



USAID
FROM THE AMERICAN PEOPLE

CONFLICT-SENSITIVE APPROACHES TO VALUE CHAIN DEVELOPMENT

microREPORT #101

May 2008

This publication was produced for review by the United States Agency for International Development. It was prepared by Canan Gündüz and Diana Klein of International Alert under the Accelerated Microenterprise Advancement Project Small Grant Facility administered by Pact, Inc., subcontractor to Weidemann Associates. The authors thank Cynthia Gaigals, William Godnick, Ruth Campbell and Joan Parker for their comments and suggestions based on an earlier draft.

CONFLICT-SENSITIVE APPROACHES TO VALUE CHAIN DEVELOPMENT

microREPORT #101

DISCLAIMER

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

CONTENTS

INTRODUCTION..... 1

I. INTRODUCING CONFLICT SENSITIVITY 2

II. VALUE CHAIN SELECTION: INITIAL SCREENING FOR CONFLICT RISK..... 6

III. CONFLICT ANALYSIS OF VALUE CHAIN COMPONENTS..... 9

IV. IDENTIFYING VALUE CHAIN/CONFLICT INTERACTIONS 19

V. INTEGRATING CONFLICT-SENSITIVE APPROACHES IN VALUE CHAIN
PROJECT DESIGN AND IMPLEMENTATION..... 21

VI. CONCLUSIONS..... 24

ANNEX: SAMPLE CONFLICT MAP 25

ACRONYMS

BEE	Business enabling environment
CPCA	Conflict-prone and conflict-affected
CSA	Conflict-sensitive approaches
IA	International Alert
IDP	Internally displaced person

INTRODUCTION

‘Any development project set in a conflict-prone region will *inevitably* have an impact on the peace and conflict environment—positive or negative, direct or indirect, intentional or unintentional.’¹

Over the last fifteen years there has been a growing understanding that humanitarian and development assistance can contribute to and exacerbate conflict and even feed violence. At the same time, violent conflict presents a formidable obstacle to countries’ achievement of development objectives, such as poverty reduction, and will inevitably impact particular development interventions’ likelihood of success. As a result, a multitude of *conflict-sensitivity* tools and approaches have been developed to better understand the relationship between development and conflict, and to adapt and plan assistance so the potential for violent conflict and abuse are reduced and the potential for positive outcomes is increased. *Conflict-sensitive approaches* ask what impact an intervention might have on actions, structures and processes that can support ‘prospects for peaceful coexistence and decrease the likelihood of the outbreak, reoccurrence, or continuation, of violent conflict,’ or on ‘those structures and processes that increase the likelihood that conflict will be dealt with through violent means.’²

This paper aims to provide initial thoughts and options for integrating conflict-sensitive approaches (CSA) into value chain analysis and interventions in conflict situations. It uses a value chain framework as a starting point and explores how CSA can be applied to the analysis both of different levels and the various components of the chain. While the focus is on the initial analysis stage of a project cycle, the paper also presents preliminary points for practitioners to bear in mind in implementation. The paper is structured to cover three aspects of conflict-sensitivity (discussed more in Section 1) as they relate to value chain analysis:

- (i) Conflict analysis (*Sections 2 and 3*)
- (ii) Identifying value chain/conflict interactions (*Section 4*)
- (iii) Options for project design and implementation based on (i) and (ii) (*Section 5*)

For each value chain component, the study poses questions to help practitioners analyze the links between conflict dynamics and a given value chain to ensure that interventions minimize negative impacts and maximize those that are positive. Following this process, asking conflict-related questions and factoring answers into strategy development and subsequent interventions should enable project designers, implementers and monitors to work more effectively in conflict-prone and affected environments.

¹ Kenneth Bush (1998) *A Measure of Peace: Peace and Conflict Impact Assessment of Development Projects in Zones of Conflict*

² Kenneth Bush (1998), op.cit

I. INTRODUCING CONFLICT SENSITIVITY

I.1 ELEMENTS OF CONFLICT SENSITIVITY

Conflict can reverse development gains and deepen poverty. Donors, NGOs and businesses have begun to recognize the complex links between their interventions and conflict dynamics. If they ignore conflict dynamics, economic development programs can distort local economies, skew power relationships, destroy social relationships, increase divisions between or within communities, and ultimately fuel conflict. In an attempt to work more effectively in conflict-prone and affected situations and to limit the possibility of doing harm, different agencies have begun developing and implementing a range of conflict-sensitive approaches. At a minimum, CSA seek to reduce harm though they strive to address the causes and drivers of violence while identifying and supporting opportunities for peace. In a nutshell, conflict-sensitivity requires an agency to do the following:

- (i) Understand the context in which it operates through screening of conflict risk and analysis of the conflict context (elaborated in *Sections 2 and 3* below)
- (ii) Understand the interaction between an intervention and the context (discussed in *Section 4*)
- (iii) Act on the understanding of this interaction in order to avoid negative and maximize positive impact throughout the design and implementation of a project (covered in *Section 5*)

BOX 1. UNDERSTANDING PEACE AND CONFLICT

Conflicts arise when parties disagree about the distribution of material or symbolic resources and act on the basis of these real or perceived incompatibilities.

Conflicts are not always inherently bad. They are an inevitable part of living in society and of the unavoidable differences and tensions that occur between individuals and among groups of people. A certain degree of conflict is essential for progress, because progress requires change and change tends to generate conflict. The problem occurs when societal mechanisms and institutions for managing and resolving these conflicts peacefully break down and give way to violent conflict.

Peace means that individuals, communities, societies and institutions can anticipate and manage conflicts without violence. It means they are engaging in social change processes that are inclusive and do not compromise the possibility of continuing to do so in the future or jeopardize the prospects of others to do so. This is the idea of inter-dependent, positive peace.

A society's capacity to manage and resolve conflicts and promote tolerance and peace is embedded in formal and informal institutions that cross political, social, security and economic spheres. In other words, the ways in which economic resources and opportunities are shared and economic interactions are regulated and carried out can be an asset for the peaceful management of conflicts. Conversely, they can give rise to conflict and even to violence if they feed existing economic root causes and drivers of conflict or even generate new ones.

It is important to stress that conflict sensitivity and peacebuilding are not to be treated as separate *projects* distinct from, or parallel to, other interventions. Rather, they are the anticipated and desired impacts of any intervention taking place in a country affected by, or prone to, conflict. This includes so-called *post-conflict* settings, i.e., countries where a ceasefire or peace agreement was recently signed. In fact, the signing of a peace agreement is not to be confused with an end to conflict as many underlying conflict issues continue to linger, possibly to reignite at a later stage. A peace process itself can create new grievances, tensions or spoilers who could take up arms. Indeed, a recent history of violent conflict is a predictor of future conflict risk. Therefore post-conflict settings are included when the study refers to *conflict-affected and conflict-prone* (CPCA) countries.

1.2 CONFLICT ANALYSIS

1.2.1 COMPONENTS OF A CONFLICT ANALYSIS³

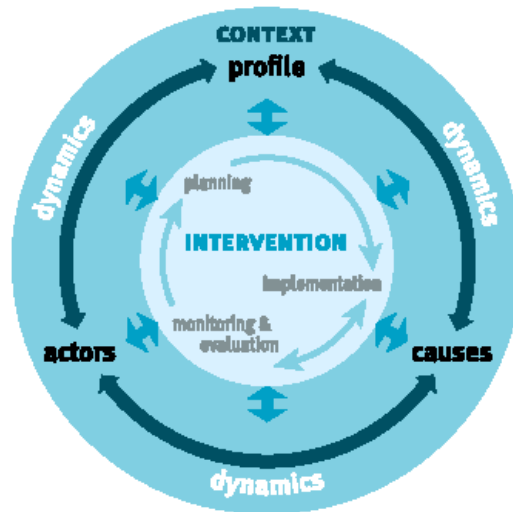
Conflict analysis, a central component of conflict-sensitive practice, studies the profile, causes, actors and dynamics of a conflict as well as the relationships between them. It consists of eliciting the views of different individuals and groups and placing them into a larger analytical framework. In that respect, it very much mirrors the process of a value chain analysis, which it complements. Because conflict analysis requires consulting with and analyzing *actors* not necessarily linked directly to the value chain, but who are relevant from a conflict perspective, it also draws out *issues* that a standard value chain analysis is unlikely to identify.

