

OpenSpace Report on

Title/Topic of the Session

INFORMAL ENTERPRISES IN POST-CONFLICT ENVIRONMENTS

2) Person suggesting Topic & Group Participants

(Name of the convener in breaks), list of the name of participants

2 SESSIONS (12 NOON AND 2PM)

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3) Summary of Discussion

Informality in fragile states is extremely important both as a context and consequence of conflicts. It is important that we understand the dynamics of this very important area of our work.

4) Conclusions

1. The DCED should continue to focus on fragile and conflict affected countries as a cross cutting theme of all its working groups: private sector development is absolutely critical for fragile states; informality is a huge problem in fragile states – either as a context or consequence of war. We need to do more work in this area to understand the key issues.
2. Donor Coordination and harmonization are critical in FCAS – we must make it work: there is need to have a shared reality of the country's conflict; shared assessment tools; shared data; and shared frameworks and strategies and M&E. The challenge of course is how to do this practically on the ground, but it is important to try.
 - Harmonize emerging conflict analysis tools (ILO, GTZ, UNDP, WBG, etc tools should be harmonized); engage senior management in donor agencies to provide the space, mandate and incentives for coordination and harmonization.
 - Shared training and outreach activities – eg. Contribute to and participate in the WBG Fragile States training program.
 - Build on each agency's competencies rather than duplicate.
3. Work with the country's realities and situations; understand the local environment and target reforms appropriately (be careful to understand the losers and winners) – eg Burundi – eg. forcing formation of associations for funding purposes, yet 90% of the private sector is outside the associations.
4. Content
 - It is important to prioritize reforms in FCAS. It is important to consider short vs long term trade offs, – eg. there is need to jumpstart the economy by creating markets bottom up, say by using reconstruction and rebuilding opportunities to build markets. Sequencing of reforms is crucial for FCAS given limited resources, capacity, and drive for peace dividends vs long term transformational reforms; peace building actions vs economic

development actions – what comes first, and when?

- Seize opportunities to start afresh! Donors can help to reset the policy framework for FCAS. Post conflict environments offer the opportunity to start from scratch and skip traditional developmental stages – eg. New policy and legal frameworks, new institutions, etc. New, legitimate governments have great capacity for wiping the slates clean.
- What should we do about war time enterprises? We have to accept that they have become part of the private sector, and may require to formalize from formally non-formal, and sometimes illegal activities. How to deal with payment of arrears from war expenditure – eg. Payment for military equipment in Guinea Bissau. Can we afford to be so purist about who we work with?
- Work to promote legitimacy of governments and ensure ownership and leadership. How do we support governments to deal better with donors to reduce fatigue, confusion, missed opportunities, etc?
- Need to prioritize actions in-country based on thorough analysis and country based realities. Identify people who really do have a stake in the informality question, rather than elite “representatives” such as associations who may or may not have legitimacy.
- Former warlords expect to be rewarded through the emerging public and private structures (eg land grabbing in Southern Sudan, Ethiopia, etc). It is important to deal with this in such a way that it does not compromise peace and peace building. Capacity building is critical.

Cape Town, 15 April 2010