organisation adjust itself to the conflict situation?
- What is the shareholders' or stakeholders' role in relation to the conflict?
- What is the role managers and staff members play in relation to the conflict?
- What is the role the institution's partners play in relation to the conflict?
- What is the image the institution has in public?

Services

- Does the institution's strategy take the conflict into account or is it compatible with working in the conflict?
- Does the institution operate in a conflict environment?
- How has the institution performed in conflict environments?
- Are the features of the institution's services and products compatible with the conflict?
- What is the role of the institution's clients or members in the conflict? ('connectors', 'dividers', victims)
- Does the selection of clients or members take the causes of the conflict into consideration? (including disadvantaged groups, equal opportunities, etc.)
- How do clients or members rate the institution in relation to the conflict?

Operations

- Does the human resource policy and recruitment take the conflict into account? (e.g. recruitment of women or members of disadvantaged groups)
- Does the institution offer special conflict-related training or counselling for their staff members?
- Do the policies and procedures take the conflict into account or are they compatible with work in the conflict situation? (e.g. safety rules for field work)
- Does internal control and auditing create transparency?
- Does performance monitoring take aspects of the conflict into account? (e.g. record of sales of services in conflict areas and to disadvantaged groups)
- Does the institution get engaged in corporate social responsibility? (within the company, within the surrounding community, on national level)
- Have operational risks changed because of the conflict?
- Has the institution taken any concrete steps to manage conflict-related risks?

Conclusions

- Is the institution able and willing to work in a conflict environment?
- Is the institution impartial and acceptable to the conflicting parties as well as the target group?
- What are the main challenges and opportunities the institution faces in general and with regard to the conflict? What can and should the institution itself do to tackle these challenges?
- What kind of support is needed and who can provide this support? What are the conditions of support? (e.g. exit strategy for subsidies)

Identifying Negative Impacts of Interventions²⁴

Negative Impact Areas	Examples	Guiding Questions
<p>I. Acceptance of or support for conflict-aggravating structures (“structural violence”)</p>	<p>Does the government use the project for its own ends (in the conflict context) e.g.</p> <ul style="list-style-type: none"> • to “reward” political groups/areas close to it, or its allies in the conflict; • to enforce state presence and control in isolated regions; • to adopt a “stick and carrot” strategy vis à vis insurgent areas. 	<p>What interests does the government hope to pursue through the project?</p> <p>How was the project region selected? What part does it play in the current conflict context?</p> <p>Is the timing of the project linked to developments in the course of the conflict (e.g. peace negotiations)?</p>
	<p>Does the project cooperate with illegitimate or corrupt structures or individuals? e.g.</p> <ul style="list-style-type: none"> • Partner organisation staff use project materials for their own ends, which widens the local gap between the privileged and the disadvantaged. • The selection of candidates for training measures by the partner is not based on transparent criteria. 	<p>How were the executing organisations selected? What is their internal structure and how do they work?</p> <p>Who are the partners and mediating organisations? Are we sufficiently familiar with their interests, their internal organisation and their relationship to the target groups?</p> <p>Are the criteria for selection and the financial inputs of the project transparent to all participants, especially the target groups?</p>
	<p>Are the topics and values represented by the project disputed by parties to the conflict? e.g.</p> <ul style="list-style-type: none"> • Family planning in extremely religious contexts. • Liberalisation of land ownership in a situation where conflict exists between small farmers and large-scale land owners. • Decentralisation when tensions exist between central government and traditional local authorities. 	<p>Where does the mandate of the project to work on a certain topic come from?</p> <p>With what motivation and objectives is the project being implemented? Does the project represent the values and interests of a certain party to the conflict?</p>
	<p>Does the project legitimate or strengthen power structures and social disparities considered problematic by local people in its daily work?</p>	<p>Does the project accept the parameters set by authorities without reservations (e.g. use of national symbols, languages used, restrictions placed on holding seminars, etc.)? Is the working language of the project spoken well by only one (ethnic or social) group?</p> <p>Do the criteria used to select staff (e.g. level of education, linguistic skills, mobility) indirectly favour a certain group?</p> <p>Do members of project staff have private contacts to only certain social, political, etc. groups?</p>

²⁴ Source: GTZ, 2004f.

Negative Impact Areas	Examples	Guiding Questions
	<p>Does the project generate new dependence? e.g.</p> <ul style="list-style-type: none"> • on local NGOs • on food aid 	<p>What approach is followed by the project?</p> <p>What importance is given to the empowerment of the target groups?</p> <p>What sort of measures are supported?</p>
<p>II. Worsening inter-group tensions</p>	<p>Do individual interest groups use the project for their own ends? e.g.</p> <ul style="list-style-type: none"> • Local powers channel development funds to personal networks and thus strengthen their own position. • Political or other groups present the work of the project in public as a confirmation of their own position. • Local NGOs appropriate more land with the support of the project. 	<p>Who benefits primarily from project outputs?</p> <ul style="list-style-type: none"> • Flows of resources • Advice/consultancy/extension • Training <p>How do beneficiaries use project outputs? e.g.</p> <ul style="list-style-type: none"> • Private appropriation of rehabilitated common land. • Use of managerial competencies to organise radical political groups. • Use of marketing knowledge within the framework of the war economy. <p>Do the procedures of the project (unintentionally) strengthen rivalry between groups for control over and access to development funds?</p>
	<p>Does the project widen existing gaps?</p> <ul style="list-style-type: none"> • Between elite groups and the rest of the population? • Between social, religious or political groups? • Between religions? 	<p>What role is played by executing organisations, partners and mediators at present in the overall conflict?</p> <p>How were the target groups identified? What role do they play in the conflict context?</p> <p>Are the target groups really the main beneficiaries of the project?</p>
	<p>Does the project identify (unconsciously) with a certain party to the conflict (often the “underdog”)?</p>	<p>Is the project seen to be neutral? Does the project take a clear stance on human rights violations?</p>
	<p>Does the project have the necessary competence to support meetings and dialogue between parties to the conflict in a professional way?</p>	<p>Does the project have staff with training and experience in the field of conflict transformation or does it have access to expertise of this sort?</p>
	<p>III. Weakening local (peace) initiatives</p>	<p>Does the project build parallel structures (social, economic, political) which weaken existing structures?</p>
<p>Does the project promote new (peace) initiatives rather than building on existing ones?</p>		<p>Has a detailed analysis been conducted of the local institutional landscape? Are applications for support examined in detail?</p>

Negative Impact Areas	Examples	Guiding Questions
	<p>Are the (peace) initiatives supported by the project really relevant from the point of view of the population or do they divert their energy from tackling the central problems?</p>	<p>Has a situation and conflict analysis been conducted jointly with partners and target groups, and promotion priorities identified on this basis?</p>
<p>IV. Promoting an Economy of violence</p>	<p>Do transfers of resources and advisory inputs directly or indirectly benefit the economy of violence? (The term “economy of violence” is used to mean illegal or illegitimate economic activities based on the use of violence and often used to help finance (political) actors in violence, e.g. drugs, human trafficking)</p>	<p>Does the project promote economic activities, which also play a part in the economy of violence?</p> <p>Have parties to the conflict repeatedly appropriated project resources (e.g. vehicles, computers, communication equipment) with the use of violence?</p> <p>Is the project forced to pay unofficial duties, levies, road tolls etc. to armed groups (thus helping to finance these groups)?</p> <p>Does the project use security companies, whose relations to the parties to the conflict are unclear?</p>
	<p>Does the project subsidise lengthy “reconciliation” meetings between the parties to the conflict (e.g. tribal leaders, elders)?</p>	<p>Do these meetings actually generate tangible progress? Or does the financial support (e.g. per diems, board and lodgings) encourage the parties to the conflict to extend the meetings?</p>
	<p>Does the project help peacebuilding become a new “market” for local NGOs?</p>	<p>Is there an emergent financial interest on the part of local NGOs in working for peace? Are these initiatives sustainable? Does this mean that these NGOs have an interest in prolonging the conflict at a low-intensity level?</p>
<p>V. Threat to the individual</p>	<p>Does the project expose its staff and partners to security risks in their daily work?</p>	<p>Is there a detailed security concept?</p> <p>Is this systematically put into practice?</p> <p>Does the project communicate its decisions clearly to all parties to the conflict?</p> <p>Does the project support staff members and partners suffering from burn-out syndrome or trauma as a result of their conflict-related work?</p>
	<p>Can the project provide adequate protection for staff, partners and target groups, who become a target for retaliatory measures because of project-assisted activities?</p>	<p>Are activities adequately coordinated in advance with all those involved – including those who are critical of the project?</p> <p>Are there clear guidelines for dealing with such events as arrests or threats?</p>

6.8.Development Interventions in Conflict Contexts

Source: GTZ Training CD: *Basic Principles of Crisis Prevention, Conflict Transformation and Peacebuilding. Course concept and training modules for decision-makers and experts in German development cooperation (based on Mary B. Anderson, 1999).*

Interactions between development projects and the conflict context according to DNH

a) Resource transfers

- *Distribution impacts:* The resources and services of the project benefit predominantly one party to the conflict, and/or reinforce the differences between groups.
- *Market impacts:* The presence of international organisations drives up local market prices, salaries and margins of profit. Local service providers are unable to compete with the heavily subsidised services of the international organisations.
- *Substitution impacts:* The tasks taken on by international organisations substitute or displace local sources. The international resources for the social sector free up local resources that e.g. can then be used for warfare.
- *Misuse impacts:* Theft, corruption and mismanagement allow project resources to fall into the hands of one party to the conflict e.g. who is operating road blocks, and who is thus strengthened economically.
- *Legitimation impacts:* The advisory services delivered by an international organisation or cooperation normally boost the reputation of a local institution. This entails a risk of legitimating conflict actors.

b) Implicit ethical messages

- *Cultural factors:* The behaviour of foreign experts should express respect for the local culture, as it is also desirable for the relationship between the parties to the conflict.
- *Standard of living:* Due to their high standard of living foreign experts are often perceived as being linked to the local elite, and close to them and their interests.
- *Use of resources:* The use of project resources by foreign personnel should display the same transparency and accountability that is demanded from local organisations in conflict transformation.
- *Lack of respect and competition among external actors:* Such behaviours convey to the local population the impression that cooperation and mutual respect enjoy only minor importance also among the external actors.
- *Powerlessness:* When project staff are unwilling to accept responsibility for the consequences of their actions, this sends the message that individuals are virtually powerless in the face of wider structures.
- *Tension and mistrust* on the part of project staff members get transferred onto their counterparts. As a result, the conflict becomes omnipresent in everyday life.
- *Different lives have different values:* The failure to include local staff members in the organisation's security plans sends the message that the lives of local people are worth less.
- *Demonisation and victimisation through PR work:* In the age of the Internet the interested local population is usually well informed on the statements made by the organisation at the international level. Ascriptions of blame, the victimisation of certain groups or political accusations are interpreted as the organisation's taking sides in the conflict.
- *Weapons and power:* When organisations employ armed security personnel for their own protection, they often indirectly support one party to the conflict financially, thus sending the message that weapons are a legitimate means of dealing with the conflict.

