

A private sector
perspective
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Job Creation and Productivity in FCV Contexts

The Private Sector Perspective in FCV

- Private sector job creation comes from market demand that either encourages new investment or utilizes existing idle capacity
- In FCV situations there are significant barriers to new investment and utilizing idle capacity may be dependent on a whole host of business environment and infrastructure factors
- This covers the gamut from large enterprises to livelihoods
- Our challenge is to figure out ways of addressing these challenges

Some positive observations:

- No matter how dire the situation the private sector survives – there is in most cases resilience around basic trading, simple services and low-level production (extractives, manufacturing and agriculture)
- This activity tends to be small and informal
 - in our work in the Taliban influenced areas of Pakistan (6 million people) – we found only one firm that employed more than 200 people
- Diaspora are the “canaries in the coal mine” – the first to return with investment
 - in Afghanistan the former Central Bank governor has observed 75% of the first decades FDI was channeled through FDI

Some negative observations

- There are often significant governance challenges
 - Corruption
 - Rule of Law
 - Business Environment
- Key markets – finance and labor don't work very well
 - Financial markets provide very little support to the private sector
 - Particularly in forced displacement there are significant labor market information failures
- Infrastructure service delivery is poor
- Security
 - Ongoing conflicts
 - Warlords - mafias

So what can
we do?

- Support a predictable business environment
 - Rwanda -29th in the world, CAR 183rd in the world
 - Build Trust: Public Private Dialogue
- Encourage investment
 - Coca Cola in Afghanistan, Telecoms in Palestine
 - Supporting diaspora
- Deploy risk-sharing instruments
 - MIGA
 - Guarantees
- Provide firm and industry level support
 - Business Development Services
 - Matching Grants
 - Focused infrastructure

How is this different from business as usual

- Willingness to allow No No's - tariff protection and exclusivity
- Engagement with informal firms
 - Our current forced displaced effort in Afghanistan supports small and informal firms by providing market infrastructure (reductions in perishable waste, better hygiene and better security for goods).
- Community level engagement e.g. gozars
- Matching grants have been remarkably successful because the market failure is real
 - They provide capital that has been destroyed
 - Because formal financial markets are not available and informal/curb markets are very expensive
 - A DFID led effort in Gaza after one of the intifadas
- Linking livelihoods to value chains
- There are specific Forced Displacement and FCV investment angles
 - With high risk comes high returns
 - Refugee Investor Network

What about productivity?

- Big firms tend to be the most productive – For this reason Paul Collier has argued if one wants to be internationally competitive one should focus on big firms – his efforts with textiles in Haiti being one example.
- But this overlooks tremendous “low hanging fruit type” productivity gains that exist throughout a FCV economy. While these may fall short of international competitiveness standards, they allow for improved participation in local markets.