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Transforming War Economies: Challenges for Peacemaking and Peacebuilding

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Rapporteur: Heiko Nitzschke

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Executive Summary

Policy analysis has produced important insights on the impact that the predatory and illicit exploitation of natural resources and the pervasive criminalization of economic life can have on conflict dynamics. The operational challenges of transforming the 'war economies' sustaining those conflicts, however, is still an underdeveloped area of policy research and practice. The International Peace Academy-sponsored conference at Wilton Park sought to discern as to whether and how the legacies of war economies in conflicts such as those in Afghanistan, Sierra Leone, and the Democratic Republic of Congo (DRC) create distinctive challenges for conflict resolution, and to identify strategic priorities for policy-makers engaged in peacemaking and peacebuilding.

Challenges for Peacemaking and Peace Implementation: Preliminary analysis suggests that the increasingly self-financing nature of many contemporary conflicts creates a more difficult environment for conflict resolution, peacemaking and peace implementation. War economies are sustained by regional and global linkages with both licit and illicit actors, each with vested interests in the continuation of conflict and instability. Both rebel or government combatants who benefited from predation during war may act as 'spoilers,' using force to undermine peace processes. The economic opportunities and rewards available through predation may also influence combatants' proclivity to voluntarily disarm and return to a civilian life.

- The effectiveness of UN commodity and financial sanctions as a tool for conflict resolution is seriously undermined by widespread 'sanctions-busting' by neighboring states, criminal networks and corporate actors, and the lack of compliance and enforcement by relevant government agencies. To effectively curtail resource flows to belligerents, governments need to follow-up on reports by the UN Expert Panels and adopt appropriate national legislation to criminalize UN 'sanctions-busting.' The UN Security Council should impose, where applicable, secondary sanctions, ensure member state compliance with sanctions resolutions, and

strengthen the mandates and administrative capacities of UN Expert Panels.

- Assessing the economic endowments and activities of combatants may help third-party mediators of peace processes to identify potential spoilers. Possible strategies for management of spoilers include their cooptation, criminalization or benign neglect. Alone or in combination, each strategy involves difficult tradeoffs that may undermine sustainable peace. Where politically feasible, third-party mediators should seek to include provisions for resource-sharing into peace agreements or establish benchmarks for responsible resource management, that could serve as reference for donors and civil society to hold government accountable. IFIs should be included in the peace processes, whether formally or informally, to ensure coordinated policy action among third parties, and to match peace agreements with post-conflict economic recovery strategies.
- Disarmament, demobilization and reintegration (DDR) programs face additional challenges where the possession of arms is not just a function of ongoing insecurity but is also an important economic asset. In such settings, the UN and the World Bank need to make disarmament and reintegration parallel and complementary, not sequential, processes. Socio-economic support to former combatants needs to be provided early on in the DDR process, taking account also of the different incentives of rank-and-file soldiers and middle-level commanders. Importantly, DDR programs must form an integral part of national post-conflict development and reconstruction strategies.

Challenges for Peacebuilding and Post-Conflict Recovery: Economic activity during wartime serves a variety of functions, which can be usefully distinguished as combat economies, shadow economies, and civilian coping economies. Often controlled by combatants, criminal entrepreneurs, and corrupt governments, these economic relationships tend to persist after the formal resolution of active hostilities. In these settings, a main challenge for peacebuilding efforts is to address the dysfunctional elements of the

shadow economy, while retaining its socially beneficial aspects. Where the illegal exploitation or inequitable, unaccountable management of natural resources has been central to conflict dynamics, improved resource governance needs to be a central element of peacebuilding and post-conflict reconstruction strategies.

- Shadow economies and economic criminalization need to be addressed through both, 'sticks and carrots.' The former includes improved law enforcement and judicial reform, possibly as an integral part of the mandate of international peace operations. The latter requires incentives for shadow entrepreneurs to join the legal economy, as well as the strengthening of the state's capacities to provide basic services, security, and employment. Importantly, donor agencies need to review their post-conflict macro-economic strategies, not least to adequately account for the social functions of shadow economies. Tackling cross-border shadow trade requires improved regulatory efforts within regional organizations or initiatives, complemented with regional economic integration to eliminate the structural incentives for shadow trade.
- Donor agencies and regional organizations need to design and support tools and strategies for more

effective, equitable, and transparent systems of resource management by the government, while ensuring benefits for those civilians who are dependent on resource exploitation. Importantly, this should also include new regulations and legislation on corporate engagement in natural resource industries to minimize corruption and impede 'rogue companies' from undermining fragile peace. Support to civil society organizations is crucial for holding governments and companies accountable. When properly mandated and equipped, UN peace missions may support the establishment of state control over resource-rich areas and borderlands to impede illegal resource exploitation and smuggling activities.

Viewing intrastate conflict from a political economy perspective affords important insights for our understanding of conflict and, consequently, for improved peacemaking and peacebuilding. Economic factors play a different role in different conflicts. Yet, the legacies of economic predation, militarized production, and criminalized trade in many of today's conflicts highlight the different challenges that conflict management faces in these settings. While more research is needed on these issues, a range of policy levers can, when applied in a robust and coordinated effort, raise the odds for successful peacemaking and peacebuilding.

I. Introduction

To date, international policy efforts to address the economic dimensions of intra-state conflict have largely focused on curtailing resource flows to combatants through global control regimes.¹ Yet, the creation of robust regulatory frameworks addressing the global traffic of resources that make armed conflict feasible is a long-term objective. While important for structural conflict prevention, this approach offers comparatively few practical insights for confronting the immediate challenges of transforming war-ravaged countries, in particular those where lengthy conflict has distorted political and economic relationships in favor of the entrepreneurs of violence.

Recent years have seen the end of conflict or major hostilities in Sierra Leone, Angola, Afghanistan, Liberia, the Democratic Republic of Congo (DRC), and Sudan, all conflicts in which violent struggles over natural resource wealth have figured prominently. Yet, there is still a lack of understanding as to whether and how the violent and illicit exploitation of natural resources and the pervasive criminalization of economic life during conflict create distinctive obstacles for designing and mediating peace processes and developing and implementing programs for post-conflict peacebuilding and recovery.

Against this background, the International Peace Academy sponsored a conference at Wilton Park on “Transforming War Economies: Challenges for Peacemaking and Peacebuilding” on 27-29 October 2003. The conference expanded on the collaborative research efforts of the IPA’s Economic Agendas in Civil Wars (EACW) program and drew on operational lessons learned by practitioners from Afghanistan, Sierra Leone, and the DRC. By bringing together experts from academia, the UN system, governments, and civil society, the conference sought to discern the main

legacies of war economies and their operational challenges for conflict resolution, and to identify strategic priorities for policy-makers engaged in peacemaking and peacebuilding.

This report synthesizes the main themes arising from the panel presentations and ensuing discussions. It does not necessarily represent a consensus view. Presentations and comments made during the conference were not for attribution.

II. Economic Dimensions of Civil Wars: Challenges for Peacemaking and Peace Implementation

Recent academic and policy research has produced important new insights on the economic dimensions of contemporary civil wars.² Most importantly, studies have pointed to a subset of civil wars that have become increasingly self-financing, as both rebels and governments, faced with a post-Cold War decline in superpower support, have sought alternative sources of revenue to sustain their military campaigns. Often centered on the predatory exploitation of lucrative natural resources, such as oil, diamonds, or narcotics, or the capture of trade networks, diaspora remittances, and informal economies, the resultant ‘war economies’ have become intricately linked with regional and global trade and finance networks, both licit and illicit.

