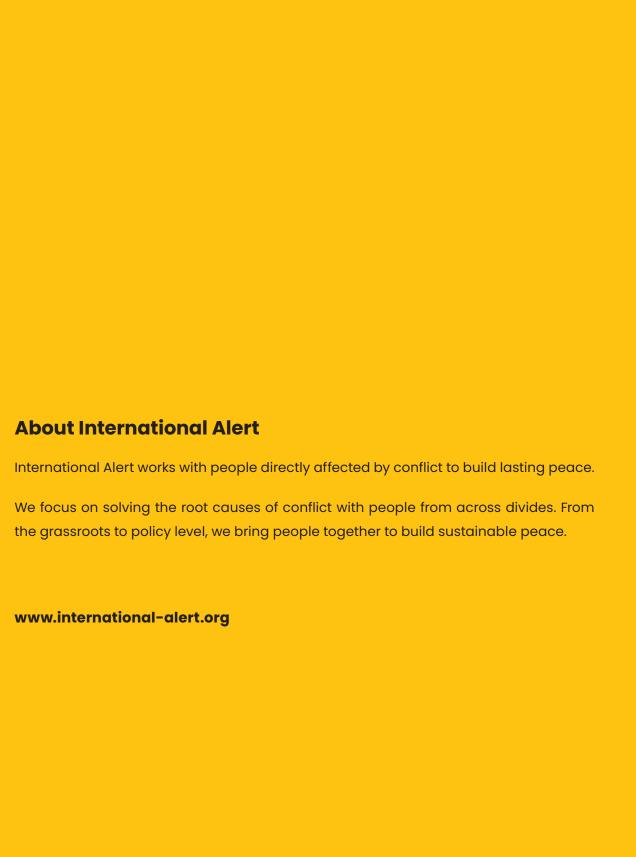# Mobilising the Private Sector for Peace: The role of private sector actors in peace and conflict dynamics in Kenya and Somalia

A peace and conflict analysis

Policy brief

Government of the Netherlands

About International Alert

International Alert works with people directly affected by conflict to build lasting peace.

We focus on solving the root causes of conflict with people from across divides. From the grassroots to policy level, we bring people together to build sustainable peace.

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March 2022

Acknowledgements

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Abbreviations

IDPs　　Internally displaced persons

KEPSA　　Kenya Private Sector Alliance

MoFA　　Ministry of Foreign Affairs

NGOs　　Non-governmental organisation

PCA　　Peace and conflict analysis

Introduction

At a global level and in the Horn of Africa, there is relatively little systematic, direct evidence that might enable us to understand the roles that private sector actors play in peace and conflict.[1] Much of the evidence that does exist is anecdotal and unsystematic, or based on statistical correlations or unevidenced predictions derived from econometric observations of conflict-affected contexts. The existing evidence base does not offer useful, practical entry points for the development of private sector strategies for peacebuilders or for the design of projects that address specific conflict issues in particular contexts. Yet, at the same time, enthusiasm is rising among policy actors for programmatic interventions that engage private sector actors, particularly in efforts to address conflict and fragility. There is a real need for more evidence and analysis to support the development of strategies, policies, and peacebuilding interventions in this space.

In the Horn of Africa, in particular, certain initiatives by private sector actors have enjoyed a relatively high profile, based substantially on accomplishments by the Kenya Private Sector Alliance (KEPSA) and certain Somali companies and business people that have attracted international attention.[2] A broader and more nuanced understanding of the private sector in the Horn is needed as a foundation for the development of realistic policy and peacebuilding interventions.
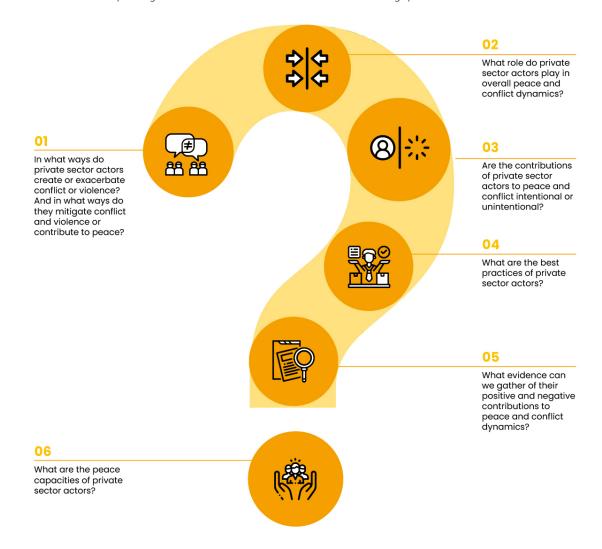
This brief is intended as a contribution to the development of policy and peacebuilding strategies involving the private sector in the Horn of Africa. It will be of interest to international donor agencies, local and international peacebuilders, and their partners working in the Horn. It may also be understood as a contribution to understanding the role of the private sector in fragile and conflict-affected settings more broadly, and it may therefore be of interest to actors concerned with these issues in other regions.

