

**SoCap10: International Development Track**  
**Fort Mason, San Francisco**  
**October 4 - 6, 2010**

**Panel Topic:** Investing for Peace: Deploying Capital in Conflict Zones & Fragile States

**Purpose:**

There is an increasing realization that local entrepreneurs play major roles in rebuilding their countries after conflicts and in creating innovations that could prevent further violence. How can “risk capital” make an impact? How can we support local entrepreneurs and increase collaboration among sectors and regions?

**Design/methodology/approach:** Reports and expert opinions from panelists

**Moderator:** Kevin Braithwaite, RootSpace

**Panelists:**

Anna Elliot, Bamyam Media

Paul Van Zyl, Peace Ventures

Ryan Falvey, Shorebank International

Dave Ferguson, Global Development Commons, USAID

**Summary:** Conflict and poverty go hand in hand. A coup may lead to dictatorship, infrastructure failure, brain-drain, lawlessness, and corruption. But people are resourceful and resilient, and want to do what’s necessary to heal.

Bamyam Media produced a reality TV show in Afghanistan to seek entrepreneurs and showcase business models. There were millions of viewers, and microfinance and recycling businesses began.

Peace Ventures has used capital to produce quality goods and defuse tensions. It has found that, after sixty years of ethnic strife in India, the level of Hindu-Muslim conflict is high in some cities and low in others. Pockets of violence exist, but investments in peace companies have reduced the risks, by creating associations and common goals among ethnic groups. Alternatives to conflict are provided through businesses and clubs that support employment and lower poverty.

Often, companies owned by women are run more efficiently, and the money earned is better spent. Women forge unique bonds, and may apply for business assistance in greater numbers. In countries such as Liberia, Sudan and Kenya, which have seen extensive conflict, capital and design help are needed to produce products for large markets. Philanthropy, government and organizational involvement are necessary to harness capital for sustainable growth in conflict zones.

A lifestyle brand, 3000 Degrees (the temperature at which weapons will melt), will begin marketing apparel and accessories in the next year and a half or so in the US. It will be a

luxury brand, manufactured in former conflict zones and sold in high-end stores and through franchises. The intention is that products will appeal to consumers even if they are not aware of the social benefits of the brand.

ShoreBank International finances business in conflict zones such as Tanzania, Uganda and Sudan. In some cases, constraints on capacity and lack of security are more of a problem than lack of capital. Microfinance and housing are big gaps. Capital is needed but may be hard to deploy, because goods may be stolen or vandalized. Advisory services and training are needed, and investors must be patient and understand the local supply chain. Still, violence is sporadic and may be overestimated. In Kenya, the absence of a land ownership system can be a basis for conflict, but an open economy allows for the export of flowers. Liberia has the potential to return to conflict, though it also has an emerging market.

President Obama spoke recently at the UN General Assembly, emphasizing growth as a mechanism for development. USAID is active in conflict areas, enabling investment. Where possible, USAID buys goods and services locally, supporting former combatants and the private sector. Decentralization is preferred, since those who work on a program are more knowledgeable about it than Washington. USAID recognizes that it may be difficult for a smaller project to obtain funding from it.

Humanitarian aid may be necessary, but money is not necessarily the most important type of aid. Rather it is facilitation of business related resources, including credit guarantees, reduced transaction costs, access to information and design assistance and supply sources. The goal is to improve general well-being and reduce the risk of a return to conflict.

Sometimes donor agencies expect a fast return, and a large media impact. Large scale aid can have a distorting effect, by failing to empower people locally. It's important that all constituencies, including taxpayers and legislators, understand the development process and its timetables. Success may be difficult to measure, since it is hard to quantify when and why violence doesn't recur.

It is useful to think of the transfer of resources as two pyramids, one on top of the other, and joined at their points. There is plentiful supply at the top, and plentiful demand at the bottom. There are many pathways to cross the divide from supply to demand, but it is important to select an efficient and effective pathway. The key is to empower people by partnering, and not patronizing.

There may be an ecological trade-offs in building businesses. For example, the burning of charcoal may be the most accessible energy and heating source. The migration to cities for employment may strain urban resources and leave a void in rural areas. Where possible, businesses should promote the recycling of materials, by making small businesses pledge to employ sustainable practices.

The question was asked about the benefits of isolating a repressive regime rather than engaging it. World criticism of apartheid was cited as critical in bringing it to an end. The goal is to avoid harming the people who need help, as may occur under sanctions and embargoes.

**Keywords:** peace, conflict zone, risk capital, entrepreneurship, international development

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