The extent to which these dynamics have qualitatively distinct legacies for conflict resolution and peacemaking remains an ongoing question of policy research. Preliminary analysis suggests, however, that the political economy of armed conflict may, for various reasons, influence the effectiveness of policy tools such as targeted sanctions, third-party mediation of peace processes, and programs for demobilization,

¹ See also Jake Sherman: *Policies and Practices for Regulating Resource Flows to Armed Conflict*. IPA Conference Report, 2002; and Philippe Le Billon, Jake Sherman and Marcia Hartwell: *Controlling Resource Flows to Civil Wars: A Review and Analysis of Current Policies and Legal Instruments*. IPA Background Paper.

² See Mats Berdal and David M. Malone (eds.): *Greed and Grievance: Economic Agendas in Civil Wars*, Boulder: Lynne Rienner Publishers, 2000; Karen Ballentine and Jake Sherman (eds.): *The Political Economy of Armed Conflict: Beyond Greed and Grievance*, Boulder: Lynne Rienner Publishers, 2003.

disarmament, and reintegration (DDR) of former combatants.

Combatant self-financing may lead to a mutation in the character and duration of conflict, as economic considerations, while not the sole or even primary cause of conflict, become more important to some combatants than political factors. Quite apart from the petty criminality that typically accompanies warfare, contemporary conflicts have become systemically criminalized, as insurgent groups and rogue regimes engage in illegal economic activities either directly or through links with transnational criminal networks. The war economies fuelling conflict also thrive on linkages with neighboring states, informal trading networks, regional kin and ethnic groups, arms traffickers and mercenaries, as well as legally operating commercial entities, each of which may have a vested interest in the prolongation of conflict and instability.³ Access to lucrative resources and smuggling networks may prolong conflict, as weaker parties can avoid 'hurting stalemates' by generating finances necessary to continue hostilities. Particularly where armed groups depend on lootable resources, such as alluvial diamonds, drugs, or coltan, there is a greater risk that conflict will be lengthened by the consequent fragmentation and fractionalization of combatant groups, as internal discipline and cohesion is undermined.⁴

In particular, continued combatant access to lucrative resources and the proliferation of combatant parties have been identified as key factors in failed peace implementation, multiplying the number of potential 'spoilers' who resort to violence to thwart peace mediation or implementation.⁵ Peace spoilers may also be situated beyond the borders of the state, particularly where a civil war is embedded in a wider 'regional conflict formation,' such as Sierra Leone in West Africa

and Afghanistan in Central Asia.⁶ Neighboring states, for instance, may benefit economically from conflict, as exemplified by the business networks set up by government and military officials from Rwanda, Uganda, and Zimbabwe in the DRC and by the Liberian government in Sierra Leone.

Targeted Sanctions: Achieving Peace by Reducing the Economic Opportunities of Combatants?

In the 1990's, UN Security Council-imposed targeted sanctions, such as those taken against the Union for the Total Independence of Angola (UNITA), Sierra Leone's Revolutionary United Front (RUF), and the Liberian government under Charles Taylor, reflected an increased willingness of the UN to utilize sanctions as a mechanism of conflict resolution. By aiming to curtail the flow of resources to combatants, they have also represented a direct attempt to end hostilities by reducing the opportunities for combatant self-financing through the trade in conflict commodities such as diamonds and timber. Yet, at best, commodity sanctions appear to have had a limited and indirect effect in bringing conflict to an early resolution. Typically, too, they have involved negative humanitarian effects and have reinforced the criminal trade they seek to curtail. While some of these shortcomings are a function of continuing problems with enforcement and compliance, others are inherent to sanctions.

The imposition of targeted sanctions, as well the increasing willingness of UN Expert Panels to engage in 'naming and shaming' of those circumventing sanctions, has raised awareness of the economic dimensions of many contemporary conflicts, in particular the salience of 'conflict trade.' Yet, as described in numerous UN Expert Panel reports, the effectiveness of sanctions continues to be undermined by widespread

³ Neil Cooper and Michael Pugh, with Jonathan Goodhand: *War Economies in a Regional Context: The Challenge of Transformation*, Boulder: Lynne Rienner Publishers, forthcoming.

⁴ See Karen Ballentine: "Beyond Greed and Grievance: Reconsidering the Economic Dynamics of Armed Conflict," in Ballentine and Sherman, op. cit. pp. 259-283.

⁵ George Downs and Stephen J. Stedman, "Evaluation Issues in Peace Implementation," in Stephen J. Stedman, Donald Rothchild, and Elizabeth M. Cousens (eds.): *Ending Civil Wars: The Implementation of Peace Agreements*, Boulder: Lynne Rienner Publishers, 2003, 43-69.

⁶ Andrea Armstrong and Barnett Rubin: *Policy Approaches to Regional Conflict Formations*, Center on International Cooperation, 20 November 2002.

'sanctions-busting' by actors located within and beyond of conflict zones. Both rebel groups and governments targeted by sanctions continue to procure weapons and trade in conflict resources through transnational criminal and arms trafficking networks specialized in the circumvention of regulations. Neighboring states, often with the consent of their governments, serve as conduits for the two-way flow of conflict goods and weapons. And even legally operating companies may knowingly or unknowingly violate sanctions by trading in sanctioned commodities, often through complex and intransparent supply-chains.

While naming and shaming has, in several cases, led to improved compliance with UN-mandated sanctions, there is some concern that this progress will be short-lived. At stake is their capacity to function as a credible deterrent. Neither the Security Council nor UN member states have taken robust action to follow up on the UN Expert Panels' recommendations. The Security Council has thus far imposed secondary commodity sanctions only in one case, UN Resolution 1343 on Liberia, for its role as an export nation for smuggled 'conflict diamonds' from the RUF rebels. There have also been no legal prosecutions by governments of any sanctions-buster, despite accumulating evidence that a few well-known arms merchants and commodity traders have been involved in numerous armed conflicts. To some degree, the lack of robust follow-through is due to a lack of adequate intelligence and documentation required to establish evidentiary trails that would stand in national courts. There is also a lack of clarity as to the standing of UN sanctions-busting under national law and the legal status of economic activities in conflict zones. Yet, even in cases where the *prima facie* evidence is clear, there has been a demonstrated unwillingness on the part of relevant government authorities in the developed world to undertake prosecutions of their own nationals. This lack of enforcement, coupled with the missing administrative and regulatory capacity of states in the conflict region for monitoring cross-border trade,

means that sanctions-busting continues to be a relatively low-risk, high-profit activity.

The Interlaken, Bonn-Berlin and Stockholm processes on targeted sanctions have generated several useful recommendations for improved sanctions enforcement.⁷ Even if reasonably well-enforced, however, sanctions have inherent limits as a mechanism for conflict resolution. First, their effectiveness depends on the reputational concerns of those targeted. Rebel leaders, for instance, may be relatively less receptive to the threat of international ostracism than sitting government officials. The impact of sanctions may also vary with the character of the insurgent groups they target. Indeed, sanctions appear to have a greater effect on constraining coherent rebel armies facing strong states, than on 'rag-tag' rebel groups, such as the RUF, fighting weak and corrupt governments and their incoherent military. Sanctions can influence this balance of forces, but only at the margins. In Angola, the diamond embargoes did increase UNITA's transaction costs for procuring weapons. But it is widely agreed that the main factor for UNITA's willingness to come to the negotiation table was not the impact of sanctions but, rather, the prospect of imminent military defeat at the hands of government forces and – not least – the death of UNITA's leader, Jonah Savimbi. This outcome underscores that sanctions work best where they complement rather than substitute credible military threat. Far from being neutral and non-violent, sanctions are thus a highly coercive and partisan policy instrument that needs to be seen as part of a comprehensive politico-military framework for ending conflict.

The Political Economy of Peace Processes: Making Peace Pay?

