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Local Business, Local Peace: the Peacebuilding Potential of the Domestic Private Sector

Case study
Afghanistan*

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Afghanistan

Afghanistan: exploring the peacebuilding potential of the private sector

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The Afghan conflict lasted 24 years and, despite its complexity, evolved through several distinct phases. It began as a popular insurrection against a revolutionary regime (1978-79), but evolved into a jihad against occupation by the Soviet Union (1980-89). After 1989 it mutated into a civil war between the communist regime and its enemies (1989-92) but, after the collapse of Soviet communism, it continued as a civil war between the factions. From 1992 onwards, central government effectively collapsed, but while factional fighting was rare in the south, southeast and east from 1992-94, lack of policing and the existence of roaming bands of gunmen led to large-scale abuses against the civilian population, including rape, summary killings and repeated looting.

Partly as a result of the loss of external support brought about by the end of communism, military commanders increasingly faced the problem of how to fund their armies in the face of the civilian population's declining propensity to contribute to the war effort.[1] Warlordism became a prominent feature of the Afghan conflict from this point, though its origins can be traced back to the early years of the war.[2] Though not the only factor sustaining conflict, revenue collection became a dominant preoccupation for factional leaders, increasing predation on the civilian population, and stimulating their involvement with international criminal networks.

In reaction to these conditions, an extreme movement such as the Taliban, with its promise to restore order, found it fairly easy to win acceptance. From 1994, the conflict increasingly pitted Afghanistan's various factions and warlords against the Taliban, which captured Kabul, the capital, in 1996. This phase of the conflict came to an end in 2001, due to the direct intervention of the United States on the side of the anti-Taliban coalition, known as the United Front.

The legitimacy of the warlords had started to wane in Afghan eyes with the withdrawal of the Soviet Army in 1989,[3] but the end of the war against the Taliban in December 2001 was another major turning point. Soon, social groups other than the military class represented by the commanders began to reassert themselves. The educated class began to claim entitlement to positions of responsibility while the old landed elite cautiously attempted to play a public role, with some success in the tribal areas of south and east Afghanistan. The commanders' response was to entrench themselves in the state administration and police. Distribution of power at the local level remained an unresolved issue at the time of writing.

The ability of the state to maintain a monopoly on power and the overall effectiveness of its institutions are central to the future stability of Afghanistan for two reasons. First, the continuing weakness of the state allows local conflicts to develop into challenges to central authority, as shown by a number of violent protests in Herat, Maimana, Jalalabad and other regional capitals from 2003-05. Second, the government's adoption of centralising policies has the potential to backfire and foster new conflicts by antagonising regional forces. As of 2005 the main conflict actors in Afghanistan were a number of regional strongmen: former warlords trying to turn into politicians and tribal leaders seeking a share of state power.

Following the US-led intervention, international efforts to rebuild Afghanistan had seen over $13.4 billion pledged, $9 billion committed and almost $4 billion disbursed by early 2005, although projects worth just $900 million had been completed. In dollars per capita, Afghanistan ranks slightly below the average for recent international reconstruction efforts.[4] The slow speed of reconstruction is typical of externally financed efforts whereby more or less generous pledges must first be approved by complex expenditure-monitoring mechanisms in donor countries, and where political will can all too easily dampen once the particular disaster falls off the pages of international news. Surveys and planning then have to occur and large projects take a long time to complete even once they have started. Security concerns have also delayed many projects.

The task of addressing the problem of the military class and its dominant role in society fell to the UNDP through a campaign to disarm the legal militias incorporated under nominal control of the Ministry of Defence. After lengthy planning, UNDP initiated a $167 million Disarmament, Demobilisation and Reintegration (DDR) programme at the end of 2003 that offered militiamen a series of incentives, including a food package and the opportunity to join a reintegration programme. Despite many setbacks, DDR was nearly complete by mid-2005 and a new phase was underway to disarm and demobilise the significantly larger number of 'illegal' militiamen. Given that many of these illegal militias appeared strongly opposed to disarmament, it seems likely that this new phase could lead to significant increases in tension.

Afghanistan's economy: between war and peace

Different models of warlordism emerged through the 1990s in the regions of Afghanistan.[5] Each had its own implications for the local economy and business sector. The main actors and regions are reviewed below. This paper will then proceed to an overview of the wider economic situation.

Different models of warlordism

One-man rule was established in western Afghanistan (Herat), where Ismail Khan proclaimed himself *amir* and set up something resembling a traditional Islamic emirate, relying on the customs revenue produced by trade with Iran.

Northern Afghanistan saw a number of factional organisations, with one dominant grouping (*Junbesh-i Milli* of General Rashid Dostum) sometimes competing, sometimes cooperating with two other political factions, the regional branch of *Jamiat-i Islami*, led by Ustad Atta, and the local branch of *Wahdat-i Islami*, a Shi'ite group led by Mohammad Mohaqeq. This factionalised environment encroached on the various pillars of society, including business. One outcome has been that entrepreneurs or traders have not been able to prosper without a relationship with one or other of the main factions.

In northeast Afghanistan, the lack of a strong centralising figure led to a multitude of medium-level local commanders controlling a few districts each. In part due to the absence of any large city in the region (none of the provincial centres of Kunduz, Teluqan, Pul-i Khumri or Faizabad exceeds a few tens of thousands of inhabitants), large businesses have failed to emerge. As a result, the middle-ranking warlords who dominate the northeast are not as active in the legal economy as their larger counterparts in the north, tending to focus on exercising as much control as possible on the drug trade, which is deeply entrenched in the region.

In the central region, the economic interests of the Panjshiri warlords gravitated around Kabul where some of them, chiefly Marshal Mohammad Fahim, minister of defence from 2001-04, imposed a firm grip on a number of key businesses, including the first Afghan mobile telephone network and the property market. Smaller commanders were more interested in occupying positions in central government than business, possibly due to the lack of financial resources (the drug trade has never been rife in this region).

In the east, the main centre is Jalalabad where the local governor's family plays a central role in the economy. The situation there is similar to that in the southern city of Kandahar where Governor Gul Agha, together with the family of President

Hamid Karzai, share a strong influence over local businesses. However, the Jalalabad environment is not as strongly tribalised as that of Kandahar where Gul Agha established himself as the unchallenged leader of the Barakzai tribe and privileged his followers over those belonging to other tribes. In both regions, strong military leadership failed to develop during the *jihad* period and as a result warlordism did not emerge on any significant scale, although this did not necessarily create a more positive environment for civilians.

Overview of the war economy

Afghanistan's economy changed significantly during the many different phases of the war. The importance of agriculture and livestock declined, not because of outright destruction but due to outward migration, and the subsequent abandonment of fields and villages. Internal trade also suffered greatly; crossing the frontlines between factions was difficult and often impossible. Most of Afghanistan's industrial base disappeared, especially after the collapse of the communist regime. A few factories remained active, primarily in northern Afghanistan, but their profitability declined because of lack of investment and maintenance. A few mines (precious stones, salt) remained active because they provided a reliable source of revenue to armed groups and did not require much investment. But the promising gas and oil industry went into steep decline after Soviet withdrawal, with production ceasing entirely in 1997. By contrast, external trade expanded, not least because of the collapse of state control, which made smuggling easier. This expansion went hand in hand with the rise in poppy cultivation, which existed before the war but grew massively during the years of jihad.[6] Because narcotics had to be exported to be profitable, foreign currency became available for importing goods into Afghanistan, although much of it was also invested abroad.