The dynamics between a given value chain and the wider context (covered in subsequent sections) vary from case to case, and not all aspects of a conflict need to be taken into account in designing, implementing and monitoring every value chain intervention. Standard, often quite macro-level, conflict analysis tools (such as now exist in most development agencies) are useful as a starting point for understanding the wider conflict context, including its *profile* (the history of the conflict, relevant demographic, geostrategic and geographic factors, and so on), *dynamics* (tracing changes in a conflict trajectory over time and looking at conflict levels and types); *actors* (including parties to the conflict, potential spoilers, parties to peace, third parties like mediators, political actors, civil society leaders, business, NGOs, religious institutions like churches or mosques, etc); and *causes and drivers* of conflict (political, social, economic and other issues). Value chain practitioners should build on an initial, macro-level conflict analysis, narrowing it down to look at conflict-related variables as they relate directly to a chain.

A conflict analysis can be conducted at various levels (local, national, regional or international) and seeks to establish linkages between them. A range of conflict analysis tools now exist and, depending on the purpose of the analysis, particular aspects can be emphasized differently.

³ This section is based on: International Alert et al (2004), *Conflict-Sensitive Approaches to Development, Humanitarian Assistance, and Peacebuilding* (London, UK: International Alert).

Figure 1. Interactions between Conflict Context and Intervention



Key questions include:

Profile

- What are the political, economic and socio-cultural contexts?
- What are the emergent political, economic and socio-cultural issues?
- What is the history of the conflict?
- What are the specific conflict-prone or -affected areas?

Actors

- Who are the main conflict actors?
- Who comprise the relevant political, security, economic and socio-cultural actors?
- What are their goals, means, positions, interests and needs?
- What are their relationships to one another?
- What are their capacities to spoil, or support, peace?

Causes

- What pervasive political, economic and socio-cultural factors exist in the policies, structures and fabric of the society that can create preconditions for violence?
- Which factors further contribute to a climate conducive to violence, its escalation or recurrence?

Dynamics

- What have been the main stages of conflict to date? What are the likely future patterns?
- What are the current conflict trends? What have been past conflict trends (escalation or de-escalation, important changes such as the death of a leader, etc.)?
- How are the profile, causes and actors evolving and changing over time?
- What are the windows of opportunity? Are there positive developments, for example a recent peace agreement? How can these be supported?
- What scenarios can be developed from an analysis of the conflict profile, actors and causes to determine possible future dynamics (best case, middle case, worst-case scenarios)?

Sections 2 and 3 below adapt this generic list of conflict-related questions to enhance standard value chain analysis.

PARTICIPATION AND GOOD PRACTICE IN CONFLICT ANALYSIS⁴

In many agencies, conflict analyses are conducted by *conflict experts*, often external consultants hired specifically for the purpose of producing a document. The result is that many times these conflict analyses, which often are rich in information and insights, do not adequately feed into the development of strategies and projects. The value of a conflict analysis lies as much in the process and its participatory nature as it does in the final product. For a conflict analysis to be functionally useful for those who design and implement projects, they should be involved in the process when possible and encouraged to adapt the analytical framework to their own needs, rather than applying it rigidly. As much as possible, conflict analyses should be integrated into established procedures and other types of assessments, such as value chain analysis, and updated regularly.

The purpose of a conflict analysis determines the specific process and who should conduct and participate in the exercise, both internal and external. The perceptions of a conflict analysis team can create a degree of bias in the way they depict conflicts and weigh issues. A team's standing and the degree of trust the members enjoy have a bearing on the quality and quantity of information various actors are willing to share with them. To a certain degree, this is inevitable and can be balanced only by acknowledging the team's own perceptions, values and experiences and ensuring that views are solicited across fault lines and with impartiality. A conflict analysis team should have the right mix of skills and backgrounds, including:

- Good conflict analysis skills
- Good knowledge of the context and related history
- Sensitivity to the local context
- Local language skills
- Relevant sectoral and technical expertise
- Sufficient status and credibility to ensure uptake of recommendations
- Good knowledge of the organizations involved
- Representation of different perspectives within the context under consideration
- Moderation skills, team work, possibly counseling skills
- Facilitation skills

The following questions can help identify who should be consulted and participate in a conflict analysis process, and can be combined with value chain analysis criteria:⁵

- Which institutions, groups and individuals should participate in the conflict analysis? What kinds of knowledge and experience can they bring to the process?
- Who are the actual decision-makers? To what extent will the participants be involved in putting the results of planning into practice? To what extent will they be affected by project impacts?
- Which groups—in a position either to support or obstruct the project—should be involved?
- Do the selected representatives adequately represent the most important stakeholder groups?
- How can the conflict analysis team assist disadvantaged groups find and articulate their positions and ensure they are not overpowered by better educated and prepared participants?
- Is it more appropriate to conduct separate conflict analyses with various groups so everyone has a chance to express their opinions (especially where there are major differences in education, language and power)?

⁴ This section is based on: International Alert et al. (2004), op.cit.

⁵ From GTZ (2002) *Conflict Analysis for Project Planning and Management*

II. VALUE CHAIN SELECTION: INITIAL SCREENING FOR CONFLICT RISK

In peaceful contexts, donors, NGOs and others select industries and value chains to work with based on their competitiveness, potential to generate economic growth, ability to include micro and small enterprises and reduce poverty. CPCA conditions, however, require additional selection criteria to ensure that value chain interventions do not feed pre-existing conflict dynamics, for example by targeting sectors that support a war economy or are controlled along conflict fault lines. These supplemental criteria also can help practitioners select value chains that hold high potential for mitigating specific conflict impacts and contributing to peace and stability.

Screening tools provide an initial overview of existing and potential relationships between an intervention and the conflict context⁶ that can raise early *red flags* and identify problem areas that need in-depth analysis and more attention during project design. Below are some initial screening questions that can inform conflict-related value chain selection criteria. Depending on the level of risk identified, some criteria may suggest that a planned intervention should not be implemented and recommend that an alternative value chain or approach be chosen instead. In other cases it may be possible to mitigate potential risks by purposefully designing an intervention in a way that counterbalances them (for instance, ensuring an equitable geographic spread of production, even when market logic does not require it).

An initial screening should include desk (or secondary) research by headquarters and/or in-country staff responsible for strategy development. The researchers should use both online and secondary sources and a high degree of consultation and discussion with in-country colleagues and partners already at this stage to answer the questions given below. An output of this work would be a brief document flagging the potential positive and negative impacts the team identifies for feeding into further analysis, strategy discussions and decision-making. Questions to be asked include:

Actors and relationships

- What are value chain actors' relationships with conflict actors? Where are there overlaps?
- Does the value chain strengthen existing collaborative and mutually beneficial links between actors across conflict divides?
- Does the value chain create new links, or help re-establish links that were interrupted by violent conflict (e.g., linking producers and processors from different ethnic groups or regions who used to cooperate)?
- Conversely, does it reinforce divisions between communities? Is it located in a sector that is dominated by a certain group or in a specific region only, without benefit for others?
- Can specifically, conflict-affected groups participate and benefit from the value chain (e.g., widows, single-headed households, ex-combatants, youths, IDPs)?
- Are products and services generated by the chain broadly accessible and do they benefit the full spectrum of the population, including across conflict divides?
- Conversely, do people see chain products and services benefitting only certain parts of the population and in a way that could generate resentment and tensions?