The brief is based on a peace and conflict analysis (PCA) conducted in Kenya and Somalia by International Alert, with support from the Dutch Ministry of Foreign Affairs. The PCA included a review of the literature on the private sector and peace in the Horn, as well as in-person and remote key informant interviews and focus group discussions involving diverse participants, including a number of business owners and members of business associations, in both countries.

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1   For more information, see: M. Mayer, B. Miller and K. Nwajiaku-Dahou, Business and peace: It takes two to tango, International Alert, CDA Collaborative Learning and FrtEnt – Working Group on Peace and Development, https://www.international-alert.org/publications/ usiness-and-peace-it-takes-two-tango/; S. Cechvala, Failing the duck test: Labelling companies as peace actors, CDA, 30 May 2017, https://www.cdacollaborative.org/blog/failingduck-test-labeling-companies-peace-actors/

2   J. Austin and A. Wennmann, The private sector and violence prvention in Kenya, 2007-2013, CDA, 2017, pg. 12; A. Ernstorfer, Peacebuilding networks and alliances in Kenya: A retrospective look at collective peacebuilding effectiveness, CDA Collaborative Learning, 2018, pg. 15; A. Amadiegwu, M. Kihiu, and M. Simon, Mobilizing the private sector for peace and reconciliation, The Graduate Institute of International and Development Studies in collaboration with the World Economic Forum, 2020, pg. 23

The research underpinning the PCA was intended to answer the following questions:

01

In what ways do private sector actors create or exacerbate conflict or violence? And in what ways do they mitigate conflict and violence or contribute to peace?

02

What role do private sector actors play in overall peace and conflict dynamics?

03

Are the contributions of private sector actors to peace and conflict intentional or unintentional?

04

What are the best practices of private sector actors?

05

What evidence can we gather of their positive and negative contributions to peace and conflict dynamics?

06

What are the peace capacities of private sector actors?

Findings

The research, on which this brief is based indicates that the primary actors that engage in peacebuilding activities throughout the Horn of Africa are national and local governments; peace committees; councils of elders; civil society organisations and non-governmental organisations (NGOs); and religious leaders and institutions. Interview and focus group participants also observed that businesses (companies), business people, and business associations (collectively referred to as 'private sector actors' throughout this brief) have significant impacts on peace and conflict, both through their business activities and through other actions. Private sector actors also in some cases supplement or support peacebuilding initiatives by the other actors mentioned above.

Business in context

Evidence emerging from the research reflects the fact that businesses, business people, and business associations are embedded in contexts that are marked profoundly by conflict and fragility in the region. Private sector actors in those contexts are constrained by and are responsive to the risks, threats, pressures, and opportunities that are inherent in such contexts. As such, they both participate in and struggle against dynamics of conflict and fragility. Moreover, it should be understood that the motives, intentions, interests, and capacities of private sector actors are not in all cases the same as those of peacebuilding actors. For all of these reasons, private sector actors interact with peace and conflict dynamics in ways that are complex, ambivalent, and sometimes mutually contradictory.

In the area of study, private sector actors participate in social relations in which patronage, kinship, clanship, and religious affiliations are at times more important than governance norms and processes. They engage in relations with conflict actors in ways that sometimes benefit them financially and sometimes impede their business activities and cut into their profits; they may do both under pressure that they feel unable to resist. In some instances, they take advantage of elements of fragility – such as corruption among public officials or the diminished ability of judicial systems to deliver justice – even as at other times they may be staunch advocates of reform, enhanced security, or anti-corruption efforts.