Although militias levied taxes on farmers in most parts of Afghanistan, their main sources of income were customs and 'road tax', in addition to drug smuggling. From 1992, the majority of conventional businessmen moved their operations abroad, chiefly to Pakistan and the Gulf, leaving the economy open to a new generation of entrepreneurs who worked closely with the militias and were ready to adopt a 'high risk/high return' approach to making profits in a civil war context.

Without doubt, the single biggest change in the economic landscape was the rise of the drug economy to its current prominence.[7] By 1990, Afghanistan's poppy area already covered 41,000 hectares, following a period of stagnation (at around 30,000 hectares) throughout the 1980s. An even steeper increase started from 1992 when central government collapsed. Apart from some fluctuations caused by climatic variations, the increase was steady until 2001, never falling below 54,000 hectares. In 2001, a ban enforced by the Taliban cut the harvested area to 8,000 hectares but, with the fall of the regime, crop recovery was quick and by 2002 poppies covered a surface area of 74,000 hectares. Although the profitability of the drug economy is diffused due to the presence of a multiplicity of actors, ranging from 250-350,000 farmers to many local commanders, traders and warlords, its overall size and significance became a key driver in pushing the warlords and local strongmen to seize control of the state structure after 2001 in order to protect the trade, and their role within it.

The post-war economy

With an estimated annual GDP of $5 billion in 2004 (excluding the shadow economy), the legal economy is overwhelmingly based on trade, although the construction industry experienced a boom in 2003-05, largely fuelled by drug money.[8] Agriculture, which accounts for 64 percent of the total, provides a livelihood for the majority of Afghans, but is still in the process of recovering from the war. Livestock (4 percent of GDP) suffered terrible losses due to war and drought; the average family owned 1.22 cattle in 2003, compared to 3.7 in 1995. Farming is expected to improve in 2005 following abundant rain and snow for the first time in several years. However, although there is considerable potential for the export of meat and vegetables, the lack of freezers, processing plants, etc. will impose significant restrictions on productivity for some time to come. The government's inability to act as a supervisor and/or guarantor of Afghan traders represents another limitation. The quality of exports in terms of cleanliness and reliability is so low that Afghan business often loses out to foreign suppliers.

Trade (6 percent) and industry (9 percent) suffer from lack of credit – Afghan banks do not offer loans to entrepreneurs – and this is another major limitation to growth. Several newly established factories have had to forego expansion plans and in some cases have closed down due to their inability to raise loans. The dire state of land routes and communications, and the inefficiency or corruption of the administration are other factors that push down competitiveness so that Afghan products find it difficult to compete with imports, particularly from Iran and China. Industrial development so far has been limited to light industry, mainly food processing and a few assembly plants, but even in these cases profitability is precarious.

Trade – other than smuggling – has fared marginally better, but it is mostly speculative in character. Few traders operate consistently with specific foreign companies. In most cases, importers select whatever is cheapest and take it back to Afghanistan. This leads to very low-quality goods finding their way into the country, leaving consumers and buyers with little recourse when they prove unsatisfactory.

Considering that official imports accounted for $2.1 billion in 2003-04, it is clear that trade dominates the economy today. Exports, on the other hand, only amounted to $143 million over the same period. Even factoring in the illegal economy, the Afghan economy is unusually extroverted for its level of development. Drug money, international aid and money spent by the colony of foreign residents – a major economic factor in itself – largely goes towards purchase of imports.

The transport, telecoms and power sectors (8 percent taken together) have been among the fastest to develop since 2001. Small entrepreneurs launched a number of transport businesses – often consisting of a single vehicle – that now cover most of the country despite the poor state of roads. Transport has benefited from the reduction in banditry and factional control of the roads, which in turn has contributed to the upturn in trade. Power was targeted with major investments from the government and all major cities had a good supply of electricity by mid-2005. The telecoms sector boomed in 2003-05 with the launch of the first two mobile networks. Despite high prices for sim cards and calls, there were 600,000 users in mid-2005. The sector also attracted the attention of warlords and stories abound of the bribes paid to win mobile licences and the shares given to powerful members of the administration.

The public sector share of the economy is essentially limited to Ariana national airline, the Milli bus transport company, a few mostly non-operational factories and some mines, which either operate below capacity or have their revenue siphoned off by local strongmen. However, the state employs a large bureaucracy, reportedly in excess of 400,000, including the security, health and education administrations.

There are no reliable figures for unemployment, which is predominantly limited to the main cities and is especially felt in Kabul where many former refugees have opted to resettle, crowding out the job market. Afghans with languages or other specific skills, by contrast, are in high demand from NGOs and international organisations, and their salaries have skyrocketed. It is not uncommon that a relatively junior Afghan will earn 40 or 45 times the salary of a government clerk.

Underemployment is a major problem in the countryside, however, with large numbers of people depending for their livelihood on small family farms. There is widespread seasonal employment, especially related to poppy, which is labour-intensive. Underemployment has facilitated the survival of the militias, which are able to offer a modest pay. Serving in militias also offers opportunities for additional income from looting, stealing and illegal taxes.

Because trade represents the most profitable economic activity, avoiding customs yields a major source of extra profit, especially on luxury items which attract duties as high as 10-20 percent. This provides an incentive for businessmen to establish connections with the mafia groups that control many provinces. Access to land is another bottleneck that can force businessmen to approach local mafias. Due to the unclear legal status of much land, local judges and authorities (usually both under the control of mafias) have plenty of room to manoeuvre in their arbitrations.

Overall, the informal sector accounts for 80-90 percent of the Afghan economy, including the drug trade (at least 35 percent of GDP), and also almost all the remaining agriculture and livestock production. Only industry and the public administration are entirely part of the formal sector, while trade, transport and construction have large chunks in the informal economy too. The development of a more modern economy faces huge obstacles, not least because of low levels of education. According to UNICEF statistics, 51 percent of adult Afghan males and 80.4 percent of females were illiterate in 2003.[9] Apart from refugees returning from abroad, Afghans aged 20-30 rarely have higher education. A market in fake degrees and diplomas complicates the situation further.

Despite the beginnings of economic recovery in 2002, Afghanistan's population is experiencing growing income disparity. Official statistics show that the two poorest fifths of the population were worse off in 2003 than they were in 2002, while the two richest were markedly better off.[10] This trend is likely to have continued in 2004, although statistics were not available at the time of writing.

