



International Alert.

## PEACE THROUGH PROSPERITY

Integrating peacebuilding into  
economic development

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We focus on issues that influence peace, including governance, economics, gender relations, social development, climate change, and the role of businesses and international organisations in high-risk places.

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Cover: A trader dispenses palm oil ready for sale at Petite Barrière, Goma, in the Democratic Republic of Congo, where International Alert supports improved relationships between traders and their counterparts across the border in Rwanda through commerce. © Carol Allen-Storey for International Alert

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June 2015

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## Abbreviations

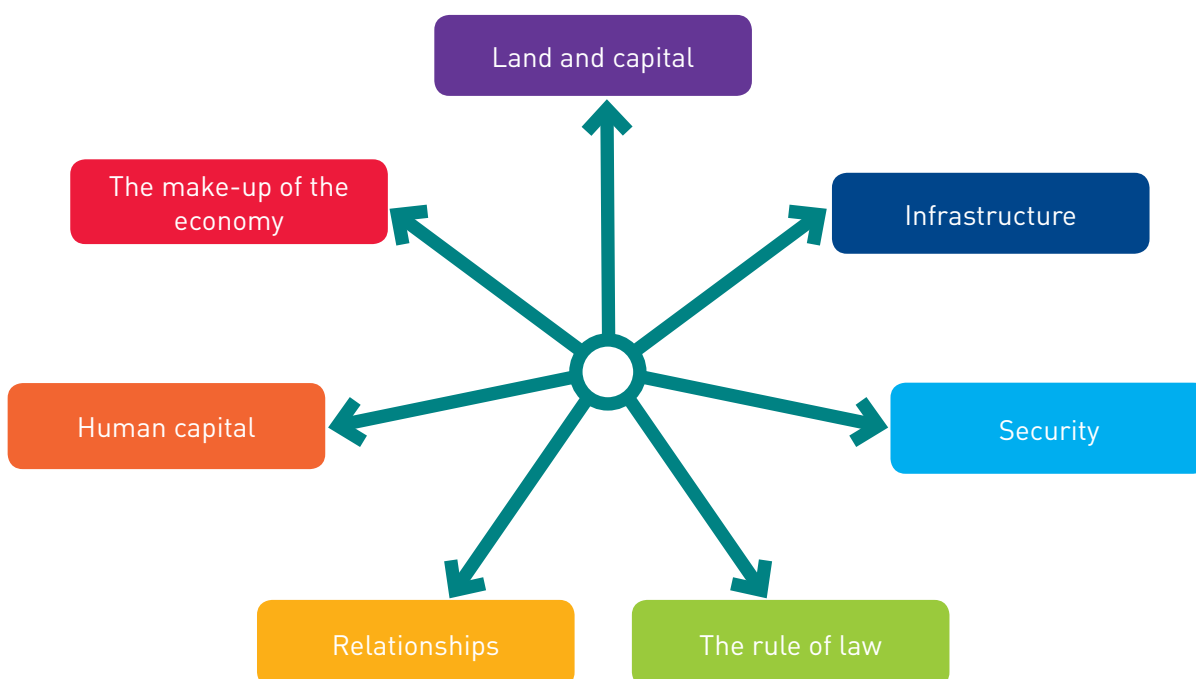
CAB	Comprehensive Agreement on the Bangsamoro
CSBP	Conflict-sensitive business practice
CSO	Civil society organisation
CSR	Corporate social responsibility
DDR	Disarmament, demobilisation and reintegration
DFID	Department for International Development
DRC	Democratic Republic of Congo
EITI	Extractive Industries Transparency Initiative
ELN	<i>Ejército de Liberación Nacional</i> (National Liberation Army)
EU	European Union
GDP	Gross domestic product
ICMM	International Council on Mining and Metals
IEP	Institute for Economics and Peace
IFI	International financial institution
LRA	Lord's Resistance Army
MDGs	Millennium Development Goals
MILF	Moro Islamic Liberation Front
NGO	Non-governmental organisation
PCDP	Post Conflict Development Programme
PRDP	Peace Recovery and Development Plan
PSGs	Peacebuilding and Statebuilding Goals
REDD+	Reducing Emissions from Deforestation and Forest Degradation
SDG	Sustainable Development Goals
UN	United Nations
WDR	World Development Report
WTO	World Trade Organization

## Executive summary

Conflict, violence and peace both shape and are shaped by the economy. Economic development in conflict-affected countries must take account of this and, where possible, be designed to strengthen peace. This paper provides a framework for those wishing to do so. It identifies four generic outcomes of peace-conducive economic development:

- **Decent livelihoods:** People are gainfully employed in decent work. They earn enough to live with dignity and are treated fairly. Decent livelihood opportunities are both available and fairly accessible, to minimise exclusion and maximise mobility. This requires per capita economic growth, at least in the medium term.
- **Capital:** People can accumulate economic assets securely, to provide them with a cushion in time of need, to improve their income, and to invest in and improve the economy; and can do so in a way that is fair to others. Capital may be individually or jointly owned and managed, including by the community or the state as in the case of welfare safety nets.
- **Revenue and services:** The state, or other legitimate authorities, collect sufficient revenue and invest it to provide the infrastructure and services needed for the economy and peace to flourish. They do so fairly and strategically, with both economic growth and strengthening peace as explicit policy intentions.
- **Environmental and social sustainability:** Economic development enhances or at least avoids damaging the environment, and enhances or at least avoids undermining peace-positive attributes in society. Both environmental and social sustainability require effective governance.

The framework (summarised in Figure 3) explains how governments, businesses, non-governmental organisations (NGOs) and international agencies can contribute to these outcomes through their economic development policies and projects, and the report provides examples of this. To do so requires a good understanding of the political economy and applying the right combination of leadership and agency to affect change in seven interrelated domains that we have called ‘levers of change’:



We offer the following broad recommendations designed to enable economic development actors to integrate peacebuilding into their work.

- Governments, international agencies, businesses and economic development NGOs in fragile and conflict-affected countries should integrate making a contribution to peace into their formal mandates, economic policies, programmes and projects.
- To this end, they will need to identify and seize opportunities to pull the levers of change to achieve fair opportunities for decent livelihoods and the safe accumulation of economic assets, to increase government revenues for enhanced services and to ensure the sustainability of change.
- These same actors should place analysis of the political economy at the heart of planning their policies, programmes and projects.
- Practitioners should engage in more public discussion, including with academics, policy-makers and civil society organisations (CSOs), in order to enhance the quality of what they do and ensure a wide range of stakeholders is involved, and to help shape a discourse of ‘peace through economic development’.
- Practitioners should also focus on close monitoring of implementation to ensure policies, programmes and projects are fit for the purpose of contributing to progress towards peace and prosperity in a complex and challenging political economy.
- Researchers should identify how economic interventions have had an impact on peace historically over the longer term, and tease out and share lessons for the present day.
- International and local peacebuilding experts should do more to make their expertise available to economic development promoters, and the latter should do more to engage with and learn from them in a spirit of joint enterprise and collaboration.



# 1. Introduction

‘Peace and prosperity’ is a phrase so readily used by politicians, business leaders, journalists and activists that it has largely been stripped of meaning. Yet, at its heart, the idea of ‘progress’ can probably be reduced for most people to a picture of increasing wealth and a safer, peaceful life, especially in fragile or conflict-affected countries where many people have little of either.

Despite major gains for peace in the past few decades, violent conflict remains a factor in too many places: 1.4 billion people live in fragile and conflict-affected countries,<sup>1</sup> and the situation in countries as diverse as Afghanistan, the Central African Republic, Colombia, the Democratic Republic of Congo (DRC), India, Iraq, Libya, Mali, Myanmar, Nigeria, Pakistan, Philippines, Somalia, South Sudan, Syria, Ukraine and Yemen – and in other countries where political, gang- and crime-related instability and violence prevails – is a salient reminder of the need to focus national and international efforts on peacebuilding.

This report examines the conceptual and practical links between peace and prosperity. It explains why economic development should make a purposeful contribution to peace; and how this can be done. This fits with the international development discourse emerging in the new Sustainable Development Goals (SDGs), which emphasise both sustainable peace and sustainable economic development.

Our intended audience consists of economic development promoters in politics, ministries, civil society, businesses and international agencies who have not yet recognised the need to integrate peacebuilding into their policies, programmes and projects; and those who have, but still lack a conceptual framework for analysis and practical guidance. An additional audience is peacebuilders, who can provide economic development promoters with valuable assistance and advice.

Given the long-term and non-linear nature of peacebuilding, and the resources available for this research, it was beyond our remit to evaluate definitively what has and has not worked over the long term. Hence, while we have taken care to build on empirical knowledge, the report is partly speculative, designed to promote debate and experimentation. By using examples, we are not necessarily endorsing their success.

It has five sections. First, we explore the links between peace and economy. Second, we sketch a framework through which these can be understood and addressed. Third, we highlight some of the overlaps and tensions between peacebuilding and economic development. Fourth, we use the framework to explore how peace can be fostered practically through economic development. Finally, we note broad implications and recommendations for those engaged in promoting economic development in fragile contexts.

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<sup>1</sup> Organisation for Economic Co-operation and Development (OECD), *States of fragility 2015: Meeting post-2015 ambitions*, Paris, 2015

## 2. Peace and prosperity

### 2.1 Conflict and economy

The links between the economy and conflict – more particularly, between the economy and war – are well known. The need and desire for access to and control over resources has always been a cause of conflict, especially when resources are or are perceived to be scarce, or where the rules and norms of access and control are poorly institutionalised or highly skewed. Unfortunately, such competition too often leads to violence and, at a certain scale, to war. In their interaction with other political and social factors, economic issues can always be discerned among the causes of war. The British historian Godfrey Elton made the point satirically in verse, in the voice of soldiers killed in the First World War:

*“Tell the professors, you that pass us by  
They taught political economy  
And here, obedient to its law, we lie.”<sup>2</sup>*

The concepts of ‘war economy’ and ‘conflict economy’ describe some of the ways people take advantage of or simply cope with war and conflict, in their economic behaviours. Taking advantage of war can be by profiteering from control of the supply of and/or demand for goods and services made more scarce or vital by conflict. To cope with effects of conflict dislocation or distorted markets, farmers may seek other sources of income. They might turn to growing illegal crops, or the carriage of legal or illegal goods. If displaced, they may face a complete transformation in their household economy. Age, status and gender are important factors: migration to unfamiliar cities can lead young people into gang-based, violent crime; vulnerable women and boys may be drawn into selling sex to survive.

In the big picture, economic behaviour becomes distorted by, and intertwined and interdependent with conflict, and some – often powerful – economic actors’ interests become aligned with continued conflict or instability rather than peace. They may therefore act as ‘spoilers’, blocking attempts to build peace which they see as undermining their interests.

### 2.2 Peace and economy

Conflicts *per se* are not necessarily violent, nor bad. Indeed, conflicts – differences – play an important role in driving progress. The problem is when conflicts become violent or are allowed to fester. So peace is not just the absence of war, but when people are managing and resolving their conflicts without violence and making equitable progress to improve their lives.

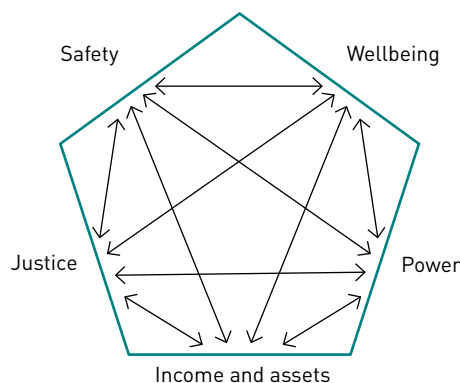
Peace is underpinned by functional relationships between people, groups and countries, mediated by institutions and by the presence of five interwoven ‘peace factors’ in any given context:<sup>3</sup>

- good governance and fair access to power;
- fair access to opportunities to earn income and accumulate assets;
- fair access to justice;
- people feeling safe from harm; and
- wellbeing.

<sup>2</sup> Cited in: E. Fawcett, *Liberalism: The life of an idea*, Princeton, NJ: Princeton University Press, 2014

<sup>3</sup> International Alert, *Programming framework*, London: International Alert, 2010

Figure 1: Links between peace factors



Peace is not an abstract idea, but the product of practical private, shared and public goods, the nature of which determines its degree and sustainability. Peacebuilding is the art of promoting progress towards these peace factors, each of which, because they are interwoven (Figure 1), can enhance or reduce the others. In this report, we refer to countries or societies in which these peace factors are underdeveloped as ‘fragile’, indicating their vulnerability to outbreaks of violence in the face of stresses that a more resilient society might be able to manage or resolve non-violently.