Causes and drivers—physical and economic security and vulnerability

- Are there security risks associated with participation in the chain? Does the intervention require participants to take undue security risks?

⁶ See International Alert (2005) *Conflict-Sensitive Business Practice – Guidance for Extractive Industries* (London, UK: International Alert).

Note: Physical insecurity often persists beyond the signing of a peace agreement, as weapons may remain in circulation and crime levels rise. Security forces such as police may not be adequately trained and equipped, or otherwise unable to provide adequate security. Levels of physical insecurity will differ for different types of value chain actors, depending on their location, size, asset base and so on.

- How vulnerable is the chain to future conflict impacts?

Note: Countries that have experienced violent conflict in the recent past are more exposed to the possibility that violence can break out again in the future. Interventions need to take into account future conflict risks and should not expose participants to vulnerability. Some value chains may be more resilient to conflict than others. Vulnerability may for example increase if a value chain depends on importing inputs that would become inaccessible with the resurgence of violence.

- Does the value chain rely on the supply of imported inputs?
- Does it reinforce natural resource dependence?
- Does it strengthen economic diversification or reinforce dependence on a few sectors?

Note: Interventions in some chains may inadvertently exacerbate economic causes and drivers of conflict⁷, for instance natural resource dependence, or increased inequality between specific groups.

- Can strengthening the value chain in any way reinforce or exacerbate socio-economic inequalities? Can it help redress them?
- Could strengthening the value chain further exacerbate existing regional wealth and income disparities? Or, can it help redress them?
- Did the value chain structure and dynamics, or a particular component or actor within it, give rise to any resentment or grievances in the past that turned violent, or that hold the potential to turn violent in the future (e.g., competition over access and control over resources such as land, water, etc.)?

Causes and drivers—geographic reach

- Does the value chain reach/benefit conflict-affected areas?
- Does it link urban and rural actors, or economically or otherwise marginalized regions with the rest of the country?

Note: Conflict impacts can be worse in rural than in urban areas and they often result in unsustainable urban migration as people try to cope with persisting physical and economic insecurity in the countryside. At the same time rural/urban divides may have been an underlying source of conflict.

Causes and drivers—war economies

- Did the value chain in question feature in the war economy?
- Is the chain, or are parts of it, controlled by conflict actors or their aides (e.g., military, armed groups, political leadership, local strongmen, etc.)?
- Did violence, coercion or threats feature in the chain's operation—production, buying, processing, etc.?

⁷ For an excellent discussion of economic causes and impacts of violent conflict, see Saperstein, A. and Campbell, R. (2007) *Accelerating the Transition from Conflict to Sustainable Growth: Value Chain Development in Conflict-Affected Countries – Literature Review* (Washington DC, US: USAID).

- Has there been fighting in the past over control of aspects of the chain?
- Are aspects of the value chain linked to illicit or criminal business transactions?

Causes and drivers—unemployment

- What is the value chain’s job creation potential in the short and long terms?

Note: Job creation is a key priority in conflict/post-conflict contexts. However, many immediate post-conflict interventions aim at short-term job creation and target supply-side problems, but do not necessarily target the longer-term increase in demand for skilled employees. This is less likely to be the case with interventions using a value chain approach; such interventions seek to build a market-driven value chain, and therefore increase the demand for skilled participants to serve that market.

- Where will jobs be created?

Note: There is often an assumption that job creation in and of itself contributes to peace and stability. Yet, similar to other development and humanitarian resources injected into a local economy, new jobs created can become a source of tension and competition, particularly if the jobs or services are dominated by certain groups.

- Who will likely be able to access these jobs? Are they equally accessible to all in a community?
- What is the quality of the jobs created?

Dynamics

- What are current and past conflict trends? How have they impacted or do they impact the value chain?

Note: Conflict dynamics (escalation or reduction in violence, for example) can impact a value chain in different ways. Some chains may even thrive during an escalation of a conflict, and so may include actors with a stake in maintaining the conflict status quo.

- In turn, do the value chain and its related activities impact conflict trends in any way—positively or negatively?

Note: Some value chain dynamics can directly impact conflict dynamics. For example, a drop in world coffee prices has been correlated closely with escalating conflict in some coffee-producing regions in Colombia.⁸

- How would an escalation of conflict impact the value chain?
- How would a de-escalation of conflict impact the value chain? If a de-escalation of conflict is seen as an opportunity to begin working with a particular value chain, what is the likelihood of conflict recurrence and how would it affect the chain?
- Are there temporal patterns that affect conflict dynamics? If so, how do they relate to the value chain (e.g., seasonal patterns, political office rotations, etc.)?
- Are there windows of opportunity?

⁸ Dube, Oeindrila and Juan F. Vargas (2006) “Resource curse in reverse: the coffee crisis and armed conflict in Colombia”, Document CEDE 2006-46, December (Colombia: LosAndes University).

III. CONFLICT ANALYSIS OF VALUE CHAIN COMPONENTS

The following sections move through the value chain elements, adapting the questions above and suggesting additional, illustrative conflict-related questions that can enhance a value chain analysis and inform planning and programming. The questions are neither exhaustive nor are they meant to function as a checklist. Practitioners are encouraged to take them as a starting point to help them think through the relationships between the conflict and a value chain and to develop their own sets of questions derived from the specific context. Several of the questions raised are relevant not only for value chain analysis, but also for subsequent project design, which they should inform.

3.1 END MARKETS

Conflict strongly impacts local end markets and sometimes even destroys them. Control over markets may have been one reason for fighting between conflict parties, and in many situations armed actors take control of markets, or restrict civilian access to them as part of military tactics.

While conflict usually does not impact regional or global end markets in similar ways, the dynamics in those markets can have a strong bearing on the conflict. As an example, fluctuations in the cost of primary commodities in global markets have been shown to correlate with fluctuations in conflict dynamics in producing countries.⁹

Questions to be asked during a conflict analysis of end markets might include the following:

- Were previously existing local or regional end markets interrupted by the conflict? Can value chains be reconnected to them?
- How can international peace and reconstruction missions be tapped into as temporary end markets for local value chains? Are there opportunities to upgrade by supplying these types of end markets?

Note: Advocacy by value chain practitioners may be needed to make international peace and reconstruction missions' procurement processes and tenders accessible to local firms.¹⁰

- Are the value chains connected to the global market and will fluctuations in prices severely affect them?

Note: This is particularly relevant with labor-intensive commodities such as coffee, where a sharp fall in prices can trigger disruptions to value chains, cause unemployment and, in some instances, increase violence (as seen in Colombia).¹¹ Other vulnerable industries include textiles and some agricultural products (bananas, wheat, cocoa, etc.).

- Are existing or potential investors in end markets aware of conflict issues and dynamics and does this affect their interactions with actors in the value chain (e.g., disinvestment)?

⁹ International Peace Information Service (IPIS) (2002) *Supporting the War Economy in the DRC: European Companies and the Coltan Trade*

¹⁰ For example, the Peace Dividend Trust, a non-profit foundation, works to improve the economic 'peace dividends' of international peace, humanitarian and development interventions to local enterprises and communities, through strengthening international missions' local procurement, business matchmaking and so on. For more information see <http://www.peacedividendtrust.org/>

¹¹ Dube, Oeindrila and Juan F. Vargas (2006), op.cit.