The potential of business to play a role in rebuilding Afghanistan

As discussed above, civil war in Afghanistan caused many conventional businessmen to relocate abroad, leaving space for the emergence of a new generation of businessmen to emerge that had close ties with the factions and warlords.[11] After the fall of the Taliban in 2001, this generation set out to expand its activities and take the place of the established business families. At the same time, the warlords and factional leaders had financial reserves available for investment, and were looking for ways to guarantee their long-term financial autonomy once direct foreign aid to the militias stopped. After 9/11, US support to selected warlords and strongmen was resumed on a large scale, with at least $70 million being distributed.[12] In some cases, this money proved vital to the resurgence of armed groups that had been away from the scene for years, especially in the south, southeast and east of the country. However, the handouts mostly ceased after the fall of the Taliban regime. Warlords and factional leaders quickly came to rely on trusted businessmen to manage their investments in the legal economy, with the construction industry emerging as a favourite.

This alliance of traders with the military class highlighted the political importance of entrepreneurs at the local level, raising it to a level unknown in unified Afghanistan, but not uncommon in Central Asia's previous history.[13] While the military class tends to exploit the countryside, whether through seizure of land, imposition of taxes, forced recruitment or other exactions, warlords have mostly displayed a more positive attitude in cities, particularly towards the merchant class. Order is relatively well maintained in most cities and big traders rarely have complaints, although small businessmen are regularly asked to pay bribes to police and local authorities. *Hawala* and currency exchange dealers do not require armed guards, even when their shops hold hundreds of thousands of dollars. It is also telling that one of the main successes of the 2002-04 transitional period was the removal of the road-blocks that had imposed illegal taxes on traders and hampered the development of commerce. Such a success could not have been achieved without the active involvement of the leading warlords and regional strongmen.

Although violence and intimidation never disappeared entirely, factional conflict and abuses against the civilian population declined markedly during 2004 and were a rare occurrence in the north by mid-2005.[14] At the same time, some sectors of the economy experienced a genuine boom in 2002-04, creating new opportunities and incentives for warlords and strongmen, who came increasingly to rely on money and influence over business as a way to maintain their position and status.

It could therefore be argued that the growing influence of businessmen (however rogue some may have been) over warlords did help prevent a return to conflict in Afghanistan, or at least a return to the same type of conflict that had characterised the 1990s. In some cases, they contributed to a transformation in the style of regional strongmen, making them less rapacious and more inclined to seek revenue from the creation of virtuous cycles of economic development.

This dynamic had clear limitations, however, from the long-term peacebuilding perspective. As a rule, warlords and strongmen were rarely able (or willing) to adopt the perspective necessary to create the conditions for industrial development in their regions, and even in Kabul industrial projects rarely developed beyond the planning stage.[15] In addition, from 2002 onwards this relationship gave rise to the spread of mafia-like networks, consisting of warlords-turned-investors, their business friends, local and national politicians, and police. Such networks used intimidation and selective violence (in an environment where law enforcement remains inefficient) to gain competitive advantages over other players. This resulted in the exclusion from the Afghan market of other businessmen and over the longer term threatens increased violence as factions struggle for control of these adapted markets. In this sense the role of business in promoting a reduction in violence could more accurately be described as a hiatus, or a realignment of forces, rather than anything resembling reconstruction or peacebuilding.

In the current environment, there is little space in which Afghan private businesses can play a conscious, direct or active role in peacebuilding. In the past, some of the largest business families invested in social development by building schools or hospitals, as was the case of the Barat family in Mazar-i-Sharif. Nowadays, the profit margins of legal and formal sector businesses are often so low – and threats from the mafia networks so real – that there is little left over for investing in longer-term perspectives. Moreover, the space for implementing reconstruction and social development projects has largely been occupied by international organisations and NGOs. The impression that emerges from the interviews carried out for this paper is that the generous international pledges (not always honoured) and the plethora of proposed projects may actually act as a disincentive to Afghans interested in contributing to social development.

Even efforts to mobilise Afghan businessmen to defend their own interests vis-à-vis the government, mainly by the Afghan International Chamber of Commerce (AICC), have had only a modest impact. The AICC is a new concept in Afghanistan, as the older Afghan Chamber of Commerce and Industry was effectively a parastatal organisation that never took an independent stand. The AICC's main activity has been to lobby the government in favour of more business-friendly legislation and to strengthen private businesses by mobilising them behind its leadership. If achieved, this could have magnified the chances of Afghan businesses becoming more assertive towards local strongmen. However, with less than 10 percent of Afghanistan's large and medium-size businesses joining as members, the AICC is scarcely representative and its main strength remains US support. The AICC is particularly weak in the provinces where it is still trying to establish a foothold.[16]

The involvement of private businesses in any activity related to social development is hindered by the long-standing hostility towards business that characterises the Afghan bureaucracy, which has been exacerbated by recent alignments between sections of the business community and the warlords. While the status of businessmen was hardly high before the war, 14 years of communist rule left their mark on the civil service, and the decade of factional and Taliban rule did little to improve it. In 2001-04, some factions involved in the civil war carried out large-scale recruitment to fill positions in Kabul with their cronies, further compounding the problem. The majority of state employees earn very low wages and resort to bribe-taking to support their families, adding to the burden on businesses.[17] The small size of the majority of Afghan companies represents another hurdle; according to the government investment body, Afghan Investment Support Agency (AISA), 99 percent of current investment projects are worth less than $10 million and 85 percent less than $1 million. Small companies are forced to adopt a survivalist mentality.

It comes as little surprise that conscious efforts by business to contribute to the consolidation of peace and stability in Afghanistan have been limited to date. This does not necessarily mean, however, that there is no potential for future developments or that every opportunity in the past has been negligible. Following is a review of initiatives and analysis of trends that could point to possible ways forward.

Private sector and DDR

The most significant attempt to engage private business in peacebuilding in Afghanistan occured within the framework of the DDR programme, run by the Afghanistan New Beginning Program (ANBP), and coordinated by UNDP. The programme, an outcome of the Bonn Agreement that initiated the peace process in Afghanistan,[18] began implementation in late 2003 with the disarmament of the first units of the 'Afghan Military Forces', the sections of the militias that had been recognised by central government and incorporated into the structures of the Ministry of Defence. After disarmament, units were to be disbanded and their members reintegrated into society.

The reintegration phase of the DDR explicitly envisaged a role for the private sector. Former militiamen were offered a chance either to start their own business, or to join a training or apprenticeship scheme run by NGOs and businesses, in partnership with the ANBP. ANBP's caseworkers, 'a mixture of a social worker and an employment officer' to use its own words, were in charge of 'assisting the ex-combatant with choosing the appropriate reintegration package by assessing his skills and aspirations'.[19] Ex-combatants were offered opportunities in a range of sectors, including agriculture, vocational training and job placement, small business opportunities and de-mining. The reintegration phase began in 2004 and was well underway by mid-2005, although only preliminary information is currently available as to what has been achieved. Figures in June 2005 showed that nationally 42 percent of demobilised fighters had opted for agriculture, 25 percent for vocational training and job placements, 22 percent for starting a business, with 11 percent making other choices.[20] For the purposes of this report, it is the 47 percent (close to 30,000 ex-combatants) who opted for training, placements or business that matter.