The economy is the interaction of people, activities, institutions and mechanisms linked to livelihoods, production, trade and money. ‘Economic development’ is a more contested concept, but at heart it typically means:

- more jobs and business opportunities, higher incomes and consumption;
- fair access to safe and decent livelihood opportunities for increasing numbers of people;
- increased revenue raised by the state in order to provide services; and
- minimising and repairing environmental damage due to economic activities.

From these basic descriptions, it is easy to see the intrinsic links between peacebuilding and economic development. Both concepts highlight fairness and access to jobs and livelihoods. Jobs, consumption and dynamic businesses create taxes and thus services, which, with good governance and environmental stewardship, help improve people’s wellbeing, safety and justice – which in turn favours further investment and development.

Indeed, the links between economic development and peace are to some extent intuitive. War slows economic growth: the 2011 World Development Report (WDR) proposed that the average cost of civil war is equivalent to 30 years of gross domestic product (GDP) growth.<sup>4</sup> It is widely assumed that mutual trust and functional relationships between people, groups and peoples both grew from and were nourished historically by trade, in a virtuous circle. The post-Second World War settlement was partly constructed around the economic norms and institutions defined at Bretton Woods. And the European Iron and Steel Community – forerunner of the European Union (EU) – was designed to promote peace through economic linkages between France and Germany. In 1906, the economist Léon Walras was nominated for the Nobel Peace Prize by those who recognised the implications for peace of his work on economic equilibrium. Some economic development is good for peace and peace is good for some economic development – as acknowledged by politicians down the ages when they refer to ‘peace dividends’.

<sup>4</sup> World Bank, *The World Development Report 2011: Conflict, security, and development*, Washington, DC: World Bank, 2011

The Institute for Economics and Peace (IEP) reflects this virtuous circle by linking the “economic multiplier effect” – whereby additional investments can have positive knock-on effects in the wider economy – with a “peace multiplier”. This is the idea that increased peace allows increased economic activity, hence increased economic benefits. The IEP suggests a multiplier of two, meaning for every dollar saved by not having to contain violence, there will be an additional dollar of economic activity.<sup>5</sup>

## 2.3 Conflict-sensitive business

But economic activity is not neutral and economic development can be unfavourable for peace. An economy that excludes certain identity groups can create frustration and grievances. Wealth generated from primary exports is easily captured by narrow groups who enrich themselves; this can be linked to corruption, which also fuels grievances. Economic activities undertaken without due care can exacerbate conflict, as oil production has done in Nigeria. Trade often fuels violence.<sup>6</sup>

This is why Alert developed the concept of ‘conflict-sensitive business practice’ (CSBP) over a decade ago.<sup>7</sup> CSBP is based on the idea that conducting business with due care in fragile contexts can help avoid inflaming conflicts and violence, and may contribute to their reduction. For example, an agribusiness investment whose owners negotiate access to land with national governments or traditional authorities, without first checking what the impact of their investment will be on relations between different community groups in the area, may exacerbate tensions between pastoralists and farmers, causing new violence between them. This would be a ‘conflict-insensitive’ business. A conflict-sensitive approach would have revealed the presence of the underlying conflicts between different livelihood and ethnic groups in the area, and the project could have been designed to take account of and mitigate the problem (e.g. by leaving transhumance routes intact), or, if that were not possible, sought land elsewhere.

CSBP, as applied by individual companies and other parties to specific investments, is essential in fragile contexts. Usually, it is seen as a mitigation approach – a way to avoid doing harm and prevent obstacles to business success: the centre of the continuum in Figure 2. This report advocates going further, to make a positive contribution to peace through well-thought-through economic development – the right-hand end of the continuum.

**Figure 2: The conflict-sensitivity continuum – from interventions that pay no attention at all to conflict and peace issues on the left to interventions designed to make a positive contribution on the right**



<sup>5</sup> IEP, *The economic cost of violence containment: A comprehensive assessment of the global cost of violence*, New York: IEP, 2014

<sup>6</sup> L. Coppolaro and F. McKenzie (eds.), *A global history of trade and conflict since 1500*, Basingstoke: Palgrave Macmillan, 2013

<sup>7</sup> International Alert, *Conflict-sensitive business practices: Guidance for the extractive sector*, London: International Alert, 2005

### 3. A framework for designing peace-promoting economic development

Economic factors are not always the most important, nor the most readily addressable drivers of peace and conflict. But because economic development is so widely seen as a priority, they represent important opportunities for building peace. The challenge is how to promote practical progress towards peace through economic development. In our research we found no framework that answered this question satisfactorily; perhaps this reflects the relative infancy of this discourse. So we have developed one. Summarised in Figure 3, it consists of the following dimensions:

- **Four outcomes**, or measures of progress towards peaceful prosperity. In Figure 3, these are shown on the right of our framework. They are explained in section 3.1.
- **Seven levers of change**: these are areas of importance to economic development, which are potentially amenable to change, and on which specific actions and efforts can be exerted by economic development promoters aiming to make a difference for peace. They are shown in the arrow at the centre of Figure 3, and are explained in Table 2.
- **The political economy**, a way to understand power. Progress depends on successfully navigating the realities in the political economy, which are shown as a hoop through which the arrow of change must pass – and that might in the process be changed themselves. This is explained in section 3.2.
- Three dynamic factors: **leadership, agency and opportunity**, which are needed to make purposeful progress towards peace. These are shown on the extreme left of Figure 3, and are explained in section 3.3.

#### 3.1 Outcomes

Drawing on our experience and research, we isolated four broad outcomes of peace-conducive economic development:

- **Decent livelihoods**: People are gainfully employed in decent work (employed or self-employed). They earn enough to live with dignity and are treated fairly. Decent livelihood opportunities are both available and fairly accessible, to minimise exclusion and maximise mobility. This requires per capita economic growth, at least in the medium term.
- **Capital**: People can accumulate economic assets securely, to provide them with a cushion in time of need, to improve their income, and to invest in and improve the economy; and can do so in a way that is fair to others. Capital may be individually or jointly owned and managed, including by the community or the state as in the case of welfare safety nets.
- **Revenue and services**: The state, or other legitimate authorities, collect sufficient revenue and invest it to provide the infrastructure and services needed for the economy and peace to flourish. They do so fairly and strategically, with both economic growth and strengthening peace as explicit policy intentions.

#### Equality

Equality of access or opportunity is mentioned often in this report. By this, we mean that access to an opportunity or type of opportunity is open, on the basis of merit and circumstances, and it is not limited exclusively to a particular class, caste, gender or other group. We avoid using equality in an abstract sense, because what usually matters to people is their access to a particular opportunity or type of opportunity, rather than 'equality of access' in more general terms.

Grievances – conflicts – tend to emerge from unfair access to some *thing or things* (jobs, water, land...), rather than 'unfairness' generally – though grievances do accumulate. There will always be some inequality – indeed, functional inequality is a driver of progress. What matters for peace is that there should be a discernible trend towards greater equality of access to opportunities, and that inequality becomes less correlated with membership of particular social groups.

- **Environmental and social sustainability:** Economic development enhances or at least avoids damaging the environment, and enhances or at least avoids undermining peace-positive attributes in society. Both environmental and social sustainability require effective governance.

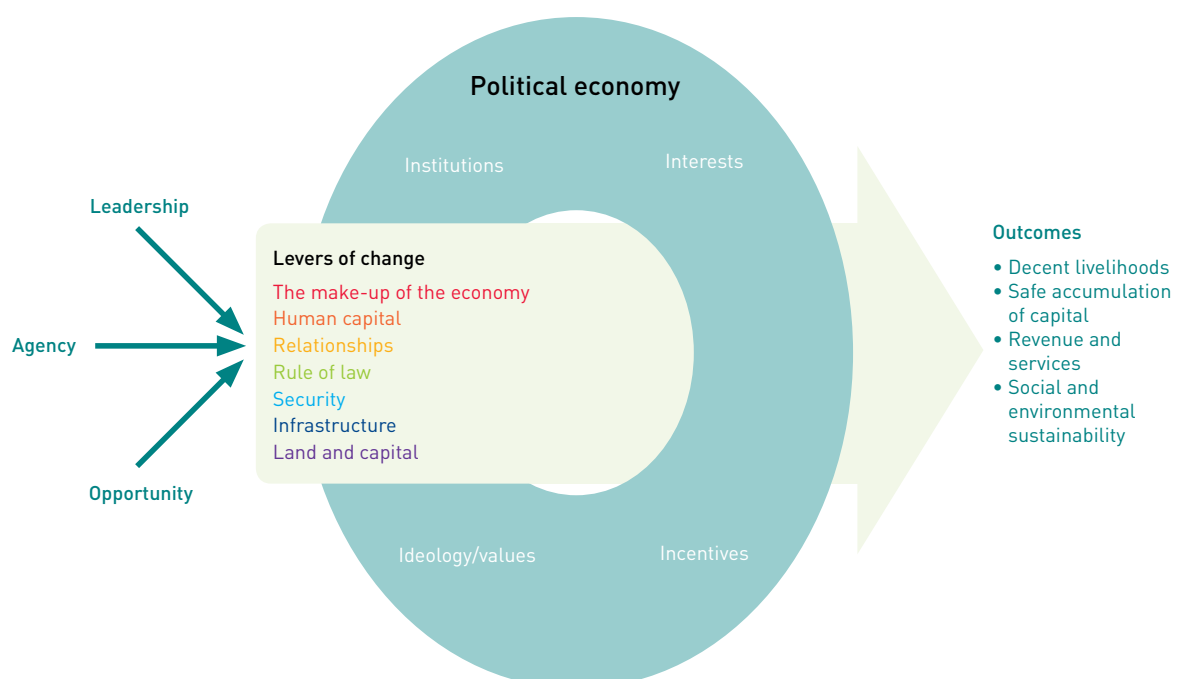
In other words, society – writ large or small – is more likely to prosper and be peaceful when people have more or less equal access to livelihood opportunities sufficient for their needs, can plan for and protect themselves from future shocks, and safely invest in improving their own economic condition and in growing the economy of which they are a part; when government is able to provide services and infrastructure and a climate of good governance; and when the social and physical environment is not being degraded or made less productive or conducive to people’s welfare.

We steer clear of ideological questions such as the degree to which the state or the private sector should own and manage the means of production or provide services. But we stress the importance of equality of access and dignity – and certainly expect the state, along with other institutions, to play a role in promoting these public goods.

More important for our case is the question: *what makes these four outcomes more likely?* In other words, how to achieve them? Drawing on the literature and our own experience, we have developed a generic framework to explain this, as summarised in Figure 3. It identifies seven ‘levers of change’, i.e. arenas in which promoters of economic development can integrate peacebuilding into their policies, strategies and projects. These are: the overall make-up of the economy, human capital, relationships, rule of law, security, infrastructure and capital including land. Each of these is defined in Table 2, where, for each feature, we summarise its importance to peace and to the economy, as well as any tensions between peace and economy. But first, we need to explain the overarching factor that interacts with, influences and helps explain these seven features: political economy.

**Figure 3: A peace-conducive economic development framework**

*This figure shows four broad outcomes of peace-conducive economic development on the right, the seven levers of change that can be used to contribute to these, the four constituents of political economy that determine what changes are possible, and the combination of leadership, agency and opportunity that energise and promote sustainable change.*



## 3.2 Political economy

Political economy is a way of understanding *the intersection of political and economic power, i.e. where power over different opportunities is held and resources allocated, and by whom*. It is used as an analytical lens.

‘Political economy’ in the abstract is of limited strategic value – the ‘lens’ needs to be deployed in analysis, normally of a specific issue and/or geopolitical context, as for example in ‘the political economy of oil in Uganda’, ‘the political economy of Mindanao’, ‘the political economy of gender in Sesimbra village’ or ‘the political economy of peace and conflict in the Middle East’. A political economy analysis of the financial sector in the UK shows how in recent decades democratic power has relied on tax receipts from banking to fund the public services voters demand, and therefore why successive governments were unwilling to constrain the banks, thus contributing to the 2007 financial crash. In general, the narrower the scope, the deeper and more useful the analysis will likely be: a political economy analysis of DRC may reveal, in broad terms, how the economy and peace are being held back by governance issues, but a political economy analysis of access to land in the Masisi plateau of the North Kivu province of DRC will yield a far more detailed tableau of the obstacles to and potential drivers of peace and prosperity.

As nicely summarised by the UK’s Department for International Development (DFID),<sup>8</sup> political economy analysis often converges on four interlinked parameters – ‘the four Is’:

- **interests** of individuals and groups in relation to change versus the status quo;
- **incentives** for stasis or change as they apply to different specific interests;
- **ideology and values** underpinning people’s perception of what is in their interests; and
- **institutions**, inasmuch as they provide opportunities for particular courses of action, especially in terms of mediating between the different interests of different actors.