Checklist: Conflict-Sensitive Monitoring & Evaluation..... 6.9.

Security Monitoring

- Is there a *network* of development agencies doing joint security monitoring?
- Is one of the *conflict parties* involved in the network? If yes, what are the implications for the network?
- Is there a *written agreement* between the network members?
- Have the network members agreed on *basic operating guidelines*?
- Does the project staff have access to updated *internal crisis plans* and *crisis behaviour guides*?
- Has the project staff received *security training*?
- Is there a qualified security *advisor/office*?
- Are the *services* of the security advisor/office useful for the project staff?
- Are there *internal controls* to ensure that security advice is being implemented?
- Are the results *shared with others*? If yes, are there any (potential) problems arising from this, such as one of the conflicting parties misusing information?

Conflict Situation Monitoring

- Does the project *monitor the conflict situation regularly*, including information from the field (from partners and target groups)?
- Are the people that monitor the conflict situation *neutral, qualified and aware* of conflict sensitive issues?
- Is a *conflict analysis and peacebuilding needs assessment* based on a PCA available?
- Is it *up to date*?
- What are the *conclusions*? Are the risks acceptable? Is the project still relevant in relation to the peacebuilding needs?
- Does project management *respond appropriately* to the results of the conflict situation monitoring? Are the necessary changes discussed with stakeholders and implemented in a DNH manner?
- Are the monitoring results *shared with others*? If yes, are there any problems arising from this, such as one of the conflicting parties misusing information?

DNH-check

- Does the project *regularly monitor unintended negative and positive impacts* on the peace/conflict situation?
- Is the DNH-check done in an appropriate manner to ensure *objective results*? Formal research (interviews, research, etc.) versus informal monitoring (observations and discussions during other project activities); insiders' versus outsiders' views; blind spots.
- Are the people carrying out the DNH-check *neutral, qualified and aware* of conflict sensitive issues?
- Are all relevant *stakeholders and conflict parties* being asked for opinions and information about unintended project impacts?
- Is there an *atmosphere of confidence* between the "researchers" and the "researched"?
- Is the *M&E system* itself subject to a DNH-check?
- Are major DNH aspects covered, especially the impact of *project resources* and the implicit messages sent through *project behaviour*?
- Are the project team and stakeholders aware of the *trade-off* between conflict sensitivity and project progress in terms of PSD? How do they handle this issue?
- Does project management *respond appropriately* to the results of the DNH-check? Are the necessary changes discussed with stakeholders and implemented in a DNH manner?

- Are the results *shared with others*? If yes, are there any problems arising from this, such as one of the conflicting parties misusing information?

Monitoring of Intended Impacts

- Are peacebuilding needs sufficiently and correctly reflected in the *result hypotheses, result chains and result indicators*?
- Does the project *regularly monitor intended impacts* on the peace/conflict situation?
- Is the monitoring done appropriately?
- Are the people carrying out the monitoring *neutral, qualified and aware* of conflict-sensitive issues?
- Are all relevant *stakeholders and conflict parties* being asked for opinion and information about the project impacts?
- Does project management *respond appropriately* to the results of the impact monitoring?
- Are the results *shared with others*? If yes, are there any problems arising from this, such as one of the conflict parties misusing information?

External evaluations and Reporting

- Did external evaluations take into consideration *peace and conflict issues* (see: TOR, reports)?
- Were the external evaluators *neutral, qualified and aware* of conflict sensitive issues?
- Were the results of security monitoring, DNH-check, conflict situation monitoring and intended impact monitoring *reported appropriately* (do the right people get the right information at the right time to take the right decisions)?
- Are the results *shared with others*? If yes, are there any problems arising from this, such as one of the conflicting parties misusing information?

6.10.Nepal: Basic Operating Guidelines

What are the Basic Operating Guidelines (BOGs)²⁵ ?

The BOGs are a set of aspirations describing how donors wish to deliver assistance in Nepal. The BOGs have been agreed upon by ten bilateral donors. However, there exist similar guidelines approved by the UN system and international and national NGOs. The bilateral BOGs consist of fourteen specific points that explain why the bilateral donors are in Nepal, what they are trying to do, and the way that they work. Conflict-related concerns are staff security and the ability to implement projects peacefully.

²⁵ Nepal is a signatory to the Geneva Conventions and all key international human rights treaties. Moreover, the relevant UN security council resolutions on protection of civilian and on aid also apply to Nepal.

For more information, see www.reliefweb.int/ocha_ol/civilians and www.ifrc.org/publications/conduct/code/asp

Why do we need the BOGs?

As the conflict intensified after 2001, several security incidents occurred in 2002 and 2003 that targeted aid agencies and their field partners. Donors realised that they needed a common platform to protect development space. Based on international law, the basic operating guidelines (BOGs) were drafted in late 2003. Ten donors, with a long history of supporting poverty reduction in Nepal, became signatories: CIDA, DANIDA, DFID, the European Commission, the Embassy of Finland, GTZ, JICA, NORAD, SDC and SNV.

For these donors, the BOGs have become the reference point to explain to all stakeholders the purpose of their development assistance in Nepal and to define their expectations of their field staff and partners, of the national and local authorities and, also, of non-state parties. When the BOGs are violated by any of the armed belligerents, the signatories and

Basic Operating Guidelines agreed to by Undersigned Agencies in Nepal

Based on principles agreed internationally and in Nepal, we the undersigned have adopted the following Basic Operating Guidelines for all development and, if necessary, humanitarian assistance in Nepal.

1. We are in Nepal to contribute to improvements in the quality of life of the people of Nepal. Our assistance focuses on reducing poverty, meeting basic needs and enabling communities to become selfsufficient.
2. We work through the freely expressed wishes of local communities, and we respect the dignity of people, their culture, religion and customs.
3. We provide assistance to the poor and marginalized people of Nepal, regardless of where they live and who they are. Priorities for assistance are based on need alone, and not on any political, ethnic or religious agenda.
4. We ensure that our assistance is transparent and we involve poor people and their communities in the planning, management and implementation of programmes. We are accountable to those whom we seek to assist and to those providing the resources.
5. We seek to ensure that our assistance tackles discrimination and social exclusion, most notably based on gender, ethnicity, caste and religion.
6. We recruit staff on the basis of suitability and qualification for the job, and not on the basis of political or any other considerations.
7. We do not accept our staff and development partners being subjected to violence, abduction, harassment or intimidation, or being threatened in any manner.
10. We do not work where staff are forced to compromise core values or principles.
11. We do not accept our assistance being used for any military, political or sectarian purposes.
12. We do not make contributions to political parties and do not make any forced contributions in cash or kind.
13. Our equipment, supplies and facilities are not used for purposes other than those stated in our programme objectives. Our vehicles are not used to transport persons or goods that have no direct connection with the development programme. Our vehicles do not carry armed or uniformed personnel.
14. We do not tolerate the theft, diversion or misuse of development or humanitarian supplies. Unhindered access of such supplies is essential.
15. We urge all those concerned to allow full access by development and humanitarian personnel to all people in need of assistance, and to make available, as far as possible, all necessary facilities for their operations, and to promote the safety, security and freedom of movement of such personnel.

16. We expect and encourage all parties concerned to comply strictly with their obligations under International Humanitarian Law and to respect Human Rights.

Note: We seek to ensure our actions are consistent with the Principles of the International Red Cross and Red Crescent Movement's Code of Conduct.

For more information, please consult: http://www.reliefweb.int/ocha_ol/civilians/ and <http://www.ifrc.org/publicat/conduct/code.asp>

Basic Operating
Guidelines
agreed to by
Undersigned
Agencies in
Nepal

the UN system have used its principles to develop a common response which ranged from BOGs advocacy to temporary suspension of development activities.

In July 2005, His Majesty's Government of Nepal committed itself to respecting the BOGs in their budget statement. The Maoists have yet to do so. The donors involved are actively disseminating the BOGs for wider respect and understanding by all.

Why is there more than one set of BOGs?

In close collaboration with the bilateral donors who drafted the BOGs, the UN family developed its own set of basic operating guidelines in early 2004. The UN BOGs clearly make the links with international law and principles. Operationally speaking, the UN BOGs are undistinguishable from the BOGs of the bilateral donors. The BOGs group, which reviews and approves the actions required to defend the BOGs, includes the UN family, all BOGs signatories and observers that adhere to its principles.

In addition, the NGO Federation and the Association of International NGOs have developed codes of conduct for their respective membership. The provisions of these codes are often based on similar principles of neutrality and impartiality.

6.11.Public-Private Partnership in Post-Conflict Situations

Public-Private Partnerships (PPP) in the context of German Development Cooperation is a **combination of public and private inputs** in planning, financing and implementing projects that benefit both partners. The public sector is represented by the governments of Germany and the partner country, they benefit from PPP projects in terms of development impact. The private sector partners are local and foreign companies who benefit from the networks and know-how of the public sector partners and from reduced business risks and costs.²⁶

Private companies are generally reluctant to invest in conflict or immediate post-conflict settings.²⁷ But there are companies who may be able and willing to take the risk, for example because they want to secure a good market position (quasi-monopolies), attain low production costs, or access local natural resources. A company's decision will depend on a risk-versus-profit assessment and they will prefer short term and "light" investments which can be withdrawn easily in case of crisis. The service sector and light industries such as textile manufacturing are typical examples. International firms engaged in (post-) conflict countries are from various sectors, foremost natural resource extraction, energy, tourism, financial services, telecommunications, construction and agribusiness.

Most PPP partners are small and medium enterprises, including so-called diaspora entrepreneurs (refugees who are willing to return and invest in their home countries). Many multinational companies are afraid of the reputational risks of working in conflict-affected countries. Since international NGOs and the public in developed countries put increasing pressure on large companies to be "clean", a partnership with the German government may encourage such companies to get engaged in conflict-affected countries. By the end of December 2006, GTZ counted 29 PPP facility projects (completed or ongoing) explicitly working in post-conflict reconstruction; however, a total of 153 measures financed through the PPP facility have been implemented in countries affected by conflicts (ca. 35 % of all PPP facility projects).