The incentive offered to businesses for engaging in the programme was the opportunity to employ DDR trainees at no cost for 4-12 months. Ex-combatants would be treated like any other trainee and supervised by the NGOs that had signed up as implementing partners. The NGOs received funds from ANBP for reintegration activities that were defined in a contract between ANBP and each partner. ANBP officials monitored implementation. The ANBP identified other 'implementing partners' among businesses that had volunteered and satisfied certain requirements. Early surveys indicated that small to medium-sized construction firms played the biggest role in offering meaningful opportunities, followed by small shops.

The only big business that volunteered was the new mobile-phone operator, Roshan, but not to the apprenticeship component of the programme. Instead, it agreed to offer special conditions for ex-combatants who were willing to set up telecoms shops. To explain the limited reach of the scheme, some ANBP sources interviewed for this research regretted that there was too little publicity about the programme.[21] But there may also have been socio-cultural barriers derived from the conflict, leading businessmen – like many in Afghan society – to see former combatants as inherently lazy and troublesome.

Ex-combatants who opted to start a business were offered training courses, a small grant of $700 and ongoing support from caseworkers. ANBP also intended to assemble small construction teams, though few ex-combatants volunteered for this option.[22] Under the original plan, ex-combatants opting to go into business, or consolidating an existing one, were expected to have had previous experience of running a business, and ANBP caseworkers were instructed to actively discourage those without it. In practice, many who insisted on benefiting from this opportunity had only limited business experience. The majority were farmers seeking to diversify their incomes. The typical business started by ex-combatants was a small grocery shop, which accounted for as many as 70-80 percent of all businesses started. Shops selling building materials and gas followed in order of importance, although there were some attempts to do something in the telecoms sector.

Though official figures do not exist, some estimates put the business failure rate at between 60-80 percent. The factors explaining this include the small size of the initial ANBP start-up grant and most recipients' limited ability to manage credit. Another relevant factor may be the overall level of poverty, which has reduced the purchasing power of most Afghans. Small shops in Afghanistan operate primarily by supplying credit to selected customers who may take around up to 90 days to repay. Shop owners quickly exhaust their stocks, leaving shelves empty. With little to offer, sales decline rapidly and, with them, income. The shopkeeper's family may then start using goods for its own consumption, further eroding the capital base of the business. Important electrical appliances, such as generators and refrigerators, may also be sold to meet urgent family needs.[23]

Some vocational training was geared to lead toward the establishment of small artisanal businesses in tailoring, carpentry and weaving. In all these trades, however, the market is close to saturation, making it difficult for new entrants to earn a living. By mid-2005 ANBP was discouraging these options, while finding it difficult to identify viable alternatives.

On the whole, the reintegration phase of the DDR was dogged by a number of critical flaws and challenges. The programme was essentially a political concession that was incorporated into the Bonn agreement to entice the leaders of the militias into sharing power with civilian representatives. Most international experience in implementing DDR programmes had been gathered in Africa's many civil wars, which see the large-scale uprooting of fighters. In Afghanistan, by contrast, the majority of combatants had never left their villages in the first place. The delay in implementing DDR, which only got underway two years after the conflict ended, meant that most combatants had effectively been demobilised already, or authorised to stay at home if their units had not yet been disbanded.

These two factors meant that the social demand for reintegration in Afghanistan was comparatively weak. Ex-combatants had no reason to object to the reintegration offer, but little motivation in making it work since most already had a sufficient livelihood and could count on the support of their families. Reintegration could still have had a positive impact by creating confidence in the international reconstruction effort among parts of the Afghan rural population – if not necessarily in terms of providing a sufficient incentive for ex-combatants to stay away from militias – but its overall limitations prevented this too. Because the cash value of the package was modest, the long-term impact of the programme was modest also. It is too early to assess the role of private business in reintegration, but here the motivation also seems to have been weak. Businesses volunteered on the basis of the modest incentives provided, and not because of wider considerations, such as a desire to contribute to peace.

A further problem that has undermined DDR efforts throughout the world stems from the de-prioritisation of the reintegration element, which is often considered subsidiary to disarmament and the making of political deals with commanders. Evidence of this de-prioritisation in the Afghanistan case can be seen in the fact that, even as the programme got underway, the reintegration component was still being defined. In the end, there was insufficient time to adapt the original reintegration concept more closely to Afghan realities, and insufficient capacity devoted to convincing businesses to participate. Even the decision to involve private partners appears to have been the product of a more general trend in DDR strategic thinking, rather than the outcome of an Afghan-based process.

Attempts at 'DDR' by Afghan strongmen, by contrast, have been relatively more successful, particularly where they have approached businessmen with requests for their men to be employed.[24] Businessmen may have seen compliance as a way to earn the benevolence of the strongmen. Indeed, from the interviews carried out for this research in the provinces of the north, northeast and centre, it emerged quite clearly that many businessmen work hand in hand with warlords and strongmen, or accept some form of cooperation with them, with the result that the overlap between mafia networks and private enterprise will be further entrenched. The best-known cases are in northern Afghanistan, where most of the leading businessmen are linked to one or other faction. Elsewhere the situation is not too different. One source in Kabul mentioned that local strongmen are very eager to offer hospitality to businesspeople travelling around the country and that the businessmen are just as keen to accept.[25]

Businessmen mobilise on the periphery

Beyond their partial involvement in DDR, Afghan businesspeople have not participated in, or launched any other explicit, peacebuilding initiatives to date. This is not to say that they are insensitive to the lawlessness and violence that still reigns in many parts of Afghanistan, and the costs this environment imposes on certain business activities. Despite the preferential relationships that some enjoy, a significant minority is hostile to the rule of strongmen. In some provinces remote from Kabul, groups of businessmen have even managed to organise themselves in order to become more active in confronting corrupt administrations run by warlords and factional leaders, by joining other civil society actors and opposition politicians to openly challenge the status quo.

The clearest evidence of this comes from the northeast province of Teluqan, where a *shura*, or council, was established in early 2004, incorporating some influential local businessmen. Initially, the authorities opposed the *shura* and delayed its meeting for two years, but eventually they had to accept it.[26] The *shura*'s aim was to fight corruption in the local administration and to kick-start reconstruction.[27] It produced detailed information about instances of corruption and the theft of public money intended to fund reconstruction projects. Its main weakness was that it focused on attracting the attention of the international community, rather than gathering local support. As a result, when neither central government nor any international organisation responded to its efforts, by replacing corrupt officials for example, the *shura* was marginalised.

Similarly, in Faizabad, Badakhshan province, a number of businessmen organised in late 2003 to challenge the misrule of the circle associated with Prof. Burhanuddin Rabbani, the former president and leader of the *Jamiat-i Islami* party. They campaigned for the removal of the governor and the appointment of a more competent and honest administration.[28] The main interest of the businessmen in both cases was to create a more efficient operating environment for trade, but the two initiatives might have also encouraged an environment more conducive to business involvement in peacebuilding activities, had they been successful.