Interests and incentives define how those with or without power will respond to a given situation or opportunity, either seeking change or status quo. People’s interpretation of their interests is coloured or modified by their values or ideology. And institutions are the norms and mechanisms through which people’s and organisations’ actions and transactions are mediated in line with their interests and the incentives operating on them, and which tend to reflect and reinforce the prevailing values – or at least the values of those with power.

Institutions are established norms and mechanisms including normalised relationships. Some are formal and tangible: systems of government and business, organisations, etc. Others are less formal and less tangible, as shown in Table 1. Institutions mediate between the different, frequently competing interests and needs of people and organisations, and between short-term and future needs. In any context, but perhaps especially in fragile contexts, one finds examples of ‘hybridity’, where different, competing and overlapping institutional frameworks apply to the management of resources. This adds a layer of confusion, can be instrumentalised by those with power to maximise their interests and can create conflict.

8 DFID, Political economy analysis: How to note, London: DFID, 2009

**Table 1: Examples of different kinds of institutions relevant to peace and economic development shown against two axes: degree of formality and tangibility**

	More formal	Less formal
More tangible	<ul style="list-style-type: none"> <li>• government departments</li> <li>• parliament</li> <li>• courts of justice</li> <li>• incorporated entities such as registered business and agencies</li> <li>• traditional decision-making bodies such as chiefdoms and elders' councils</li> </ul>	<ul style="list-style-type: none"> <li>• criminal gangs</li> <li>• informal savings groups</li> <li>• neighbourhood self-help schemes</li> </ul>
Less tangible	<ul style="list-style-type: none"> <li>• the obligation to pay tax</li> <li>• the laws of the land, and underpinning legal concepts such as equality before the law</li> <li>• citizenship</li> <li>• allegiance to the flag</li> <li>• human rights</li> <li>• inheritance norms</li> </ul>	<ul style="list-style-type: none"> <li>• protection money</li> <li>• extra-judicial punishment mechanisms such as honour killings</li> <li>• slavery</li> <li>• ethnic allegiance</li> <li>• the duty to assist others within a particular social group</li> </ul>

Peace is only possible when differences and conflicts are being managed and resolved, and certain kinds of institutions play a role in this, e.g. representative politics and regulated equities markets backed up by the rule of law. Conversely, others can be bad for sustainable peace, even when they might be conducive to short-term stability: patronage systems of governance, extra-judicial systems of punishment and entrenched criminal networks are some examples.

Both peace and prosperity benefit from formal institutions that are *incorporated*, i.e. their constitutional rules and systems prevail over the wishes and needs of transitory leaders, and favour openness, as well as peaceful and regular turnover in leadership.<sup>9</sup> Institutions that continue to evolve are preferable to rigid and static institutions.

A political economy analysis allows us to understand where power is held, the interests of power holders, and the incentives, values and institutions that modify and mediate their perceptions and actions, and thus determine what economic changes conducive to peace might be feasible. Because power is often highly concentrated and seen in zero sum terms in fragile contexts, those holding the reins may be reluctant to loosen their grip – whether they are males holding on to household resources or a particular faction holding on to the offices of state and the business opportunities attached thereto.

Normatively, a political economy is more conducive to peace when both economic and political power is dispersed, and the correlation between holding economic and political power is limited. Too great a correlation means the economic needs of the elite take overwhelming precedence over broader needs. For the economy to flourish sustainably, business leaders need to have a political voice. But if it becomes too dominant, the economy tends to stagnate, delivering insufficient dividends. This reinforces exclusion and can lead to violent challenge.

A political economy favourable for peace and prosperity also allows mobility. That is, economic and political power alike can be gained and lost peacefully, without overly privileging those who gain power, nor ruining those who lose it.

<sup>9</sup> D. C. North, J. J. Wallis and B. R. Weingast, *Violence and social orders: A conceptual framework for interpreting recorded human history*, Cambridge: Cambridge University Press, 2009



Political economy is highly important in our framework. But this does not mean that those promoting economic development conducive to peace should aim to change the political economy as their primary goal. Because of its highly structural nature, the political economy resists change. But development needs to be designed based on an understanding of what the prevailing political economy will ‘allow’. Even if an open and mobile political economy is *normatively* better for peace, ‘spoilors’ in fragile contexts can obstruct initiatives that seem likely to rob them of power and opportunity. So the interests and values of incumbents in the political economy have to be taken into account in ensuring that there are sufficient incentives for them to support any proposed changes.

### 3.3 How change happens: opportunity, leadership and agency

In this section, we summarise some lessons Alert has learned from nearly 30 years of peacebuilding about how change happens, contributing the final elements of the framework: opportunity, leadership and agency.

#### Change is often indirect, multidimensional and incremental

Important developments often happen *indirectly*, making it hard to plan long-term processes of change with confidence. To add further complexity, the implications of actions in one area or sector spill over readily into others; and progress is also liable to checks and reverses.

Hypothetically, a land reform intended to open up land access to wider sections of society may lead to violent local responses by landowners against those newly entitled to land or their co-option of political leaders into a land-owning cabal to neutralise the new law. This in turn may increase the rate of urbanisation, industrialisation and the prevalence of gang-dominated political economies in new urban areas. This in its turn may favour improved citizen engagement by newly urban populations wanting to reduce levels of violence, and in the longer run contribute to improved governance, the capture of the monopoly of violence by an increasingly accountable state, and increased stability and prosperity.

This game of development snakes and ladders makes planning hard. The practical lesson is that, while change is incremental and hard to predict, one *can* recognise specific and simpler steps forward within larger, complex causal networks. These, at least, can be planned and tried, with due care for unintended consequences.

#### While changes in the political economy are essential for peace, trying to engineer them is a fool’s errand

The sustainability of significant societal change depends on what the political economy allows. Reducing fragility ultimately implies changes in the way power is held and resources are allocated, and thus in terms of institutions, values, interests and incentives.

Formal changes to governance systems in Mali through the decentralisation project of the 1990s are judged not to have increased local accountability and responsiveness as much as intended, because budgets were not decentralised; the locus of some important local decisions such as about land was never really moved to the new institution, so there was insufficient interest or incentive for local power holders to engage with it, hence the value of democratic accountability and responsiveness was neither felt nor embraced.<sup>10</sup>

10 L. Davis, *Supporting peaceful social, political, cultural and economic change in Mali*, London: International Alert, 2014

**Table 2: Seven arenas in which peace-conducive economic development can be generated**

*These are the ‘levers of change’ shown in Figure 3. Here, each is defined and described, and explained in terms of its contribution to peace and economic development. Then, the potential tensions inherent between the apparent needs of peace and economic development are summarised.*

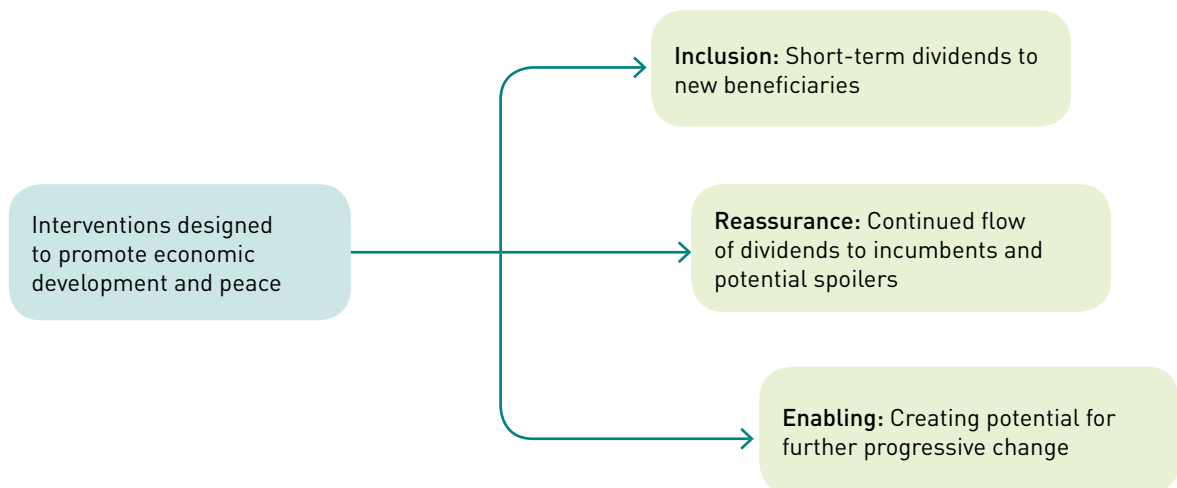
	The make-up of the economy	Human capital	Relationships
<b>Definition</b>	The kinds of economic activities that prevail, and how people contribute to and benefit from them. Variables include import/export balance; openness; strength of consumer demand; diversity; proportions of primary, secondary and services sectors; peasant versus commercial farming; and vulnerability to supply chain or market risks.	The capacity and capability of individuals, groups and society as a whole to make economic and social progress through the application of spirit, knowledge and skills.	Functional relationships across and between societies enable communication and foster predictability and trust, which in turn underpin functional relationships.
<b>Importance for peace</b>	Different aspects can matter for peace, e.g. an economy dominated by natural resource sectors is liable to elite capture, and may reinforce clientelism, corruption and exclusion; this can be mitigated by maximising value added in country. Shadow/illicit economic sectors and practices can have a similar effect. But it is important to contextualise issues, e.g. open markets are better for peace, but allowing powerful elites privileged access and power may provide short-term stability.	Knowledge, skills and mindset are critical to peaceful problem and conflict management and resolution, and thus to peace.	Relationships allow people to understand the interests and needs of others, and provide the opportunity for the development of trust and collaboration that is essential to the routine management of conflicts, non-violently.
<b>Positive indicators for peace, at a glance</b>	Diversity, a high jobs-to-investment ratio, dynamism and creativity, a long value chain providing opportunities for new business and for jobs, and taxation and regulation; economic sectors, which are by nature dynamic, e.g. thriving small and medium-sized enterprises (SMEs) also contribute to a more creative political and economic culture.	A well-educated population, specifically in skills relevant to important economic sectors, creative problem solving, entrepreneurship and teamwork; inclusion and openness to human capital improvement across gender and identity groupings. People are reasonably healthy, able to meet their basic needs, and to have and fulfil aspirations.	Collaboration and resilient relationships both within and between gender and other identity groups.
<b>Importance for the economy</b>	Fit between market and supply per context is critical to economic development. Primary exports provide few opportunities to deepen the economy or develop services; value-adding and industrial processes create more jobs, consumption and growth.	The level of general and appropriately specific knowledge and skills and mindset allows people to improve their businesses and jobs, thus incomes and assets.	Relationships allow economic collaboration and are leveraged for economic purposes; trust developed through existing relationships fosters trade.
<b>Potential tensions between peace and economic development</b>	The main tension here is between economic opportunities that provide short-term gains and thus immediate peace dividends (not always widely distributed), and the kinds of opportunities that are more sustainable and have a longer and more participatory value chain, distributing dividends more widely, but might yield less impressive growth, at least initially.	The main tension between peace and the economy lies in the competition between short-term economic needs for labour and public investment in infrastructure versus the longer-term need for an educated and more independent population that underpins peace.	The main tension in respect to relationships is between the development of strong business relationships to the detriment of relationships needed for peace but where business opportunities are less evident; and a focus on economic growth allows for political and economic power to be concentrated within a narrow segment of the population.