PPP seems to be more feasible in post-conflict situations and in long-term stabilisation processes, less in volatile conflict settings and acute crises. As private companies need a

26 In German Development Cooperation there are two approaches to PPP. First, there is the so-called PPP facility implemented through selected German development institutions (SEQUA, GTZ, DEG and KfW). It is a special fund made available by the German Federal Government to co-finance public-private projects that target a development impact beyond the business interests of the private partner. Second, there are PPP funds integrated in any kind of development projects and open to any public-private cooperation measure, again leading to development impacts. The following observations focus mostly on experiences with the PPP facility.

minimum of stability for investment, most PPP projects take place after violent conflicts. A growing number of PPP measures address conflict issues, especially in reconstruction and reintegration programmes. PPP may hold a potential to bridge the investment gap between international post-conflict assistance, which peaks usually in the first 5 post-conflict years, and resuming private investments, which usually increase around the 8th year after conflicts have ceased. The first companies to come into a post-conflict scenario are often foreign construction companies contracted by donors, or foreign banks and mobile telephone companies who see a market in the new local elites, aid agencies and peace keeping forces. Smaller local or regional companies, subcontracted by larger international firms during the years of post-conflict reconstruction, are more likely to invest with a long term vision and therefore deserve more attention from the public sector partners in PPP projects.

Conflict sensitive PPP projects should comply with international standards and DNH-principles. Ideally they address long-term structural conflict causes. In a broad perspective they can contribute to sustainable economic development and help to overcome the so-called conflict trap, breaking the vicious cycle of poverty and conflict. Since half of all post-conflict situations turn violent again within a few years, working on the conflict root causes is an important – albeit complex – issue. In particular economies dependant on the extraction of one or few natural resources need to be diversified. PPP projects can help economic diversification by promoting new or small sub-sectors.

Since half of all post-conflict situations turn violent again within a few years, working on the conflict root causes is an important – albeit complex – issue. In particular economies dependant on the extraction of one or few natural resources need to be diversified. PPP projects can help economic diversification by promoting new or small sub-sectors.

The German company „Heidelberger Druckmaschinen Osteuropa Vertriebs GmbH“ is the first producer of printing machines in Afghanistan. The company started its operations in the year 2000, looking for a new market.

Due to a lack of local purchasing power the company started by repairing and maintaining local printing machines of the 60 local printers. Most of these services were done free of charge, a kind of advertising campaign of the company.

The next step was the establishment of a printers training institute, a Public-Private Partnership sponsored by the German government. The institute trains staff members of the German company but is also open for anyone else. Apart from printing pre-printing services are also trained. This is of particular interest to women because it is an acceptable job for women.

There is a big demand for printed material in the country, foremost newspapers and school books which are paid for by aid organisations. Due to the PPP, a large portion of the required 20 million copies can be printed in the country and thus create income and jobs.

The PPP project contributes to peace by stabilising the economy through new income opportunities, skilled jobs, also for women, and by indirectly promoting reading skills and information dissemination.

Box 18

Printing
Machines in
Afghanistan

Examples of Peace Entrepreneurship..... 6.12.

Source: *International Alert, 2006.*

Afghanistan

- Business gets involved in the Afghan New Beginnings Program, a DDR programme, providing training and employment to ex-combatants.
- Local businessmen participate in a shura, or council, that seeks to tackle corruption in the local administration.

²⁷ The following findings are based on an unpublished GTZ discussion paper (GTZ 2007b).

Bosnia and Herzegovina	<ul style="list-style-type: none"> • Organic Medici, a business growing and processing organic herbs, works with farmers across ethnic and entity divides to source products, and employs minority returnees. • Croatian company Kras reinvests in the Mira Prijedor biscuit factory in Republika Srpska, assisting its recovery from wartime losses. • Informal markets such as Arizona in Brcko district provide spaces for inter-ethnic economic cooperation at the same time as securing livelihoods. • International NGO CHF's Municipal and Economic Development Initiative supports multiethnic business associations which form into the Regional Enterprise Network, contributing to economic policy-making at both local and national levels.
Colombia	<ul style="list-style-type: none"> • Business plays a high-profile role in the Pastrana administration's peace process with the armed group FARC. • The energy company Interconexión Eléctrica S.A. creates the Programa de Desarrollo para la Paz, an initiative that tackles the root causes of conflict at the community level. • Compañía Envasadora del Atlántico, in collaboration with UNDP, helps to organise farmers' associations that produce passion fruit for its export business, providing them with livelihood alternatives to coca plantation. • Alianzas Red works to involve the private sector in reintegration initiatives that offer training and employment opportunities to IDPs. • The national Federation of Chambers of Commerce initiative Empresas por la Paz combines conflict resolution training at the micro-level with business start-up support to participants.
Cyprus	<ul style="list-style-type: none"> • Greek and Turkish Cypriot businesspeople participate in a cross-island dialogue initiative to develop strategies for economic cooperation and a peaceful settlement of the conflict.
DRC	<ul style="list-style-type: none"> • Local businesses in eastern Congo employ ex-combatants and cooperate with MONUC to strengthen stability at the community level and to engage in policy dialogue at the national level.
Kosovo	<ul style="list-style-type: none"> • The international NGO Mercy Corps promotes 'dialogue-rich development' in an initiative to foster both reconciliation and business linkages that were lost during the conflict between Albanian and Serb Kosovars.
Nepal	<ul style="list-style-type: none"> • The Federation of Nepalese Chambers of Commerce initiates negotiations to avert a Maoist threat to shut down industries, and to address some of their political and labour-related demands. • 14 apex business organisations set up the National Business Initiative (NBI) to support both the political peace process and socioeconomic development to address some of the root causes of the conflict.
Northern Ireland	<ul style="list-style-type: none"> • The Confederation of British Industry (CBI) engages in advocacy and support to the peace process, emphasising the benefits of a 'peace dividend'. Together with other business associations, CBI establishes the Group of Seven, which urges a settlement to the conflict through public campaigns and media statements at critical junctures during the peace process, as well as direct engagement with all parties to the conflict.

Sierra Leone	<ul style="list-style-type: none"> • The Sierra Leonean branch of the Africa-wide mobile phone company Celtel enters a partnership with the international NGO Search for Common Ground, to launch a new mobile phone network in former rebel strongholds in the north, combining the launch with a radio-broadcast debate on the importance of national reconciliation and the role of communications.
Somalia	<ul style="list-style-type: none"> • Telecommunications company Nationlink enters a partnership with UNICEF and a local NGO to provide vocational training and employment to demobilised child soldiers. • Businesspeople invest in and supply goods for the running of local social services such as hospitals, and provide essential public services such as electricity.
South Africa	<ul style="list-style-type: none"> • The Consultative Business Movement (CBM) joins forces with others to consult with the different parties to the conflict to facilitate an inclusive peace process; it is subsequently invited to fulfil secretariat and administrative functions for the Convention for a Democratic South Africa process that brings about a new constitution. • After the first elections, CBM and the Urban Foundation form the National Business Initiative as a channel for business support; they work in partnership with government to tackle systemic problems hampering social and economic development. • Business leaders set up Business Against Crime, a non-profit organisation and a partner with the government in tackling threats to security. • A separate Business Trust is set up to deal with the problem of unemployment, in particular focusing on job creation in the tourism industry.
South Caucasus	<ul style="list-style-type: none"> • The Abkhaz Union of Women Entrepreneurs assists Georgian micro-businesses from economically marginalised districts through start-up funds and training. • International NGO, Conciliation Resources, facilitates a dialogue initiative between Georgian and Abkhaz businesspeople to build trust and identify shared issues of concern in the context of the current conflict. • Recently closed Ergneti and Sadakhlo markets were important centres for generating livelihoods as well as confidence and trust through cross-border trade between Georgians and South Ossetians, and Azeris and Armenians, respectively. • The Caucasus Business and Development Network seeks to facilitate regional business linkages by promoting information exchange. • The Turkish-Armenian Business Development Council is formed by Armenian and Turkish businesspeople to foster business linkages as well as providing a forum to advocate for rapprochement at the political level.
Sri Lanka	<ul style="list-style-type: none"> • Colombo-based big business forms the Sri Lanka First campaign, which mobilises citizen support for a peace settlement in the run up to elections in 2001, helping to bring to power a pro-peace government and leading to the signature of a ceasefire agreement in 2002. • The Business for Peace Alliance, a working group of business members from regional chambers of commerce from across the island, promotes trust-building and joint initiatives between Tamil, Sinhalese and Muslim businesspeople, as well as policy advocacy vis-à-vis the capital.

6.13. Proposed Structure for Country Analyses to Ensure Conflict-Sensitive Portfolio Design in Line with PCA Logic

This structure can be used for studies, workshop concepts, or to record processes of advisory services on portfolio adjustment.

I. Preface – context, framework, objectives

Brief description of the **context and framework** (e.g. client and focus (development cooperation or technical cooperation)), within which the study was produced. What was the specific **reason** for the study? Which **objective(s)** does the study pursue at political/implementation level? Who is its **audience**? Does it target the national level or are individual regions of a country analysed? Does the study have a technical cooperation and/or development cooperation **focus**? Is this focus national or international, and are international donors taken into account? Are the recommendations intended for a country, programme or project portfolio? We would also advise you to briefly lay out the **procedure adopted or the methods and sources used** (e.g. desk study of literature, in-country research, interviews, workshops with local experts, etc.). Refer to the relevant sections of the terms of reference.

II. Executive summary

A summary of the entire study, which highlights the most important points and recommendations. This provides a rapid overview and can be passed on to interested parties as a separate document where appropriate. To ensure that the Executive Summary contains not only recommendations out of context, you should also lay out the objectives and purpose of the study, give a (very brief) overview of the contents of Chapters III-V and a slightly more detailed overview of Chapters VI and VII along with, in depth as appropriate, the recommendations laid out in Chapter VIII.

III. Peace and conflict analysis

In contrast to earlier country analyses, the **focus** should be on **both the conflict situation and on the dynamics in the field of peacebuilding** in a given country. In a country analysis, the course of the conflict and the status of peace processes or negotiations at macro level are analysed. If it is clear from the outset that the study is to focus on certain regions (areas of intervention) within a country, the overarching conflict and peacebuilding situation should only be touched on briefly (to set the context), and then both the course of the conflict and the peace process in the area of intervention should be analysed. The following overview of points to explore should be seen as a maximum option. Depending on the reason for the study and the conflict situation, it may be more appropriate to structure this chapter in a different way, for instance along the lines of conflict, which then must be defined as a first step.