According to the available information, such examples of political mobilisation and lobbying have achieved little, and do not appear to have been widespread. The lack of response from central government, which continued to appoint incompetent administrators, or the international community, which remained indifferent to the Ministry of Interior's appointments policy, has discouraged all involved.[29] Nonetheless, the efforts point to a deeply felt impulse towards creating more predictable and safe operating environments for business, closely linked to peace and stability.

The unfulfilled potential of Afghan diaspora business ventures

The international community and many Afghans expected the Afghan diaspora to be a major source of support for the reconstruction process after the downfall of the Taliban.[30] Despite some interesting ventures and external efforts to stimulate more concerted efforts on the part of the diaspora (see box below) these expectations and, by implication, the diaspora's potential to contribute to peace and stability in Afghanistan, have not been fully realised.

Facilitating a business voice in reconstruction: Swisspeace trade and investment workshop[31]

Swisspeace is an action-oriented peace-research institute working in the area of conflict analysis and peacebuilding. The organisation began work on Afghanistan in 2000, through its early warning project FAST.[32] The importance of the private sector in Afghanistan was pointed out in one of the project's risk assessments, suggesting that if the business community was instrumental in assisting the Taliban to rise to power, it was equally important to involve it in contributing to a peaceful solution to the Afghan conflict.

This analysis led Swisspeace to invite influential members of the Afghan private sector to the first Afghan Civil Society Meeting in Bad Honnef, Germany, in 2001, which ran in parallel to the Political Conference at Petersberg leading to the Bonn Agreement. At that time Swisspeace began involving Afghan businessmen in dialogue with other members of civil society and the emerging government. This initial engagement gave rise to the idea of a larger, separate meeting where a dialogue could be initiated both within the Afghan private sector, but also with the Afghan government, to discuss business involvement in the reconstruction of the country. Thus the idea of a four-day 'Workshop on Trade and Private Investment in Afghanistan' was born.

Swisspeace pursued this idea with members of the Afghan private sector, the Afghan Assistance Coordination Authority (AACA), and later on also the Afghan Ministry of Trade and Commerce. After a series of consultations with Afghan businessmen through smaller meetings, all three agreed that there was a need to initiate a wider dialogue.

The workshop took place in Kabul in July 2002, organised by Swisspeace in coordination with the Ministry of Trade and Commerce. Participants included more than 270 Afghan businessmen and investors from inside and outside the country, Afghan ministers with trade and investment-related portfolios, other high-ranking government officials and members of the local banking sector. The workshop, opened by President Hamid Karzai, was aimed at:

- Providing the Afghan business community with a platform for dialogue in order to encourage collective action and a competitive trade environment
- Providing the Afghan business community with a platform for dialogue with the government in order to reach agreement on how an enabling environment can be created for the revival of the Afghan economy
- Showing the international community that Afghanistan and the Afghan business community hold great potential for reviving their own economy that should not be overlooked, but encouraged and supported
- Building confidence among the Afghan business community in its capacity to revive the economy and rebuild the country.

Over four days the business community had an opportunity to voice its concerns and present recommendations to the government authorities. For most businessmen, both local and diaspora, this was not only an opportunity to network with each other, it was also the first time they were able to openly interact with the government and discuss relevant issues. The fact that President Karzai and over half of his cabinet – including the Commerce, Finance, Interior, Foreign Affairs, Justice and Reconstruction ministers – attended the workshop illustrated the government's recognition that the revival of the private sector is one of the priorities for Afghanistan. Having access to the most senior members of government had the effect of raising the perception of the business community that it was being listened to, that it mattered and had an important role to play in Afghan reconstruction.

The conference provided momentum for various initiatives: by the end of 2003, the government had put in place regular open-door meetings at the Ministry of Finance with the business community; begun revision of the investment laws; introduced a new and more stable currency; opened the Afghanistan Investment Support Agency (AISA), a 'one-stop-shop' to facilitate investments (as had been promised by President Karzai at the conference); abolished the request for back-taxes not paid during the Taliban regime; and facilitated the process of obtaining business licenses.

However, the conference also raised issues around the independence of the private sector from the government. One of the ideas brought up during the conference by businessmen was to form an independent commission on trade and private investment with elected representatives from the Afghan private sector to function as a permanent body to represent the concerns of Afghan businessmen vis-à-vis the government. There were even preparations to hold an election for such a body at the end of the conference. Unfortunately the Ministry of Trade and Commerce considered it too threatening at such an early stage and discouraged its formation. Several businessmen were rather disappointed at this forceful intervention, but took the issue up again subsequently, creating a private business organisation the following year: the Afghan Traders' and Industrialists' Center (MATSA) and in 2004 the Afghanistan International Chamber of Commerce (AICC), a joint venture of MATSA and the Afghan-American Chamber of Commerce (AACC).

Following on from the conference and suggestions of members of the Afghan private sector, Swisspeace developed the concept of the International Business Club (IBC). The idea was 'to help the Afghan business community to organise themselves, provide a venue for information and capacity building, and to link them to international actors and businesses ... It should be seen as a platform and tool that can be used by multiple actors in various ways to develop, support and strengthen the Afghan private sector and in turn the economy.'

Unfortunately, due to the limited capacity of Swisspeace in Afghanistan, but also lack of donor interest, this concept was not realised. Donors felt that a business club should be financed by the Afghan private sector and while some pledges were made by the Afghan business community, they expected additional seed-funding from the donor community. Nevertheless, given the proposal's wide circulation among the Afghan private sector and others in Afghanistan and extensive discussion, the ideas contained in it may have inspired other entities, such as the AICC and others.

The most important examples of investment by diaspora entrepreneurs are the Afghan Wireless Communication Company (AWCC) mobile company ($70 million),[33] Tolo TV, Baghlan sugar factory ($18 million),[34] Hyatt Regency Hotel ($40 million), the Afghanistan International Bank ($10 million) and the Intercontinental Hotel ($50 million).[35] During 2004, investment projects registered by AISA were mainly in the construction sector (51.3 percent), followed by services (37.6 percent) and industry (10.7 percent).[36] Though many diaspora Afghans visited to explore opportunities after 2001, concrete proposals fell far short of what was expected, considering that the combined Afghan diaspora is estimated to be worth about $5 billion (of which $2 billion is based in Dubai).[37]

Among the success stories, the most famous is that of the Mohseni brothers who in 2004-05 launched Arman Radio and Tolo TV, the most popular television station in Afghanistan. The media has generally had an easier time in its interaction with warlords and mafia groups, compared to other sectors, so long as it remains prudent in its treatment of news and local mores.[38] The case of the AWCC mobile-telephone company proved more controversial. Although it was undoubtedly successful in generating profit for its main stakeholder, Ehsan Bayat, complaints about its operations emerged and by 2004 the company was rapidly losing ground to its main competitor, foreign-owned Roshan.[39]

Even where returning Afghans have been able to generate profits in the current business environment, there is little evidence of a concerted focus on contributing to the longer-term reconstruction of their country. The only exception discovered in the course of researching this report is the Afghan Reconstruction Company (ARC), run by diaspora businessmen based in the US, which is active in construction. ARC built a section of the Kabul-Kandahar highway and the Hyatt Regency Hotel, among other ventures. Possibly taking inspiration from US corporations, it established a foundation that has carried out a number of social projects, including improving schools in Kabul, the donation of a building for a girls' school, digging deep wells in villages along the Kabul-Kandahar highway, the construction or renovation of mosques, and minor public infrastructure improvements. Even here the main purpose appears to be related to maintaining good public relations, including in the US.