Rule of law	Security	Infrastructure	Land and capital
The availability of formal and informal mechanisms, based on clear <i>a priori</i> rules and norms, for avoiding and adjudicating disputes, and punishing those who break rules and norms. Rule of law relies on the predictable production and execution of judgements by authorised parties.	The degree to which individuals, families, communities and organisations are and feel safe, now and in the foreseeable future.  Security is a function of service provision by state and other providers, individual and group capacity, and of the strength and quality of social norms, relationships and social capital.	The existence of and access to an enabling physical infrastructure, especially in terms of energy, communications and transport, and essential services such as water, health and education.	The opportunity to accumulate or borrow financial capital for investment, and/or to acquire and retain the rights to own or use land.
Predictability and applying the rule of law replaces and discourages unfair and violent behaviours and is thus good for peace. Impunity, on the other hand, encourages these behaviours and undermines peace.	Cicero wrote that “the security of the people is the highest law”, and it remains a key component of peace. Without it, the risk of violence and harm increases, and therefore pre-emptive violence also becomes more likely. Security allows people to build trustful relationships, and a sense of security allows and encourages people to accumulate economic assets and knowledge, thus increasing their resilience to shocks.	Access to information prevents distorted rumours from exacerbating conflict, while access to other infrastructure allows needs to be met and enables progress on the other elements in this model.	Access to capital and/or land is important for peace in that it allows for inclusion, and for the creation of jobs and business opportunities; people in decent work and with capital or land (i.e. a stake) are less likely to fight.
Clear, consistent, fair rules and the application thereof, emphasising property rights and the rights of the individual; the absence (or rareness) of impunity; even though the law may apply differentially to different categories of people, no one is above the law, something that should be applied consistently.	Inclusion and equality of access to the means of security; people not being harmed; economic assets not being readily stolen or destroyed; state and private/informal security providers respect human rights.	Infrastructure that is tailored to actual needs and opportunities across society, not favouring only some groups; is open, accessible and maintained – and thus funded through tax or other sustained income. Public infrastructure is managed for public good.	When capital is widely accessible, based on business merit rather than identity or relationships, it allows for a more diverse and resilient economy, which is by nature more resilient to violence, as there are more resource options and less narrow competition.
Applying the penal and civil rule of law protects economic actors – businesses and customers – from arbitrary predation and thus encourages investment at different levels in society.	A secure environment for people reduces business risk, encourages productive investment and allows consumption, thus sales.	Infrastructure is essential to an open and dynamic economy, and investment in this is leveraged by businesses to grow the economy. Enables an open and thus competitive economy.	Capital in the form of funds and/or land is also fundamental to economic development; without one or both, it is virtually impossible to build a business.
Tensions between peacebuilding and economic development may reside in the problem that laws and enforcement mechanisms that favour the business-owning elite, and are thus good for their business interests and the economy, may under-protect the rights (such as property or labour rights) of the less privileged, while peacebuilding may favour rapid moves to more equal access to rights, and undermine growth and perhaps stability.	The most evident tensions between economy and peace with respect to security are when the apparent (often short-term) interests of economic projects increase insecurity for people. For example, when a mining project is developed too fast to allow it to be conflict-sensitive or when the economic interests of peace spoilers whose business gains from conflict mean they prefer to undermine security in pursuit of their own gain (for example, trade in weapons, various kinds of smuggling or profiteering from war-induced scarcity). At times, the security provided to economic projects can undermine the security of other people in the area.	There can be tensions in decisions about infrastructure that favours the rapid investment in a particular section of the economy that is good for GDP growth, but that does little or nothing for large parts of the country where people thus become aggrieved, especially if they interpret the imbalance through an identity lens. Conflicts also exist between the need to develop sectorally or nationally critical infrastructure that interferes with the economic rights of others, as when farmers’ land is needed to enable infrastructure construction that appears to benefit others.	Land plays an important role in the economies of many fragile contexts, and land title is often confused, especially in places operating multiple, conflicting land tenure systems. Some people/businesses desiring access to land may have privileged access to decision-making authorities. Corrupted public financial systems provide some investors with cheap capital, allowing them to finance unsustainable enterprises that undercut more viable firms, causing grievances.

But trying to ‘change the political economy’ directly is a fool’s errand – or perhaps a mission reserved for risk-taking political leaders seizing rare historic moments of opportunity, as when Atatürk laid the foundations of modern Turkey out of the ruins of the Ottoman Empire. Political economies *do* change, but they usually change organically (though sometimes rapidly), rather than from purposeful disruptions. This is because of the power of incumbency or because new occupants exploit the system that works for them, rather than trying to change it. When the features of the political economy do change, it is as a response to changed circumstances that require adaptations to incentives, interests, values and institutions so the powerful can retain their power. The economic incentives provided to the elite in parts of central and eastern Europe linked to EU accession or association provided incentives to adapt economic practices and institutions, which later became open to others, in what remains a work in progress – further advanced in Poland today than in Romania – and catastrophically poorly conceived in the case of Ukraine, where they provided incentives to war.

Because of the risk of spoilers, promoters of peace-conducive economic development should seek short-term changes that are reasonably progressive in delivering dividends to new beneficiaries and seem like incremental steps in the right direction, while maintaining a sufficient flow of benefits to incumbents *and* enabling further change to occur, as shown in Figure 4. The approach taken in South Africa at the end of apartheid provides an example. A conscious political effort was made to build on the economic success of the apartheid years, and retain the support and participation of incumbents including white farmers, while expanding the electoral franchise and the rule of law, improving the distribution of benefits through infrastructure and human capital development, and creating space within the economy for new entrants. The hope is that this is laying the foundations for a greater transformation in the future.

**Figure 4: The three kinds of interim outcomes needed for sustainable change**



### Many important changes happen from the particular to the general, rather than vice versa

Despite the grand language of political science, and the tendency among some politicians, economic developers and activists to define their ambitions in terms writ large, important changes often happen first at a relatively narrow or granular scale. Sometimes these are later generalised, provided they are legitimised at multiple political levels.<sup>11</sup>

<sup>11</sup> Overseas Development Institute (ODI), *The doing development differently manifesto*, London: ODI, 2014, <http://www.odi.org/sites/odi.org.uk/files/odi-assets/events-documents/5149.pdf>

Communities demanding more control of their affairs, or civil society demanding a voice, can be a more sustainable mechanism for systemic political change than a top-down ‘decentralisation’ process or the formal registration and recognition of the role of NGOs. Work on a specific economic sector or sub-sector – or even a particular project in a particular locality – if promoted in a way conducive to peace, can have knock-on impacts on other sectors.

### The importance of opportunities and opportunism...

When moments propitious for change occur, they need to be seized. For example, the risks of conflict associated with the arrival of a large mining or oil project in a fragile context are well known: conflict linked to oil production in the Niger Delta is a notable example. On the other hand, the arrival of a large disruptive mining or other economic project, with multiple stakeholders and potential winners and losers, represents an opportunity to demonstrate good governance. By engaging multiple stakeholders and respecting their interests, those leading such a project can create an experience of participation, consensus and compromise, which may be relatively rare in some underdeveloped contexts, and contribute to functional relationships among citizens and between citizen, state and economic actors, which can be built upon for other governance purposes.

New technologies, the end of a period of violent conflict or reconstruction after a natural disaster represent opportunities to use or test new approaches. It has been suggested that the way the response to the Indian Ocean tsunami disaster in 2004 interacted with different circumstances on the ground contributed positive progress for peace in the long-running civil war in Aceh, while the opposite occurred in Sri Lanka.<sup>12</sup> Similarly, the unexpected death of a political figure or a change in external circumstances can create an opportunity: a changed drugs policy in Europe could have a significant impact on the political economy, incomes, access to land and other factors in drug-producing nations affected by conflict.

### ...and of leadership and agency

Finally, leadership and agency are critical to harnessing opportunities to progressive ends. Leadership is when people stand up and take a risk to achieve a change they believe is important or prevent a change they see as wrong, against the prevailing view or powerful interests. Leadership for peacebuilding through economic development is provided by politicians and government, as in the case of structural changes to the rural economy underway in Rwanda, designed to promote the twin aims of economic growth and long-term stability; by businesses, as in the development of communications infrastructure and the fair allocation of jobs, and the adoption of new practices by farmers; by civil society activists promoting local livelihoods and economically literate education, etc.; by international agencies operating in fragile countries; or by international actions with cross-border impacts, such as the implementation of anti-money laundering measures or moves to decriminalise drugs.

Despite concerns about ‘doing no harm’, and the complexity and limits of cause-and-effect models, the role of progressive agency is critical, at whatever level or scope. By agency, we mean the combination of resources, energy and power to translate leadership and opportunity into action and change. Agency can be harnessed in many forms: it is most obvious in organisations (government, business and civil society) with their hierarchies, budgets, etc., but agency is also present in communities and other societal institutions.

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12 D. Kingsbury, *Peace processes in Aceh and Sri Lanka: A comparative assessment*, *Security Challenges*, 3[2], 2007, pp.93–112

## 4. Overlaps and tensions between economic development and peace

Our framework can be used to judge how conducive the economy is for peace, in a specific country or region, or globally. It can also point to important gaps. If applied to the Mindanao region in the Philippines, where, at the time of writing, an ongoing peace process has raised hopes of bringing a decades-long rebellion to a sustainable end, it would help us identify how people's lives may continue to be insecure even after the peace process is concluded because of the make-up of the economy. 'Shadowy' economic transactions undertaken outside or on the edges of the law, yet which have become normalised, are enforced through mechanisms sometimes involving violence, authorised by those who combine political and economic power and who are not being held democratically accountable for their behaviours.<sup>13</sup> Even though the economy in the province will likely grow, once the remaining parts of the peace accord have been implemented, its shadowy nature would be expected over time to prevent it reaching its potential and to impede the distribution of any peace dividend. This kind of analysis provides economic development promoters with useful knowledge in developing policy, strategy and interventions that integrate peacebuilding.

The interaction between the various elements of the framework can help explain why and how a particular economy is conducive for peace or not. Prior to the election violence in 2007–08, Kenya had a reputation for social and political stability and economic growth, not for violent civil conflict. But our framework can help explain how economic progress was heavily biased in favour of certain ethnic groups, who had privileged access to human capital development opportunities and infrastructure, as well as to land within an agriculturally dominated economy. Political and economic opportunities were highly correlated, and the interests of those with the most power nationally and locally were often maintained by political and judicial institutions whose decisions were biased in their favour. Section 5 explains how this kind of analysis can be used to inform programming.

There are natural overlaps between economic development and peacebuilding. As Table 2 illustrates, in many respects, economic development and peacebuilding go hand in hand. By promoting the following conflict-sensitively, while emphasising fairness and openness, economic development interventions are likely to make a contribution not only to economic progress, but also to peace:

- inclusion and equality of access to economic opportunity;
- people's capacity to save and invest safely;
- economically relevant services provided professionally, treating people fairly and decently, and respecting human rights;
- infrastructure, especially when it favours communication of goods and information, and human capital development, and its design considers matters of inclusion and fairness;
- economic institutions or institutions important for economic development, which follow clear rules and norms of increasing transparency, fairness and openness;
- trusting, functional relationships between economic actors, especially that transcend narrow identities, and that link government and citizens functionally;
- increased social mobility, which allows poorer individuals and members of poorer identity groups the opportunity to improve their economic status;
- accessible education in creativity and problem-solving capacity; and
- improved levels of health and more decent living conditions.

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13 F. Lara, Jr. and S. Schoofs (eds.), *Out of the shadows: Violent conflict and the real economy of Mindanao*, London: International Alert, 2013

On the other hand, there are undeniable tensions between some of the initiatives promoted for economic development and the needs of peace. These include:

- Growth initiatives with the greatest absolute economic return may undermine peacebuilding processes if they are insufficiently inclusive or conflict-sensitive – such as some primary export sector projects.
- Economic growth/transformation initiatives that make land or other resources accessible for commercial investors may create new land- or resource-based grievances – such as some agribusiness projects or free-trade zones.
- Promoting socio-economic mobility too rapidly may undermine the perceived or actual interests of incumbents – as when long-running monopolies sectors are liberalised as part of the International Monetary Fund (IMF)/World Bank initiatives.
- There may be competition between human capital and infrastructure needs for public investment funds, with infrastructure having the faster economic return, but the latter having a greater sustainable peace return – for example, competition for public funds between the health or education budget, and building a road to bring a specific export to the international market.
- A trade-off between enabling rational strategic economic investment opportunities focused in a few geographical areas, and the need for more widespread investment in infrastructure to enable peace dividends across society – for example, a heavier investment in the agricultural heartland of Kenya and very little in the arid north of the country.
- In general, there is a tension between short-term stability and long-term sustainability, and between incumbency and openness.

Meanwhile, some peace processes may ignore economic factors, for example the interests of potential peace spoilers, and thus fail. New democratic institutions seen as good for peace may hinder existing economic norms and thus be undermined.

Managing these very real tensions on an ongoing basis is critical in maximising the contribution of economic development to peace, and thus needs to be built into design and implementation.

## 5. Applying the framework in adapting economic development plans

### 5.1 Planning and implementation processes

We have explained the importance of integrating peace into economic development and developed an analytical framework to assist in doing so. This is intended to help identify specific entry points, approaches and strategies for those with the right combination of opportunity, agency and leadership. Here, we explore some of these combinations from the perspective of governments, businesses, civil society, international agencies and international norm setting, after first setting out generically how the framework can be used in analysis.

As a reminder, the utility of the framework is in working out how to integrate peace into economic development: in practical terms, to *adapt* economic approaches so they promote peace. The starting point for most planners is therefore likely to be their own economic development niche or project. Obviously, the processes for determining public policy, business projects, development programmes and international norms are rarely linear. But for the sake of clarity, we outline a generic planning process in linear form below, going through the steps of clarifying the mandate, identifying relevant peace outcomes, analysing the political economy and the seven ‘levers of change’, developing a concrete plan, followed by implementation and evaluation.