- Is there awareness among regional and global end-market consumers about conflict dynamics in the country of origin? Are there resulting changes in attitudes towards buying or consuming products from these countries? Are there end-market campaigns or advocacy efforts to boycott or sanction countries or specific producers or sellers operating in them? Can end markets be influenced by the political situation, or by changes in it?

Note: An example of consumer boycotts that affect a value chain is foodstuffs from Israel in European markets. One Israeli agribusiness took advantage of just such a situation by using its own links to Palestinian producers to create a specific brand for the Palestinian-grown fruits and vegetables it exported to Europe.¹²

- Can *peace products* be developed that would be competitive as niche products in those end markets?

Note: Product upgrading is one way of increasing the competitiveness of a value chain. Developing products that hold both profit and peace potential can be very competitive in end markets like that of European ethical consumers.¹³

- Is the value chain connected to regional or subregional markets? Are there conflict dynamics between countries in the region and, if so, how do they impact the chain?

Note: There are instances where regional value chains can help mitigate conflict and build confidence by introducing products into markets otherwise not exposed to the particular country or culture due to current or previous conflicts. Examples include certain food products or tourism between Turkey and Armenia.

- Can diaspora members in end markets be drawn on for market information, access or investment in the value chain?

Note: Diaspora members in an end market may be more likely to engage with and potentially invest in a value chain in their home country than others who might be deterred for some time by conflict risk, even after a peace agreement is signed.

3.2 BUSINESS ENABLING ENVIRONMENT

In conflict-affected countries, the business enabling environment (BEE) is closely related to the wider conflict context with many inefficiencies resulting not from technical or purely economic issues, but rather, reflecting the political situation and conflict causes and drivers. Inevitably, initiating BEE reforms is a hugely political issue that may encounter resistance from those who benefit from the status quo (e.g., corrupt bureaucrats). The links and mutual impact between the conflict and BEE need to be factored into the value chain analysis. The following questions explore these links. They are by no means exhaustive and each context should reveal additional and different types of questions.

- Are corruption, transparency and red tape national issues? How are they linked to conflict dynamics and actors? How do they relate to the specific value chain? Can a value chain intervention include anti-corruption components such as awareness-raising or standard-setting?

¹² See Amir Dajani, Yossi Dayan and Celine Touboul (2006) 'Israel and Palestine: Doing Business across the Conflict Divide' in Banfield, J., Gündüz, C. and Killick, N. (2006) *Local Business, Local Peace: the Peacebuilding Potential of the Domestic Private Sector* (London, UK: International Alert).

¹³ As an example, *Peaceworks* exports food products produced across conflict divides in various countries, for instance between Christians, Buddhists and Muslims in Indonesia. See <http://www.peaceworks.com/>

Note: Corruption can cause and drive conflict and can further undermine trust between conflicting sides. If the product (or entire chain) is seen as being affected by corruption, this can harm value chain interventions and participating actors. For example, if policemen suddenly start fining drivers without seatbelts and the only seatbelt importer is the prime minister's brother, upgrading the local car industry with seatbelts would appear questionable. In such instances, efforts to upgrade may need to include an industry-wide anti-corruption commitment.

- Does value chain upgrading have the potential to open new avenues and opportunities for corruption? How can this be mitigated?

Note: Certification and standard-setting schemes can become new sources of corruption for officials, to the detriment of both the chain and wider conflict context.

- Is there a risk that infrastructure improvements undertaken by a project could benefit conflict actors or illicit business activity? How can this be mitigated?

Note: For example, improvements in road networks and harbor facilities to improve market access can facilitate small arms smuggling.

- Can upgrading a value chain include meeting international environmental and social standards, such as conventions against child labor, discrimination against women and so on? Does the BEE facilitate such efforts?

Note: Improving business practices within a value chain can be a way of both upgrading to meet international standards and addressing conflict issues, such as encouraging respect for international labor standards where labor relations contribute to conflict.

- Are there policies related to the value chain BEE that cause conflict among value chain actors or with others? Are there policies that benefit one group of actors at the expense of another (e.g., policies that discriminate against processors vis-à-vis producers) that an intervention might address?

Note: BEE reforms like industry privatization can inadvertently fuel conflict if they do not take account of existing value chain dynamics and conflicts.¹⁴

- Are BEE reforms driven by donors, or owned and demanded by value chain participants? Do they mitigate against potential conflict impacts? How can a value chain intervention ensure value chain actor ownership of BEE reform efforts?

Note: BEE reforms driven by donors may be ineffective and harmful if local actors feel no ownership or perceive them as an external imposition. In conflict-affected contexts, this can feed tensions around national sovereignty and foreign interference.¹⁵

- Are there opportunities for linking value chain actors with policymakers for policy dialogue and exchange?

Note: Such policy fora can provide an avenue for improving the BEE and building confidence between citizens and government where it is undermined by conflict (or was always weak).

¹⁴ See for example, Jean-Paul Kimonyo and Damase Ntiranyibagira (2007) *Reform of the Coffee Sector in Burundi: Prospects for Participation, Prosperity and Peace* (London, UK: International Alert).

¹⁵ Channell, W. (2007) "Urgency and Legitimacy: Tensions in Rebuilding the Legal Infrastructure for Business in Post Conflict Societies.", paper presented at Kansas University Center for International Business Education and Research (CIBER), Conference 'Helping Failed States Recover: The Role of Business in Promoting Stability and Development', April 4-6, 2007.

- Are value chain actors aware of their rights and responsibilities under current business policies and legislation?

Note: For example, although there are nominal free trade agreements between Armenia and Georgia and Azerbaijan and Georgia, small traders know almost nothing about them and are at the mercy of customs officials who continue to demand a customs duty.

- Are there free trade agreements with particular countries? Do value chain actors consider them fair and beneficial? Can preferential access or trade agreements act as incentives for cooperation among value chain actors?

Note: Where conflicts have strong regional dynamics, trade agreements frequently are considered political, not economic tools. Where a dominant neighbor is seen to be interfering in a country's politics and conflict, trade agreements are judged in this light. Value chain actors may feel threatened by such countries, and be reluctant to build links with firms, or work towards accessing end markets, based in them.

- Can BEE harmonization among neighboring countries act as a confidence-building measure?

Note: For example, in Georgia and Abkhazia, businesspeople on both sides are working to develop legal frameworks that can allow them to legally conduct business in the present context, despite the protracted conflict between the two sides. The fact that they are developing them jointly and then advocating in their own societies represents a strong, confidence-building measure

- Who receives remittances and through what channels? How do they use them? Can remittances be drawn on for investment in and upgrading of the value chain?

3.3 VALUE CHAIN PARTICIPANTS AND RELATIONSHIPS

Value chain analyses look at horizontal and vertical relationships between different actors in the chain and highlight the power dynamics that influence the ways in which value chains work. This is an ideal entry point for conflict sensitivity, where actors and relationships are equally central to understanding conflict dynamics and identifying potential ways to resolve them. Questions concerning a particular actor that use a conflict lens can enhance those from a value chain or business perspective, leading to a more rounded picture. For example, when a value chain analysis might aim to change relationships to improve chain functioning, CSA would attempt to modify relationships in a way that would address the conflict. CSA also can mitigate potential tensions between actors that result from a value chain intervention. From a conflict perspective, it is also critical to include in the analysis the relationships value chain actors have with actors outside the chain, particularly conflict stakeholders.

3.3.1 ADAPTING CSA ACTOR ANALYSIS TOOLS TO VALUE CHAIN ANALYSIS

Actor refers to all those engaged in or affected by a given conflict, including individuals, groups and institutions, and must include those operating in a particular value chain. A conflict lens can *widen* the focus of a value chain analysis, as it will include conflict-related actors, and value chain actors' relationships to them. A conflict-sensitive lens also will *deepen* the focus by asking additional, conflict-related questions about actors not included in a standard value chain analysis.