Other members of the diaspora, interviewed by the press at the time of the US-led military intervention, expressed their interest in investing in Afghanistan and some seemed motivated by a desire to contribute to peace.[40] However, according to AISA, while diaspora businesspeople had registered investment projects with a value close to $1 billion by May 2005, most never materialised. While $300 million is transferred annually from Afghans living abroad to their relatives, business investments have been put on hold because of the obstacles facing investors of any nationality – an oppressive bureaucracy, and lack of law and order.[41] Although no firm figures are available, it is probable that most remittance money is spent for personal consumption, rather than being invested. Along with competition from warlords-turned-businessmen and their cronies, concerns about long-term stability and lack of government cooperation are major disincentives.[42] There is anecdotal evidence that investment from Afghan diaspora and even foreign entrepreneurs is actively discouraged because they are seen as a threat to the status quo. Overall, the environment is such that private investors are pushed into making deals with protection networks, rather than investing in improving relations with the larger public, for example by financing social development projects or taking a pro-active role in peacebuilding.

The donor community and Afghan private business: helping or hindering?

This report has explored the limitations to international efforts to engage Afghan businesses as partners in the DDR. The missed opportunities arising from the broader reconstruction effort are much greater. Reconstruction contracts for a total value of $3 billion were awarded by the end of 2004, but local companies won very few, and none of the larger ones. By and large, Afghan businesses have been confined to the role of sub-contractor. According to local engineers and skilled workers, the rates charged by foreign firms are around one third higher than local rates. Foreign firms then sub-contract to NGOs or Afghan companies, which may further sub-contract to smaller players. In the end, the task is executed by Afghans or Afghan companies, but on greatly reduced margins; each sub-contracting phase reduces the original value of the contract by 5-20 percent.[43] Some contracts require bidders to 'maximise Afghan business opportunities and employment', but this rule is not always implemented due to lack of donor supervision. According to sources in northern Afghanistan, it is common practice for multinational companies to charge $1,500 a month for each Afghan engineer employed, even if only US$500 ends up in the engineer's pocket. If true, this suggests that claims of higher costs due to the better quality of the work are not always justified.[44]

Afghan entrepreneurs have long complained of bidding rules that make it difficult or impossible for them to compete with foreign companies. By June 2004 President Karzai had become openly critical of the role of foreign contractors. Though donors tend to safeguard domestic interests in ways that are quite explicit, (USAID stipulates that US contributions have to be spent on projects contracted to US companies),[45] the central rationale for setting high standards is to guarantee that projects are properly implemented. As explained, sub-contracting often means that much of the work is still done by local firms, but with a major cut to their profit margins. However, criticism on issues of quality is directed just as much at international projects as ones carried out by local companies. The quality of the Kandahar-Kabul highway contract, which was won by US company Louis Berger at a cost of $270 million, stirred particular controversy.[46]

The Deputy Minister of Public Works, W.M. Rasooli, publicly stated that his ministry had the capacity to build roads at half the price foreign contractors charge,[47] although a group of Afghan-American businessmen concluded that the Afghan private sector would not be able to 'take the lead' in large reconstruction projects while quality issues remained.[48] While the capacity and quality of different companies' output is clearly important when considering the optimum implementation of reconstruction projects, longer-term gains to the Afghan economy and local business capacity appear to have been excessively sidelined in the debate.

It is unanimously accepted by the donor community, in Afghanistan as elsewhere, that entrepreneurial activity in a free market context is crucial to stimulating the economy and broad-based development.[49] However, concerns have been raised about adopting such an approach without deeper analysis of the market dynamics prevailing in the country at present: "This approach has stripped the market of its wider dimensions, as well as underestimated the strength of informal markets and patterns of trading that have developed over many years and operate according to well-established patterns. It neglects aspects of market performance that depend on extra-market conditions, including history and non-market institutions, which combine to exclude many from taking part and enjoying the benefits of participation. These aspects include social and economic structures, gender relations, ethnic identities and spatial patterns of production. This view also ignores the potential for current patterns of economic growth to destabilise the country politically."[50] Equally, it could be argued that it will in all likelihood overlook the potential entry points for identifying the right partners to involve the private sector in promoting stability in the country.

A further complication arises from the drain of skilled Afghans away from productive business or locally owned technical activity toward employment by NGOs and foreign companies. In their efforts to recruit skilled Afghans with languages, international organisations and NGOs caused salaries to inflate to 10-40 times the average of a state employee, clearly distorting the market. The phenomenon of 'business-oriented non-governmental organisations' is rife in Afghanistan, with many registered NGOs actually functioning as for-profit ventures. The government recently drafted a law to prevent NGOs from bidding for reconstruction contracts in the hope of diverting skilled staff back to the ministries and registered private companies.[51] Both sides subsequently compromised: NGOs are still allowed to bid, but construction companies disguised as NGOs must re-register as companies. While it is positive that the government is trying to address the problem of capacity drain, it cannot be assumed that individuals will automatically switch to the government and private sector as intended. Even if a significant transfer of skills does take place, it will take time for human capital to translate into economic growth. Far from providing the incentives and support to local business growth that are urgently required for Afghanistan's long-term stability and reconstruction, the international presence appears to be working against itself in many critical areas.

Conclusions

Despite the large-scale involvement of the international community in Afghanistan, much remains to be done. As aid flows decline, locally led peace constituencies will become more important. As this report has sought to show, few Afghan businesses are able to do more in the current climate than survive, including those from the diaspora, which have not played the leading role that many had anticipated. A modest effort to link private sector activity to reconstruction efforts occurred within the framework of DDR. But the dominant interaction between ex-combatants and business resulted in the emergence of consolidated mafia networks that, while contributing to a reduction in levels of violence, have evolved into forces that reduce opportunities for longer-term growth and a more rounded social role for business. The current policy of reshuffling governors from one province to another every few months does little to encourage the stable environment that leads to the investment of resources in a particular area. Wider uncertainties about laws, access to land, reliable power supplies and security mean a business may suddenly face significant and unexpected changes in the conditions under which it operates.