#### Clarifying the mandate

Given the risk of conflict and violence that prevails in fragile contexts, it is vital that economic development agencies clarify with their stakeholders – boards, politicians, staff, voters, etc. – that their mandate explicitly includes contributing to sustainable peace. This does not imply they are to be transformed into ‘peacebuilding agencies’. It simply gives them the room for manoeuvre to plan and make a purposeful contribution to what is *prima facie* one of the biggest challenges in fragile contexts, and to set up the internal carrots and sticks to encourage this. This needs to be done in a politically aware way. In a personal communication with the author, a government minister from one post-conflict country explained that, although her government was strongly focused on the needs of peacebuilding, it did so mainly behind closed doors, preferring a public message of “development”, so as to attract investors who might be put off by references to conflict and to inspire citizens to look forward to the future, rather than backwards to the war. Likewise, business and international finance institution leaders may limit the degree to which they are publicly explicit about taking on board a peacebuilding mandate, to avoid losing the support of sceptical shareholders or colleagues. Words like ‘peace’ may be hidden under broader and more acceptable concepts of ‘sustainability’ and ‘shared value’.

Some economic development promoters and businesses maintain that their mandate is ‘purely economic’ and that even corporate social responsibility (CSR) is a distraction from maximising economic returns.<sup>14</sup> More typically, businesses do readily accept the need to ensure ‘their stakeholders’ will ‘buy into’ their project or at least not stand in its way, i.e. provide a ‘social licence to operate’. This transactional approach complies with the economist Milton Friedman’s provocative call that “the social responsibility of businesses is to increase its profits”.<sup>15</sup> But as explained earlier, there is a genuine overlap between economic and peacebuilding actions and interventions, so even ‘purely economic’ actors can take the needs of peace into consideration if they choose to do so. Indeed, business and other economic developments are increasingly expected to provide social value as well as financial or economic value. This has been called ‘shared value’, defined by Michael Porter and Mark Kramer<sup>16</sup> as:

14 R. Simons, The business of business schools: Restoring a focus on competing to win, *Capitalism and Society*, 8(1), Article 2, 2013

15 M. Friedman, The social responsibility of business is to increase its profits, *The New York Times*, 13 September 1970, <http://query.nytimes.com/mem/archive-free/pdf?res=9E05E0DA153CE531A15750C1A96F9C946190D6CF>

16 M. E. Porter and M. R. Kramer, Creating shared value, *Harvard Business Review*, January–February 2011, <https://hbr.org/2011/01/the-big-idea-creating-shared-value>



*“Policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates. Shared value creation focuses on identifying and expanding the connections between societal and economic progress.”*

Many businesses, large and small, are adopting this way of understanding their value creation role: from multinationals like Unilever, to small companies in divided societies reaching out across conflict lines in their employment practices as a way to heal divisions.<sup>17</sup> Looking beyond business to other economic development promoters, the World Bank’s creation of the Center for Conflict, Security and Development to guide its programming in fragile contexts is indicative of a broadening understanding within international agencies that ‘pure’ economic and poverty reduction mandates miss the point.

### Identifying how to contribute to the four peace and prosperity outcomes

The next step is to determine a specific ambition in terms of our four outcomes of peace-promoting economic development: sustainability, decent livelihoods, revenue and services, and safe capital accumulation. Most economic projects expect to have an impact on some of these, by default. A mine will create jobs and royalties, and usually pay attention to environmental sustainability; a flour mill will provide income through jobs, purchase of grain, transport costs and elsewhere in the value chain, and may help farmers smooth lumpy income and expenditure patterns; a water or land tenure policy may improve agricultural business opportunities; and a new road will enable economic opportunities and tax revenues.

But we must go beyond the ‘default’. This means examining all four outcomes to determine whether and how the project can make a difference to them. It means taking account of their nuances and of the links between them. If a commercial project will create new jobs and taxes ‘by default’, can it also do so in ways that minimise damage to the environment, and are there ways it can help improve people’s resilience and economic power through safe savings schemes? To what extent can the project ensure that people have access to ‘decent’ livelihoods and employment, both within its direct sphere of control and perhaps beyond? Can it go beyond simply paying taxes to the state, to consider its role as a major taxpayer and ‘corporate citizen’, in ensuring that these are well used for public benefit and to strengthen the peace factors?

This is where the tensions between peace and economic development, which we identified earlier, come into play. Taking on a commitment to create ‘shared value’ through peace may lengthen the capital development stage of a project and go against a business owner’s perceived or actual interests; asking questions about how taxes are used may seem too political for some businesses, because it creates friction with the government. Hence, the importance of working these issues out at an early stage in the planning process and determining to which of the four peace and prosperity outcomes the project can reasonably and ambitiously aim to contribute.

### Analysing the political economy and the seven levers of change

The next step is to identify the extent to which this contribution will be possible, within the constraints of the political economy, the likely opportunities for change, the leadership and agency needed, and the mechanisms for adaptation in terms of the seven ‘levers of change’. This analytical canvas can be narrowed and made more user-friendly by linking it from the outset to the economic development policy or project under review. We illustrate this through a hypothetical policy change process inspired by real examples.

<sup>17</sup> J. Banfield, C. Gündüz and N. Killick (eds.), *Local business, local peace: The peacebuilding potential of the domestic private sector*, London: International Alert, 2006

### Analysing how to build peace through economic development after a civil war

The government of a country recovering from civil war is developing policies to attract inward investment, focused on high-value fresh vegetable exports from irrigated farms around a large lake. This meets the needs to raise revenue – royalties from water use, and taxes on inputs, exports and wages – and will provide direct and indirect employment. Despite lobbying by investors, the government also determines that employment conditions will be regulated to ensure that workers get a decent deal, and that stringent environmental standards will be applied to minimise water and energy waste and to maintain the quality of water in the lake. After lobbying by NGOs, the policy also requires a percentage of water royalties to be dedicated to local service provision in the communities around the lake, on priorities to be agreed with community members by the local government. So the new policy aims to meet at least three of the core outcomes of peace-conducive economic development: decent livelihoods, revenue and services, and environmental and social sustainability.

Through the lens of our framework, we can see that the policy is primarily designed to change the **make-up of the economy** by taking advantage of suitable and land water resources. Further analysis indicates the need for **human capital** development, i.e. training of employees and government employees who will be involved in monitoring water use and in the export chain (customs, etc.). **Infrastructure** development will also be needed to ensure that fresh produce can be reliably exported on a regular basis.

The high-value horticulture projects to be encouraged by the policy will interact significantly with aspects of the **political economy**. The civil war was between two ethnic groups now in a power-sharing agreement negotiated by the UN. One is drawn largely from traditionally pastoralist/fishing communities, while the other is mostly made up of farmers and dominates the government. The lake is in a traditionally pastoral region, but the main investors are members of the 'farming' tribe who are closely allied with senior government figures. There are opposing **interests** at stake (access to the lake shore for pastoralists versus export-oriented farmers). Government figures allied with the investors have an **incentive** to assist 'their own' people. While the less powerful pastoralist tribe's representatives in government may have personal **incentives** to make a deal with their fellow ministers, this is in tension with a competing **incentive** to support the interests of their fellow pastoralists who badly need continued access to the lake shores. This latter is in keeping with their **values**, while the government – and the dominant ethnic group – ostensibly espouses the combined **values** of economic growth and peace.

To complete this simplified political economy analysis, the **institutions** available to mediate the tensions between these groups are shallow: the power-sharing government is based on an externally negotiated peace agreement, and the predominant institutions currently are those operating *within* each of the two ethnic groups, rather than *between* them. So the opportunity to resolve the tensions between the competing interests within the pastoral tribe is greater than the opportunity to resolve the competing interests between the investors and the pastoralists.

This is a hypothetical case, so there is no 'outcome' to relate. But it is easy to see how, given the opportunity of the peace agreement, and in the absence of the right leadership and analysis, the government's approach might end up contributing significantly to economic development but not to peace. Indeed, it has all the potential to be conflict-insensitive and to undermine peace, locally or even more widely.

On the other hand, with good leadership and analysis, the potential of the lake, combined with export markets and the right technical and managerial expertise, could make a significant contribution to peaceful economic improvement across both livelihood groups, and nationally. If leaders were careful and slow to amend the existing systems for the governance of access to lake water, to integrate export investors and government alongside the pastoralists, while avoiding giving any group too much power, this could provide an institutional framework for mediating between different interest groups, and between them and the state. Meanwhile, if the investors were suitably incentivised to ensure jobs and other opportunities were available to local men and women and sufficient training was provided, and to ensure that the market and export infrastructure allowed for fish and livestock export opportunities as well as fresh produce, then economic benefits and relationships could all be improved, further strengthening local peace.

### Detailed planning

Once the project analysis has been done, pathways through which to achieve the peaceful prosperity outcomes are defined. This has to involve all stakeholders to ensure buy-in, but also so the plans take sufficient account of their interests.

### Implementation, adaptation and evaluation

The project is implemented, with continuous participatory monitoring to ensure that assumptions about the political economy were sound, and that the intended outcomes for peace *and* economic development are being achieved as planned. Where necessary, as results unfold, plans need to be adapted, so mechanisms for this need to be included. Lessons learned also need to be shared so they can be taken into account in other projects and policies. By engaging a wide variety of stakeholders in such review exercises – politicians, communities, women and men, media, etc. – the idea of building ‘peace with prosperity’ also gains practical, popular and political currency.

## 5.2 Practical illustrations

In this section, we explore the framework and its implications from the perspective of different change agents in turn: governments, businesses, NGOs, international development institutions and international policy-makers.

### 5.2.1 Governments

Governments and other public institutions in fragile contexts largely define the formal policy environment and as such have a responsibility to maximise conditions for peace and economic development. All governments face constraints in this, and particularly in fragile contexts where conditions are by definition constraining to both economic development and peace. Governments have an incentive to favour and be held accountable by particular segments of society, and it may not be in their short-term interests or even their power to maintain progress towards sustainable peace. So civil society and other voices working for change have an important role to play advocating for economic policies that meet the needs of peace.

But ultimately, governments create the laws, policies, budgets and many of the implementation arrangements that are necessary for peaceful prosperity. Political leaders need to clarify the link between the economy and peace as part of their political mandate, and make sure those responsible for economic development – and donor agencies providing assistance – are clear about the need to integrate peacebuilding, and to work closely with other parts of government and other players, to do so.

- **Political economy:** Integrating peacebuilding into economic development needs leadership in government, not least because of tensions between economic interests and some of the policies most likely to promote sustained peace. Potential spoilers must be neutralised or kept on side as reforms are being enacted. Coalitions are important in this respect. Promoting ‘growth coalitions’ between national and local governments and businesses can be a smart way to bring different interests and institutions together.<sup>18</sup> The 2015 presidential election in Sri Lanka provides an example of politicians from different factions creating a coalition and mobilising voters to oust a president who, by consolidating the reins of so much political and economic power in the hands of his faction, risked undermining the fragile peace. It remains to be seen how cohesive that coalition will be. When Somali livestock exports to Saudi Arabia were banned by Riyadh, the incidence of piracy mushroomed, and then reduced markedly when the ban was lifted. This was because Somali clan leaders who benefit from informal licensing and taxation of livestock exports took steps to stop piracy, as it disrupts this beneficial trade and thus undermines their interests.<sup>19</sup>

<sup>18</sup> A. Fineberg, Promoting sustainable local economic development for all areas: Looking forward or looking back?, *Local Economy*, 28(7–8), 2013, pp.914–920

<sup>19</sup> A. Shortland and F. Varese, The protector’s choice: An application of protection theory to Somali piracy, *British Journal of Criminology*, 54(5), 2014, pp.741–764

