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**POLICY BRIEF: MAY 2018**

# **Strengthening the capacity of business to contribute to building peace in Afghanistan**

## **SUMMARY**

This policy brief provides recommendations for international donors on providing support to and investing in strengthening the capacities of medium-sized enterprises in Afghanistan and other fragile contexts. The aim is to ensure that employment creation is conflict sensitive and that economic development can contribute to lasting peace. The recommendations are based on learning from the project, 'Conflict-sensitive employment under construction: Peace and stability strategies for the private sector in Afghanistan',<sup>1</sup> as well as International Alert's work globally.



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Bridge construction on the road from Bamyan to Yakawlang and Band Amir, Afghanistan, 2012.

## Context

With various regional economic projects currently underway – such as China’s One Belt, One Road, China and Pakistan’s China–Pakistan Economic Corridor and the United States’ New Silk Road Initiative – regional connectivity and Afghanistan’s involvement in these initiatives have been a key discussion point for the government of Afghanistan as well as other countries in the region and global powers.

This regional connectivity is expected to be achieved through improved transport systems, freight and logistics supply chains, energy supply and high-speed telecommunications. Because of its strategic geographic position, Afghanistan’s location is considered as a transit hub between east, south, central and west Asia, provided that conflict risks are reduced to manageable levels. Afghanistan recognises that it can play an important part in regional connectivity, and the government’s strategy is to improve infrastructure investment efficiency to maximise this opportunity. It also expects to create employment and growth opportunities for Afghanistan.<sup>2</sup>

If approached in the right way, this investment in Afghanistan’s economy can enhance capital, skills, infrastructure and employment, as well as contribute to long-term peace and development of the country. However, while this investment can bring opportunities for Afghanistan, there are also risks that if not handled in a conflict-sensitive

way, this may aggravate long-standing and current conflict dynamics in the region. Investors and government, therefore, need to take steps to handle the challenges of operating in conflict-affected environments such as Afghanistan and, in doing so, to minimise the potential risks associated with investment and to maximise contribution to peace and stability.

## Defining conflict-sensitive employment

Employment is one medium through which businesses can reduce, or exacerbate, tensions in conflict-affected countries. If an employment strategy is ‘conflict sensitive’, it helps to reduce local tensions and conflict. Grawert et al<sup>3</sup> outline that conflict-sensitive employment is one aspect of conflict-sensitive business strategies and means that businesses seek to:

- Create jobs where unemployment is a driver of conflict;
- Ensure that these jobs allow employees to build a future (e.g. by gaining skills on the job) and avoid a ‘hire and fire’ approach;
- Be inclusive so that no group or community is favoured or discriminated against;
- Avoid any preference for employing foreign employees over local employees, where unemployment is a problem and local people can be trained;

## Conflict-sensitive employment – some lessons learned

### Empowering disadvantaged groups in the workplace

When Datu Paglas returned to Mindanao in the Philippines, he recognised that conflict in the region had its roots in history and Muslim socio-economic grievances. These grievances further escalated because Christian workers were hired as trainers and supervisors. As a result, Muslims viewed them bitterly as being considered 'superior' by the company. Paglas changed this practice and employed Muslim supervisors and a former Moro Islamic Liberation Front (MILF) combatant as the most senior supervisor. As a consequence, Christians and Muslims started having better and more equal relations in the workplace, leading to more integration in the workplace as well as the wider community.

### Managing employment expectations in fragile contexts

The presence of oil in Turkana county in Kenya has raised expectations around benefits, employment and business opportunities, as well as wider economic development and social investment. In some parts of the county, these expectations are being met – for example, through jobs and peripheral business opportunities in urban centres (such as Lodwar, Lokichar and Lokori). However, this is not the case across the county and where (and potentially when) these unrealistic expectations are not being met, this is a source of frustration and therefore conflict. The oil industry in particular is characterised by fluctuating workforce requirements. Exploration efforts that have spanned several counties in these areas have trained and employed new sets of workers for each county, which is now creating frustrations over availability of sustainable employment opportunities.