1. Conflict profile (brief overview)

a) Conflict type

Internal, international, or regional conflict, border conflict, social conflict, conflict over resources, conflict over identity or values (a combination of types is possible)

b) History of the conflict, and if appropriate of peace processes

(Optional, can also be dealt with briefly in the preface; in addition to the history of the conflict, peace initiatives to date should be described)

- c) **Conflict phase**
Latent conflict, conflict escalation, acute conflict, end of conflict, post-conflict/reconstruction
- d) **Scope of the conflict**
Geographic, human scale (number of victims, food and health status), economic, military, acts of violence, human rights violations, etc.

2. Analysis of the causes

Presentation/analysis of the long-term structural factors (= underlying structures), which have brought about the conflict and stand in the way of resolution

- a) **Political factors**
e.g. problems involved in managing transition processes, the lack of a legitimate government, limited social and political participation, etc.
- b) **Economic factors**
e.g. socio-economic inequality, competition for natural resources, etc.
- c) **Social factors**
e.g. discrimination, social disintegration, marginalisation, culture of violence, etc.
- d) **Security-specific factors**
e.g. uncontrolled army, arbitrary police actions, presence of weapons, etc.
- e) **External factors**
e.g. negative consequences of international commitment, of the national and international setting, etc.

3. Stakeholder analysis

Presentation of the parties/groups/actors involved. It is a good idea to make a further distinction between conflict and peace constituencies. This can be complemented by a split Lederach pyramid diagram, for instance. The presentation of each group should include their specific needs, interests and positions (onion model).

- a) **Internal stakeholders**
Government, opposition, security forces/army, decentralised administrative structures, private sector, civil society (NGOs, civil society groups, religious associations...), if appropriate individuals (traditional or religious leaders), etc.
- b) **External stakeholders**
Regional stakeholders (neighbouring countries, regional/multilateral associations), international donor community, UN organisations, World Bank, regional development banks, etc.
- c) **Conflict mapping (optional)**
Graphic presentation of the relations between and among stakeholders; if work-shops are held in the partner country, the materials, charts, maps, etc. produced can also be added in the form of photos or attached in the Annex.

4. Peace and conflict potential

Presentation of factors, that emerged or gained relevance in the course of the conflict, and which are having a negative or a positive impact on the course and duration of the conflict. We recommend that you structure these factors in the same way as you did for the analysis of the causes.

- a) **Factors that prolong the conflict/cause it to escalate (conflict potential of a society)**
Political, economic, social, security-specific, external factors (see above) (e.g. loss in status of military and the arms industry once a conflict is over, failed peace negotiations, revenge and retaliation for acts of violence)
- b) **Factors that promote peace/de-escalation (peacebuilding potential of a society)**
Political, economic, social, security-specific external factors (e.g. existing mechanisms for mediation and conflict management at various levels, peace initiatives, peace-stabilising donor strategies, etc.)

5. Conflict scenarios and trends

Realistic description of several possible developments of the conflict (preferably with the involvement of an expert or a long-term observer of the situation on the ground at local level). Each scenario should not only be identified and described, but should contain indicators, which point out when the scenario in question has materialised. A discussion/documentation of possible priorities and strategies for each scenario can be added. (Although it is rare for a conflict scenario to materialise in precisely the form forecast, this work can make an important contribution to setting developments on track.)

IV. Identification of shortcomings and needs in the field of peacebuilding

The aim of this step is, firstly, to specify the conditions which could ideally help strengthen existing dynamics in the field of peacebuilding and, secondly, to compare the actual situation with the ideal. This comparison identifies the current shortcomings (and pertinent needs thus deduced) of peacebuilding in a country/region. In this chapter too it can make sense to structure information along the lines of conflict.

- a) **Description of the ideal state**
The first step is to lay out the desirable or ideal state to be achieved in a country or part of a country, once major conflicts have been successfully resolved. Ideally this description should be produced in the course of a workshop at which the implementing organisations/donors and their partners achieve a consensus, and at the same time outline their shared vision. The “ideal state” is logically linked to all results elaborated in Chapter III (Peace and Conflict Analysis). Where possible, the links to that analysis should be set out.
- b) **Analysis of shortcomings and deduction of peacebuilding needs**
When comparing the **reality with the ideal state**, current shortcomings become apparent that stand in the way of successful peacebuilding (or conflict transformation). On this basis the **major peacebuilding needs** should be identified for a country in a conflict situation. When elaborating these needs you can and should name all relevant societal/political/economic fields, irrespective of whether or not they are typical assistance fields for development cooperation. It would be a good idea to break the information down by sector or by other appropriate criteria.

V. Taking Stock/Description of ongoing/planned Development Cooperation/Technical Cooperation Portfolio

A brief overview (perhaps in the form of a table) of the existing country portfolio, its special features (e.g. certain geographic focus), the way it is developing at present and a description of the sectors agreed with the partner government. At this point, where appropriate, you can also look at the approaches taken by major international stakeholders. **Depending on the objective of the study (see preface) you might leave the national level at this stage and look in more detail at the sector, programme or project portfolio to be**

adjusted. For the rest of the study you should then remain at this level (or if you feel it necessary to leave this level, you must make it quite clear that you are doing so). The next steps are based on the assumption that a country portfolio is to be adjusted.

The necessary data/information for this chapter can be taken from workshops, interviews and/or the projects' own assessments. The procedure used to gather and process information might be sensitive because the consultant performing the work can easily come to be viewed as the "judge" of the (current/planned) portfolio. It is thus absolutely essential to clarify roles and ensure transparency regarding the criteria to be used for describing the portfolio. Concrete information on how to draw up a portfolio overview can be found in the Guideline for Conflict-related Portfolio Analysis.

VI. Relevance Assessment of the existing/planned Development Cooperation/technical Cooperation Portfolio

Note: This step winds up the analytical part per se and marks the start of the assessment, on which the conclusions and recommendations will be based later on.

The existing country portfolio of development cooperation or technical cooperation (perhaps including the activities of international stakeholders), with its agreed priority sectors and individual measures (objectives, approaches and main activity lines), will be assessed in terms of its current contribution to peacebuilding. At the heart of the assessment is the question as to whether or not the objectives and main activities of a (project, programme or) country portfolio correspond to the peacebuilding needs (see outcomes regarding peacebuilding needs), and if so, how.

This step looks at whether certain measures/programmes within a country portfolio are in any way relevant for a peacebuilding process and opens up scope for discussion, whether appropriate adjustment could generate or increase their relevance. This is to foster a process of selection and decision-making which is intended to prevent excessive adjustment activities.

VII. Assessing Results

This step focuses on the **level of the individual projects to be investigated/adjusted** within the framework of the overarching objective of the study. When assessing results, it is assumed that there is mutual interaction between a conflict and the projects (in a sector, within a programme). Concomitantly, both perspectives should be examined (how the conflict influences the projects and how the projects influence the conflict), and the respective cause-effect hypotheses drawn up.

a) Risk assessment and estimation

In the risk assessment the real or potential **impact of the conflict on the development intervention** is examined. In the offers for the individual projects/programmes the possible results listed here are reflected as risks or possible limitations. A central element in this analysis is staff security or the risk entailed by the conflict for the personnel of one or more project(s) or programme(s). The (existing or non-existent) relations of the project to the various parties to the conflict should also be highlighted and assessed at this stage.

b) Peace and Conflict-related Impact Monitoring

In contrast to section a) the Peace and Conflict-related Impact Monitoring looks at the existing or planned **impacts of a project or programme on the conflict and the peace process**. Important questions include whether processes and initiatives of the projects have impacted (positively) on changes in the peace process and which stakeholders benefit from these changes (category and number of stake-holders). The methods to be used

at this stage include the **Do-No-Harm Analysis**, and the **production and use of results chains, indicators and checklists**. Special attention should be paid to establishing the (possibly divergent) perceptions of the participants and target groups of the projects/programmes and of other stakeholders in the wider environment.

VIII. Recommendations

This chapter deduces concrete recommendations and proposals for action for projects (intervention level), organisations (country portfolio level), donor countries (development cooperation level), etc. in reference to the previous chapters. The deduction should be easy to follow and refer to certain chapters (e.g. scenarios). You should also take into account the feasibility of the recommendations (real room for manoeuvre!). It is particularly important to keep your recommendations “user friendly”. The reader should be able to understand them rapidly. This makes a good structure important, especially if you have several recommendations. Possible structures are:

- By field (political, social, economic, etc.), by sector (economic reform and market development, food security, etc.) or by political and social levels (=> Lederach’s track model)
- By short-, medium-, and long-term recommendations
- By target audience: international level, development cooperation level, technical cooperation level, project level, etc.
- A combination of the above (especially recommended when you give a large number of recommendations) e.g. “Recommendations for the development cooperation level” › “Social level” › “Gender” › “Promoting local women’s organisations” ›...

Alternatively/in addition the recommendations (where you have only a few) or recommendation sections can be formatted as a headline, so that they can be clearly identified at a glance on the contents page (e.g. “Strengthening local conflict mediation mechanisms”).

Recommendations should not be worded too abstractly. The degree of detail and concretisation is important to enable the client commissioning the study to implement the recommendations (i.e. reduce unemployment, without any further specification, would be too vague for a recommendation).

6.14.Glossary

Business in Conflict (BIC)

Since the late 1990s the role of business in crisis regions, particularly that of transnational groups, has been discussed under the heading of Business in Conflict (BIC). Companies extracting resources (crude oil, diamonds etc.) as well as those, which are involved as investors in conflict countries and regions with a wealth of resources, are of particular importance. Compared to small and medium sized enterprises (SME), transnational groups suffer relatively little impact on their costs and sales markets due to conflicts. At the same time, these groups controlling resources can often exercise much more influence on conflicts than SMEs. To date the role of transnational groups is mainly influenced by self-regulation initiatives (e.g. Global Compact of the UN), incentives, laws and monitoring by

civil society. Up to now development cooperation has hardly used the potential of global economic players for crisis prevention and mitigation of conflicts.

Community-based Integration

The community-based integration approach means that project services are not provided directly to members of a particular target group but rather to the communities in which many members of the target group live (or have returned to live). One example for this is the identification of villages where many former members of guerrilla groups are living and the deliberate promotion of these villages. Quite often this approach is used in Targeted Integration.

Complex emergencies

Complex emergencies describe complex, multi-faceted humanitarian crises that can be traced back to interacting economic, political and ecological causes. They generate hunger, violence and displacement, and many civilians fall victim to them (dying, becoming refugees or displaced persons). They have no clear beginning or end.