While the value chain analysis presents actors based on their functions and roles in a chain, CSA seek to distinguish different aspects of their roles and identities vis-à-vis others and as part of the wider conflict context. This can help identify constraints to and opportunities for conflict resolution as well as providing additional information on the functioning of a chain. Different actors' perceptions and experiences of the conflict context and history, their

relationships to others, and the chain functionings are just as important as factual accounts. The remainder of this section presents different conflict tools for actor analysis, adapting them to value chain analysis (refer also to *Section 1.2.1* and the *Actors and relationships* questions on page 6).

POSITIONS, INTERESTS AND NEEDS¹⁶

Looking at the different positions, interests and needs of actors provides a nuanced picture and helps overcome apparent incompatibilities or disagreements between actors, for instance during negotiation processes. Better understanding an actor's needs may help explain apparently unfounded positions and assist in developing compromises in conflict situations. This kind of analysis can anticipate and mitigate conflicts *within* a value chain, both pre-existing ones and those caused by an intervention (See also *Section 4.3* below). Trust levels between actors determine how much about their needs and interests they are willing to reveal to others, including value chain development practitioners.

Positions: the solution to an issue, or demands, presented by actors publicly (e.g., in a fisheries value chain, one group of fishers refuses access by another group to an anchorage).

Interests: what actors want to achieve in a given situation, vis-à-vis others, and their motivations (e.g., the first group of fishermen wants to protect its regular access to the anchorage and, therefore, its ability to go fishing).

Needs: most basic and essential requirements actors must have or safeguard in a given situation and vis-à-vis others (e.g., fishermen must secure enough catch to support a basic livelihood for their families).

Sometimes, different actors' needs are more compatible than their stated positions. If underlying needs are known, practitioners can adapt an intervention to accommodate and address participants' needs, rather than struggle with apparently incompatible positions. In the simplified example above, the solution may be to work with both groups to expand the space or establish a rota system of use rather than attempting to decrease control of the anchorage by the first group. This could also be a way of overcoming positions (and accompanying behavior) that stand in the way of horizontal linkages among actors performing similar functions—addressing a shared need or constraint through collective action.

When relevant, practitioners must also look at the positions, interests and needs of conflict actors in relation to the selected value chain. These can be summarized in a matrix¹⁷ that facilitates comparisons and identifies possible constraints and opportunities. The intervening agency should also be included (See *Box 2*, next page).

¹⁶ Adapted from: Responding to Conflict (2000), *Working with Conflict: Skills and Strategies for Action*

¹⁷ GTZ (2002), *Conflict Analysis for Project Planning and Management*

BOX 2. SAMPLE POSITIONS, INTERESTS AND NEEDS MATRIX¹⁸

The matrix below describes a project that sought to promote upgrading of a coffee value chain to produce organic coffee as a niche product for a European market. Conflicts arose when end-market buyers found that the final coffee product contained traces of pesticides because the organic coffee had been mixed up with that from other sources in processing factories. This resulted in end-market buyers refusing to pay, and exporters passing the cost on to factory owners, who in turn refused to pay the farmers who had supplied the coffee.

Actors	Positions	Interests	Needs
Farmers supplying organic coffee	Strike and shut-down of coffee factories that had not paid for the supply of organic coffee	Receiving a return on their initial investment in entering organic coffee production	A regular channel for selling their organic coffee and secured payments to support their livelihoods; and to protect themselves from adverse shock, including end markets that do not buy products. Farmers also feel disempowered in negotiations with factory owners, and need to improve their negotiation capacity.
Factory owners processing organic and non-organic coffee	Will not pay farmers because exporters did not pay them—passing on their costs to farmers	To ensure that they have reliable access to end markets and regular payment Increasing coffee sales in general, whether organic or not – with little understanding that processing, marketing and selling of organic and non-organic coffee need to be kept separate.	To get a return to their initial investment in upgrading to organic coffee; and to protect themselves from adverse shocks, such as when end markets do not buy products
Development agency promoting value chain upgrading	All actors should absorb the costs of this experience and give the project a second chance	To show success of the value chain approach and continue the project; and to improve project design to mitigate such adverse impacts in future Especially quality control mechanisms need improving, as they have not been 'well understood' by coffee factory owners.	To receive continued funding support from donors or headquarters; and to maintain good relationships with all partners

¹⁸ Adapted from GTZ (2002), op. cit.

ATTITUDES, BEHAVIORS AND VALUES¹⁹

Conflicts reflect different actors' attitudes, behaviors and values; and value chains contain the same prevailing societal or community attitudes, behaviors and values that support conflict or peace. Practitioners should, therefore, ask themselves the following questions:

- Which attitudes, behaviors and values underpin and further feed conflict (e.g., caste thinking that excludes certain groups from certain employment categories, other stereotypes, etc.)? Are these reflected in the value chain relationships and functioning?
- How might a value chain intervention influence them? Could it inadvertently reinforce them? How can this be avoided?
- Could a value chain intervention help overcome them in any way (for example, by being inclusive in hiring, or challenging negative stereotypes)?
- What peace-supporting attitudes, behaviours and values can an intervention reinforce or reward (for example, equitable sharing of resources)?

CONFLICT ANALYSIS OF VALUE CHAIN PARTICIPANTS AND RELATIONSHIPS

A sample list of the potential conflicts between actors within a chain is presented in *Section 4.3*. Practitioners should refer to and consider this list in conjunction with the questions below:

- Do value chain group identities correspond to those featuring in the conflict? What are the implications for the value chain and any interventions?

Note: Specific functions within a chain may be carried out by particular groups, e.g., from a conflict-affected region or an ethnic, religious or caste group. It is also important to consider gendered divisions of labour within a value chain and gender discrimination.

- How is power wielded among value chain actors? Who holds it and who benefits from it? Do actors in the chain enjoy equal or fair bargaining power and what are their individual and collective capacities to negotiate? Can a value chain intervention redress any asymmetries?

Note: Asymmetric bargaining power, be it due to different positions within a chain or because actors differ in negotiating capacity, can simultaneously weaken value chain functioning and cause tensions between actors. If actors see a project reinforce or ignore such asymmetries, it can affect their willingness to engage.

- Does the intervention require significant shifts in power relations among value chain participants, and can such shifts fuel resentment and generate resistance? Can this be mitigated, and if so, how?
- How did conflict impact pre-existing horizontal and vertical linkages? Can those that were lost be re-established?
- Is there any residual mistrust or alienation among value chain actors, horizontal or vertical, resulting from conflict? Can it be overcome and trust rebuilt, and if so, how?
- Do any of the identified conflict actors have a stake in the value chain and if so, in what form? For example, do they comprise an end market supplied by the value chain; control specific functions in it; or benefit from it financially or in other ways?

¹⁹ Adapted from Care and International Alert (2008), *Towards a Conflict-Sensitive Care Kosovo – Final Report and Learning Manual*

- What are their positions, interests and needs in relation to the chain and what are the implications for interventions?
- Do relationships exist between value chain actors and conflict parties and, if so, what is their nature? Are they collaborative or based on conflict and who influences whom? What are the implications for interventions?
- Who within the value chain profits or benefits from the conflict and who loses? What are the implications for an intervention?
- What are the attitudes of different value chain actors towards the conflict? What are their interests in peace? How do they envision peace?
- How have different value chain actors been impacted by the conflict and how do they cope?