- Comply with the International Labour Organization's (ILO) standards for decent work (or at least work towards compliance in highly fragile settings). Decent work is defined as:
  - work that is productive and delivers a fair income;
  - work that provides security in the workplace;
  - work that offers prospects for personal development and social integration;
  - work where people are free to express their concerns and to organise and participate in the decisions that affect their lives; and
  - work where men and women are treated equally and have equal opportunities.<sup>4</sup>

While critical, conflict-sensitive employment creation poses significant challenges for businesses in fragile contexts and the expectations placed on them are often unfeasibly high. For the private sector to flourish and be able to generate conflict-sensitive employment, it needs support as well as flexibility and trust from donors in the transition process.

## Supporting medium-sized enterprises, frontline peacebuilders in fragile contexts

As shown during our experience of working on the Conflict-sensitive employment under construction project, the

application of conflict-sensitive employment practice is particularly important for local medium-sized enterprises (MEs) in fragile contexts such as Afghanistan. These enterprises are the main frontline implementers in construction, infrastructure and transport related projects (while the main contract may be given to a large national or international firm, the implementation is led by local companies). Alert's experience shows that medium-sized companies are intrinsically part of the community where they work and have the potential to bring together conflicting parties by creating shared economic interest. While owners of large-scale businesses have easy access to government actors and means to influence policies and regulations, MEs suffer the most from the various manifestations of violent conflict. Therefore, they have the most to gain from supporting peacebuilding initiatives. While this may have its own risks, it also means that MEs can be more effective than larger business entities in implementing socially responsible policies or quickly taking advantage of gaps in the market for products that link peace-supportive social and/or environmental benefits.

To promote the growth of small and medium-sized enterprises (SMEs) and entrepreneurship, donors are increasingly working with local governments to design and roll out incentives, packages and strategies. Most of these approaches are designed in such a way as to keep economic incentives in mind, either through addressing business constraints or through creating an enabling business environment. However, these interventions and strategies fail to consider the wide

range of complex political and social dimensions that the MEs are an intrinsic part of, and the impact they can have on settings marked by conflict and fragility.

## Recommendations

The recommendations outlined below are targeted at international donors and focus on practical steps that they can take to enhance the contributions of MEs to peacebuilding in Afghanistan and other fragile contexts.

### Encourage local businesses to apply the Conflict-Sensitive Employment Framework

- Encourage local businesses to apply the Conflict-Sensitive Employment Framework (CSEF) for construction and transport companies<sup>5</sup> as a part of the selection criteria in tenders issued by donors (through multilaterals or funds). Also, incentivise local companies that show commitment to applying the CSEF by awarding them with preferred supplier status.

- Make capacity-building support available to companies to implement the CSEF – this includes (local) conflict analysis, stakeholder mapping, consultation and negotiations. Separate allocations should be made in tenders for this capacity-building support.
- Develop contextually relevant and applicable standards for decent jobs and working conditions. Companies should be trained and rewarded for compliance with these standards. For highly fragile settings, process indicators should be developed that also reward incremental progress towards ILO compliance.
- Encourage and support local companies to design and implement strategic corporate social responsibility (CSR) initiatives. Since not all investment opportunities will create direct job opportunities for local communities, support and advice should be provided to SMEs on how they can support community-based initiatives aiming to improve well-being and/or livelihood opportunities for vulnerable community members through their CSR activities.

### Capacities needed for medium-sized enterprises to consult widely and develop trusting relationships with stakeholders

In order to obtain a social licence to operate, wide-ranging consultation with different stakeholders, both nationally and locally, is needed to develop trust. Consultation is also needed to generate information about different issues of concern and different perspectives on those issues. This also helps to limit opportunities for corruption and the spreading of rumours and myths, which in conflict contexts are as significant as 'realities'. Consultation is also good for identifying appropriate channels of communication to reach out to different stakeholders.

#### Best practice:

- MEs should conduct comprehensive stakeholder mapping and analysis. In fragile and conflict-affected settings, the stakeholder mapping would further benefit from inclusion of illicit/shadow sectors and actors. The mapping should also look into impacts of business activities on human rights.
- Companies are recommended to use two processes in working with stakeholders: consultation and negotiations. Both processes need to be considered in light of their own potential to fuel or mitigate tension, misunderstanding and conflict.
  - Consultation: A consultation process is an open-ended set of conversations or meetings, with the objective of exchanging ideas and opinions (without necessarily reaching a formal agreement). The degree of credibility, transparency and trust established during the consultations directly impacts on the effectiveness of any future negotiations with stakeholders. However, wider stakeholder consultation also yields the possibility of informing citizens about proposed investment plans. Communicating clearly about the likely benefits and risks to the local context that the investor envisages is paramount for good practice.
  - Negotiation: Negotiation involves a series of meetings deliberately convened to reach agreement on a particular issue (which ideally arose out of a consultation process).

