

Looking at Dutch Private Sector Development policies and instruments through a conflict lens

Mark van Dorp (consultant to SOMO) and
Charlotte Vollaard (Oxfam Novib)



OXFAM
Novib



Background

- Research project initiated by Oxfam Novib and SOMO
- Funded by:
 - Knowledge Management Fund of the Knowledge Platform Security & Rule of Law (KPSRL)
 - Dutch Ministry of Foreign Affairs
- Part of the joint programme by Oxfam Novib and SOMO on private sector and conflict

Objective

To fill the knowledge gap on the role of conflict sensitivity and the contribution to peace and stability in Dutch Private Sector
Development policies and instruments

Research methodology

- Mapping exercise of Dutch PSD policies and instruments
- Quick scan of studies on:
 - Dutch PSD policies in relation to peace and security
 - Dutch peace and security/fragile state policies in relation to PSD
 - Interface between PSD support and conflict, peace and security
- Case study of Mali
- Meetings with policy makers

Theoretical framework

- Private Sector Development, with a focus on:
 - Direct support to large companies or SMEs
 - Support through financial intermediaries
- Fragile and conflict affected situations:

“A conflict-affected environment refers to countries or regions where there is a high risk of violent conflict breaking out; that are in the midst of violent conflict; or have recently emerged from it, including countries classified as ‘post-conflict’.” (DCED 2010)
- Conflict-sensitive business practices: Investments that avoid causing or exacerbating conflicts or undermining peace
- Peace-conducive business practices: companies that are proactive in making a contribution to peace and stability

Initial findings of quick scan of existing research

- Three studies are presented today as they point to important conclusions and knowledge gaps

1. Dutch PSD policies in relation to peace and security

Selected study:

Author: OECD

Year: 2017

Title: Development Cooperation Peer Review of the Netherlands

Key findings

Strengths of Dutch PSD policy:

- Specific funds designed so that the government takes the first loss in difficult environments, particularly fragile states.
- This reduces risk and attracts other investors.
- Financial support is complemented by technical assistance, capacity building and knowledge sharing.
- Risk analysis in country programmes is comprehensive. Also, increased risks of working in fragile states are recognized and Dutch government has developed a range of instruments to allow partners to adapt to each context.

Weaknesses of Dutch PSD policy:

- Role of the embassies: whilst mechanisms have been established to improve co-ordination between headquarters and the field, embassies and their country partners struggle to obtain a full picture of Dutch activity, including its development bank (FMO) investments – example of Bangladesh
- This leads to missed opportunities for maximising impact and sustainability
- Several instruments still being used to support private sector engagement, each with different eligibility criteria. This is both laborious to implement and complex for businesses to navigate, both in the Netherlands and overseas.

2. Dutch peace and security/fragile state policies in relation to PSD

Selected study:

Author: A. Hoffmann & P. Lange

Year: 2016

Title: Growing or Coping? Evidence from small and medium sized enterprises in fragile settings

Based on experience of more than 100 SMEs in 10 fragile states, combined with the insights of 48 entrepreneurs and 10 local advisers in Afghanistan, Pakistan, DRC, Sierra Leone and South Sudan. The focus was on experiences with the PSI+ programme, managed by RVO.

Key findings

- Many SMEs operating in places of insecurity and high risk deliberately deploy coping strategies rather than realising their growth ambitions.
- These coping strategies are likely to differ from the promising investment plan that is submitted to PSD support channels.
- SME support strategies that ignore the embeddedness of enterprises in the wider socio-political and economic context can reinforce rather than counter-balance exclusionary structures.
- These strategies are likely to entrench exclusive structures even further and, hence, do harm.

- SMEs think of conflict primarily in terms of direct physical threats to personnel and assets, and are generally perceived as regular circumstances.
- However, when asked about their daily challenges, entrepreneurs offer a wealth of anecdotes that contain elements generally associated with fragility.
- To improve SME development policies for fragile states, there is a need:
 - to embed SME promotion into broader business environment reform that includes non-state actors,
 - to engage with home-based multinational companies to increase their political leverage

3. Interface between PSD support and conflict, peace and security

Selected study:

Author: C. Liu & E. Harwit

Year: 2016

Title: The Effectiveness of Private Sector Development Interventions in Fragile and Conflict-Affected Situations: Evidence from Evaluations

Review carried out by IFC/World Bank Group in an effort to fill the knowledge gap about the effectiveness of PSD interventions in FCS.

Key findings

- No clear evidence that the reviewed PSD interventions contributed directly to peace and stability.
- Nevertheless, conflict and vulnerability sensitivity analyses which included a peace-building or “do no harm” approach, seemed to enhance the overall positive results and effectiveness of projects or programs.
- Poor internal and external design factors, including a lack of funding or political influences, ensure that projects do not succeed and are not effective.
- Need for more and credible evidence about the effectiveness of PSD interventions to improve our understanding of their value and potential contribution to peace and stability.

Next steps

- Policymakers meeting
- Mali case study finalized
- Report finalized and presented in March 2018

For more information:

Charlotte Vollaard – charlotte.vollaard@oxfamnovib.nl

Mark van Dorp – markvandorp@mac.com