Note: Some value chain participants may have been relatively shielded from conflict impacts while others have been more exposed. Some actors may have lost loved ones, business partners, employees and property and others may have been severely traumatized and need psycho-social support in order to benefit from participation in a value chain project.

- Are there opportunities to include conflict-relevant groups in the value chain through an intervention (e.g., IDPs, ex-combatants)? What are value chain actors' attitudes towards this? What additional support would those groups need?
- How might an intervention address and mitigate existing and potential conflicts among value chain participants?

Note: Conflicts leave profound and long-term impacts on all of those they affect—at the personal, group, community and wider social levels—even if the effects are not immediately apparent. As with any intervention, value chain activities must be mindful of such lasting effects and provide support to partners and participants to address them where possible. Value chain projects should work with conflict experts to design and implement interventions that include dialogue facilitation, mediation support and building the negotiating skills of participants, where needed.

CONFLICT MAPPING: VISUALIZING RELATIONSHIPS²⁰

Conflict mapping is a visual technique that shows the relationships and existing issues between different actors or parties to a conflict. Conflict mapping can enhance value chain mapping, which shows the main structures and linkages of a given chain, but generally does not qualify or describe those relationships further. Conflict mapping adds substance to those relationships, by showing alliances, broken relationships, conflict issues, outside influences and power dynamics. Conflict mapping can also be done using different actors' viewpoints.

While the modalities or conventions differ somewhat for conflict and value chain maps (for instance, conflict mapping depicts actors in circles, whereas value chain mapping depicts them as boxes), the differences are small and should be easy to overcome. *Annex A* provides a sample conflict map.

²⁰ Based on Responding to Conflict (2000), *Working with Conflict: Skills and Strategies for Action*.

BOX 3. COMPONENTS OF A CONFLICT MAP²¹



Circles indicate actors involved in the situation. Their relative size indicates their power with regard to specific issues and in relation to others.



Straight lines indicate links, i.e., relationships



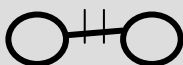
Double connecting lines indicate an alliance



Dotted lines indicate informal, or intermittent, links



Arrows indicate the predominant direction of influence or activity



Double-lines across a single line show a broken or blocked connection



Zig-zag lines indicate a conflict



Rectangles indicate issues or factors, other than people



Shapes outside the main map, with or without links, show outside influences that have a bearing on the dynamics depicted. For a value chain map, these could include conflict actors who have influence over specific actors or transactions in the chain.

3.4 SUPPORTING MARKETS

The availability and provision of financial, cross-cutting and sector-specific services by supporting markets may reflect conflict dynamics, or fuel tensions if seen to be unjust. A conflict analysis of supporting markets can help value chain practitioners identify such existing and potential conflicts that may impede competitiveness and options for upgrading within the value chain. Questions may include:

- Who provides support services? Do conflict actors or specific groups control certain services?
- Are the quality and availability of support services a source of tension? How can a value chain intervention address this problem?
- Are existing support services equally available to all? Are there inequities or discrimination in accessibility and availability, for instance between groups, by gender or region? How can this be redressed?
- Could a value chain intervention challenge existing power dynamics or control over supporting markets and what would the implications be?
- Are supporting markets responsive to the needs of all value chain participants? Are there negative externalities involved (for instance, environmental degradation)? How can these be mitigated?

²¹ From Responding to Conflict (2000), op. cit.

- Do some supporting markets aid licit and illicit business activities equally (e.g., transport or financial services)? What are the implications for the value chain?

Note: In Somalia, the *hawala* money transfer systems have been an important channel for continued finance to Somali businesses. However, some allege that they are used to channel money to terrorists. A post-911 clampdown on *hawala* institutions may have controlled illicit flows to some extent, but it has also hurt the businesses and civilians who relied on them for remittances.²²

²² Yusuf, A.W. (2006) 'Somali enterprises: making peace their business' in Banfield, J., Gündüz, C. and Killick, N. (2006), op.cit.

IV. IDENTIFYING VALUE CHAIN/CONFLICT INTERACTIONS

The preceding conflict analysis has identified a variety of value chain/conflict dynamics that need to be borne in mind in subsequent steps to design and implement projects. Practitioners can systematize different types of interactions between a particular value chain and pre-existing or potential conflict identified during the analysis under three broad headings (outlined in more detail in *Sections 4.1, 4.2 and 4.3* below): (1) the impacts of wider conflict on a value chain and its components; (2) in turn, a value chain's impact on wider conflict; and (3) conflicts present *within* a value chain, among different actors and at different levels. These three categories are not neatly separable, and there is some degree of overlap and the potential that they will reinforce one other. However, it is useful to consider them separately since each has different implications for mitigating harmful impacts and strengthening those that are positive through project design and implementation.

4.1 WIDER CONFLICT IMPACTS ON VALUE CHAIN ACTORS, STRUCTURES, DYNAMICS AND RELATIONSHIPS

These can be positive and negative; direct and indirect. They are also likely to significantly affect the chances for a successful intervention to strengthen a chain. At the same time, understanding negative conflict impacts assists in identifying bottlenecks and constraints that can help formulate project options for overcoming them and improving the performance of a given chain. Conflict impacts on a value chain include the following:

- Destruction of critical infrastructure and disruption of access to end markets
- Weakened state institutions and policies to effectively regulate the functioning of a value chain
- Embargoes or sanctions by third parties on conflict participants that affect a particular value chain by restricting access to markets, limiting availability of inputs, or instigating consumer boycotts in end markets in response to conflict
- Security risks impacting value chain actors, structures and processes, e.g., levels of violence and crime, looting, etc.
- Direct targeting of value chain actors, structures and processes for economic, political or other reasons (harassment of producers; killing of workers; extortion of value chain-related businesses and supporting markets [e.g., transport]; kidnappings of actors at higher chain levels, etc.)
- Death or migration of value chain participants resulting in loss of knowledge and skills
- Death or migration of consumers
- Illegal taxation of value chain elements/actors
- Control of certain chain levels or functions by conflict actors (armed groups, political actors, the military, and so on)
- Broken or weakened horizontal and/or vertical linkages resulting for instance from displacement of actors, destruction of assets, but also mistrust between groups resulting from conflict
- Lack of finance and/or the willingness to invest in upgrading a value chain
- Disruption of production and processing due to all of the above

4.2 VALUE CHAIN IMPACTS ON WIDER CONFLICT DYNAMICS

A given value chain, its actors, structures and relationships can have an impact on wider conflict dynamics, either by fuelling tensions or by mitigating them (these impacts have been discussed in *Sections 2 and 3*). Such impacts include the following:²³

- A substantial or politically significant change in access to individual or collective (material and symbolic) resources, especially ones that are non-renewable (for instances access to land or water)
- Creation or exacerbation of socio-economic tensions that can fuel violence
- A substantial change in the material basis for economic sustenance, especially of conflict-relevant groups or individuals (e.g., former combatants, inhabitants of a conflict-affected area, and so on)
- Challenging the content or control of existing political, economic or social systems in a way that fuels conflict
- Project failure to challenge or transform unjust or structurally violent systems or practices can inadvertently and implicitly legitimize and further support them
- Well-designed value chain interventions resulting from an initial conflict analysis can positively and directly address economic and other conflict causes and drivers (*Section 3*)
- The tangible benefits that value chain interventions bring to a community can create an important economic stake in peace

4.3 CONFLICT DYNAMICS WITHIN A VALUE CHAIN, BOTH HORIZONTAL AND VERTICAL

While conflicts *within* a value chain may not in most cases erupt into violence, they can significantly increase tensions and the willingness of value chain actors to cooperate for the benefit of the chain. In contexts affected by violent conflict, they may mirror wider conflict dynamics and issues, further feeding them (relationships among different actors within a chain have been discussed in more detail in *Section 3* above).²⁴ Such conflicts also will likely impact negatively the way partners and beneficiaries perceive and accept a project. Conflicts or tensions that can arise within a value chain between many different actors include:

- New actors who want to enter a value chain or end market and those who already participate in/supply those markets
- Producers over the control of, or access to, inputs or necessary resources
- Producers and input/service suppliers over inadequate or discriminatory provisions
- Producers and buyers over control of prices and access to markets
- Producers and processors over quality and/or regularity of supply
- Actors throughout the chain over spreading the costs and risks of upgrading or venturing into new markets, particularly if such efforts are unsuccessful
- Different actors in the chain over transaction terms and conditions, especially where bargaining and negotiation processes are perceived to be asymmetrical or unjust
- Different actors within the value chain if integration of new functions by one marginalizes others who previously provided those functions
- Those introducing upgrading/innovation efforts and those whose livelihoods and roles within a chain depend on old methods and technologies

²³ Adapted from Bush (1998), op.cit.