The post-Cold War period has seen the UN and other multilateral organizations play a greater role in mediating and supporting peace agreements between warring factions. Ending civil wars through negotiation rather than by outright military victory of one

⁷ See *Targeted Financial Sanctions: A Manual for Design and Implementation*, The Watson Institute, 2001; Michael Brzoska (ed.): *Design and Implementation of Arms Embargoes and Travel and Aviation Related Sanctions*, Bonn International Center for Conversion, 2001; Peter Wallensteen, Carina Staibano, and Mikael Eriksson (eds.): *Making Targeted Sanctions Effective: Guidelines for the Implementation of UN Policy Options*, Uppsala University, 2003.

side, however, poses challenges for peacemaking and peace implementation, as former rebel groups or separatist movements need to be included in peace processes. Where economic dimensions feature strongly in conflict dynamics, third-party mediators face the important challenges of managing potential spoilers and designing peace agreements that reflect the political economy of the conflicts that they seek to end.

Revenues generated from the production and trade in lucrative resources not only provide a means of continued fighting. They also become the reward against which those combatants who have profited from predation during war weigh the potential benefits of peace. Those engaged in conflict mediation and the design of peace agreements, thus, need to anticipate potential peace spoilers. While making *a priori* judgments is often difficult, assessing the economic endowments and activities of combatants may be as important in identifying potential spoilers as taking stock of their military and political power. Doing so, however, does not ease the problem of how best to manage spoilers in particular cases. In practice, there is no 'one size fits all' approach, as combatant incentives for committing to peace are often mixed and shifting. Cooptation, criminalization, and benign neglect are three main options for managing spoiler problems. Whether alone or in combination, each strategy involves difficult tradeoffs.

The *cooptation* of potential spoilers through economic and political carrots was attempted with RUF leader Foday Sankoh in Sierra Leone and Jonah Savimbi in Angola, where the political offices granted to them in the respective peace agreements would have allowed them some continued, if circumscribed, control over mineral wealth. Similarly, the military regime in Burma granted ethnic insurgent groups tacit license to continue their wartime business ventures in exchange for informal cease-fires, which proved to be remarkably robust despite the absence of a formal or comprehensive peace accord.⁸ Yet, in the former cases, cooptation efforts failed, in large part due to misplaced assumptions on the part of mediators that economic benefits were more important to the parties than

political advantage. Furthermore, continued access to resources through illegal diamond mining allowed both Sankoh and Savimbi to consolidate their military strength during the peace negotiations. In Burma, by contrast, the economic inducements offered to insurgents operated alongside the government's continued and credible threat of resumed counter-insurgency, a factor that was missing in Sierra Leone and Angola. For cooptation to be effective, then, economic carrots need to be reinforced by credible coercive sticks. Importantly, cooptation through a share in the spoils of peace also rewards those most responsible for violence, thereby establishing peace at the expense of justice. At best, this can lead to negative peace, a condition in which the risk of renewed conflict remains high.

Criminalization as a strategy to manage spoilers, by contrast, has the potential of holding to account the entrepreneurs of violent economies. This can include indictments from international criminal tribunals, such as those against Foday Sankoh and Charles Taylor, or the listing of insurgent groups as terrorists, as in the case of the guerrilla and paramilitary forces in Colombia. Often, these legal prohibitions have been accompanied by parallel efforts to interdict resource and financial flows to targeted armed groups. Yet, for criminalization to be effective, it requires a considerable outside commitment of financial and policing resources. Too often, this commitment is not forthcoming, and this strategy is seldom pursued in a coherent and sustained manner. In Afghanistan, the resumed ban on poppy cultivation – urged by donors often more concerned with stopping drug flows to their countries than with depriving opposition warlords of revenues – has proceeded in the absence of any meaningful enforcement capacity. The predictable result was a rise in poppy prices, increased incentives for cultivation, and a reinforcement of the criminal activities the ban sought to curtail. Criminalization may also add considerable political complexity to diplomatic efforts to secure peace, particularly where those targeted as criminals are still critical interlocutors in peace negotiations. Charles Taylor's indictment, just as African mediators were seeking his commitment to ending the Liberian conflict, merely served to

⁸ Jake Sherman: "Burma: Lessons from the Cease-Fires," in Ballentine and Sherman, op. cit. pp. 225-255.

strengthen his resistance, which was overcome only by more robust military and diplomatic intervention.

Seldom a considered policy, *benign neglect* tends to be the default option for managing spoilers, both because of a lack of political will among parties to address the economic corruption from which spoilers have benefited, and because of lack of external or internal economic and military leverage against increasingly well-endowed belligerents. Indeed, the very availability of lucrative economic endowments to combatants is a substantial impediment to third-party influence in securing their commitment to peace, particularly where peace missions are severely under-resourced. The DRC peace process is a case in point. Despite accumulated evidence of the critical role played by illicit and violent exploitation of natural resources in that conflict, neither the restoration of good governance over natural resources, nor the restoration of property rights, nor the pursuit of economic justice was a priority issue for negotiation. Quite obviously, the parties to the peace process had no interest in relinquishing their ill-gotten gains, nor did the international community have the political will to press them to do so. The consequences of this neglect may in fact be quite malign, as the scramble for control of the DRC's resource wealth continues and issue of legitimate property rights remains unaddressed.⁹ Similarly, in Afghanistan, the enlistment of predatory warlords in the war against the Taliban now poses serious problems to the Karzai government's attempts to curtail the warlords' often substantive sources of income from drug trade and smuggling as part of its externally-supported state-building efforts.

Political power-sharing and the restoration of security remain critical to the cessation of hostilities. Yet, economic struggles figure strongly in many separatist and non-separatist conflicts. In separatist conflicts, such as in Nigeria, Bougainville, and the Sudan, the inequitable sharing of resource-rents by exclusionary governments may spark or fuel grievances of local groups who may turn violent. In non-separatist conflicts, access to resources may provide both the motive and means for armed rebellion, while govern-

ment mismanagement and rent-seeking can undermine legitimacy and create socio-economic grievances. With few exceptions, however, the tendency of peace processes to date has been to neglect these economic dimensions of conflict. Instead, they are relegated to the secondary stage of post-conflict reconstruction, where they are treated as a largely technical or humanitarian matter rather than as an integral part of successful peacemaking. One important exception is the current peace process in the Sudan, which incorporates agreements for the sharing of oil wealth alongside power-sharing between the North and the South.

Greater operational emphasis needs to be directed towards reducing the economic opportunities for peace spoiling through complementary programs of resource-sharing, economic governance, and livelihood creation. Addressing contentious economic issues may risk overburdening and even derailing progress on negotiating peace. Some have justified the absence of a comprehensive agreement on resource exploitation in the DRC peace process on these grounds. Yet, greater policy recognition of the prevailing political economy of a conflict has the potential for securing more comprehensive peace agreements and reducing the risk that economic competition will lead to renewed conflict. Where politically feasible, third-party mediators should therefore explore ways to ensure that these economic issues are addressed by incorporating formal economic agreements into peace accords. Such agreements could include provisions for more equitable resource-sharing and the restoration of legally protected property rights, as well as third-party monitoring and verification of responsible resource management and restitution packages, backed by targeted donor commitments. Doing so would have the advantage of establishing common and transparent rules of the game and promoting clear expectations that property rights and economic justice will be respected. In the longer term, designing economically sensitive peace agreements would also establish benchmarks for post-conflict governance that could serve as a reference point for multilateral and bilateral donors and civil society to hold government accountable.

⁹ See Karen Ballentine and Michael Nest (eds.): *The Democratic Republic of Congo: The Economic Dimensions of War and Peace*, Boulder: Lynne Rienner Publishers, forthcoming.