Conflict

A relationship between two or more interdependent parties in which at least one of the parties perceives the relationship to be negative or identifies and pursues opposing interests and needs. Both parties are convinced that they are in the right. Conflicts are an essential ingredient of social change. They become dangerous when not solved in a peaceful and constructive manner.

Conflict and post-conflict countries

There is no internationally accepted definition or list of conflict and post-conflict countries, which is why the BMZ derives its definition from the categorisation of countries within the scope of the BMZ's crisis early warning system (based on the definitions of the Working Group on the Causes of War (AKUF)). Conflict countries include developing countries and transition states in which violent conflicts are currently ongoing, either in individual regions or throughout the country. In post-conflict countries, violent conflict has been ended by a ceasefire or a peace agreement at least one year previously. Less than ten years have elapsed, however, since the end of violent hostilities. This categorisation is adjusted every year to bring it into line with developments.

Conflict-related impact monitoring

Systematic observation of the positive and negative impacts of development cooperation on the dynamics of a conflict at the project and country level.

Conflict management

Conflict management is the attempt to regulate a conflict by acting to help prevent or end violence. It seeks to bring about constructive solutions from which all the parties involved can benefit. This term is often used in development cooperation synonymously with the term conflict transformation, although the latter actually also embraces the overcoming of structural causes of conflict, and of the attitudes and behaviour patterns of the parties to violent conflicts. Conflict transformation is thus wider than mere conflict management and leads to a change in the way those involved act and perceive the problem.

Conflict phases

Conflicts may have the following five phases:

..... Latent conflict:

Although from the outside the situation still looks stable, the structural causes of the conflict already exist and at least one of the parties is aware of them. The relationship between the parties is tense and it is not possible to settle the issue within the framework of the existing political and social order. The tensions may already be expressed in occasional violent actions.

..... Conflict escalation:

The conflict is now public and the behaviour of one or several parties is increasingly confrontational (e.g. public demonstrations, local clashes). Mutual trust disappears quickly and the parties prepare for further confrontations.

..... Acute conflict:

The conflict has reached its greatest intensity. The level of violence is high, normal communication between the parties involved is almost impossible. Peaceful options for settling the conflict seem to be excluded.

..... Termination of conflict:

The victory or surrender of one party, mediation, peace negotiations or interference by a third party terminates the acute crisis. The intensity of violence and tension drops and parties resume communication. This phase may extend over a prolonged period of time in which ceasefires get broken and violent action continues regionally.

..... Transition to post-conflict situations:

The situation stabilises although political, economic and social insecurities persist. The risk of a new escalation prevails unless all causes and consequences of the conflict are purposefully tackled. As with all phase models, this one also describes an idealised sequence of events. Development cooperation for crisis prevention is most effective during the initial phase (latent conflict) as well as being an instrument for reconstruction and reintegration during the phase of conflict termination and in the post-conflict period. During the acute conflict phase other instruments (diplomacy, defence, emergency aid) are more efficient.

Connectors/Local Capacities for Peace

In every society in conflict, people who are divided by some things remain connected by others. Connectors, or “Local Capacities for Peace” are socioeconomic elements, such as markets, infrastructure, common experiences, historical events, symbols, (formal) traditions, shared attitudes, formal and informal associations; all of these continue to provide continuity with non-war life and with former colleagues and co-workers now alienated through conflict. Similarly, all societies have individuals and institutions whose task is to maintain intergroup peace. These include justice systems (when they work!), police forces, elders groups, school teachers or the clergy and other respected and trusted figures.

Crisis prevention

Crisis prevention means early, planned, systematic and coherent action at various levels of state and society for the prevention of violent conflicts. Measures for crisis prevention aim

to achieve the following before, during or after violent conflicts: diminish the potential for violent conflict and promote the development of institutions, structures and “cultures” for the peaceful settlement of conflicts.

Dividers

Dividers are those socioeconomic elements that are sources for tension between groups, i.e. ‘what divides the groups’. They may be rooted in deep-seated, historical injustice (root causes) but they can also be recent, short-lived or manipulated by leaders (proximate causes). They may arise from many sources including economic relations, geography, demography, politics or religion. Some may be entirely internal to a society, others promoted by outside powers. Understanding what divides people is critical to understanding, subsequently, how assistance programmes can feed into, or lessen, these forces.

DNH-approach

By far the most important rule for development cooperation in crisis situations is the principle of „DNH“, introduced by Mary B. Anderson. In line with this principle, unintended consequences of humanitarian aid and development cooperation and any unintentional aggravation of the conflict should be recognised, mitigated or all together avoided, while effects fostering peace and bridging the differences between parties to the conflict should be intentionally strengthened. This means that before implementation, the content and operative aspects of development projects must be reviewed according to their relevance for the conflict, risks of conflict and actual impacts. (see ‘Impact’)

Early warning

Systematic observation of a latent conflict using conflict prediction models. The objective is to detect the signs of conflict escalation in time (early warning) in order to initiate preventive measures (early response, early action).

Economy of violence/markets of violence

A broad distinction can be drawn between spheres of the economy that are illegal but do not induce any direct violence, and industries in which the main profiteers can only secure their revenues by using violence or threatening the use of it. The latter case is referred to as economies or markets of violence. The relationship between the use of violence and economic activity is of a causal and systemic nature.

Entrepreneur of violence

An Entrepreneur of violence is a rebel leader or warlord who makes his income by taking resources violently. However, governments, members of the state elite, military leaders, etc. may also be part of the structures of the economy of violence or may be protecting its practitioners.

Failed states

Failed states are those states that cannot perform their basic security and development functions and have no effective control over their territory and borders. It is difficult to ascertain when a weak state has failed.

Peace (positive vs. negative)

Negative peace means the absence of organised (military) violence, whereas positive peace is only deemed to have been reached when there is an absence of structural violence in a society. Structural violence, in turn, is defined as systematic ways in which a given regime prevents individuals from achieving their full potential. Institutionalised racism and sexism are examples of this. Development policy aims to achieve positive peace.

Peacebuilding

Medium and long-term measures aimed at setting up mechanisms of peaceful conflict management, overcoming the structural causes of violent conflicts and thereby creating the general conditions in which peaceful and just development can take place.

Peace constituencies

Civil society or political groups or institutions which stress common factors shared with members of other parties to the conflict and play down divisive factors. They foster dialogue and cooperation between parties to the conflict and thus make a contribution to non-violent conflict resolution.

Peacekeeping/peace enforcement

Observation and enforcement of the implementation of a peace accord and of agreed confidence-building measures, if necessary by military force.

Peacemaking

Short-term diplomatic, political and military activities aimed at the immediate ending of violent confrontations and the conclusion of a peace accord.

Targeted integration

The concept of targeted integration means allowing only identified members of the chosen target group to access project services. E.g. reintegration aid is provided only for soldiers or former combatants if they were previously identified as the target group of a project. Often targeted integration is combined with community-based integration (see glossary).

War economy

According to a definition coined by the Overseas Development Institute (2002), a “war economy” only comprises those economic activities that are undertaken in a war situation by the groups involved in the violence (militias, warlords, military forces) and/or their leaders and that contribute to the financing of the hostilities. Other authors use “war economy” to describe the overall set of structural changes in an economy caused by war. (see also ‘economies of violence’)

Working on conflict

Working on conflict describes attempts to influence the way in which conflicts are settled by means of regulation, prevention of violence and attempts at ending them. This work aims to find constructive solutions, which will be beneficial for all parties involved.

Post Conflict Recovery in Sierra Leone - the Rehabilitation, Reintegration and Reconciliation Activities (ReAct) Programme Case..... 6.15.

Key Lessons

It is a dangerous fallacy to expect that in a country like Sierra Leone, where many of the root causes of conflict still remain to be addressed, the end of conflict automatically results in a peace dividend that will unleash private sector growth leading to poverty reduction. ReAct encountered an extremely fragile and weak investment climate with private sector concerns over security and stability that could only be partially offset by the presence of a large external peacekeeping presence. Aside from concerns over post-UNAMSIL security and stability, PSD was constrained by extreme deficiencies in basic economic infrastructure, near absence of functioning financial systems, weak rule of law and property rights enforcement, and a poorly educated and unskilled labour market. Against this bleak background, the ReAct programme was tasked with reconstruction, rehabilitation and reintegration of demobilized combatants in devastated rural communities.

Key lessons, with regard to PSD under post-conflict LDC conditions from ReAct include:

- a) **Reconstruction of Local Infrastructure:** ReAct interventions targetted impoverished and divided rural villages. Activities and resources were subject to Memorandums of Understanding signed with Community Development Committees, but when CDCs were dominated by local elites, the rural poor complained about collusion and inequity, frustrating the intervention's goals. Instead of specific enterprise-level interventions which might be seen as favouring one group over another, conflict sensitive PSD under conditions of deep social cleavages should at least initially focus on employment promotion through broadly-supported economic infrastructure reconstruction. Local committees must be formed based on DNH analysis and must be supplemented by procedures (e.g. independent surveys and community reporting/accountability mechanisms), which confirm widespread support for programme interventions.

- b) **Skills Training:** Over 80% of the 76,000 ex-combatants registered for demobilization participated in vocational or skills training programmes of several donors. A survey of more than 1000 participants of these programmes indicated relatively successful results by international standards, finding that
 - 42% of graduates found jobs. (half self-employed, half formal)
 - An additional 33% could be considered underemployed as artisans or farmers.
 - Nearly 75% believed that their job was directly related to the skills they received in training.
 - Over 90% believed that the skills they learned would be useful in the future.
 - The most common complaints were delays in the delivery of allowances and toolboxes and lack of support for finding or creating jobs.

The survey results confirm the utility of the integrated design of the ReAct Programme. With less than one-quarter of participants finding formal sector employment, there was clearly a need for agriculture and income generating activities to support the majority of the main target group. A destroyed agrarian economy cannot provide sufficient formal sector employment opportunities to absorb large numbers of ex-combatants and returnees, self-employment and sustainable livelihood strategies should therefore be supported through activities and instruments (like sustainable micro-enterprise formation) backed by access to credit and business development services.

