THE PRIVATE SECTOR IN FRAGILE AND CONFLICT AFFECTED STATES

Promoting more and better business in fragile and conflict-affected environments can facilitate inclusive, sustainable development and thereby contribute to the implementation of the 2030 Agenda for Sustainable Development. This session will discuss how Arab and DAC providers of development co-operation can ensure that the private sector contributes effectively to the implementation of the 2030 Agenda in these settings, in particular by sharing successful approaches and good practice, such as that advocated by the International Dialogue on Peacebuilding and Statebuilding and its New Deal for Engagement in Fragile States.

Key issues for discussion:

- How can providers of development co-operation support private sector development in fragile and conflict-affected settings in ways that mitigate risk and ensure that it contributes, rather than undermines, sustainable peace?
- What examples are there of pro-active and innovative activities tailored to local contexts, as well as addressing the challenges encountered by foreign and domestic businesses, that are ready to be scaled-up and supported?
- What experience is there with promoting responsible business practices in post-crisis contexts?

Possible outcomes:

- Agreement to increase Official Development Assistance to fragile and conflict affected states in ways that leverage more private sector activities and investment.
- Increased awareness of the approach advocated by the International Dialogue on private sector development and investment in fragile and conflict affected states.
- Agreement to collaborate with the International Dialogue in countries where promotion of more and better business is being piloted, or to pilot work jointly in another country.

The rationale for engaging with the private sector in fragile and conflict-affected states

Solid economic foundations are a pre-condition for peace, which can alleviate poverty and foster growth and sustainable development. Lack thereof can be a major hurdle to the implementation of the 2030 Agenda and all the SDGs, in particular SDG 16 on building peaceful and inclusive societies.

The private sector can play a pivotal role in this respect, both in promoting or hindering peace. Businesses can help rebuild economies, create jobs, deliver services and generate revenues, which are all vital to peacebuilding in post-conflict societies and to statebuilding. At the same time, the private sector can also be a source of harm if it contributes to human rights violations, corruption or an undermining of trust, which are all causes of conflict and fragility.

Engaging the private sector and fostering private sector development in fragile and conflict-affected states requires a pro-active strategy and well-designed interventions tailored to the challenges of these particular environments. Fragile states face major challenges, such as political instability, difficult access to finance, poor infrastructure, perception of high levels of corruption, widespread perception of lack of transparency and weak regulatory environments.
Supporting the private sector in fragile environments

There are several ways to promote responsible business in fragile and conflict-affected environments. These aim to improve the business environment as a whole to boost local and foreign investment, stimulate growth, generate employment and reduce poverty. Improving the business environment by, for example, easing the obstacles to doing business, can potentially bolster formal private-sector activities, state authority and service delivery. Increased economic activity and sustainable investment can, in turn, boost fiscal revenues. Under the right conditions it can also enhance the private sector’s credibility with citizens, so long as it is seen to act in a responsible way (in terms of fiscal and human rights’ standards).

In fragile and conflict-affected contexts, where regulatory environments are weak, the challenges are considerable, particularly when trust between the government and citizens, and between government and the private sector, is weak. The ‘private sector’ itself is not monolithic, and many private sector actors, both domestic and foreign, may have privileged access to the state, which in turn can undermine citizens’ trust. To overcome these obstacles and to strengthen public trust and transparency, engaging the private sector in a reform dialogue can prove useful. Public-private dialogue mechanisms, which learn from and build on past experiences by bringing relevant stakeholders together to assess and prioritise private sector-related reforms and interventions in ways that build trust, can prove effective in this respect.

But dialogues cannot be done in isolation. Supporting the private sector in contexts of weak government institutions and fragmentation within the private sector itself will mean addressing only one part of the problem. Investing in building institutional capacity or supporting country-level dialogues (e.g. economy side, sector-specific, stakeholder mobilisation) is central and providers of development co-operation can play a critical role in this. Provider interventions need to remain focused on the ultimate objective of achieving country-owned, country-led transitions out of fragility, and need to complement existing initiatives that promote more and better business and investment in conflict-affected and fragile environments.

Pilot work from the International Dialogue on Peacebuilding and Statebuilding

The International Dialogue is an important forum for discussion and action on how best to support countries that are affected by conflict and fragility to make the transition towards peaceful and inclusive states and societies, including by promoting more and better business. In 2011, the International Dialogue crafted the New Deal for Engagement in Fragile States (New Deal) as a plan for action in fragile and conflict-affected contexts. The New Deal set out a different way of approaching challenges in fragile and conflict-affected environments by actors working in them, for example by:

- Bringing together country-level private sector, government, civil society and providers of development co-operation, through public-private dialogues in specific sectors that improve business practices and build trust.
- Ensuring that countries affected by conflict and fragility are part of global discussions on how Official Development Assistance can leverage new sources of development finance.
- Cutting through the proliferation of standards, guidelines and tools, distilling and consolidating existing international good practice and communicating these to private sector, government and civil society.

These activities are being piloted in Afghanistan, the Democratic Republic of Congo, Liberia and Sierra Leone - which are developing countries at the core of both Arab and DAC member activities in fragile and conflict affected states. Many providers work to enhance the role of the private sector in these and other fragile and conflict-affected states.

This session could be an opportunity to find synergies for mutual collaboration, to share knowledge on good practice among providers active on the ground, to ensure that the private sector can successfully help implement the 2030 Agenda, and to support these states to become more peaceful and inclusive.