Similarly, private sector actors participate in the patriarchal and chauvinistic aspects of the cultures in which they are embedded. In this regard, the research suggests that women and youth face significant challenges in establishing themselves in the private sector as entrepreneurs, and that this impedes members of both groups from accumulating the credibility and networks necessary to exert meaningful influence in their societies. By the same token, businesses demonstrate a tendency to recruit employees and contractors from their own ethnic, clan, and religious groups. This tendency has the potential to result in patterns of exclusion that may exacerbate conflict under some circumstances.

Finally, respondents in Kenya indicated that COVID-19 lockdowns have interfered with routine business activities by restricting movement (both of business people and potential customers) after certain hours. Enforcement of curfews by police has at times been heavy handed (as the President of Kenya has acknowledged publicly), which has also negatively affected businesses. Curfews have also made businesses more vulnerable to criminal activity.

Private sector actors' contributions to peace efforts

In the Horn of Africa, businesses, business people, and business associations have engaged in a range of activities intended to build peace or support peace agreements or negotiations. Several ways in which they do so are outlined below:

- Businesses, business people, and business associations (such as chambers of commerce) have directly participated in the negotiation or mediation of agreements among parties engaged in violent conflict with one another.[3] They are proven to be effective at local, national, and international (cross-border) scale. For example, the Turkana County Government, the business community – particularly the local chamber of commerce – in Turkana county, and the international NGO Pact have jointly pursued a cross-border project based on inter-ethnic peace dialogues, which were aimed in part at providing a 'peace corridor' for business to be transacted between Ethiopia and Kenya. In another example, members of the West Pokot County Chamber of Commerce negotiated the resolution of a conflict between Kenyan and Ugandan business people.

- The business community has undertaken public campaigns, advocacy, and diplomacy in direct support of peace or violence prevention efforts. The most visible of such efforts was the *Mkenya Daima* ('Kenyan Forever') public campaign against election-related violence driven by several members of KEPSA ahead of Kenya's March 2013 general elections. During the same period, individual KEPSA members engaged in diplomacy efforts with Kenyan political elites to dissuade them from encouraging violence or mobilising their constituents to contest the election results. At a regional level, business people also participate in ceremonies celebrating peace agreements, in doing so demonstrating publicly their support for those agreements.

- The business community, in both Kenya and Somalia, has provided logistical and financial support to peace negotiation processes among parties to the conflict,[4] ensuring that meetings and dialogues can take place and be sustained, and publicly communicate their support to the processes and the objectives of the negotiations.

- The business community has engaged in business activities that support or provide a measure of stability in the wider context. This is particularly true in Somalia, where private Somali companies provide water and electricity on a commercial basis to much of the population. Some Somali businesses have deliberately targeted members of local militias for employment, to play security and other roles within their companies.[5] In several regions of Somalia, business people have also negotiated with 'warlords' and clan leaders to establish a commonly agreed framework for contract law to facilitate commercial transactions.[6]

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3   A. Amadiegwu, M. Kihiu, and M. Simon, Mobilizing the private sector for peace and reconciliation, The Graduate Institute of International and Development Studies in collaboration with the World Economic Forum, 2020

4   A.W. Yusuf in J. Banfield, C. Gündüz and N. Killick (eds.), Local business, local peace: The peacebuilding potential of the domestic private sector, London: International Alert, 2006, https://www.international-alert.org/publications/ local-business-local-peace

5   J. Banfield, C. Gündüz and N. Killick (eds.), Local business, local peace: The peacebuilding potential of the domestic private sector, London: International Alert, 2006, https://www.international-alert.org/publications/ local-business-local-peace

6   J. Banfield, C. Gündüz and N. Killick (eds.), Local business, local peace: The peacebuilding potential of the domestic private sector, London: International Alert, 2006, https://www.international-alert.org/publications/ local-business-local-peace; T. Nenova and T. Harford, 2004, in K. McIntosh and J. Buckley, Economic development in fragile and conflict affected states: Topic guide, Birmingham, UK: GSDRC, University of Birmingham, 2015.; E. Browne and J. Fisher, Key actors mapping: Somalia, Birmingham, UK: GSDRC, University of Birmingham