- c) Credit and Business Development Services: Scope and scale of conflict defined the ReAct instruments for credit and business development services. Improving access to credit has the potential to quickly and effectively satisfy self-help demands of a broad target group. But building sustainable credit institutions requires research on viable credit products, development of internal systems and procedures, and not least, qualified and professional staff. Design choices for improving access to business development services can be influenced by the target group volumes. This implies potential trade-offs between the quantity and quality of services. These pressing requirements can be met with temporary revolving funds and mass training approaches for business development services.
- d) Short and Long-term PSD Initiatives. ReAct was designed to assist economic and social reintegration in the immediate post-conflict period in Sierra Leone with a contiguity of services to reestablish economic networks within rural communities during a critical period. ReAct was primarily tasked with the immediate challenge of rebuilding rural communities, not with addressing the social and economic rules of society to trigger broader cycles of development. It seems best to maintain this dichotomy with the provision that immediate interventions adhere as closely as possible to the DNH principle in order not to frustrate more long-term initiatives.

Recognizing the social tensions during reconstruction and acknowledging that structural changes are most likely to emanate from the centre to the periphery argues for the simultaneous yet separated implementation of short and long-term PSD initiatives. Addressing long-term PSD constraints is equally important and pressing during post-conflict periods to avoid eventual relapses into violence as short term relief and reintegration work.

- e) Programme Management. ReAct's integration into a multi-sector strategy implies additional management challenges that impact on programme results. A 2001 review drew attention to special post-conflict conditions that need to be better reflected in the design of programme organisation and staffing arrangements. Programme administration is not immune to the prevailing currents of corruption and the weak rule of law that contributed to the onset of conflict. Ensuring transparent and accountable programme administration is essential for developing trust within the local communities. Difficult and dangerous conditions do not attract experienced international staff and qualified national staff is often unwilling to relocate to rural areas. These extremely challenging assignments often fall to relatively inexperienced professionals. Dealing with traumatised individuals and communities in a fluid environment take an increasingly greater psychological toll on staff over time. This difficult implementation environment justifies a careful review of the package of benefits offered to attract qualified staff and points to the need for more staff with smaller task assignments than might normally be expected. Simply put, programme management in a post-conflict LDC environment is not 'business as usual'.

Summary

Between 1991 and 2002 state institutions in Sierra Leone had virtually collapsed. More than two million people were driven from their homes and around 70,000 people are estimated to have been killed. Several factors combined and contributed to the onset and duration of the war. These include inequities established in a colonial past, the current structure of social and economic institutions, the protracted decline of the state, regional dimensions, and the existence of lootable natural resources. Many if not all of those factors prevailed after the conflict.

The ReAct Programme was based on an integrated multi-sectoral strategy. The programme components with significant PSD Elements included: a) Community Services; b) Agriculture; c) Construction; d) Skills Development; and e) Income Generation. Key lessons learned include:

The formation of local committees alone is insufficient to guarantee conflict-sensitive choices in infrastructure reconstruction. They must be supplemented by procedures, such as independent surveys and community reporting and accountability mechanisms, which confirm widespread support for programme interventions.

The formal sector is unlikely to provide sufficient employment opportunities in the immediate post-conflict period. Therefore, integrated multi-sectoral programmes which provide a continuum of services are likely to be required. Basic skills training provide the foundation upon which other PSD instruments may be systematically combined.

The scope and scale of conflict may imply trade-offs between the quantity and quality of financial and non-financial business development services. The factors of urgency and volume in Sierra Leone dictated the choice of temporary revolving funds and mass training approaches for business development services.

Responsibilities for implementing short-term and long-term initiatives to promote PSD in post-conflict LDC environments should be separate. This is based on the inherent tension of local relationships during reconstruction and acknowledges that structural changes for PSD are most likely to emanate from central government policy changes and not necessarily from the rural areas.

Programme management and administration in a post-conflict LDC environment is not 'business as usual'. Corruption may be rampant and it is difficult to attract qualified international and national staff to rural assignments. These factors justify a careful review of the package of benefits offered to attract qualified staff and point to the need for higher staff complements with smaller task assignments.

ReAct illustrates that in post-conflict Sierra Leone not one but many complex problems need to be addressed. PSD in rural areas requires an integrated solution with skills training as the foundation supported by a systematic combination of rapidly implementable instruments. Long-term structural changes to promote PSD are equally important, but should be promoted through a separate process.

6.16.Literature

Addison et al. (2001): Finance in Conflict and Reconstruction, Discussion Paper No. 2001/44, World Institute for Development Economics Research (WIDER), United Nations University.

Addison et al. (2005): Reconstructing and Reforming the Financial System in Conflict and 'Post-Conflict' Economies, Journal of Development Studies, Vol.41.

Alesi, Frances (2001): The micro-finance agenda and post-war recovery and development: its effectiveness as a tool for socioeconomic enablement and recovery of war-crisis afflicted communities.

Anderson, Mary B (1999): Do-No-Harm. How Aid Can Support Peace - or War, Columbia.

Ballentine, Karen; Sherman, Jake: The Political Economy of Armed Conflict - Beyond Greed and Grievance, London.

BMZ (2005): Sector strategy for crisis prevention, conflict transformation and peacebuilding in German Development Cooperation. Strategy for Peacebuilding, Berlin.

BMZ/GTZ Kompetenzfeld "Internationale Zusammenarbeit im Kontext von Krisen und Katastrophen" und KfW "Kompetenzcenter "Demokratieförderung, Dezentralisierung und Friedensentwicklung": PCA Mindeststandards für K0, K1 und K2-Vorhaben, unpublished.

Carlien van Empel (2002): Local Economic Development Agencies: Instrument for Reconciliation and Reintegration in Post-Conflict Croatia.

CDA Collaborative Learning Projects (2007): DNH-checklist, Cambridge.

CDA Collaborative Learning Projects (2007): "DNH" Framework for Considering the Impacts of Aid on Conflict, Cambridge.

CDA Collaborative Learning Projects (2007): The DNH Handbook (The Framework for Analyzing the Impact of Assistance on Conflict), Cambridge.

CDA Collaborative Learning Projects (2007): DNH Workbook, Cambridge.

Collier, Paul/ Hoeffler, Anke (2001): Greed and Grievance in Civil War, Washington, D.C.

Collier, Paul/ Hoeffler, Anke (2002): Aid, Policy and Growth in Post-Conflict Countries, Washington, D.C.

Collier et al. (2003): Breaking the Conflict Trap: Civil War and Development Policy, WorldBank Policy Research Report No. 26121, Washington, D.C.

Collier, Paul/ Hoeffler, Anke (2004): Aid, Policy and Growth in Post-Conflict Societies. The European Economic Review, Vol. 48, pp. 1125-1145.

Collier, Hoeffler, Söderborn (2006): Post-Conflict Risks. Centre for the Study of African Economies, Department of Economics, University of Oxford.

Date-Bah, Eugenia (2001): Crisis and Decent Work: A Collection of Essays. Geneva.

DFID (2002): Conducting Conflict Assessments. Guidance Notes.

Donor Committee for Enterprise Development - Business Environment Working Group (2007): White, Simon/ Mikhnev, Andrei: Supporting Business Environment Reforms:

Practical Guidance for Development Agencies, (Draft for Distribution at Accra Conference 5-7 November 2007)

FAKT (2005): Strategien zur konflikt sensitiven Programmgestaltung mit Bezug auf berufliche Qualifizierung und Beschäftigungsförderung in Konflikt- und Postkonfliktsituationen. Analyse von Strategiepapieren bilateraler und internationaler Entwicklungsorganisationen.

Geert van Boekel, Majon von Longestijn (2002): Applying a comprehensive LED Approach The case of Mozambique. Geneva

German Federal Government (2000): Comprehensive Concept of the Federal Government on Civil Crisis Prevention, Conflict Resolution and Post-Conflict Peacebuilding, Berlin.

German Federal Government (2004): Civilian Crisis Prevention, Conflict Resolution and Post-Conflict Peacebuilding, Bundestag printed paper No. 15/5438, Berlin.

German Federal Government (2006): Working together to strengthen security and stability through crisis prevention. 1st Federal Government Report on the implementation of the Action Plan "Civilian Crisis Prevention, Conflict Resolution and Post-Conflict Peacebuilding", Berlin.

Gleichmann, Colin et al. (2004): Disarmament, Demobilisation and Reintegration: A Practical Field and Classroom Guide. GTZ, NODEFIC, PPC and SNDC.

Goodhand, Jonathan (2002): Conflict Assessments, A Synthesis Report: Kyrgyzstan, Moldova, Nepal and Sri Lanka. The Conflict, Development and Security Group, London.

GTZ (2001a). Leonhardt, Manuela: Conflict Analysis for Project Planning and Management, A practical guideline - Draft Paper, Eschborn.

GTZ (2001b). Sector Program Crisis Prevention and Conflict Transformation: Conflict Analysis for Project Planning and Management. A practical guideline, Eschborn.

GTZ (2001c). Sector Program Crisis Prevention and Conflict Transformation: Conflict Impact Assessment for Development Projects. Konfliktbezogene Wirkungsbeobachtung von Entwicklungsvorhaben. Eine praktische Handreichung, Eschborn.

GTZ (2002). Ropers, Norbert: Peacebuilding, Crisis Prevention and Conflict Management. Technical Cooperation in the Context of Crises, Conflicts and Disasters, Eschborn.

GTZ (2003a). Becker, Sabine/Führmann, Bettina: Erfahrungen in Vorhaben der Wirtschafts- und Beschäftigungsförderung sowie der wirtschaftspolitischen Beratung in Konflikt- und Postkonfliktländern, Berlin/Duisburg.

GTZ (2003b). EM Privatwirtschaftsförderung in Konflikt- und Postkonfliktsituationen. Becker, Sabine/Führmann, Bettina: Erfahrungen in Vorhaben der Wirtschafts- und Beschäftigungsförderung sowie der wirtschaftspolitischen Beratung in Konflikt- und Postkonfliktländern, Berlin/Duisburg.

GTZ (2003c). EM Privatwirtschaftsförderung in Konflikt- und Postkonfliktsituationen: Skizze eines Instruments zur Gestaltung von Maßnahmen der (Privat-) Wirtschaftsförderung in Konfliktregionen, Eschborn.

GTZ (2003d). Huber, Martina: KMU und Organisation der Privatwirtschaft in der Krisenprävention. Bericht im Rahmen der Eigenmassnahme "Rolle der Privatwirtschaft in Konflikt- und Postkonfliktsituationen."

GTZ (2003e). Huber, Martina: Business in Conflict - Beratung im Rahmen der Eigenmassnahme 'Rolle der Privatwirtschaft in Konflikt- und Postkonfliktsituationen', Eschborn.

[IB2]GTZ (2003f). Huber, Martina: Business in Conflict. Bericht im Rahmen der Eigenmassnahme "Rolle der Privatwirtschaft in Konflikt- und Postkonfliktsituationen."