- **The make-up of the economy:** Governments can shape the policy environment to encourage the kinds of investments and business developments with the greatest potential to contribute to sustained peace. This may mean taking a far-sighted view. Rwanda's government assessed that economic dependence on small farms, poor soils and limited consumer markets was undermining resilience to the demographic and social pressures that had contributed to the genocide. Its response included joining the East African Community to enlarge its markets, modernising its agricultural sector and developing the information technology sector through specialised training and infrastructure: all this requiring a large, sustained investment and designed with the twin aims of improving the economy *and* reducing tensions.
- **Human capital:** Governments run or regulate education establishments, and have influence over the subjects taught and the ideology that the curriculum reinforces. The Rwanda example from the previous paragraph also applies here: the government there is consciously capitalising the next generation, so graduates are well positioned to enter the technology sector and contribute to economic and social progress.
- **Relationships:** Governments negotiate international trade and access agreements that improve relationships and permit peaceful economic development. Good governance includes fostering peaceful social relations or at least enforcing non-violence between citizens. In Ecuador, which has a history of conflicts around commercial investments, the government created a special department to mediate relationships between mining and agribusiness companies and communities. The International Council on Mining and Metals (ICMM) and Alert report an anonymised case where a South American provincial government convened dialogue, allowing community members, national agencies and a mining company to explore and reach an agreement over water use. Those involved cited the government's role and the extended nature of the dialogue as critical in helping economic development contribute to peaceful relations.<sup>20</sup>
- **Rule of law:** Despite the presence of informal justice mechanisms in fragile contexts, governments strongly influence how justice is provided, through their laws and courts. Historians have demonstrated that, in some mature democracies, the generalised rule of law evolved from an initial emphasis on predictability in property and other economically important laws, as this was in the interests of the property-owning elite.<sup>21</sup> Over time, the rule of law expanded to include more people and more issues. So, by ensuring that the justice system is as fair, predictable and accessible as possible on the economic and commercial matters in which they often have a personal as well as political interest, governments can not only help underpin dynamic and resilient economic development, they also potentially lay the foundations for a more general application of the rule of law.<sup>22</sup>
- **Security:** Governments are responsible for ensuring the safety of citizens and their goods and transactions. They must ensure that security provision is unbiased, so those with the capacity to do so are not prevented from engaging in economic activity. When state security forces are deployed to protect economically important projects and resources – public infrastructure, commercial interests – they should do so fairly, respecting human rights. Governments regulate private security providers, and in doing so can insist on approaches that avoid undermining human insecurity and that reinforce the norm that human security is more important than economic growth.
- **Infrastructure:** Governments should maintain a balance between large, attractive investments with a high potential return accruing to a particular region or to particularly powerful interests, and the need to promote economic development more widely in the interests of peace. Even as the roads, railways or ports needed to exploit economic comparative advantages are built, the infrastructure servicing regions with a comparative advantage for peace must also be developed. They can also ensure public and private infrastructure is designed and built with enough consultation and popular participation: this improves effectiveness and sustainability, and also inculcates habits of public participation and good governance more broadly.

20 ICMM and International Alert, Learning from company-community conflicts: Understanding practical dilemmas, Workshop Report, Santiago, 27–28 November 2014, <http://www.icmm.com/document/8512>

21 D. C. North, J. J. Wallis and B. R. Weingast, 2009, Op. cit.

22 P. Vernon and D. Baksh, Working with the grain to change the grain: Looking beyond the Millennium Development Goals, London: International Alert, 2010

- **Land and capital:** Governments help define land tenure arrangements and must try to manage the tensions between competing sets of rules in ‘hybrid’ contexts, where their own rules and power are mingled with traditional or non-formal institutions and practices, and non-governmental nodes of power.<sup>23</sup> Promoting good economic development through improved land use is part of a government’s role, but governments must also ensure investors do not unfairly or forcibly purchase or take over land, undermining peace. In Northern Uganda, where a long-running civil war was partly about access to land, the government is promoting agricultural modernisation that means, among other things, increased mechanisation and consolidation of landholdings. But district governments are finding it hard to manage the conflicts that have arisen between powerful individuals and enterprises wanting to establish large mechanised farms and local farmers who are uncertain about their tenure rights.<sup>24</sup>

### Shadow economies in the Philippines – security as a ‘lever of change’

The Philippines government signed the Comprehensive Agreement on the Bangsamoro (CAB) with the Moro Islamic Liberation Front (MILF) in 2014, realising the promise of a political settlement after four decades of civil war in the southern region of Mindanao. An important aspect of the CAB is to ensure that decent livelihoods are widely available, and that the economy develops in a way that supports and enhances the peace settlement.

Mindanao’s political economy is dominated by an interlocking web of ethnic, clan and rebel identities, and their associated patronage networks, set behind a façade of formal democracy and politico-military control. A significant proportion of the economy comprises illicit or semi-illicit (shadow) sectors including drugs, guns, kidnapping, smuggling and opaque land deals. These are beyond the formal reach and control of the state and are ‘regulated’ and controlled by those who hold power in the political economy: political elites, clan leaders, rebel groups and criminal gangs.

These shadowy economic sectors are important factors for stability or conflict.<sup>25</sup> The government has an interest in improving the prospects for peace by diversifying the economy, while legitimising a new set of rules and leadership structures during the fragile transition. A more open, transparent and licit economy is ultimately good for peace, but the process of change needs to be managed with great care, to avoid alienating powerful interests who could destabilise the peace in a context of widespread poverty, inadequate formal governance, and competition over land and economic opportunities. The shadow economy has developed over many years, providing rents, profits and livelihoods for many, and will likely resist change given the way incentives and interests combine when viewed through the political economy lens.

The government’s challenge, as enunciated by the Office of the Presidential Advisor on the Peace Process, is to “embed the issue of Mindanao’s shadow economies in the ... peace negotiations”.<sup>26</sup> How can this come about?

The government and the MILF have agreed to increase the development budget, share natural resources revenue and establish a regional parliament to create policies and programmes to support economic growth and secure the peace. One unresolved concern is how to demobilise rebel forces and decommission their weapons.

Current plans for this, while responsive to the need to curb rebellion-linked violence, fail to address the issue of weapons proliferation and other forms of violence. Many guns are in the hands of shadow authorities such as warlord clans, private armed groups and criminal gangs. Indeed, easy access to weapons helps them to provide welfare, protection and economic opportunity in communities.

So policy analysts are suggesting addressing the decommissioning of ex-rebels’ weapons as part of the more generalised problem of weapons proliferation – a phenomenon that is intimately linked to the economic status quo and could be an obstacle to open economic development. Given the central government’s limited power, this would entail reforming rules for gun ownership more broadly and developing community-led gun control programmes where people assess the level of their security and undertake collective actions to prevent the eruption of violence and reduce the use of illicit weapons over a longer timeframe.

A wider approach is crucial if the decommissioning of rebel weapons is to succeed. There is no use preventing former combatants from keeping their weapons if they return to their communities where everyone else is fully armed. This will undermine peace and economic development.

23 M. van Leeuwen and G. van der Haar, *Land governance as an avenue for local state building in eastern DRC*, Occasional Paper No. 7, IS Academy Human Security in Fragile States, 2014

24 International Alert, *Internal report*, 2014

25 F. Lara, Jr. and S. Schoofs (eds.), 2013, *Op. cit.*

26 *Ibid*

## 5.2.2 Businesses

Businesses, large and small, are critical to the economy. They drive growth and provide jobs, shape the way the economy evolves and promote economic behaviours, which are either more or less peaceful. As already discussed, it is increasingly understood among businesses of all sizes that they should go beyond seeking a ‘social licence to operate’ and make a conscious social contribution to shared value.<sup>27</sup> Understandably though, they usually do not see building peace as part of their mandate, unless their business model is tailored so they profit significantly more from peace than from conflict.

Business incumbents often favour the status quo that has served them well – even if in principle peace could be better for profitability over the longer term. Even when they see their own business benefiting from a transformed environment, they may find it hard to break ranks with others to support the transformation. One senior businessman interviewed in Uganda said he would be in favour of reduced government corruption and felt his business would thrive in a more competitive environment for contracts, but he could not join any anti-corruption campaign for fear of being cut out of the market. This is why business *networks* or associations sometimes have a comparative advantage over individual businesses in advocating for changes that would underpin peaceful prosperity.

- **Political economy** Successful businesses are beneficiaries of and power holders within the local, national or international political economy. As explained above, paradoxically this can disempower them from initiating change. Nevertheless, they can use their access and influence to promote investment in peace when it is in their interests. Senior business leaders with high-level government access in the Philippines have come together to provide the government with advice on bringing the country’s long-running civil wars to a sustainable close.<sup>28</sup> A similar group influenced senior politicians in Kenya in 2013 to help avoid election violence.<sup>29</sup> Many international extractive companies engage with the Extractive Industries Transparency Initiative (EITI) in countries where they operate, as a way to improve transparency and citizen accountability. Resources company BHP Billiton recently published its transparency principles, which make an explicit link between transparent public reporting of its tax and royalty payments, and improving governance more broadly as a public good in the societies where it operates.<sup>30</sup> Local and international companies and their networks can do even more: for example, lobbying for the taxes they pay to be used for peace-promoting purposes and using their access to public platforms to keep sustainable peace on the agenda locally, nationally and internationally. Large, disruptive investment projects being implemented in fragile contexts create opportunities to practise and model participatory consultation processes. The government of Myanmar has worked with Alert and local organisations over the past two years to run participatory consultation processes in designing its Special Economic Zones. This approach can lead to twin outcomes: a better project more likely to succeed and a sense of ‘democratic’ participation in a country with little history of that.<sup>31</sup> It fits the change management approach summarised in Figure 4, by broadening participation, keeping incumbents happy and seeding the opportunity for further change.
- **The make-up of the economy:** Banks and entrepreneurs can explicitly identify opportunities to open up new economic activities, which diversify the economy, thus making it more resilient to shocks, and including sectors and geographic areas that provide jobs and economic opportunities to those who might not otherwise have them. Banking rules in Peru – a highly conflicted society – require businesses seeking loans to complete a social impact study as part

27 J. R. Owen and D. Kemp, *Social licence and mining: A critical perspective*, *Resources Policy*, 38(1), 2013, pp.29–35

28 International Alert, Internal communication

29 V. Odundo Owuor and S. Wisor, *The role of Kenya’s private sector in peacebuilding: The case of the 2013 election cycle*, Denver, CO: One Earth Future, 2014

30 BHP Billiton, *Transparency principles*, <http://www.bhpbilliton.com/home/society/operatingwithintegrity/Pages/BHP-Billiton-Revenue-Transparency-Principles.aspx>, accessed 28 April 2015

31 International Alert, 2014, *Op. cit.*

of their loans process, including conflict mapping, to ensure projects contribute to shared value in society as well as commercial gain. This does not mean they abandon commercial decision-making, simply that they should add social issues to their criteria.

- **Human capital:** Businesses provide learning opportunities, and often support local schools and other educational institutions as part of their formal or informal CSR programmes. Local entrepreneurs often get involved as role models and to help with school governance. Businesses requiring particular skills invest in training local people as potential employees and contractors – including in business management – so local communities benefit. The formal disciplines and culture of modern businesses often differ from informal, sometimes clientelist approaches in their operating environment, and can thus create a model of alternative, sometimes more effective and fairer approaches, the kind needed for peace. These values can ‘leak’ out through the business gates.<sup>32</sup> Larger businesses can also help with wider economic planning in their operational areas. A recent ICMM/Alert report described how a mining company supported the establishment of a multi-stakeholder forum to explore alternative livelihoods for land-poor communities in its area of operation as a contribution to local stability.<sup>33</sup>
- **Relationships:** Trade can strengthen relationships. In Uganda, the Lord’s Resistance Army (LRA) – a rebel army associated with the Acholi tribe – attacked Lira town. Many people in Lira, predominantly from the Langi tribe, boycotted Acholi-owned businesses. Commerce stagnated, and it was Langi and Acholi business leaders who resolved matters when they reached out to reopen trade relations.<sup>34</sup> The study *Local Business, Local Peace* gives examples of employers consciously integrating staff from different ethnic or religious identities at work in contexts of mutual mistrust outside, as a contribution to improved harmony and economic success, e.g. in the Philippines.<sup>35</sup> In Sri Lanka, Uganda, South Caucasus and Nepal, chambers of commerce and other business networks have lobbied for improved relationships across conflict divisions, or for improved, fair local justice and security conditions benefiting businesses and local people. Last year in Colombia, over 120 businesses, including some of the most famous international brands, launched a *#Soy Capaz* (“#I can”) peace campaign aimed at reinforcing the formal peace process, using symbols of togetherness linked to their products such as “I can ... wear my enemy’s shoes” and “I can ... buy him a drink”.<sup>36</sup>
- **Rule of law:** As explained earlier, historically, the establishment of predictable rule of law for economic cases – especially for the elite – has often preceded its development in criminal justice. Businesses that take the formal, legal route to resolving business disputes are thus potentially contributing to and strengthening the culture of doing so; reinforcing a key component of peace and laying the foundations of a fairer rule of law in all domains. Businesses can also contribute to improving justice mechanisms more specifically, when it is in their interests to do so. In Colombia the rebel group *Ejército de Liberación Nacional* (National Liberation Army, ELN) attacked oil pipelines in the 1980s and 1990s to extort money from oil companies. When the latter tried to deal with this through the justice system, they found it corrupted. So they collaborated with the central government’s establishment of a parallel, independent justice task force, contributing to a drop in ELN attacks on the pipeline and the local population.<sup>37</sup>
- **Security:** All businesses can contribute to improved human security by ensuring their own guards, other guards they hire as contractors or government security services with which they collaborate follow human rights norms. They can go further, making improved local, human security a specific part of their own planning, thus designing their projects and practices accordingly. This might be quite simple: subsidising a vehicle to help local police respond to violent incidents more quickly or improving the mobile phone signal in remote areas. In all cases, it is important that businesses put proper safeguarding mechanisms, training and accountability at the heart of their initiatives.