Private sector actors and conflict

There is ample evidence that businesses and business people engage directly in activities that are violent, or that drive and/or sustain conflict and violence. Several examples of how they do so in the Horn of Africa are noted below:

- Businesses and business people engage in or incite others to engage in acts of violence targeting competitor businesses. Such actions entail the use of violence in pursuit of a commercial advantage in a marketplace. In areas in which police have diminished investigative capabilities and formal justice systems can be manipulated through bribery or political interference, there may be little risk that businesses employing violence against competitors will be legally accountable for such actions.

- Businesses and business people wilfully and knowingly collaborate with conflict actors with the intent of gaining economic advantage. This is particularly relevant in the case of political elites, many of whom are known or perceived to be bad actors engaging in corrupt practices or inciting violence to advance their own personal ends. Some business people cultivate relationships with political elites (at all levels – national, sub-national, and local) in pursuit of business advantages. These relationships may help them to secure monopolies, obtain government contracts, and otherwise benefit from forms of nepotism.[7]

- In some cases, businesses and business people participate in value chains that depend at least in part on violence.[8] For instance, it is known that the commercial livestock trade in Turkana and West Pokot counties 'sources' animals in part through violent livestock raiding by one local community against another. Raids involve the use of firearms and commonly result in fatalities and the displacement of families. Businesses purchasing livestock in those regions for sale in Nairobi or other cities may establish and sustain financial incentives for violent cattle raiding, whether knowingly or unknowingly.[9]

- Businesses and business people occupy market or economic niches that are created by conflict.[10] For instance, Somali companies providing water and electricity services have occupied a market niche that was created by the collapse of the Somali state in 1991. Businesses selling goods and services to refugees and internally displaced persons (IDPs), similarly may have a consumer base and a market opportunity that was generated by conflict and displacement. Even if they provide vital services that would otherwise not be available to people in need, conflict-dependent commercial actors may have a business interest in the persistence of conflict or insecurity. In some cases, their business models may be threatened by efforts to establish peace.

- Businesses and business people reluctantly participate in bribery and extortion. Businesses may be vulnerable and attractive targets for attempted extortion or 'taxation' by warlords, criminal gangs and, in the case of Somalia, armed groups associated with violent extremism.[11] Many businesses, particularly smaller businesses that have fewer resources to expend on security, can be more closely

7   J. Banfield, C. Gündüz and N. Killick (eds.), Local business, local peace: The peacebuilding potential of the domestic private sector, London: International Alert, 2006, https://www.international-alert.org/publications/ local-business-local-peace

8   World Bank, Conflict in Somalia: Drivers and dynamics, Washington, DC: World Bank, 2005, https://openknowledge.worldbank.org/ handle/10986/8476

9   Cattle-rustling and the politics of business in Kenya, The New Humanitarian, 27 March 2014, https://www.thenewhumanitarian.org/ news/2014/03/27/cattle-rustling-and-politics-business-kenya; M. Daghar and W. Okumu, Cattle rustling: A flourishing illicit market in East Africa, ENACT, 7 Oct 2021, https://enactafrica.org/enact-observer/cattle-rustling-a-flourishing-illicit-market-in-east-africa

10   M. Ingiriis, Profiting from the failed Somalia: the violent political marketplace and insecurity in contemporary Mogadishu, Journal of Contemporary African Studies, 38(3), 2020; M. Bradbury and S. Healy, Accord: An international review of peace initiative, Issue 21, Conciliation Resources, 2010

11   S. McCarthy, N. Majid and B. Willitts-King, Private sector engagement in complex emergencies: case studies from Yemen and southern Somali, HPG report, 2017

associated with an individual owner or his/her family and less able to relocate, may be especially vulnerable to this kind of pressure. These pressures arise from security threats that present significant risks to the people in question, and they may also impede business activity, profitability and growth. In Somalia, for instance, cattle dealers taking animals to market may have to travel across territory controlled by multiple, different militias, paying 'tax' to each one, before reaching their destination. Businesses that yield to these pressures may feel that the alternative is too risky, but in acquiescing they may sustain corrupt practices or contribute to the financing of armed groups.