Why has the international community been less successful than warlords and strongmen in attracting or supporting Afghanistan's business community? One restriction on the effectiveness of international actors' across policy areas is their confinement to Kabul. To most Afghan businessmen, there is simply no alternative to the development of collaborative relationships with strongmen. Moreover, the international community has been unable to identify long-term partners among Afghans, sometimes flirting with warlords, at other times trying to mobilise civil society, but mostly supporting a modernising government that has not yet found a solid, political foundation in the provinces. The government has been slow to sort out the legal malaise that affects Afghanistan. President Karzai and some of his ministers admitted at the Swisspeace investment conference in 2002 that corruption and bureaucracy were major disincentives, but the situation has worsened since then.[52] Such conditions must change if Afghan businessmen are to display greater interest in investing in the social development of the country, although there is evidence that such an impulse is there.

Without proper law and order, the prospects of businessmen becoming involved in peacebuilding remain dim. Reform of the Ministry of Interior has been widely discussed by government and the international organisations involved, but no credible strategy to confront the problem has emerged. The resignation of Interior Minister Ali Ahmad Jalali at the end of September 2005 was a further blow to the credibility of the government, not least because of the delay in choosing a successor.[53] The creation of a modern, merit-based administration has not progressed much either, despite numerous commissions and much debate. Assuming that these problems will be tackled one day, a number of measures could be taken to prepare the ground for peacebuilding activities by providing incentives to business people. The process that started with the establishment of the AICC should be encouraged and strengthened in the provinces. While donors have sponsored a number of national and international meetings of businesspeople, further help is required to engage provincial businessmen by fostering the circulation of ideas and development of shared interests. Afghan businessmen would benefit from more knowledge of the use of social responsibility as precursors to active peacebuilding, especially if diaspora businessmen were also involved.

Such developments would be helped if the opportunities inherent in reconstruction were made more available to Afghan companies. Although most local companies do not yet have the skills required for the larger reconstruction projects, this is partly due to the brain drain caused by the wage inflation stimulated by the international community and NGOs. If Afghan companies were actually winning contracts, they would find it far easier to attract skilled labour and management.

Acronyms

AACA	Afghan Assistance Coordination Agency
AICC	Afghan International Chamber of Commerce
AISA	Afghan Investment Support Agency
ANBP	Afghan New Beginning Program
ARC	Afghan Reconstruction Company
DDR	Disarmament, Demobilisation and Reintegration
GDP	Gross Domestic Product
NGO	Non-governmental organisation
UNDP	United Nations Development Programme
USAID	US Agency for International Development

Endnotes

1 Rubin, B.R. (1999) 'The Political Economy of War and Peace in Afghanistan' paper presented at the meeting of the Afghanistan Support Group, Stockholm, 21 June 1999.

2 Giustozzi, A. (2003) 'Respectable Warlords? The Politics of State-building in Post-Taliban Afghanistan' *Working Paper* No. 33 (London, UK: Crisis States Research Centre, London School of Economics).

3 Rubin op. cit.

4 See Rubin, B. R. et al. (2005) *Afghanistan 2005 and Beyond: Prospects for Improved Stability* (The Hague, Netherlands: Netherlands Institute of International Relations Clingendael).

5 Giustozzi, A. (2003) op. cit.

6 See Goodhand, J. (2004) 'Frontiers and Wars: the Opium Economy' *Afghanistan Journal of Agrarian Change* Vol. 5, No.2 (Oxford, UK: Blackwell).

7 The following figures are based on a series of UN Office on Drugs and Crime reports on Afghanistan. Available at www.unodc.org/afg/en/reports_surveys.html

8 Economic data is from World Bank (2004) 'Afghanistan - State Building, Sustaining Growth and Reducing Poverty' *World Bank Country Study* (Washington DC, US: World Bank).

9 Cited in UN Integrated Regional Information Network, 9 September 2004.

10 World Bank op. cit. p. 129.

11 Dorronsoro, G. (1996) 'Afghanistan: des réseaux de solidarité aux espaces régionaux' in Jean, F. and Rufin, J. C. (eds) *Économie des guerres civiles* (Paris, France: Hachette).

12 Woodward, B. (2002) *Bush at War* (New York, US: Simon & Schuster) cited in T*he Washington Post*, 16 November 2002.

13 This point is made in Goodhand op. cit.

14 BBC News, 30 June 2005.

15 The only real exception to this is Herat where Ismail Khan invested a large part of his revenue in the development of the city, which led to the most significant industrial development in the whole of Afghanistan. This was made possible by a particular set of circumstances, chiefly Khan's seizure of the lucrative local customs revenue. He did not need to rely on links with the merchant class, which may explain why he was unpopular in Herat. His independence from a merchant class focused on short-term speculation, and his own determination to create his own Emirate with clear 'rules of conduct' were very likely the main factors that played in favour of the industrial development of Herat.

16 Interview with AICC president, Kabul, May 2005; interview with UN official, Kabul, May 2005.

17 For businesspeople's comments on this issue, see Swisspeace and Afghan Civil Society Forum (2002) 'Workshop on Trade and Private Investment in Afghanistan' conference report, Kabul, 18-21 July (Bern, Switzerland: Swisspeace). See also Afghan-American Chamber of Commerce (2002) *Doing Business in Afghanistan: Report on Meetings with Afghan Entrepreneurs in Kabul and Kandahar* (Kabul, Afghanistan: AACC).

18 See Rubin, B.R. (2003) 'Identifying Options and Entry Points for Disarmament, Demobilization and Reintegration in Afghanistan' (New York, US: Centre on International Cooperation).

19 See UNDP (2003) *Partnership for Peace: Afghanistan's New Beginning Program* (New York, US: UNDP).

20 The latest figures can be found at www.anbpafg.org

21 Interview with former ANBP official, Kabul, May 2005.

22 For example, in the western region only 2 percent chose the construction teams. See UNDP ANBP (2005) *UNDP/ANBP/DDR Western Region Newsletter* Issue 3.

23 This paragraph is mainly based on the findings of field research carried out by Simonetta Rossi for a University of York master's dissertation on reintegration.

24 In interviews with businessmen throughout the country, it emerged that they often employ former militiamen as bodyguards.

25 Interview with official of international organisation advising the Afghan government, Kabul, May 2005.

26 Interviews with various *shura* members, Teluqan, March 2004.

27 Interviews with various *shura* members, Teluqan, March 2004.

28 Interview with UNAMA officer, Kunduz, April 2004.

29 Interviews with various *shura* members, Teluqan, March 2004.

30 Office of Communication and Public Information, UNAMA press briefing, 25 September 2003. See also *Ashian*, 10 September 2004. Available at www.e-ariana.com/ariana/eariana.nsf/0/3DFD2ABD65E6426487256F27007E6DBF?OpenDocument; and Nassery, H.G. (2003) *The Reverse Brain Drain: Afghan-American Diaspora in Post-conflict Peacebuilding and Reconstruction* (Kabul, Afghanistan: American International School of Kabul).

31 This box is based on Swisspeace (2002) op. cit. and the concept paper for the International Business Club – Afghanistan (Kabul, Afghanistan: Swisspeace, 2003 internal document), as well as input from the former Swisspeace Afghanistan country-representative, Dr. Susanne Schmeidl.