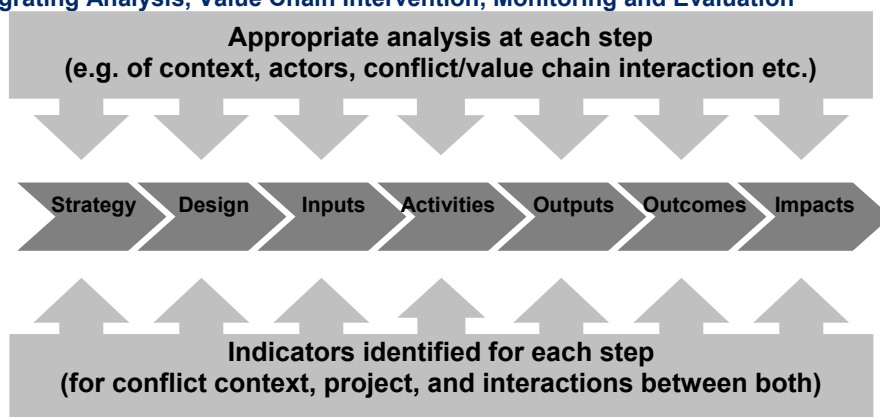
²⁴ For example ethnic discrimination in a value chain may reflect wider conflict dynamics.

V. INTEGRATING CONFLICT-SENSITIVE APPROACHES IN VALUE CHAIN PROJECT DESIGN AND IMPLEMENTATION

Building on the conflict analysis and identification of conflict/value chain interactions laid out above, conflict-sensitive planning and implementation requires a value chain intervention to achieve its objectives (e.g. increased competitiveness of a particular chain through upgrading, strengthening support markets, etc.) in a way that also maximizes peaceful outcomes and mitigates identified conflict issues or risks. Addressing and reducing value chain-related conflict issues can be an explicit intervention objective in which strategies, activities, anticipated impacts and indicators flow from a conflict analysis and speak directly to conflict issues. *Figure 2* below is a schematic representation of how analysis, intervention, monitoring and evaluation should inform one another in an iterative process. While this report does not go into monitoring and evaluation aspects of conflict sensitivity,²⁵ section 5.1 offers some initial thoughts on developing indicators that can eventually inform both.

Practitioners should not assume that a standard value chain project will necessarily have a positive, peacebuilding impact; this type of outcome needs to be built into a project, and human and financial resources and the time needed to build relationships and trust allocated accordingly. *Box 4* below illustrates how a project component can be developed from an initial conflict analysis relating to a particular value chain.

Figure 2. Integrating Analysis, Value Chain Intervention, Monitoring and Evaluation²⁶



²⁵ While a relatively recent field, there is a growing body of work on design, monitoring and evaluation of conflict prevention and peacebuilding interventions, as well as conflict-sensitivity of humanitarian and development interventions. See for example the recent draft guidance published by the OECD on the topic (OECD (2008) *Guidance on Evaluating conflict Prevention and Peacebuilding Activities*). The approaches and tools presented there can be drawn on and adapted by value chain practitioners.

²⁶ Based on Care and International Alert (2008), op.cit. figure on p.19; and OECD (2008), op.cit., figure 2 on p.64

BOX 4. SAMPLE PROJECT COMPONENT, ANTICIPATED OUTCOMES AND INDICATORS²⁷

Conflict issues identified in the analysis:

The breakdown of trust and resulting loss of links between actors who previously cooperated in a value chain mirror wider conflict relationships. In Kosovo's dairy value chain, Kosovar Serb farmers must wait outside their villages to sell their milk below market prices due to the lack of storage facilities. Kosovar Albanian processors complain that the milk is watered down. Both parties are reluctant to enter each other's villages to discuss the issue because they feel threatened by one another.

Project objective →	Inputs and activities →	Anticipated positive outcomes →	Potential negative outcomes →	Sample indicators (+/-) →
<p>To re-establish mutually beneficial and reliable links between Serb dairy cattle owners and Albanian dairy processors</p>	<ul style="list-style-type: none"> • Dialogue meetings to overcome suspicions and identify shared needs (with the help of dialogue facilitators) • Installation of milk collection centres in Kosovar Serb villages that Kosovar Albanian processors are comfortable accessing (to maintain required quality standards, including equipment to measure fat content of the milk and prove supply quality) • Training for quality control • Etc. 	<ul style="list-style-type: none"> • Increased willingness of Serb cattle owners to supply milk to Albanian processors • Increased willingness of Albanian processors to buy milk from Serb cattle owners • Improved ability to maintain quality standards • Improved ability of all sides to negotiate a fair price • Improved perceptions of security, as suppliers no longer need to wait outside their villages, and processors purchase milk from collection centres where they feel secure. 	<ul style="list-style-type: none"> • Project participants are targeted by outsiders or hardliners in their own communities • Project resources are seen to be inequitably distributed • Competition and conflict over control of project resources, e.g. milk collection centers • Corruption occurs in systems that control quality standards • Etc. 	<p>(+)</p> <ul style="list-style-type: none"> • Increased number of interactions between suppliers and processors as part of the project • Increased quantities of milk processed and dairy products sold to end markets • Increased number of interactions outside of the project context between project participants and secondary stakeholders (e.g., attending each others' festivities) <p>(-)</p> <ul style="list-style-type: none"> • Lack of participation, boycotting of meetings • Continued distrust in transactions • Other supply and processing channels sought by participants • Etc.

²⁷ Based on Care and International Alert (2008) 'Towards a Conflict Sensitive Care Kosovo – Final Report and Learning Manual'; and International Alert (2006) 'Local Business, Local Peace – The Peacebuilding Potential of the Domestic Private Sector' – Kosovo case study

5.1 DEVELOPING CONFLICT-SENSITIVE INDICATORS²⁸

Potential or actual conflicts are highly fluid and evolve over time, as do the causes, actors and dynamics. Conflict sensitivity requires regular updates of the analysis and monitoring of the context, and the project interactions with that context, to periodically re-assess project assumptions and parameters (such as intervention timing and components, beneficiaries, and so on).²⁹

Value chain practitioners need to be mindful that conflict sensitivity can set out the most probable risks to a project, as well as conflict risks flowing from the project. What the framework cannot do is predict the nature or scale of conflicts that do emerge. Conflicts by their very nature are unpredictable and extremely difficult to stop once they start. Conflict-sensitive monitoring can help mitigate risk, support early warning, and propose appropriate and timely responses. An effective monitoring process is one that helps project staff, partners and value chain actors work in ways that promote peaceful outcomes. The process involves a clear division of labor between project staff and external actors to monitor specific project aspects and risks.