GTZ (2003g). Kievelitz, Uwe / Kruk, Gabriele / Frieters, Norbert: Joint Utstein Study of Peacebuilding. National Report from Germany.

GTZ (2003h). Sector Program Crisis Prevention and Conflict Transformation: Joint Utstein Study of Peacebuilding. National Report from Germany. Commissioned by the Evaluation Division of the German Federal Ministry for Economic Cooperation and Development (BMZ), Eschborn.

GTZ (2003i). Becker, Sabine: "Private Sector Development in (Post)-Conflict Situations - Experience of International Organisations", Draft Report 15.04.2003, GTZ, Eschborn

GTZ (2004) Boschmann, Nina: Rolle der Privatwirtschaft in Konflikt- und Postkonfliktsituationen - Beiträge von Business Information Services (BIS) in Krisensituationen: das Beispiel der 'Ceylon Chamber of Commerce' und des GTZ-unterstützten 'Enterprise Information Project' im Friedensprozess in Sri Lanka, Eschborn.

GTZ (2004a). Kievelitz, Uwe / Schwitzke, Anette: Afghanistan: Analyse der Friedens- und Konfliktpotenziale und strategische Schlussfolgerungen für das GTZ-Portfolio, GTZ Sektorberatungsvorhaben Krisenprävention und Konfliktbearbeitung, Eschborn.

GTZ (2004b). Kievelitz, Uwe: Practical Guide to Multilateral Needs Assessments in Post-Conflict Situations (basic principles created for World Bank, UNDG, and UNDP).

GTZ (2004c). Scherg, Nina/Winkler, Ulrich/Buzogány, Aron: Analyse der Konfliktpotenziale in Südosteuropa und Empfehlungen für das GTZ-Portfolio, Eschborn.

GTZ (2004d). Sector Program Crisis Prevention and Conflict Transformation: CD "Basic Principles of Crisis Prevention, Conflict Transformation and Peacebuilding", Eschborn.

GTZ (2004e). Sector Project Innovative Tools for PSD. Becker, Sabine /Grossmann, Helmut: Planning tool for PSD in conflict countries, unpublished.

GTZ (2004f). Boschmann, Nina/Ernstorfer, Anita/Böge, Volker/Paes, Wolf-Christian: Strategiepapier - Die Rolle der Privatwirtschaft in Krisen und Konflikten, Stand der Internationalen Diskussion und mögliche Handlungsfelder für die GTZ, Berlin/Bonn/ Eschborn.

GTZ (2004g): Wirkungsorientiertes Monitoring - Leitfaden für Vorhaben der Technischen Zusammenarbeit, Eschborn.

GTZ (2005a): Friedens- und Konfliktpotentiale des GTZ-Portfolios (GNB) - internal paper.

GTZ (2005b). Grossmann, Helmut: Private Sector Development in Conflict Regions - Project Planning and Implementation Tools; Sector Project 'Innovative Tools for Private Sector Development', unpublished DRAFT, Eschborn.

GTZ (2005c). Grossmann, Helmut: Private Sector Development in Conflict Regions - Overview of Literature; Sector Project 'Innovative Tools for Private Sector Development', Eschborn.

GTZ (2005d). Grossmann, Helmut/Doce, Eugen: Microfinance and Private Sector Promotion in Conflict - Case Study: PSP/RUFIN, Nepal, Kathmandu /Frankfurt (2nd draft).

GTZ (2005e). MacDonald: Private Sector Development in Conflict Regions, Discussion Paper for GTZ, Eschborn.

- GTZ (2006a): Handreichung für die Projektfortschrittskontrolle, Eschborn.
- GTZ (2006b). Hofmann, A. / Bagwitz, D. / Grossmann, H.: Private Sector Promotion in Conflict Environments - First Experiences from the Private Sector Promotion Project (PSP). Kathmandu / Frankfurt.
- GTZ (2006c). MacDonald: Post-Conflict Reconstruction and Private Sector Development - Case Study - GTZ Project for Food Security, Regional Cooperation and Stability in the South Caucasus, Eschborn.
- GTZ (2006d). MacDonald: Post-Conflict Reconstruction and Private Sector Development - Case Study - GTZ Programme for Rehabilitation, Reconciliation and Reintegration Activities in Sierra Leone (ReAct), Eschborn.
- GTZ (2006e). Mierke, Axel: Conflict Prevention and Peacebuilding Elements of PSD/ SED Programmes, Eschborn.
- GTZ (2006f). MacDonald: Private Sector Development in Reintegration and Reconstruction Programmes - Good Practices, Eschborn.
- GTZ (2007a). Leonhardt, Manuela: GTZ Peace and Conflict Assessment, Eschborn.
- GTZ (2007b). Scheele/ Kohler: Public-Private Partnerships in Krisen- und Konfliktsituationen, Internal paper of GTZ, Eschborn.
- GTZ (2007c). Sector Program Crisis Prevention and Conflict Transformation. Leonhardt, Manuela: GTZ Peace and Conflict Assessment Guidelines, unpublished.
- GTZ (2007d). Sector Program Crisis Prevention and Conflict Transformation. Leonhardt, Manuela: Konfliktsensible Portfolioanalyse Bangladesch, Vorläufige Identifizierung der Peacebuilding Needs und friedensbezogene Relevanzbewertung des deutschen EZ-Portfolio.
- GTZ (2007e). Lorenz, Katrin: Recommendations for Contract and Cooperation Management to Ensure the Conflict-sensitive Design and Steering of TC Projects and Programmes. A Guideline Commissioned by the Crisis Prevention and Conflict Transformation Programme, Eschborn.
- GTZ (2008a). Küsel, Corinna et al.: The Social and Ecological Market Economy - A Model for Asian Development?
- GTZ (2008b). Becker, Sabine et al.: Economic Development in Conflict-affected Countries. Practitioners Note. Eschborn.
- Hanf, Theodor** (2005): Attitudes towards Democracy in Kosovo, Freiburg/Eschborn.
- Herzberg** (2004): Investment Climate Reform: Going the Last Mile, The Bulldozer Initiative in Bosnia and Herzegovina, Washington, D.C.
- Heidelberger Institut für Internationale Konfliktforschung** (2006): Conflict Barometer, Heidelberg.
- Humphreys, Marcatan** (2002): Economics and Violent Conflict, Boston.
- ILO (1997): Manual on Training and Employment Options for Ex-Combatants. Geneva
- ILO (1998): Guidelines for employment and skills training in conflict-affected countries.
- ILO (2000): Training and Employment Promotion for Sustainable Peace. ILO Action Programme on Skills and Entrepreneurship Training for Countries Emerging from Armed Conflict. Training Policies and System Branch.

- ILO (2001a):** ILO Generic Crisis Response Modules.
- ILO (2001b):** Crisis response Rapid Needs Assessment Manual.
- ILO (2001c):** Crisis-affected peoples and countries - ILO's operational activities mid-1997-March 2001.
- ILO (2002):** Jobs After War: A critical challenge in the peace and reconstruction puzzle.
- ILO (2003):** Business and decent work in conflict zones: A why and how guide.
- ILO (2005):** Volume I: Supporting the Private Sector and Social Partners in Response to Conflicts and Natural Disasters.
- ILO (2006):** Global Report: Employment in Response to Crises.
- International Alert (2004):** From War Economies to Peace Economies in the South Caucasus, London.
- International Alert (2005):** Conflict-Sensitive Business Practice: Guidance for Extractive Industries, London.
- International Alert (2006):** Local Business, Local Peace.
- Koehler, Jan (2005):** Conflict Processing and the Opium Poppy Economy in Afghanistan, PAL Internal Document No. 5, Jalalabad.
- Mattern, Rainer (2004):** Kosovo - Bedeutung der Tradition im heutigen Kosovo, Schweizerische Flüchtlingshilfe, Bern.
- Matul and Tsilikounas (2004):** Role of Microfinance in the Household Reconstruction Process in Bosnia And Herzegovina, Journal of International Development, Vol. 16.
- Menk, Karl-Wolfgang (2005):** Gewaltsame Konflikte in Entwicklungsländern - Ursachen und Maßnahmen zur Vermeidung, HWWA-Report 256.
- Meyer-Stamer, Jörg (2001):** Was ist Meso? Systemische Wettbewerbsfähigkeit: Analyseraster, Benchmarking-Tool und Handlungsrahmen. Duisburg, INEF-Report 55.
- Mills, Rob/ Fan, Qimiao (2006):** The Investment Climate in Post-Conflict Situations. World Bank Policy Research Working Paper No. 4055.
- Nissen, Astrid; Radtke, Katrin (2002):** Warlords als neue Akteure der internationalen-Beziehungen, Münster.
- Nelson, Jane (2000):** The Business of Peace. The Prince of Wales Leaders Forum.
- Nyheim, David / Sislin, John (2002):** Early Warning. Employment and related ILO concerns. Geneva.
- OECD/DAC (1998):** „Conflict, Peace and Development Co-operation on the Threshold of the 21st Century,” Development Co-operation Guidelines Series: 48, Paris: OECD.
- OECD/DAC (2001):** Helping Prevent Violent Conflict - The DAC Guidelines. Paris.
- OECD/DAC (2005):** Principles for Good International Engagement in Fragile States.
- Office of Drugs and Crime (2003):** The Opium Economy in Afghanistan, An International Problem, New York.
- Paffenholz, Thania/Reychler, Luc (2007):** Aid for Peace: A Guide to Planning and Evaluation for Conflict Zones, Baden-Baden.

Palm, Reinhard et al. (2005): Reforming the business environment in Afghanistan; Institutional reforms first, Cairo.

Pearson Peacekeeping Center (2005a): Business, Conflict, and Peacebuilding: An Operational Framework.

Pearson Peacekeeping Center (2005b): Reintegration of Ex-Combatants through Micro-Enterprise: An Operational Framework.

Roel Hakemulder (1997): Promoting local economic development in a war-affected country: The ILO experience in Cambodia. Geneva.

Royal Norwegian Ministry of Foreign Affairs (2004): Towards a Strategic Framework for Peacebuilding: Getting Their Act Together. Overview report of the Joint Utstein Study of Peacebuilding.

Sander, Cerstin (2003): Migrant Remittances to Developing Countries - A Scoping Study: Overview and Introductoin to Issues for Pro-Poor Financial Services, London.

Santos (2003): Financing small, medium and micro enterprises in post-conflict situations Microfinance opportunities in the Democratic Republic of the Congo, Discussion Paper for the seminar "Public Private Partnership for the Development of the Democratic Republic of the Congo", OECD Development Centre.