32 The objective of FAST International is the early recognition of impending or potential crisis situations in order to prevent violent conflict.
For more information, see http://www.swisspeace.org/fast/Default.htm

33 Bundesagentur für Aussenwirtschaft (2005) 'Investitionspläne in Afghanistan wecken Hoffnung' in *Länder und Märkte* (Köln, Germany: BFAI).

34 Interview, Kabul, 4 May 2005.

35 Afghan Ministry of Commerce press release, 28 October 2004.

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38 Interview, Kabul, May 2005.

39 Roshan is owned by an international consortium formed by the Aga Khan Fund for Economic Development, Monaco Telecom International and the US-based MCT Corporation.

40 RFE/RL, 28 November 2001. Available at www.rferl.org/features/2001/11/28112001091113.asp.

41 Interviews with various officials of international organisations, Kabul, May 2005.

42 See BBC News, 22 July 2002; *PakTribune*, 3 October 2004; *Washington Times*, 9 January 2003.

43 *Der Spiegel*, 26 March 2005.

44 Interview with foreign engineer, Mazar-i Sharif, June 2005.

45 See *The Economist*, 3 April 2003 and www.foreign.senate.gov/testimony/2004/BartonTestimony040225.pdf

46 Interviews with various officials from international organisations, Kabul and Kandahar, March 2005.
47 *Christian Science Monitor*, 24 May 2005.
48 Afghan-American Chamber of Commerce (AACC) (2002) op. cit.
49 For instance, UNDP's Partnership for Private Sector Development; the World Bank's Afghanistan strategy; USAID's work with the Afghan International Chambers of Commerce; and the Afghanistan Renewal Fund, a venture capital fund targeting small and medium-sized enterprises.
50 Lister, S. and Pain, A. (2004) 'Trading in Power: the Politics of Free Markets in Afghanistan' *Briefing Paper* (Kabul, Afghanistan: Afghanistan Research and Evaluation Unit).
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52 Swisspeace and Afghan Civil Society Forum op. cit.
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Business Council for Peace: working with women entrepreneurs to promote peace

The important role played by women in building peace in war-torn countries, whether as peace advocates, witnesses to past atrocities, or mediators and facilitators of dialogue and confidence between the conflicting parties, is increasingly being acknowledged.

A group of New York-based businesspeople came together in 2002 to work on strengthening precisely this role. Today the Business Council for Peace (Bpeace) is a non-profit coalition of over 200 members with experience as entrepreneurs, consultants, and executives in major international companies. Bpeace members volunteer their skills and experience to help women in war-torn countries grow sustainable businesses.

Bpeace's work is based on the belief that women play an important role as economic actors in conflict and post-conflict settings, and that helping them to grow sustainable businesses is crucial for broad-based, post-conflict, socio-economic rehabilitation. It is also essential for strengthening women's confidence in taking a proactive role in the reconstruction of their livelihoods and societies. And, joint economic activities between women across conflict divides can be an important tool for confidence-building and the normalisation of relations between former foes. Joint business activities create a shared stake in a peaceful economy, providing tangible peace dividends.

Bpeace believes that when women are economically stronger, they will have a more influential voice for peace in their communities and societies. For women in conflict and post-conflict countries, like Afghanistan, Rwanda and in the Middle East, Bpeace provides distance mentoring; training; access to financing and networking opportunities; the development of local and international markets for their products and services; and awareness of their remarkable talent and courage.

Bpeace 'fast runner' strategy

Bpeace selects and assists businesswomen who are most likely to succeed. They have demonstrated their potential by already operating businesses, being literate in their own languages and by having a real commitment to creating jobs for others. Bpeace makes a three-year commitment to these emerging entrepreneurs, who are called 'fast runners'. It provides support to each individual, moving her along a continuum from training and mentoring to increasing local demand for her products, and promoting her social and economic standing. The process eventually leads to the provision of advocacy tools to enable her to use her economic viability to promote a more favourable environment for businesswomen in the community and to become a voice for peace.

Bpeace provides support in sequential stages over three years, shifting the services and training provided as the fast runner's business develops. Basic business courses and mentoring are provided in year one; accelerating demand and capacity are the focus of year two; and the provision of the tools to help associates become visible and vocal for peace takes place in year three.

'Fast runners' in Afghanistan

Bpeace has 19 Afghan fast runners, employing over 400 Afghans in various industries, including apparel, construction, hospitality, consulting services and physical fitness. By supporting women who have already leapt the hurdle of providing sustenance and schooling for their families, Bpeace hopes to impact on a wider circle of Afghans whose livelihoods depend on these women.

Each Afghan associate has a mentor who supports her in growing her business. Mentors are experienced businesspeople and Bpeace members in the United States, Europe and Canada. They help associates write business plans, access finance and connect with retailers for their products. Fast runners have participated in a series of business and technical training courses conducted by Bpeace volunteers in Afghanistan and New York. As associates move into year two, Bpeace continues to provide advanced training and mentoring while casting a net for a second group of businesswomen.

Bakhtnazira Nevazi – Kabul, Afghanistan

A 28-year-old mother of three, Bakhtnazira immediately impressed her Bpeace interviewers with her embroidered products, her commitment to business, and her grasp of her customers and the local market. Several days later, while conducting a training class for more than 60 Afghan women, it was hard to ignore Bakhtnazira's intelligence and facility with product and budgeting concepts. Bpeace recognised Bakhtnazira as a fast runner who was way out ahead.

Bakhtnazira became one of 12 Afghan women in the Bpeace programme who are engaged in the apparel, accessories and home décor businesses. Bpeace brought them to New York's Seventh Avenue where they worked with top business leaders and educators in an intensive three-week programme. They attended specially tailored classes at the Fashion Institute of Technology and on-site work sessions with designers and retailers.

Bpeace learned that CARE was offering a one-year grant to an Afghan women entrepreneur, and was prepared to fund a retail shop and workshop for 30 widows who had been trained to sew. Bpeace helped Bakhtnazira think through the CARE grant application and translate her ideas into a brief business plan. After interviewing several candidates, CARE selected Bakhtnazira and the new retail dress shop was launched in Kabul.

The CARE grant was just the beginning of the Bpeace- Bakhtnazira relationship. Bpeace provided her with mentoring, business training, access to better fabric and other raw materials, customer traffic and design inspiration, to differentiate her shop from others in the capital.

Eventually, CARE stopped its financial support and Bakhtnazira was on her own. Suddenly, she had the widows' attention. They liked the independence their salaries gave them. More than one said she did not want to return to the support and influence of her brother-in-law.

Bpeace is still guiding Bakhtnazira to secure more commercial contracts. Her first was producing curtains for a security firm.

Today, only 16 months after Bpeace first met her, she has money in the bank, a shop, a workroom and 36 workers, including her husband and the widows. Through a Bpeace grant, her husband is learning to use a computer. Bakhtnazira is taking English lessons and will soon take computer lessons as well. She is a founding member of Rangeen Kaman Afghan Trading, a group of businesswomen in Kabul that Bpeace helped to organise.

This case is based on interviews with Toni Maloney, Marla Gitterman and Rachel Golden at Bpeace. For more information, see www.bpeace.org