Source: International Alert, *Contributing to a peace economy in Northern Uganda: A guide for investors*, London: International Alert, 2009, <http://www.international-alert.org/resources/publications/contributing-peace-economy-northern-uganda>

## Medium-sized enterprises and corporate social responsibility

Around the world, it has become common for large-scale investors and companies to undertake 'social investment' or CSR projects that contribute to community life. Examples include building schools, hospitals or roads in the areas where they operate. Companies engage in such projects due to a combination of motivations, including seeing CSR as a strategy for risk mitigation and a desire to deliver – and to be seen to deliver – a 'net benefit' to communities.

While they are an intrinsic part of the community in which they operate, MEs often find it difficult to relate to CSR initiatives being undertaken by larger national companies. However, as is the case in Afghanistan, they are often engaged in philanthropy and welfare activities and act as civic leaders, extending patronage to their workers and communities. These precedents can be used as entry points to build the capacity of MEs to practise strategic CSR, which would contribute to peace and development at the local level.

In a study published in 2006, International Alert gathered and analysed case studies from over 25 countries where local business leaders had organised themselves to contribute to peace. The study, 'Local business, local peace', found that MEs had taken various steps to contribute to peace across a range of critical areas, including undertaking peace negotiations, promoting economic dimensions of peace, facilitating rebuilding of social relationships and addressing security challenges.

Source: C. Gunduz, J. Banefield and N. Killick (eds.), *Local business, local peace*, London: International Alert, 2006, <http://www.international-alert.org/publications/local-business-local-peace>

### Ensure donors recognise local challenges and support medium-sized enterprises to adapt and respond to them

Recognise the need for local companies to deal with armed non-state actors, providing support to companies to strengthen their negotiations and mediation capacities.

This would enable them to engage and successfully negotiate with armed non-state actors in their catchment areas in a conflict-sensitive and peace-supportive manner.

Rethink technical and vocational education and training strategies. These strategies need to be designed in consultation with the local companies so that they are demand driven. Opportunities should be made available along infrastructure corridors as opposed to urban centres only.

### Monitor and evaluate progress and compliance incrementally

Design monitoring and evaluation criteria and indicators that are compliant with the CSEF and other standards that are contextually relevant and applicable. Success milestones or indicators should be designed to recognise and

appreciate incremental compliance, with accompaniment support available from technical experts to further improve compliance. To ensure effective monitoring and evaluation, the success milestones and indicators not only need to be incremental but should be designed to keep the contextual realities in mind.

Build the understanding of government ministries and departments on conflict sensitivity so they can effectively monitor and evaluate compliance. Government ministries and departments in Afghanistan suffer from low capacity in and have no understanding of conflict sensitivity and the CSEF. In the past, models of capacity building adopted to strengthen government institutions relied on the hiring of consultants, placed in government institutions to support existing employees. However, as they are working on time-bound projects and are accountable for external deliverables, there is little or no knowledge transfer to their government counterparts. Therefore, to ensure effective implementation, monitoring and evaluation of compliance with the CSEF, new approaches are needed regarding capacity building and transfer of knowledge to government institutions.

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## Endnotes

- 1 This project was implemented by the Bonn International Center for Conversion (BICC), International Alert and The Liaison Office, and was funded by the Dutch Knowledge Platform. Find out more at <http://www.international-alert.org/projects/14135>
- 2 A. Amiri, Kabul's plan to realize Afghanistan's geographic dividend, The Diplomat, 5 December 2017, <https://thediplomat.com/2017/12/kabuls-plan-to-realize-afghanistans-geographic-dividend>
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- 4 Decent work, International Labour Organization (ILO), <http://www.ilo.org/global/topics/decent-work>, accessed 16 April 2018
- 5 E. Grawert, E. Isikozlu, M.M. Haqeeqat and F. Shirzad, Conflict-Sensitive Employment Framework (CSEF) for construction and transport companies, BICC Framework, Bonn: BICC, 2017, [https://www.bicc.de/uploads/tx\\_bicctools/CSEF\\_framework.pdf](https://www.bicc.de/uploads/tx_bicctools/CSEF_framework.pdf)

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