Disarmament, Demobilization, and Reintegration (DDR)

The disarmament, demobilization, and reintegration (DDR) of former combatants have become a standard tool of UN missions and external donors operating in countries emerging from conflict, as physical security is commonly held to be an essential precondition for peace implementation. While current practice reflects growing awareness that the provision of economic opportunities is integral to the effort of demobilizing and disarming former combatants, there has been little concerted academic and policy focus on the specific challenges for DDR in conflict settings beset by violent economic struggles over natural resource wealth and systematic predation. For some observers, the mixed success of past DDR efforts have raised the question as to whether dedicated DDR programs should be undertaken at all. While DDR programs have a strong symbolic value as a confidence and trust-building measure, they are very costly, often drawing scarce donor resources away from development programs that may even have bigger impact on peace outcomes than DDR itself. Yet, taking into account the self-financing nature of many contemporary conflicts may help those developing and implementing DDR programs in these settings to develop strategies that offer meaningful incentives for combatants to comply.

As the recent experiences of Afghanistan, the DRC, and Sierra Leone suggest, the continuing availability of lucrative resources and entrenched economic predation pose additional challenges to an already difficult process. Importantly, where fighters are remunerated through pillage of lucrative natural resources or civilian predation, the possession of arms is not just a function of ongoing insecurity but is also an economic asset. For some fighters, the economic opportunities and rewards available through violent predation might exceed those expected to be available after conflict, thus influencing a combatant's decision whether to voluntarily disarm and return to a civilian life. DDR may also be hampered by the lack of discipline and fractionalization of combatant groups, which makes it more difficult for leaders to convince rank-and-file soldiers to disarm and demobilize. Other complicating factors are the involvement of large numbers of

mercenaries, such as in the West African conflicts, as well as the entrenched business interests of neighboring armies, such as by Ugandan and Rwandan officers in the Kivu provinces of the DRC.

The particular emphasis of DDR programs should reflect not only combatants' security concerns but also the wider political economy of war and peace. Where combatants' livelihoods have become dependent on violent predation, the proclivity of rank-and-file soldiers to disarm depends on the expected opportunities of socio-economic reintegration, most importantly access to land or other employment and income opportunities. In Afghanistan, for example, there have been numerous instances of voluntary demobilization of underpaid soldiers who 'melt away' from their units and return to their former rural livelihoods. By contrast, where conflict has destroyed pre-conflict livelihoods, such in eastern DRC, where vast swathes of fertile land have been ruined by coltan exploitation and where conflict has led to a consolidation of large-scale landholdings, effective disarmament and demobilization will depend on the provision of new forms of civilian economic opportunity. DDR programs also need to better identify and target the different economic interests of fighters of different ranks. The incentives offered to rank-and file fighters to disarm and return to civilian life may be insufficient to persuade middle-ranking, local commanders, who are not only the critical agents of mobilization, but also often control access to lucrative resources and have well-established informal taxation regimes that depend upon the continued threat or use of violence. In the case of Afghanistan, these middle-ranking, local commanders remain critical assets to regional warlords.

Against this background, the standard donor practice of treating disarmament and demobilization as prior to reintegration and rehabilitation, rather than as parallel and mutually reinforcing processes, needs to be revised. Establishing security is crucial for peace implementation and post-conflict recovery. Yet, the concept of post-conflict security should be broadened beyond the immediate 'security dilemma' faced by former combatants. Security encompasses both physical and economic security, the latter being a

function of development and poverty reduction. Thus, only by ensuring expanded and meaningful economic opportunities of former combatants alongside their demobilization and disarmament, will DDR programs succeed in undercutting the temptations for continued participation in the war economy. Rather than taking away the guns, then, the priority for DDR should be on taking away the incentives to make use of them.

Not only does this require more targeted humanitarian and development aid programs early on in the DDR process, it also requires considering a range of employment and income-generating activities for former combatants that go beyond the standard 'DDR-packages' offered by the international community. The current DDR program in Afghanistan, for instance, directs the majority of ex-combatants to take the 'rural option,' despite the fact that the agricultural sector is not large enough to absorb the considerable numbers of former combatants. Yet, different employment sector opportunities in the non-agricultural sector have thus far not been sufficiently factored into DDR planning. Importantly, this shows that DDR should not be pursued as a 'quick-fix' strategy and needs to be integrated into a larger, long-term framework of post-conflict peacebuilding and economic reconstruction.

III. From War Economies to Peace Economies: Challenges for Peacebuilding and Post-Conflict Recovery

Economic life does not cease to exist during armed conflict. Rather, it adapts and takes on new forms. Often referred to by the shorthand term, 'war economies,' economic life in wartime in fact serves different functions for different groups, functions that may be usefully understood by distinguishing between combat, shadow, and coping economies.¹⁰ The *combat economy* is based on economic interactions that directly sustain actual combat, including arms smuggling, the exploitation of natural resources, and control over other income-generating activities by

combatants. The *shadow economy* encompasses the broad range of economic activities that fall outside state-regulated frameworks. These informal economic relationships, such as the illicit mining and smuggling of diamonds in Sierra Leone, are often already widespread before the outbreak of conflict. Shadow economies also thrive in borderlands, typically areas that are politically and economically the most marginalized, which lack effective policing by central governments. Once conflict has erupted, shadow economies are easily captured by combatants either directly or in close cooperation with criminal entrepreneurs. Shadow economies, thus, often become the basis for combat economies, while also providing income for criminal elites and mafia structures, such as in Kosovo and Bosnia-Herzegovina. Yet, with the breakdown of the formal economy, shadow economies become important sources of civilian incomes. In conflict situations, where traditional livelihoods are destroyed, civilian dependence upon shadow economic networks and activities is even more critical. These *coping economies* can encompass economic activities centered on lootable resources such as coca and poppy in Colombia and Afghanistan, alluvial diamonds in Sierra Leone, coltan in the DRC, as well as smuggling and contraband in the Balkans.

While the 1990's witnessed the creation of complex peace operations, in which traditional security priorities were complemented by efforts to establish governance and rule of law, operational strategies to address the economic dimensions of peacemaking and peace implementation have lagged behind, often with dire and lasting consequences for stability and recovery.¹¹ Importantly, peacebuilding efforts need to distinguish between those actors who engage in armed conflict for profit and power, and those who are forced to participate in war economies to sustain their civilian livelihoods and who may suffer as much from indiscriminate predation as from ill-conceived efforts to end it. A functional distinction of economic activities may help identifying specific actors, their incentives, and their vulnerabilities. Yet, weeding out the dysfunctional elements of the shadow economy that may benefit the

¹⁰ Jonathan Goodhand: "Afghanistan in Central Asia," in Cooper and Pugh, op.cit. pp. 45-89, 60.

¹¹ Susan Woodward: "Economic Priorities for Successful Peace Implementation," in Stedman, Rothchild, and Cousens, op. cit. pp.183-214.

enemies of peace and justice, while retaining its socially beneficial aspects, is complicated by the fact that economic activities make use of the same or overlapping trade and financial networks.

Transforming Shadow Economies and Addressing Economic Criminalization

Where shadow economies are based on illegal natural resource exploitation, and where smuggling and contraband trade have become implicated in the political economy of conflict, economic criminality tends to be systemic and well-integrated into regional and global criminal networks. Once entrenched, criminality can seriously undermine peacebuilding and post-conflict recovery. Those who have generated economic benefit during conflict, not least from sanctions regimes, such as the mafia structures in Kosovo and Bosnia, seek to consolidate their power in fragile post-conflict situation by expanding control over the local economy and political processes.