32 Personal communications from staff of several international companies

33 ICMM and International Alert, 2014, Op. cit.

34 J. Banfield, *Mobilising the Ugandan business community for peace*, London: International Alert, 2006

35 J. Banfield, C. Gündüz and N. Killick (eds.), 2006, Op. cit.

36 ‘Soy capaz’, una campaña para ponerse en los pantalones del otro [‘I can’, a campaign to put oneself in another person’s position], *El Tiempo*, 8 September 2014, <http://www.eltiempo.com/colombia/otras-ciudades/camapana-de-reconciliacion-soy-capaz/14499875>

37 Personal communication with some of those involved

- **Infrastructure:** Businesses involved in building infrastructure can try to do so in ways that are conducive to peace, for example, by ensuring that communities are involved in discussions about the location of infrastructure and approaches to construction work. Businesses often require and benefit from infrastructure, whether they invest in it themselves or lobby government to provide it from public funds. Either way, they are likely to have an influence over the design and specifications, and in so doing can make sure they integrate peacebuilding criteria such as ensuring people's safety and economic participation opportunities, alongside their more obvious business goals.
- **Land and capital:** The economy in fragile contexts is often dependent on land and natural resources. Farmers and businesses need to acquire land or work with those who do. They must make sure their access to land is acquired fairly and in ways that avoid exacerbating conflict, i.e. conflict-sensitively. But they can go further, for example, use their influence to advocate for fair land acquisition practices more widely, helping prevent the unfair acquisition of land by powerful figures, and ensuring that both women and men can access land as a means of production and savings. Employers can help employees save by setting up salary deduction schemes and paying pension contributions. Banks have a commercial interest in extending their reach across conflict divisions. *Nova Banka Filijala Bijeljina*, a leading micro-finance agency in Bosnia and Herzegovina, lobbied the authorities to harmonise banking regulations and create a unified market to facilitate banking across different ethnic entities.<sup>38</sup>

#### Peace through business development in Colombia<sup>39</sup>

Any approach to social investment will touch on the triangle linking business, government and citizens. Approaches involving all three contribute to relationship building, and generate shared responsibility, ownership and accountability. They do not always work straight away.

Some years earlier, the company had facilitated a participatory planning exercise involving the local administration, community members and company representatives. This sought to align resources and project ideas between the company's social investment plans and the community's needs, while promoting co-responsibility for local development, community empowerment in decision-making and accountability. The mayor and the company publicly committed funds for infrastructure projects.

However, the initial enthusiasm waned as the mayor could not keep his end of the deal. Despite the community putting pressure on him to deliver his commitments, he lacked political will to move forward – probably because of pressure from armed groups. Communities became frustrated with the lack of response and began to harass the company to deliver the infrastructure alone. The projects stalled.

Several years later, a new opportunity occurred due to a change in the local administration. The company management was unwilling, wary of a repeat of the earlier frustration, but, with the community relations manager's leadership and after long internal negotiations, it agreed to try again. More community discussions ensued.

Among the ideas was to help establish a cheese production plant. The company saw this partly as an opportunity to engage with multiple stakeholders in developing the project, to build mutual trust. But it was economically viable, with expected knock-on effects on local investment in more productive cattle farming, and incentives for improving soil management and conservation. Both local government and the company provided some of the start-up funds. The local government had to apply for its investment funds from central government, but lacked the capacity to do so. So the company partnered with a university to train local government staff on how to design and formulate social investment projects.

Through this project, both company and local government aim to touch all four of the peace-conducive economy outcomes shown in Figure 3. The construction and operation of the production plant aims to create decent employment opportunities, livelihoods and capital for local residents, as well as affordable dairy products for the market. Higher incomes for cattle owners allow them to intensify their husbandry and conserve their land, and the project is economically and socially sustainable as it fits genuine market needs and opportunities and local interest. For local government, the project is a source of revenue through taxes for which it does not have to apply from central government, and may help attract further investment into the area. Local residents benefiting from the project

38 J. Banfield, C. Gündüz and N. Killick (eds.), 2006, Op. cit.

39 This is a genuine case study, which has been anonymised.



economically increase their resilience to the depredations of armed groups.

The success in achieving these outcomes involves acting upon at least five of the seven levers of change:

- affecting the make-up of the local economy by deepening the dairy value chain, through the cheese plant and its local supply chain;
- strengthening human capital by providing training to local government staff and to those who will use or benefit from the plant in entrepreneurial and technical aspects of dairy production;
- strengthening relations between the company, local government and the community;
- creating infrastructure necessary for local development and the region more broadly; and
- injecting capital and resources, and making a more productive use of the land.

### 5.2.3 Civil society organisations

CSOs help shape the development of any society: through service delivery and protection of the vulnerable, analysis and advocacy, collective action, and holding government and the powerful to account. These roles matter hugely in fragile contexts, where state services are often underprovided, where politics tend to be as much about access to power as about socio-economic analysis and policy, and where popular systems for holding the government and powerful interests to account are thin. NGOs also support grassroots economic development, through small enterprise development, savings and loans, cooperatives, etc. Bringing an independent perspective as well as specialised tools and methods such as analysis, mediation, monitoring, advocacy, witnessing, dialogue, solidarity and training to the table, CSOs operating locally, nationally and internationally can help ensure that economic development is defined and done in ways that build peace.

- **Political economy:** CSOs can counterbalance political and business interests, and in the absence of fully incorporated political institutions can bring aspects of economic development to their attention that they might otherwise miss. Disinterested CSOs can also undertake political economy analysis to improve others' understanding of the space for change, and use this in advocacy to help keep potential spoilers onside with peace and economic development processes. For example, Alert has helped parliamentarians in São Tomé e Príncipe and Uganda to frame oil legislation so their governments can be held accountable in their regulation of the oil industry and use of royalties. Pole Institute, a CSO based in DRC, published research and advocated for provincial and national government and the international community to improve regulation and oversight of commercial activities that interact with the political economy in ways that reinforce conflict and violence: for example, on the way the minerals trade intersects with 'informal tax' systems.<sup>40</sup>
- **The make-up of the economy:** The research and analysis of think tanks, academia and CSOs helps show governments, businesses and other economic actors how to maximise the peace dividend through economic development. Research led by Alert on how the shadow economies of Mindanao interact with peace and conflict, referred to in section 5.2.1, is an example of this.<sup>41</sup> The Pole Institute explains in a recent report how coffee growing could contribute more effectively to peaceful prosperity in Rwanda and DRC, and is promoting value chain improvements to enhance coffee quality and revenue, partly through better collaboration and relations across DRC's eastern borders.<sup>42</sup> There are many instances of CSOs supporting small local businesses as a way to improve resilience in fragile countries: to take one example, CARE provided support in conflict-affected northern Uganda to micro-enterprises and small farmers, helping them with business planning, product analysis and marketing.<sup>43</sup>

40 A. Tegera and D. Johnson, *Rules for sale: Formal and informal cross-border trade in Eastern DRC*, Goma: Pole Institute, 2007

41 F. Lara, Jr. and S. Schoofs (eds.), 2013, *Op. cit.*

42 A. Tegera, J-P. Kabirigi and O. Sematumba (eds.), *La caféiculture et son incidence sur la transformation des conflits [Coffee cultivation and its impact on conflict transformation]*, Goma: Pole Institute, 2014

43 Personal communication with those involved

- **Human capital:** NGOs provide education and training, including general awareness raising on economic concepts and techniques, and are well placed to ensure that these link peace and economic development. Ex-combatants are frequently trained by CSOs under contract to governments and international agencies in economic/business and life skills as part of the same package, under disarmament, demobilisation and reintegration (DDR) schemes. DDR programmes have justly been criticised for being poorly tailored to the needs of the ex-combatant,<sup>44</sup> society and the market. Nevertheless, *with the right resources and as part of a well-conceived overall policy*, CSOs should be more effective than other service providers at dealing with the reintegration of ex-combatants as individuals with specific needs, for example, the different needs and economic opportunities of men and women.
- **Relationships:** Many CSOs have the dialogue, training and awareness-raising capacity to help build functional relationships between economic actors and other stakeholders. In Uganda, CSOs have bridged the communications gap between local government, community members and oil companies who were drilling in the Albertine Rift Valley, helping to reduce the misunderstandings and conflicts that were developing on all sides and smooth the process of developing an oil sector with the capacity to contribute significantly to local and national incomes and fiscal revenues – and peace.<sup>45</sup>
- **Rule of law:** Inevitably, economic development projects lead to disputes, even violent disputes, usually over access to resources, and CSOs can support people who lack the knowledge and resources to fight back through the courts and ensure that any wrongs are redressed or at least mitigated by the payment of correct compensation. Ugandan organisation Advocates Coalition for Development and Environment has supported communities and local governments with legal and public lobbying expertise to lead advocacy – including court cases – to prevent large agribusiness economic projects going ahead that risked undermining relations in society, and between citizens and state.<sup>46</sup> CSOs implementing paralegal projects can provide legal advice to small businesses to help defend their rights.
- **Security:** CSOs have advised businesses and governments about how to ensure the security of their enterprises and infrastructure without alienating and harming adjacent communities. Alert has played this role in a number of countries, leading to non-violent security provision around company assets and better communication with communities based on improved mutual understanding of circumstances and needs.
- **Infrastructure:** CSO involvement in infrastructure development includes analysis and advocacy. CSOs can facilitate multi-stakeholder dialogue to ensure that infrastructure is designed and implemented to maximise shared peace dividends. In DRC, local and international CSOs working together have facilitated discussions and community decision-making on local infrastructure projects to ensure they are peace-conducive.<sup>47</sup> And, on a much bigger scale in Myanmar, as mentioned above, CSOs have worked with the authorities to broker dialogue with stakeholders likely to be affected by major economic infrastructure projects.
- **Land and capital:** CSOs often provide economic services especially micro-credit and micro-savings to poorer households and communities, and particularly to women's groups. This helps finance small business investment and smooth out lumpy income and expenditure flows, which are essential to increasing conflict resilience and lessening marginalised families' dependence on local elites for expensive loans. CSOs' facilitation and dialogue skills help deal with conflicts over land. Alert and partner CSOs in the Philippines have supported indigenous communities, settler communities, the government and mining companies to map and plan fairer and clearer access to land in areas where it has been a source of conflict.<sup>48</sup>

44 J. Schulhofer-Wohl and N. Sambanis, *Disarmament, demobilisation and reintegration programs: An assessment*, Stockholm: Folke Bernadotte Academy Publications, 2010

45 International Alert, Internal report

46 B. Twesigye, *Lessons from citizen activism in Uganda: Saving Mabira Forest*, Occasional Papers Series No 7, Johannesburg: South African Institute of International Affairs, 2008

47 Management Systems International, *Rebuilding eastern Congo at the community level*, <http://www.msiworldwide.com/project/rebuilding-eastern-congo-at-the-community-level/>, accessed 20 April 2015

48 International Alert, Internal report

### Cross-border trade

Women traders conduct 75% of the small-scale commerce across the eastern border of DRC. For many years, their trade has been hampered by lack of access to credit and markets, and predatory behaviour by border officials, especially on the Congolese side, who harass traders and demand illegal payments. Alert has been working since 2009 to improve cross-border relations and social sustainability, supporting traders through their cooperatives and associations, and working with border agencies to build better relations with traders, and improve revenue collection and border governance.

This has entailed a combination of training for traders on how to manage a business, support for organisational development and registration of traders' cooperatives and associations, training for border officials on gender-sensitivity and good border management practices, and facilitating dialogue between traders and border officials from both sides of the border.

Interim project results as noted in an independent evaluation in 2013 were that mutual understanding and relations between traders across the border had greatly improved and two-thirds of traders interviewed reported reduced harassment by border officials. They also reported feeling more confident and secure as they conduct their business, as well as an improved climate of trust at the border crossings. They have become more confident in demanding that their rights be respected and collaborate more freely with one another, providing credit and devising common strategies to deal with emerging problems. As one Congolese trader Maman Bahati said: "There is real reciprocity between us. The Rwandan traders need us like we need them. When you have been clients for a long time, you become sisters. Over there in Rwanda they say 'Turi kumwe' – we are one." Traders have also gained better business skills and knowledge, such as when to save, buy or sell stock, thus increasing their ability to switch to goods with higher profit margins.