Businesses, business people and conflict actors

As the foregoing implies, businesses, business people and, perhaps to a lesser degree, business associations have complex and ambiguous relationships with a range of conflict actors in both Kenya and Somalia. The conflict actors in question include local or national political elites, warlords or armed militias, and criminal actors such as cattle rustlers or (in the case of Nairobi) illegal or criminal organisations. It may be difficult for economic reasons for businesses or business people to opt out of these relationships. For instance, if market stalls are allocated by public officials, small business owners who want a stall in the market might perceive that it is necessary to cultivate a relationship (which may entail bribes or dubious 'gifts') with those officials for their businesses to succeed. Similarly, business people operating in areas of Nairobi where illegal organisations have a presence may have little choice but to pay extortion.

Looking through the lens of peace and conflict, these relationships are complex and ambivalent. In some cases, they may act as a brake on business growth and feed corruption or violence, as outlined above, but they have also provided avenues for business people to exert a positive influence on political events. In the case of KEPSA, for instance, personal relationships between prominent KEPSA members and the national political elite made it possible for KEPSA members to engage the elite directly to discourage them from mobilising supporters for violence ahead of Kenya's 2012/13 election cycle. In Somalia, personal relationships between business people and clan and militia leaders have also provided a basis for similar pro-peace diplomacy by business people.

Recommendations

The recommendations presented below were developed by International Alert, drawing on suggestions made by respondents in Kenya and Somalia in the course of the research. The recommendations are intended for policy, government, and non-governmental actors in a position to work on peace and conflict issues in ways that involve private sector actors or private sector development. They may also have relevance for other contexts globally, in which private sector actors' roles in peace and conflict are similar to those in Kenya and Somalia.

For further research

- **The Dutch Ministry of Foreign Affairs and the other donors should fund further research.**

- **There is a particular need for further research that is regionally focused.** The findings presented here indicate that private sector actors are significantly responsive to their local contexts. Although there are broad similarities across the local contexts in which research was undertaken, there are also micro-dynamics that are particular to each of those contexts. Pressures exerted on businesses and business people were particularly important factors shaping peace and conflict outcomes. There is a real need for a more systematic understanding of these factors, and of how the context influences private sector actors and vice versa.

- **More research on effectiveness in interventions and work with the private sector is needed.** The PCA provides some insights into potentially constructive programmatic interventions that are focused on the private sector, but more insight is needed. There may be additional insights to be gained by disaggregating business actors further, for example, by size and by sector or industry. Another area to look at for further insights is on how cross-border trade and regional economic policies and cooperation are affecting the private sector actors on the ground and their incentives to engage in peace and conflict.

For peacebuilding project design and implementation

- **Peacebuilders, donors, and their partners should always include the private sector in conflict analyses.** The research indicates that private sector actors play significant roles in conflict dynamics and also in peace initiatives. To overlook the private sector in analyses will miss certain key aspects of conflict dynamics as well as potentially important opportunities or entry points for peace initiatives. This is true even for analyses that will serve as a foundation for interventions that do not target or focus on the private sector or private sector development.

- **Peacebuilders should consider potential opportunities to include private sector actors in conventional peacebuilding projects.** Evidence suggests that private sector actors may make meaningful and important contributions to peace efforts. This ability may be enhanced if peacebuilders are able to help private sector

actors to understand conflict dynamics, their own impacts – positive and negative – upon conflict, and the opportunities that they may have to engage – as individual businesses or as networks or associations with other groups of actors. They may also be able to help businesses develop constructive strategies for their own engagement with other actors, such as local governments, security actors, and conflict actors. Furthermore, given that the private sector is not exempt from the patriarchal cultures and attitudes of the societies in which it operates, this could also be an opportunity to build their capacity and understanding of gender and inclusion helping them to deconstruct harmful gender norms in their policy and practices.