Quite clearly, the more widespread is the informal economy, the fewer are the tax revenues that accrue to the state. This undermines the ability of states emerging from war to finance the provision of basic goods and services, most importantly security, to undertake needed reconstruction projects, and to establish viable institutions of governance. While post-conflict foreign aid may bridge this finance gap, it does not provide a sustainable basis for state finance. Importantly, the failure of the state to provide basic services, with their *de facto* provision by criminal or shadow networks, undermines the creation of the 'social contract' necessary for stable and accountable governance.

For peacebuilding efforts to address these twin challenges, policy action requires both 'carrots and sticks.' A primary task is to take the violence out of the economy by strengthening law enforcement and the judicial sector in post-conflict countries to address the systemic criminality of shadow economies. Where

these capacities are weak, outside cooperation on law enforcement and mutual legal assistance, as well as direct policing operations by UN peace missions, may provide necessary support.¹² The Organization for Security and Cooperation in Europe (OSCE), for example, established an organized crime unit in Kosovo to deal with the criminal economic activities that sustained the militants and to curtail their ability to divert guns and money to support hostilities in Southern Serbia and Northern Macedonia. Where politically feasible, the most egregious crimes, including those of economic nature, should be prosecuted domestically or, where applicable, by international courts. Recently, both the International Criminal Court for the Former Yugoslavia (ICTY) and the Sierra Leone Special Court issued indictments for, *inter alia*, participation in 'joint criminal enterprises,' while the Porter Commission in Uganda, despite its flaws, led to the purge of high-ranking Ugandan military officials engaged in illegal resource exploitation in Eastern DRC.

Economic criminality is difficult to root out, not only because criminal networks are highly adaptive, but also because of the vital economic and social functions that they have often come to serve. For this reason, increased policy attention needs to be paid to creating incentives and alternative income-generating activities for entrepreneurs and other beneficiaries of the shadow economy to 'turn legal' and join the formal economy. This requires attention to the full range of reasons that individuals continue to participate in shadow activities. In Afghanistan, for example, farmers continue to grow poppy not only because it is a lucrative crop, but also because the poppy trade has generated a complex system of patron-client relations and an elaborate, if highly extortive, system of credit. For many poor farmers and sharecroppers, poppy cultivation is often the only way to access credits needed to secure their livelihoods and to pay accumulated debts to local warlords. Policy efforts to reduce poppy cultivation thus need to address the socio-economic structures that characterize the 'poppy cultivation environment.'

¹² Sarah Collinson et al.: *Power, Livelihoods, and Conflict: Case Studies in Political Economy Analysis for Humanitarian Action*. HPG Report 13. Overseas Development Institute, 2003.

¹³ Transnational Crime and Corruption Center: *Transnational Crime and Peacekeeping: Comparative Perspectives*. Conference Report, Cantigny in Wheaton, Illinois, 6-7 September 2001.

Simple eradication or crop-substitution programs are fruitless unless the problem of the coercive credit system controlled by strongmen is addressed.

Transforming shadow economies also requires a regional approach, as they are often integrated in traditional trade routes, cross-border smuggling, and are reinforced by cross-border social and kinship ties. This makes borderlands, often endowed with natural resources, the center of illegal activities. Yet, state-centric regulatory efforts risk generating cross-border displacement effects, simply moving the undesired activities - and their conflict-potential - to neighboring countries. Drug eradication efforts in Colombia and Afghanistan, for example, have encouraged increased cultivation in Bolivia and Pakistan. Similarly, the sanctions imposed against Liberia in 2001 perversely encouraged a reverse smuggling flow of illegally exploited diamonds back into Sierra Leone, in order to then export them 'legally' under the government-established diamond certification scheme.

Strengthening border security as part of peacebuilding efforts is necessary, yet largely insufficient to effectively address shadow trade, especially in countries with long and inaccessible borders and weak capacities for border policing and customs control. A more promising strategy would be to complement border control with policies that address the structural factors that encourage cross-border shadow trade. In the case of drug cultivation, this may include addressing the cross-border environment through bilateral cooperation on poverty eradication, alternative livelihood development, and socio-economic integration of neighboring communities in border areas. Similarly, efforts to address regional shadow trade and smuggling should support cooperation within regional and sub-regional organizations to eliminate differentials in prices, tariffs, and quota systems that raise the profitability of, and thus create the incentives for, cross-border conflict trade.

Regional economic integration could also help to create regional markets for legitimate and mutually beneficial economic relations between neighboring countries, thus strengthening the 'buy-in' of influential neighbor states to regional stability and peace. Where

they exist, regional or sub-regional organizations, such as the Economic Community of West African States (ECOWAS), can play an important role in addressing shadow trade and criminality. Despite its shortcomings and unclear mandate vis-à-vis the African Union (AU), the New Partnership for African Development (NEPAD) is a promising initiative that could develop mechanisms to collectively address the problem of shadow trade and promote the responsible management of natural resources. This would require coordination with the AU's CSSDCA, which has explicitly linked the need for improved natural resource management with conflict prevention and sustainable development.

Securing Natural Resource Wealth

The high risk of violent conflict that has been attributed to natural resource dependence in a given country is not a direct relationship, but one that is mediated by critical governance failures. Systemic corruption and economic mismanagement, patrimonial rule, and the exclusionary 'shadow state' often associated with resource abundance may fuel political and economic grievances by undermining the state's legitimacy and by weakening its capacity to perform core functions, such as the provision of security, the management of public resources, and the equitable and efficient provision of basic goods and services. The state's failure to manage natural resource exploitation effectively and equitably strongly influences the opportunity for and feasibility of rebellion - and thus also the re-emergence of violence in post-conflict situations - as it affects the relative strength of the state being challenged. The improved governance of natural resources, thus, needs to be made a central element of statebuilding efforts within a comprehensive peacebuilding strategy.

Rebuilding the capacity of domestic institution and promoting good governance of natural resource wealth after years, if not decades, of war, mismanagement and systemic corruption is a long-term task, but it is a critical one. Importantly, peacebuilding needs to address the predatory culture of state institutions, a product of colonial rule and post-independence leadership, that promotes rent-seeking rather than socially

beneficial economic activity. In countries such as Sierra Leone and the DRC, this requires the outright transformation of governance structures, rather than their mere reconstruction. Importantly, where the military and police were part of the 'industrial organization' of the predatory state structure, donor-supported security sector reform (SSR) can play a crucial role in transforming the security apparatus' role from economic predation to civilian protection.

Where the illicit exploitation of natural resources has been central to conflict dynamics, the early restoration of responsible resource management should be a priority. Here, international donors can assist post-conflict countries to design transparent accounting practices and to develop schemes for equitable and socially beneficial sharing of resource revenues. International agencies may also play an important role in acting as independent monitors to ensure compliance through externally-monitored natural resource funds or escrow accounts for income generated from the exploitation of non-lootable resources, such as oil, gas, or mining. If properly administered, these could protect the large inflows of revenues from rent-seekers and provide a degree of financial transparency. To date, natural resource management initiatives of this sort have been conceived and implemented as a means of preventing conflict rather than assisting countries recover from war. This is the case with the Chad-Cameroon Pipeline Project's fiscal management and social revenue-sharing components, and the UK-sponsored Extractive Industries Transparency Initiative (EITI), which seeks to promote fiscal transparency among corporations and host governments engaged in extractive industry operations. There is no reason these mechanisms cannot be adapted to the needs of post-conflict recovery. Indeed, as donor leverage is often greater in these settings, the potential for securing effective resource governance is strong. In Sierra Leone, for instance, support by the UN and multiple donors has made a priority of restoring order to the diamond industry. Programs such as the Diamond Area

Community Development Fund and the Kono Peace Diamonds Alliance not only provide benefits to the government by expanding the scope of licensed mining and raising official diamond exports, but also ensures regular incomes to artisanal miners and their communities.