Shillito, Kathryn Maria (2001): Employment promotion and skills training in conflict affect countries.

Stockholm International Peace Research Institute (2004): SIPRI Yearbook 2004: Armaments, Disarmament and International Security, Stockholm.

United States Institute of Peace (2002): Lawless Rule versus Rule of Law in the Balkans, Washington D.C.

UN (2004): Inter-agency framework for conflict analysis in transition situations.

UNDG/ECHA (2004): Report of the UNDG/ECHA Working Group on Transition Issues.

UNDP Evaluation Office (2000): Sharing new grounds in post-conflict situation - The role of UNDP in support of reintegration programmes. New York

UNDP (2000): Working for Solutions to Crises: The Development Response.

UNDP (2003): Conflict-related Development Analysis (CDA).

UNDP (2004): Policy Statement on Working with the Business Sector.

UNDP (2005): Practice Note: Disarmament, Demobilization and Reintegration of Ex-Combatants.

UNDP (2007, forthcoming): Fostering Post-Conflict Economic Recovery.

UNHCR (2004): Handbook for Repatriation and Reintegration Activities. Geneva. (includes the 4Rs Approach)

USAID (2003): Operating in Conflict.

USAID/CMM (2005): Conducting a Conflict Assessment. A framework for strategy and Programme Development, Washington.

USAID/CMM (2005): Community-Focused Reintegration, Washington.

USAID/OTI (2001): Guide to Program Options in Conflict Prone Settings, Washington.

USAID/OTI (2004): A Decade of Transition: 1994-2004, Washington.

World Bank (1998a): The World Bank's Experience with Post-Conflict Reconstruction.

World Bank (1998b): Post-Conflict Reconstruction. The Role of the World Bank.

World Bank (2002): World Bank Group Work in Low-Income Countries under Stress: A Task Force Report, Washington D.C.

World Bank (2003a): The Transition from War to Peace: Demobilization and Reintegration Programming Module (Draft), Staff Development Program. Washington D.C.

World Bank (2003b): MIGA in Conflict-Affected Countries. Washington D.C.

World Bank (2004a). Bray, John: MIGA's Experience in Conflict-Affected Countries. The Case of Bosnia and Herzegovina. Washington D.C.

World Bank (2004b): Strengthening the Collaborative Process for Building an Effective Anti-Money Laundering and Counter-Terrorism Financing Regime in Afghanistan, Washington D.C.

World Bank, Gender and Development Group (2005): Gender, Conflict & Development, Gender and Development Briefing Notes, Washington D.C.

World Bank (2005a): Conflict Analysis Framework. Washington D.C.

World Bank (2005b): Conflict in Somalia: Drivers and Dynamics (example of a country study organised according to criteria of conflict sensitivity). Washington D.C.

World Bank (2005c), "Conflict and Recovery in Aceh: An Assessment of Conflict Dynamics and Options for Supporting the Peace Process", Social Development Notes, Conflict Prevention & Reconstruction, No. 22, August 2005.

Zunzer, Wolfram (2004): Diaspora Communities and Civil Conflict Transformation, Berghof Occasional Paper Nr. 26. Berlin.

Zysman, Karmit (2005): Potential Engagement in Peace Promotion, Conflict Transformation, Inclusion, and Improvement of Majority-Minority Interaction in the Education Sector.

Internet Sources

..... <http://www.meyer-stamer.de/systemic.htm>
(accessed on 15 May 2008)

Useful Websites:

..... GTZ:
<http://www.gtz.de/crisisprevention>, <http://www.gtz.de/peece>

..... Extractive Industries Transparencies Initiative (EITI):
<http://www.eitransparency.org>

..... Kimberley Certification Scheme:
<http://www.kimberleyprocess.com>

- OECD/DAC Network on Conflict, Peace and Development Co-operation (CPDC):
www.oecd.org/dac/conflict

- Publish What You Pay Campaign:
www.publishwhatyoupay.org

- UN Global Compact:
www.globalcompact.org

- Voluntary Principles on Security and Human Rights:
<http://www.voluntaryprinciples.org>

- USAID's CMM offers a series of Toolkits exploring how development assistance can address key risk factors associated with conflict. All toolkits are available at:
http://www.usaid.gov/our_work/cross-cutting_programs/conflict/publications/toolkits.html.

- International Labour Organisation - relevant documents:
<http://www.ilo.org/public/english/employment/crisis/info/basic.htm>

- UNDP/UNOCHA Disaster Management Training Programme (DMTP) accessible at
<http://www.undmtp.org/>

- The UN DDR Resource Center can be found at
<http://www.unddr.org/>
it provides links to the IDDRS and the Operations Guide based on the IDDRS

- The CPR Network's compendium can be found at:
<http://cpr.web.cern.ch/cpr/compendium/>

- John Hopkins University Conflict Management Toolkit at
<http://sais-jhu.edu/CMtoolkit/>

FIGURES

Figure 1: Conflict Sensitivity and Conflict Relevance in Economic Development	9
Figure 2: Peace Entrepreneurship	12
Figure 3: Peace Entrepreneurs at all Levels	13
Figure 4: Excerpt from the 2008 Crisis Early Warning Country Matrix and Possible Conflict Markers	15
Figure 5: The Conflict Marker	16
Figure 6: Four Elements of the Peace and Conflict Assessment (PCA)	20
Figure 7: Categories of Peacebuilding Needs	23
Figure 8: Link between Relevance Assessment and C-marker	24
Figure 9: Monitoring Intended Outcomes and Assessing Unintended Impacts on Peace and Conflict	27
Figure 10: Simplified Results Chain for a Development Project	29
Figure 11: Conflict-Sensitive Project Cycle Management and Logical Framework	31
Figure 12: Selection of suitable PSD Approaches in a (Post-) Conflict Situation	47
Figure 13: Determinants of Systemic Competitiveness	48
Figure 14: Value Chain Map with Conflict Impact on Actors (example Nepalese tea industry)	56
Figure 15: Combination of Approaches for Economic Development in (Post-) Conflict Recovery	61
Figure 16: Overview of Good Practice PSD in Demobilisation and Reintegration Programmes	63
Figure 17: Differences between Normal and Conflict-sensitive M&E	68
Figure 18: Aspects of Conflict-sensitivity in Results-oriented Monitoring	69
Figure 19: PCA Information for Conflict-sensitive M&E	70

BOXES

Box 1:	Afghanistan - Donor Coordination and the Afghan Investment Support Agency	21
Box 2:	Understanding the Conflict and the Peacebuilding Needs	22
Box 3:	Angola - Reintegration Programme	32
Box 4:	Kosovo - Emergency Aid and Sustainable Structures for Vocational Training Centres	33
Box 5:	Nepal - Broadening Support for Value Chain Actors	36
Box 6:	PSD Interventions marked C-1	37
Box 7:	Sierra Leone - Waste Management	39
Box 8:	Mali - Conflict-Sensitive Reintegration and Reconstruction	40
Box 9:	Nepal - Business for Peace	41
Box 10:	Nepal - Entrepreneurs for Peace	42
Box 11:	Sierra Leone - A Multi-sector Approach to Reconstruction and Reintegration	45
Box 12:	Bangladesh - Social Standards in the Garment Sector	49
Box 13:	Nepal - Delivering Local Economic Development (LED) in Conflict Environments	54
Box 14:	South Caucasus - Post Conflict Reconstruction and Private Sector Development	60
Box 15:	Nepal - Interaction between Conflict and a PSD project	67
Box 16:	Nepal - The Risk Management Office	71
Box 17:	Basic Operating Guidelines agreed to by Undersigned Agencies in Nepal	93
Box 18:	Printing Machines in Afghanistan	95

ABBREVIATIONS

AISA	Afghan Investment Support Agency
BDS	Business Development Services
BEE	Business Enabling Environment
BIC	Business in Conflict
BMO	Business Membership Organisation
BMZ	German Federal Ministry of Economic Cooperation and Development
BOG	Basic Operating Guidelines
BOT	Build-Operate-Transfer
CEFE	Competency based Economies through Formation of Enterprise
CBM	Consultative Business Movement
CIDA	Canadian International Development Agency
CHASE	DFID's Conflict, Humanitarian and Security Department
CPR	Conflict Prevention and Reconstruction Unit
CSR	Corporate Social Responsibility
DANIDA	Danish International Development Agency
DC	Development Cooperation
DDR	Disarmament, Demobilization and Reintegration
DED	Deutscher Entwicklungsdienst
DEG	Deutsche Investitions- und Entwicklungsgesellschaft
DEZA	Swiss Agency for Development and Cooperation
DFID	UK Department for International Development
DNH	Do-No-Harm
EITI	Extractive Industries Transparency Initiative
EUR	Euro
FARC	Revolutionary Armed Forces of Colombia
FNCCI	Federation of Nepalese Chambers of Commerce and Industry
FRCS	Food Security, Regional Cooperation and Stability in the South Caucasus
FWMS	Freetown Waste Management System
GC	Global Compact
GDP	Gross Domestic Product

GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit GmbH
HR	Human Resources
IDP	Internally Displaced Person
ILO	International Labour Organization
JICA	Japan International Cooperation Agency
KfW	Kreditanstalt für Wiederaufbau
LED	Local Economic Development
LRED	Local and Regional Economic Development
M&E	Monitoring and Evaluation
MNC	Multinational Company
MSME	Micro, Small and Medium Enterprise
NBI	National Business Initiative for Peace
NGO	Non-Governmental Organisation
NORAD	Norwegian Agency for Development Cooperation
ODA	Official Development Aid
OECD	Organisation for Economic Co-operation and Development
CPDC	OECD/DAC Network on Conflict, Peace and Development Cooperation
PCA	Peace and Conflict Assessment
PCM	Project Cycle Management
PEECE	Promotion of Economic Development and Employment in Conflict and Post-Conflict Environments
PSD	Private Sector Development
PPP	Public-Private Partnership
PSP	Private Sector Promotion Project
RMO	Risk Management Office
SDC	Sustainable Development Commission (UK)
SME	Small and Medium Enterprise
SNV	Netherlands Development Organisation
UN	United Nations
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioners for Refugees
USD	United States of America Dollars
VC	Value Chain Promotion
WFP	United Nations World Food Programme

Deutsche Gesellschaft für
Technische Zusammenarbeit (GTZ) GmbH

- German Technical Cooperation -

Dag-Hammarskjöld-Weg 1-5

65760 Eschborn/Germany

T +49 61 96 79-0

F +49 61 96 79-11 15

E info@gtz.de

I www.gtz.de