- **Peacebuilders, donors, and their partners should consider interventions that mitigate the negative impacts of the private sector and those that enhance the positive impacts of the private sector.** Peacebuilders and donors may be predisposed towards initiatives that are designed to yield positive impacts on peace, but evidence from the PCA suggests that in some circumstances initiatives that mitigate or eliminate negative impacts may also be of high value. For example, mobilising private sector actors to engage (safely) in efforts to resist extortion or pressure to engage in bribery, or encouraging businesses to 'clean' their supply chains and business relationships, may have significant impacts.

- **Peacebuilders, donors, and their partners should consider experimental and iterative projects with the private sector.** Existing evidence demonstrates the positive role businesses sometimes play in support of peace. Much less is known about how planned interventions might influence private sector actors to engage in peace-related initiatives. Funding for experimental or iterative initiatives (that are substantially adapted in light of changing circumstances or initial, partial failures) might help to build knowledge and evidence about effective approaches. The Dutch Ministry of Foreign Affairs should consider developing funding streams that allow for experimentation, targeted pilot projects, iterative project design, and ongoing learning to support work with private sector actors on peace-related issues.

For private sector development strategies and projects

- **Peacebuilders, donors, and their partners should consider private sector development projects that specifically target women and youth.** Both groups face significant cultural and practical barriers to entry into the private sector that may prevent a range of positive, knock-on effects. Engagement in business may help women and youth to build relationships, influence, and economic strength that enable them to exert greater influence on social issues. It may be possible to aid them through awareness-raising and advocacy, targeted network development, providing access to capital, capacity-building support, technical advice, and accompaniment, among others.

- **Peacebuilders, donors, and their partners should consider projects that build networks and associations among private sector actors.** Some of the more conspicuous examples of positive interventions by private sector actors in the Horn have been undertaken by business associations. Certain challenges, such as the implementation of public policies relating to COVID-19 curfews or problems stemming from insecurity, might be prevented or mitigated through organised lobbying and advocacy by businesses that are adversely affected by those issues. In some parts of the study area (particularly Somalia), business associations are

weak or non-existent.[12] Efforts to organise and sensitise business and strengthen and support existing associations may therefore have meaningful impacts on issues such as public security, abuses by police, and private sector development more generally.

- **The policy makers need to make sure that the policy framework for business activities minimises incentives for actions that harm peace** (e.g. sanctions corruption and impunity, tax evasion) and maximise potential for peaceful outcomes (transparency in public procurement contracts, simplified processes for women and youth and minority-run businesses to access opportunities, accountability for corruption and misuse of public funds etc.). They also need to do conflict and gender analysis of policies and practice to check for potential unintended harmful consequences of policies or initiatives by business actors.

- **Donors should consider analysing how their companies and business may be profiteering from conflict systems** (e.g. companies taking advantage of weak tax regulations, benefiting from poor labour conditions or human rights violations, and importing arms without any real checks as to whether they may end up in the hands of militant groups etc.) and take appropriate action to limit this. In addition, they should impose sanctions and/or accountability for investors that are engaged in harmful practices (unintentional or not).

- **Donors should consider evaluating how their economic policies and trade agreements may have unintended consequences on local business and peace** in fragile and conflict-affected states and adopt necessary measures to mitigate the risks.

Recommendations for the business community

- **Business actors should proactively engage in consultative processes with key stakeholders,** i.e. government, civil society etc., on local and national peacebuilding issues and make deliberate efforts to be part of governance, peacebuilding, security, and conflict prevention strategies.

- **The private sector should strongly advocate for the rule of law, accountability, and transparency and constructively engage with policymakers, security actors and communities** to contribute to good governance and improve state-citizen relationships. This would help address current perceptions of business actors being complicit in poor governance and conflict issues.

- **In fragile contexts such as Somalia, business actors operate largely without coordination which weakens their capacity to safeguard their legitimate interests and contribute for peace and stability.** Therefore, business actors should consider opportunities to establish networks or associations to better organise the sector and improve coordination to raise collective voices in support of a business-conducive environment.

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12 A. Amadiegwu, M. Kihiu, and M. Simon, Mobilizing the private sector for peace and reconciliation, The Graduate Institute of International and Development Studies in collaboration with the World Economic Forum, 2020

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