Effective national resource management also requires an adequate regulatory framework for private sector operations in the extractive industries and commodity trade to ensure that private investment in post-conflict settings serves the public interest. Clear and enforceable regulation is necessary not only to provide legitimate companies with a secure business environment, but also to hinder 'rogue companies' from exploiting fragile post-conflict situations for pecuniary benefit. In the absence of such regulation, extractive companies in the DRC, for instance, continue to sign contracts outside of governmental control with strongmen that claim to be the legal bearers of concession rights.

The creation of transparent economic and equitable economic governance highlights the important role of civil society in post-conflict peacebuilding and recovery. In the long-term, the success of resource management systems will depend on the emergence of a strong civil society that is able to hold governments to account. In the short and medium term, civil society organizations will need external support in developing relevant capacities, particularly in collecting information on illegal resource exploitation and government corruption and mobilizing public awareness. Support for civil society can also be indirect. The UN Expert Panel report on the illicit exploitation of natural resources in the DRC, for example, helped Congolese civil society and church groups raise these issues during the peace negotiations. A potential forum for assisting the new government to fulfill its commitment to improved economic governance is the International Support Committee (CIAT), created to advise on the transition program established in the December 17, 2002 power-sharing agreement.

IV. Conclusion: Recommendations for Policy Action

Not all conflicts feature strong economic dimensions. Those that do, however, pose different and at times greater challenges for conflict management. More research is needed on the political economy of peacemaking and peacebuilding in order to inform and improve policy action. Still, research to date suggests several policy mechanisms and strategies that governments, aid agencies, regional organizations, international financial organizations (IFIs), and the UN system may undertake to deal more effectively with the economic legacies of war, and to increase the odds for successful peacemaking and peacebuilding:

Governments and Bilateral Aid Agencies

- Given the crucial role that licit and illicit intermediaries based in the developed world play in sustaining war economies, their governments are obliged to act and to end the impunity for criminals and sanctions-busters. This includes robust follow-up on reports by the UN Sanctions Panels, including: the adoption of appropriate national legislation to criminalize UN sanctions-busting and, where feasible, conflict trade; a commitment to enforce legislation against their own nationals, including corporate actors; and better cooperation in the fields of international law enforcement and mutual legal assistance.
- Governments need to put pressure on their home companies to adhere to codes of conduct and global industry regulations dealing with corporate behavior in conflict zones, or vis-à-vis human rights, to minimize potential conflict-promoting activities and contribute to post-conflict recovery. Policy levers can be both positive and negative, such as preferred access to insurance and procurement contracts, or, conversely, 'black listing' or even the threat of law suits.
- Bilateral donor agencies need to focus more attention on effective, equitable, and transparent

natural resource management as part of their structural conflict prevention and post-conflict peacebuilding strategies. This includes capacity-building for public administrations, particularly in the areas of financial oversight, budgeting, accounting, and public expenditure review, as an integral part of the wider governance reforms. Just as efforts to prevent and resolve conflict need to be made more 'development sensitive,' so, too, does development policy need to be consciously 'conflict sensitive.'

- Governments need to increase political and economic support to regional organizations or initiatives that have the potential to address the regional dimensions of conflict and peacebuilding, such as in the form of the G8's Africa Action Plan. This includes, where feasible, technical assistance and capacity building for border monitoring and customs control, as well as targeted support for more coordinated trade and economic policies to address the structural factors of conflict trade.

Sub-regional Organizations and Initiatives

- Regional or sub-regional organizations should set their own standards on government accountability and transparency, as well as corporate conduct, to complement national and international standards. The establishment of an Africa-wide standard for corporate conduct in extractive industries, for example, was discussed during the AU-NEPAD consultations on peace and security.¹⁴ Critically, policy efforts by member states and donor governments, as well as advocacy by civil society need to focus on the establishment of monitoring and enforcement mechanisms, such as the peer review mechanism entailed in the NEPAD initiative, to ensure adherence to the standards set.
- Regional standard-setting might usefully be complemented with renewed regional cooperation on trade issues identified as conflict-promoting. Where they exist, regional and sub-regional organizations should be encouraged to develop their capacity to promote regional cooperation on

¹⁴ African Union: *Report of the AU-NEPAD Consultations on Peace and Security*, Addis Ababa, 17-18 February 2002.

issues of economic governance, complementary and effective regulation of natural resources, commerce and trade, and increased cooperation on border security to remove structural incentives for smuggling and conflict trade.

International Financial Institutions (IFIs)

- While limited in terms of leverage for conflict resolution, the World Bank, the International Monetary Fund (IMF), and regional development banks are influential to peacebuilding through the provision of aid and, most importantly, through the conditionality attached to it. IFIs need to strengthen peace processes with targeted support and 'peace conditionality,' for example, by making post conflict aid disbursements conditional upon the achievement of benchmarks set in peace agreements. Importantly, IFIs should be included in peace negotiations, whether formally or informally, to ensure coordinated policy action among donors and the UN, and to match the content of peace agreements with post-conflict economic recovery strategies.
- The World Bank as a lead agency for DDR programs needs to revise its DDR models to adequately reflect the wider political economy of conflict. This includes improved generation of post-conflict socio-economic data on issues such as land tenure, employment sectors, and industry revitalization, to adequately devise reintegration programs. Importantly, DDR programs need to form an integral part of national post-conflict development strategies. This will require improved coordination both within the World Bank itself, as well as between the World Bank and different ministries in post-conflict governments.
- IFIs need to review their neo-liberal development strategies and policies to adequately reflect the particular needs challenges of transforming war-torn societies in settings with widespread and systemic economic predation. Early privatization and demands for a 'minimal-state' may well be counter-productive by holding back important funds needed to establish strong states and create employment, and may foster even more corruption

and patronage. Importantly, IFIs need to understand the beneficial social functions that shadow economies fulfill. Reconstruction strategies and models based on formal economies alone may risk failing to address the shadow entrepreneurs while hurting those who have come dependent on the shadow and coping economies in conflict and post-conflict settings.

- IFI loan agreements and technical aid in post-conflict settings needs to include requirements for effective legal and administrative regulation for corporate engagement in natural resource industries. The World Bank's private sector arm, the International Financial Corporation (IFC), can play a crucial role in designing extractive industry codes and developing mining policies that help minimize the risk of corruption and corporate malfeasance, by, for instance, integrating transparency provisions for corporations and host governments. Importantly, IFIs should support provisions for revenue-sharing schemes that redress horizontal inequalities, and mitigate or compensate for the socio-economic and environmental externalities that affect local communities.

The UN System

- To effectively curtail resource flows to belligerents, UN targeted sanctions need to be supported by a commitment to effective enforcement. The Security Council should routinely include the provision of technical assistance and financial compensation to front-line states in the design of sanctions mandates and impose, where applicable, secondary sanctions against governments aiding the circumvention of sanctions regimes. The Security Council must also redouble its efforts to ensure member states' compliance with sanctions resolutions, particularly by pressing them to follow up on findings from UN Expert Panel reports, and to take legal action against nationals involved in sanctions-busting.
- The Security Council needs to strengthen the capacity of UN Expert Panels, which have proven to be innovative and effective policy mechanisms for sanctions monitoring, the generation of intelli-

gence, and for raising awareness of sanctions-busting. To ensure the Panels' independence and avoid political constraints, as well as to improve intelligence capacities, the work of the ad-hoc Panels should be complemented by an expanded administrative facility. Better information-sharing between panels needs to be ensured, through, *inter alia*, a centralized information storage.