Once project implementers and partners agree on the key conflict issues to address and assign responsibility for monitoring risk, they must develop indicators that can be monitored in each phase as well as over the life of a project. While some risks may be more prevalent during the start up phase, the full range of risks will be revealed as the project matures and becomes fully functional.

Practitioners and partners should use the conflict analysis—which identified particular risks relevant to the project, and value chain/conflict interactions—to develop indicators that are appropriate and track changes in those risk and interaction factors over time. It may not be necessary to develop an indicator for each risk—there is no definitive list of conflict-sensitive indicators and not always a clear cause-and-effect relationship between the conflict context and a project. The following points should be borne in mind in identifying appropriate indicators:

- Conflict-sensitive indicators fall into three categories: conflict indicators (derived from the conflict analysis and used to monitor how conflict factors change over time); project indicators (which monitor the effectiveness and impact of the project); interaction indicators (used to monitor and evaluate the interactions between a value chain project and the conflict context—see also *Section 4*).
- Practitioners should list the identified conflict risks and work with a monitoring professional, where necessary, to devise appropriate indicators and the means of verification.
- Although indicators need not always be measurable, practitioners should be able to observe or confirm them via consultations and/or triangulation exercises. Indicators can be both objective, and perception based (e.g., communities' perceptions of security compared to before a project intervention).
- Understanding what a shift in an indicator means is particularly important and attention to the causes for such change must be tracked. For example the absence of a group from community meetings around a project may indicate exclusion, but verification could find that the group is actually boycotting the project. Because indicators are signs, they have to be understood and not just accepted at face value.

²⁸ This is adapted from Gaigals, C. (unpublished), *Conflict-Sensitive Monitoring Framework for the Somali Jetti Project*

²⁹ See International Alert et al. (2005), *op.cit*, Chapter 3: Conflict-sensitive Implementation

VI. CONCLUSIONS

There is now an emerging consensus that, as with relief and humanitarian operations, economic development interventions in conflict-affected and conflict-prone countries need to be sensitive to context and take non-economic variables into account, including social and conflict impacts. Value chain interventions are no exception.

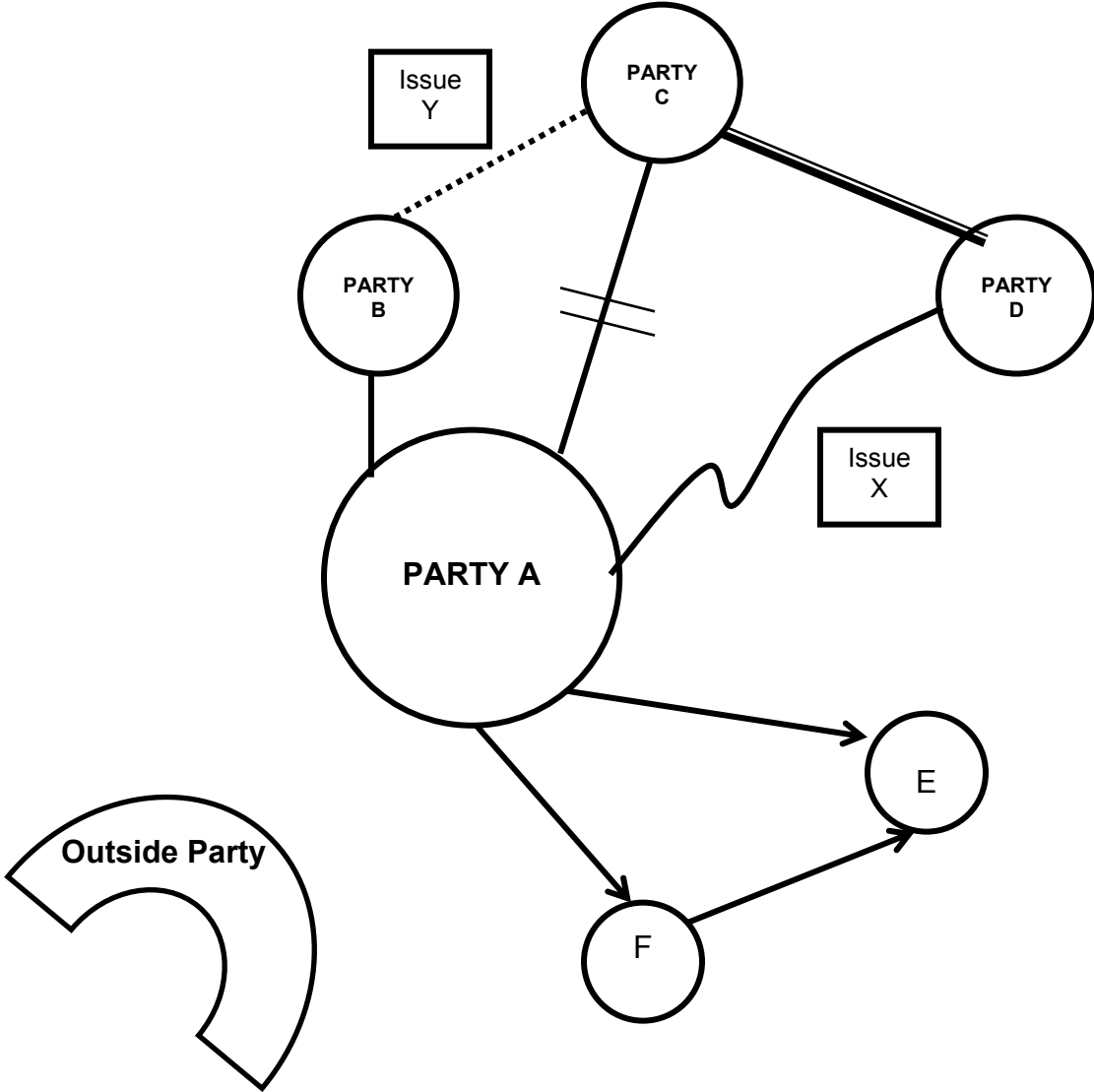
This paper seeks to provide initial thoughts on integrating conflict-sensitive approaches into value chain analyses and interventions in conflict-affected situations. The document explores how practitioners might apply CSA during various stages of a value chain analysis and to different value chain elements. In doing so it seeks to be illustrative rather than exhaustive, providing evidence and thinking to identify options that can be further developed in future to integrate value chain analysis and CSA comprehensively.

Given that both value chain analysis and CSA follow systematic steps to cover prescribed components, including similar elements such as actors, their relationships, structures and dynamics, there are clear entry points that make it possible to integrate them. What is more, combining the two provides a more nuanced and richer analysis than either could provide on its own. While the approach here focuses on the ways CSA can enhance a value chain analysis, the opposite is also true. Where conflict analysis highlights the production and trading of a particular good as a conflict driver for example, analysis of that particular value chain throws light on the different aspects that facilitate and support production, trading and sale into end markets in a way that standard conflict analysis does not.³⁰

Since this report is not based on a particular project and context, it remains abstract to a certain degree. Where possible, however, the study refers to practical examples to illustrate points or questions. Applying CSA to a real-life value chain project is likely to reveal more nuanced and concrete findings and recommendations, and further illustrate the benefits of integrating a conflict-sensitive approach into value chain analyses carried out in conflict-affected environments.

³⁰ Commodity chain analyses have been used to trace the way in which control over certain commodities supports conflict financing. See ODI (2003), *Power, Livelihoods and Conflict: Case Studies in Political Economy Analysis for Humanitarian Action* (London, UK: ODI).

ANNEX: SAMPLE CONFLICT MAP



U.S. Agency for International Development

1300 Pennsylvania Avenue, NW

Washington, DC 20523

Tel: (202) 712-0000

Fax: (202) 216-3524

www.usaid.gov