- The UN and its member states need to overcome their hesitation to integrate economic dimensions in peace negotiations. Where politically feasible, peace accords should include provisions for wealth-sharing or other resource management issues in order to address the structural causes of inequality and grievances and set benchmarks for responsible post-conflict governance.
- Mediating and designing durable peace agreements also requires taking the regional political economy of the conflict into account. The UN needs to pursue this through cooperation with formal regional organizations and within informal, *ad hoc* arrangements. The already established West Africa office of the UN, as well as the efforts by the Special Representative on the

Great Lakes Region should focus more attention on the economic dimensions of these regional conflict formations.

- The mandates of UN peace operations should be tailored to address the political economy of specific conflict settings. The UN Security Council should consider non-traditional issues of peacekeeping and peacebuilding, such as the early deployment of civilian police, as well as criminal and other law enforcement agencies to address widespread criminalization in post-conflict settings. Also, UN peace keepers should be mandated to report evidence of sanctions busting where it occurs.
- The regional dimensions of war economies also highlight the inadequacy UN peace operations whose center of gravity typically remains in national capitals. When adequately staffed and funded, peacekeeping forces should be employed to establish state control over resource-rich areas and borderlands to impede illegal exploitation and smuggling activities. Examples for this are UNAMSIL's present operations in Sierra Leone's Kono diamond district.¹⁵

¹⁵ Eighteenth Report of the Secretary General on the United Nations Mission in Sierra Leone, 23. June 2003, UN Doc. S/2003/663.

Transforming War Economies: Challenges for Peacemaking and Peacebuilding

725th WILTON PARK CONFERENCE
in association with
the International Peace Academy (IPA), New York

27-29 October 2003

Conference Agenda

Monday, 27 October

15:00-15:15 Introduction to the Conference

Isobelle Jaques, *Associate Director, Wilton Park*
David M. Malone, *President, International Peace Academy, New York*

15:15-16:45 Economic Agendas in Armed Conflict: How do Economic Factors Contribute to the Origins, Duration, and Character of Intra-State Conflict?

Chair: David M. Malone, *President, International Peace Academy, New York*

Andrew Mack, *Director, Centre for Human Security, Liu Centre for the Study of Global Issues, University of British Columbia, Vancouver*

17:30-19:00 Transforming War Economies: What are the Issues and Challenges?

Chair: Mr. Anders Jägerskog, *Deputy Secretary, Expert Group on Development Issues, Ministry for Foreign Affairs, Stockholm*

What are the main legacies of war economies and the challenges posed for post-conflict transformation?

Tony Addison, *Deputy Director, World Institute for Development Economics Research (WIDER), Helsinki*

What are the operational challenges for transforming war economies?

Nigel Fisher, *Executive Director, United Nations Office for Project Services (UNOPS), New York*

Tuesday, 28 October

09:00-10:30 Challenges for Peacemaking I - Sanctions Predation: Does Reducing Combatant Access to Resources Facilitate Peacemaking?

Chair: Don Hubert, *Deputy Director, Peacebuilding and Human Security, Department of Foreign Affairs and International Trade, Ottawa*

What is the impact of UN-targeted sanctions in curtailing commodity flows to combatants/war zones?

Christian Dietrich, *Associated Researcher, International Peace Information Service, Antwerp*

What is the impact of UN-targeted sanctions on insurgent behaviour?

Jeffrey Herbst, *Professor of Politics and International Affairs and Chair of the Department of Politics, Princeton University, Princeton*

11:00-12:30 Challenges for Peacemaking II - Deterring Economic Spoilers: What can mediation efforts do to incorporate economic incentives in peace processes?

Chair: Lansana Kouyate, *Special Representative, Organisation internationale de la francophonie, Abidjan*

Lucrative resources, economic spoilers, and peacemaking strategies: Cooptation, criminalization or benign neglect?

Karen Ballentine, *Senior Associate, International Peace Academy, New York*

What are the challenges of addressing economic agendas of conflict parties through peace processes in the Democratic Republic of Congo?

François Grignon, *Project Director, Central Africa, International Crisis Group, Nairobi*

15:00-16:45 Confronting the Legacies of War Economies I: How do the Specific Legacies of War Economies Affect the Process of Disarmament, Demobilisation, and Reintegration (DDR)?

Chair: Margaret Carey, *Principal Officer, Africa Division, Department of Peacekeeping Operations, United Nations, New York*

What are the economic challenges of DDR in Africa?

Joanna Spear, *Director, United States Foreign Policy Institute, The Elliott School of International Affairs, George Washington University, Washington DC*

The political economy of DDR: Challenges in Afghanistan

Vikram Parekh, *Senior Analyst, South Asia, International Conflict Group, Islamabad*

17:15-19:00 Confronting the Legacies of War Economies II: How to Promote Alternative Livelihoods for Civilians?

Chair: Michael Small, *Department of Foreign Affairs and International Trade, Ottawa*

What framework in Afghanistan for creating alternative livelihoods?

Jonathan Goodhand, *Lecturer, Department of Development Studies, School of Oriental and African Studies, London*

Tackling the challenges of the opium economy

David Mansfield, *Head of Research and Analysis, Drugs and International Crime Department, Foreign and Commonwealth Office, London*

What are the challenges for the Democratic Republic of Congo?

Aloys Tegera, *Researcher, Pole Institute, Goma*

Wednesday, 29 October

09:00-10:30 Confronting the Regional Dimensions of War Economies: How can Regional Initiatives Assist Transformation?

Chair: Adonia Ayebare, *Ambassador of Uganda to the Republic of Rwanda, Kigali*

What are the regional dimensions of war economies and what are their implications for peacebuilding?

Neil Cooper, *Principal Lecturer, Department of International Relations, Plymouth University, Plymouth*

The New Partnership for African Development (NEPAD): Can regional cooperation assist good governance and sustainable peace?

Peter Mwangi Kagwanja, *AU-NEPAD Program, SaferAfrica, Pretoria*

11:00-12:30 Improving Governance over Natural Resource Assets: How to Combat Shadow Trade and the 'Resource Curse'?

Chair: Mohammed Swarrey Deen, *Minister of State, Ministry of Natural Resources, Freetown*

Natural resources and conflict management: What are the key challenges and potential responses?

Leiv Lunde, *Senior Research Associate, Centre for Economic Analyses (ECON), Oslo*

What role for civil society in restoring good governance over natural resource exploitation in the Democratic Republic of Congo?

Floribert Kayembe Shamba, *Senior Lecturer, College of Education, Kinshasa*

15:00-16:45 Parallel Working Groups on Economic Aspects of Peacemaking: Post-Conflict Reconstruction: What are the Policy Lessons of Recent Experience?

Afghanistan

Facilitator: Michael Pugh, Reader, Department of Politics and International Relations, Plymouth University, Plymouth

Sierra Leone

Facilitator: Kwesi Aning, Senior Researcher, African Security Dialogue and Research, Accra

Democratic Republic of Congo

Facilitator: Ciru Mwaura, Independent Consultant, London

17:15-19:00 What are the Strategic Priorities for the International Community in Peacemaking and Transforming War Economies?

Chair: David M. Malone, President, International Peace Academy, New York

Susan Woodward, Professor, City University of New York (CUNY), New York

Mukesh Kapila, United Nations Resident and Humanitarian Coordinator for Sudan, Khartoum

Participants

Dr. Tony Addison

World Institute for Development Economics Research (WIDER)

Dr. Kwesi Aning

African Security Dialogue and Research

Major General Henry Kanyidoho

Conflict Management Consultant

H.E. Mr. Adonia Ayebare

Embassy of Uganda to the Republic of Rwanda

Ms. Karen Ballentine

International Peace Academy

Ms. Isabelle Balot

UN Office of the Resident/Humanitarian Co-ordinator for Sudan

Ms. Helen Barber

Foreign and Commonwealth Office, UK

Dr. Robert Bartlett Jr.

United States Army

Mr. Sunil Bastian

International Centre for Ethnic Studies

Mr. Hans Beck

Department for International Development (DfID), UK

Mr. Fedor Broek

Ministry of Defense, Netherlands

Dr. Gilles Carbonnier

International Committee of the Red Cross

Ms. Margaret Carey

United Nations Department of Peacekeeping Operations (DPKO)

Ms. Francesca Cook

Development Assistance Committee (DAC), OECD

Dr. Neil Cooper

Plymouth University

Ms. Katherine Croake

US Agency for International Development (USAID)

Ms. Corene Crossin

Global Witness

Mr. Edward Dallas

Foreign and Commonwealth Office, UK

Mr. Mohamed Swarray Deen

Ministry of Natural Resources, Sierra Leone

Dr. Christian Dietrich

International Peace Information Service (IPIS)

Dr. Marion Eeckhout

Ministry of Foreign Affairs, Netherlands

Ambassador Hassan Gadkarim

Ministry of International Cooperation, Sudan

Dr. François Grignon

International Crisis Group

Dr. Jeffrey Herbst

Princeton University

Dr. Don Hubert

Department of Foreign Affairs and International Trade (DFAIT), Canada

Mr. Anders Jägerskog

Ministry of Foreign Affairs, Sweden

Ms. Isobelle Jaques

Wilton Park

Mr. Muhiddin Kabirov

Islamic Revival Party, Tajikistan

Dr. Peter M. Kagwanja

SaferAfrica

Dr. Mukesh Kapila
UN Resident and Humanitarian Coordinator for Sudan

Dr. Saman Kelegama
Institute of Policy Studies of Sri Lanka

Ms. Diana Klein
International Alert

Dr. Rein Koelstra
Ministry of Foreign Affairs, Netherlands

Mr. Lansana Kouyate
Special Representative of the Secretary General of
La Francophonie to Côte d'Ivoire

Ms. Nathalie Kröner
Ministry of Foreign Affairs, Netherlands

Ms. Elisabeth Kvitashvili
United States Agency for International Development
(USAID)

Mr. Ole Lindeman
Ministry of Foreign Affairs, Norway

Mr. Leiv Lunde
ECON Analysis

Dr. Andrew Mack
Liu Center for the Study of Global Issues,
University of British Columbia

David M. Malone
International Peace Academy

Mr. David Mansfield
Foreign and Commonwealth Office, UK

Dr. Benoit Massuyeau
Agence Française de Développement

Ms. Ciru Mwaura
Independent Consultant

Mr. João Luís Ngimbi
Ministry of Finance, Angola

Mr. Javier Niño-Pérez
European Commission

Mr. Heiko Nitzschke
International Peace Academy

Mr. Gérald Pachoud
Federal Department of Foreign Affairs, Switzerland

Ms. Nicola Palmer
Berghof Foundation for Conflict Studies

Mr. Vikram Parekh
International Crisis Group

Ms. Natalie Pauwels
Free University of Brussels

Dr. Roman Poeschke
German Agency for Technical Cooperation (GTZ)

Dr. João Porto
Institute for Security Studies, Pretoria

Dr. Michael Pugh
University of Plymouth

Mr. Christian Ruge
Fafo Institute for Applied International Studies

Mr. Kazuhiko Sakamoto
Japan International Cooperation Agency (JICA)

H.E. Mr. Negassi Sengal
Embassy of the State of Eritrea to the
United Kingdom

Mr. Kayembe Shamba
College of Education, Kinshasa

Mr. Michael Small
Weatherhead Center, Harvard University

Mr. Malcolm Smart
Department for International Development (DfID), UK

Mr. Roland Smith CMG
St. Ethelburga's Centre for Reconciliation and Peace

Ms. Kaysie Studdard
International Peace Academy

Mr. Jeffrey Swedberg
United States Agency for International Development
(USAID)

Mr. Aloys Tegera
Pole Institute, Goma

Mr. Salil J. Tripathi
Amnesty International

Dr. Necla Tschirgi
International Peace Academy

Mr. Elon D. Weinstein
Department of State, USA

Dr. Susan Woodward
The Graduate Center, City University of New York

About the EACW Program

| | | |
|-------------------------|------------------------------|--------------------------|
| Senior Associate: | Karen Ballentine | ballentine@ipacademy.org |
| Senior Program Officer: | Heiko Nitzschke | nitzschke@ipacademy.org |
| Program Officer: | Kaysie Studdard | studdard@ipacademy.org |
| Duration: | September 2000-December 2003 | |

Initiated in September 2000, the EACW program follows from a conference held in London in 1999, which produced the seminal volume, *Greed and Grievance: Economic Agendas in Civil Wars*, Mats Berdal and David M. Malone (eds.) (Lynne Rienner, 2000). The program addresses the critical issue of how the economic agendas of armed factions sustain violent conflict and inhibit durable peace, while also assessing the role of globalization in creating new opportunities for combatants to finance their military operations. This hitherto under-developed field of research holds particular promise of policy relevance for those international and national actors seeking more effective strategies for both conflict prevention and conflict termination.

Beginning with an overall commitment to durable conflict resolution, the broad aims of the program are:

- to improve understanding of the political economy of civil wars through a focused analysis of the economic behaviors of competing factions, their followers, and external economic actors in conflict zones;
- to examine how globalization shapes the economic interests of belligerents as well as creates new opportunities for competing factions to pursue their economic agendas through trade, investment and migration ties, both legal and illegal, to neighboring states and to more distant, industrialized economies; and
- to evaluate the effectiveness of existing and emerging policy responses used by external actors, including governments, international organizations, private sector actors, and NGOs, to shift the economic agendas of belligerents from war towards peace and to promote greater economic accountability in conflict zones.

Policy research and development proceed along two tracks: four expert working groups (Advisory Group, Working Group on Economic Behavior of Actors in Conflict Zones, Private Sector Working Group, and Policies and Practices Working Group) and commissioned research. EACW publications (all at Lynne Rienner Publishers) include: *The Political Economy of Armed Conflict: Beyond Greed and Grievance*, Karen Ballentine and Jake Sherman (eds.) 2003; *War Economies in a Regional Context: The Challenge of Transformation*, Michael Pugh and Neil Cooper, with Jonathan Goodhand, *forthcoming*; and *The Democratic Republic of Congo: Economic Dimensions of War and Peace*, Karen Ballentine and Michael Nest (eds.) *forthcoming*. A volume of analytic studies assessing policy responses to the economic dimensions of armed conflict will be published in Spring 2004. Other products include periodic meeting reports, policy briefs and background papers, which are available electronically on our website.

Policy development also involves on-going consultations with international experts and practitioners, academic conferences, and workshops and briefings that bring together relevant UN actors, governments, private sector actors, and NGOs. As part of a continuous outreach effort, the program has engaged in several partnerships, including with the Fafo Institute of Applied Social Science (Oslo); the Institute for Security Studies (Pretoria); the Woodrow Wilson International Center for Scholars (Washington, DC); the International Institute for Strategic Studies (London) and the World Bank's Development Research Group (Washington, DC). We have also built a virtual network of experts and policy practitioners through sponsorship of an electronic list-serve, war_economies@yahoogroups.com.

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More information on program events and all of the program reports are available on the program website at <http://www.ipacademy.org>

International Peace Academy

777 United Nations Plaza
New York, NY 10017-3521

Tel: (212) 687-4300

Fax: (212) 983-8246

www.ipacademy.org