One example of how this has empowered some of the traders: last year, a trader was held at the border with bread bought in Burundi. The president of one of their associations was informed. She went to the border with a group of 15 women, enquired about what happened and then went to the local administrator in Uvira to convince him about the unfairness of the young bread trader's arrest. She emphasised that the bread had been confiscated and the trader imprisoned without legal grounds. (It was later alleged that a baker in Uvira, fearing competition from imported bread, had persuaded border officials to stop the trader from bringing bread into the country.) Her case convinced the administrator to intervene, and he ordered the trader to be released and the merchandise restored.

In this project, the 'levers of change' of relationships, capital and rule of law are being addressed, leading to increased incomes and livelihoods, capital and social sustainability.

## 5.2.4 International development institutions and donors

International donors and development organisations, which provide funds, knowledge and services in support of economic development in fragile and conflict-affected countries, are in an important position to integrate peace into their programmes. Not only do they provide resources to catalyse economic development, they are also formal and informal disseminators of economic development norms. The Washington Consensus is no longer as impregnable as it once seemed. Nevertheless, the programming implemented by international financial institutions (IFIs) and other donors remains very much focused through an ideologically liberal, private sector-led growth lens. Despite great advances in *thinking* about how to work effectively in fragile contexts and the adoption of conflict analysis in some country programmes, these institutions are still far from integrating peacebuilding routinely into their mandates, analysis and economic programming. DFID produced a new policy on supporting economic development in 2014. It mentions the need for economic development to increase resilience to conflict and particularly the need for natural resources to be well managed, but is practically silent on how this would be achieved, despite the department's ongoing commitment to spend 30% of its assistance in fragile contexts and £1.8 billion annually in direct expenditure on economic development, indicating a large presumed overlap between them.<sup>49</sup>

<sup>49</sup> DFID, *Economic development strategy for shared prosperity and poverty reduction: A strategic framework*, London: DFID, 2014

Even though the influential 2011 WDR,<sup>50</sup> with its focus on the links between conflict, security and development, highlighted the importance of jobs as a critical building block of peace, we could not find any examples of international agencies helping create jobs in sufficient numbers to make enough of a difference in any fragile country. A 2014 report that reviewed attempts to support job creation in conflict-affected countries in West Africa found their impact was minimal, despite the report's own analysis linking youth unemployment with violent conflict.<sup>51</sup> This disconnect seems to be a common phenomenon, despite the WDR's clear guidance. More generally, multilateral and bilateral donors provide few examples of integrating peacebuilding objectives effectively *at the heart* of their economic recovery and development programming. Their economists and peacebuilding specialists have not yet found a common ground.

- **Political economy:** International development institutions' comparative advantage in fragile contexts is their engagement with governments, to which they provide funds and policy advice, and for which they set loan conditions. Thus, they become entwined within the political economy and should be in a position to influence it. Paradoxically, as with powerful national political and economic interests, their very entanglement coupled with their outsider status can make it hard for them to exercise as much influence on underlying factors as their 'buying power' might suggest. They are pigeonholed as 'financial and technical partners', the very name implying they have no political role. To overcome this barrier to engagement will require a step change in their approaches to relationships, programming and risk-taking. As documented by Alert in 2014,<sup>52</sup> there are good examples of multinational development organisations integrating peacebuilding into economic development projects and into their organisational thinking, but they are failing to do so as a matter of routine, and their leaders and shareholders/member states are not insisting they do so.
- **The make-up of the economy:** IFIs and other multilaterals are influential in advising client/beneficiary governments on macroeconomic strategies, including the right mix of sectors, the extent to which value can be added to exported raw materials prior to export and the restructuring/privatisation of state-dominated sectors. When the World Bank advised the Burundi government on restructuring its coffee sector – a major export sector and highly subject to political influence and to the competition over resources that had underlain Burundi's civil war – its analysis and proposals took account of the need to neutralise coffee production and exports as conflict drivers, and to convert them into drivers of peace.<sup>53</sup>
- **Human capital:** UN and donor agencies fund education and provide technical assistance on education policy. They can thus help link education more effectively to actual and likely economic opportunities for young people. They should also respond to the WDR's findings on the importance of jobs. This could mean stepping outside the orthodoxy of development thinking and funding 'unsustainable' programmes to create jobs in large enough numbers over 20 or more years to provide work for young people who might otherwise become alienated and radicalised for violence. Their wages would provide an economic boost and their output would include peace-promoting infrastructure development. Programmes could be linked to skills development and wage-based savings projects. They would need to be carefully designed to taper off over a period of years and minimise undermining private sector development.
- **Relationships:** UN agencies have a mandate to help build relationships between competing factions in conflict-affected countries and between neighbouring countries; and in so doing they can use economic linkages as a carrot to convince wary bedfellows to reach agreements, as well as a genuine way to bind groups and countries closer together through trade. IFIs have also adopted this mandate in the past few years. For example, since 2013 the World Bank

50 World Bank, 2011, Op. cit.

51 S. Batmanglich and L. Enria, *Real jobs in fragile contexts: Reframing youth employment programming in Liberia and Sierra Leone*, London: International Alert, 2014

52 M. Stephen, *Fragile reforms: World Bank and Asian Development Bank financing in fragile and conflict-affected situations*, London: International Alert, 2014

53 I. Baghdadli, B. Harborne and T. Rajadel, *Breaking the cycle: A strategy for conflict-sensitive rural growth in Burundi*, World Bank Working Paper No. 147, Washington, DC: World Bank, 2008

has created three large regional programmes designed to improve peace through economic collaboration in the Horn of Africa,<sup>54</sup> the Great Lakes of Africa and the Sahel.

- **Rule of law:** It is difficult for international agencies to engage substantively in the workings of national criminal justice systems, especially since much justice is provided through informal or traditional mechanisms in fragile contexts. Despite international norms, justice is often seen as too sensitive for outside interference, and donor programmes have made little genuine progress in improving fairness and implementation of the rule of law in fragile contexts. National governments have a greater incentive to improve *commercial* justice, as this helps attract inward investment. Hence, it makes sense for international agencies to focus their rule of law work on this area. As explained already, improved commercial justice for elites may eventually spread to include less influential people and a wider range of issues.
- **Security:** Because people's security is enabled at least as much by their economic status – their access to sustainable income and their ability to accumulate economic assets – international development organisations whose programmes have an impact on livelihoods are contributing more to people's security than most of them realise, or take into account. They can improve this by integrating security more explicitly into their design and evaluation, which would almost certainly lead to changes in targeting (so they help improve the security of more vulnerable groups and individuals), and thus to the economic activities they promote.
- **Infrastructure:** IFIs disburse huge amounts on infrastructure projects in fragile and conflict-affected contexts, and over the past 10 years or so have begun to integrate peace analysis into their design in some countries. The ADB in Nepal and the World Bank in Sri Lanka and Kyrgyzstan have integrated positive peace analysis and peace objectives into infrastructure projects, typically using them as opportunities to improve local participation in decision-making and governance as important factors in peace. In Kyrgyzstan, the World Bank funded the rehabilitation of infrastructure that had been destroyed in inter-ethnic strife and took pains to ensure its approach contributed to healing, despite local political dynamics pulling in the opposite direction.<sup>55</sup>
- **Land and capital:** International organisations and donors have played a major role in improving access to savings and loans facilities for those excluded from the banking system through grants and technical support, and should continue to do so. They need to take care engaging on land issues, however, as these are highly specific from place to place, tend to be governed within hybrid systems and any changes are often fraught with risk to local people.

#### Dilemmas in economic transformation in northern Uganda

Civil war in northern Uganda came to an end in 2007 when the LRA left the country. Building peace would be difficult in a context of extreme poverty, ethnic mistrust and corruption, and where, in some places, two full generations had grown up in camps, dislocated from the land. In northern Uganda, 44% of people live below the income poverty line (compared with 20% for the rest of Uganda). The north produces only 8–9% of the GDP despite accounting for 25% of the population. Large parts of the north contain fertile land and a relatively low population density – a quarter of Ugandans on 42% of Uganda's land – and it has long been seen as a potential 'breadbasket'. Peace requires redressing the poverty and development differential between the north and the rest of Uganda, which some northerners interpret as proactive marginalisation of them by other groups as well as careful management of economic recovery, so it is not seen as being dominated by people from elsewhere in Uganda.<sup>56</sup>

In December 2009, DFID approved £100 million as a contribution to the Peace, Recovery and Development Plan (PRDP) for northern Uganda from 2010 to 2015. Now in its final year of implementation, the purpose of DFID's Post Conflict Development Programme (PCDP) is to create economic, social and political opportunities that improve the lives of people affected by conflict.

54 World Bank, *Supporting regional peace and development in the Horn of Africa*, Washington, DC: World Bank, 2014

55 M. Stephen, 2014, *Op. cit.*

56 This case study draws heavily on data from: *Oxford Economics, Northern Uganda economic recovery analysis phase II*, Oxford, 2014

Implementation of PCDP was seriously affected by a 2012 corruption scandal in the Office of the Prime Minister. But this alone does not explain its underperformance. Unrealistic programme design with overly ambitious milestones, weak partner capacity and poor coordination, and a lack of complementarity among the 22 different projects funded under it all conspired against the PCDP meeting its targets.<sup>57</sup>

A peace and conflict monitoring report of the project in 2012,<sup>58</sup> before the corruption scandal, showed that 68.8% of the respondents surveyed had confidence in sustained peace and security in their communities in northern Uganda. This was mainly attributed to increased presence of security agencies and the absence of war. But less than 45% of the surveyed population reported that they had access to economic peace dividends. A heavy investment in revitalising the private sector and job creation had not had a significant impact. Respondents attributed this to inappropriately designed interventions that did not take into consideration the constraints of transition from conflict (including many years of aid dependency) to long-term development.

In line with these findings, a 2011 mid-term review of the PRDP recommended greater attention be paid to economic development as a component of peace. DFID sponsored further research and a report published in 2014 set out in stark terms the scale of the challenge of promoting inclusive economic development in the region.<sup>59</sup> According to its most aggressive assumptions for inclusive real economic growth at 9.3% per year – its “Transformative Scenario” – the number of people living in poverty would remain the same by 2040 and would still represent a far higher proportion than in the rest of Uganda. Even this disappointing scenario is heroic, assuming two million additional jobs being created across all sectors compared with the “Business as Usual” scenario, and such growth would have to “outperform all national economies in the region...grow faster than many of the world’s economies ever attained, and sustain this growth for much longer than several of the world’s most famous miracle growth episodes”. All this would require a major effort to address structural obstacles, from the tax system, through to infrastructure, land tenure, financial services, attitudes and skills. And even then, the PRDP’s goal of equalising poverty rates – seen as critical for peace – would remain out of reach.

DFID, along with the government and other partners, is currently considering its response to this stark analysis. One option under discussion is to support commercial agribusiness through business financing in collaboration with banks. This may improve growth but undermine social stability. The analysis illustrates very well some of the difficulties faced by economic programming linked to peacebuilding: the seemingly insurmountable scale of the challenge – even when viewed in a 25-year timeframe – and the difficulty of overcoming structural constraints, even given the comparative advantages of the ‘breadbasket’ region. It brings home the need for other, non-economic measures, even non-market-based job creation, if the identified peace dividend is to be achieved, and the problem of reconciling the need for growth with the need for the right kind of growth. If investors from other parts of Uganda, with greater access to capital and a deeper experience of entrepreneurship, were to be allowed free rein, the short-term chances of achieving something close to the “Transformative Scenario” might be improved. But that might be to the detriment of the peacebuilding objectives of local ownership and a reduced perception of ‘us and them’.

### 5.2.5 International policy/norms

International policies and norms influence economic behaviours in fragile and conflict-affected contexts, even when those economies are relatively underdeveloped and unconnected globally. From international policy on illegal drugs, through to the World Trade Organization’s (WTO’s) trade norms, international banking and money-laundering rules, to the SDGs currently being developed, global decisions can and do have an impact on the way economic development is shaped

<sup>57</sup> Republic of Uganda, *Mid-term review of the peace, recovery and development plan (PRDP) for Northern Uganda: Kampala, Republic of Uganda, 2011*, <http://www.scribd.com/doc/63970986/Mtr-Final-Report-23-June-2011-1>

<sup>58</sup> International Alert, *Monitoring the impact of the peace, recovery and development plan on peace and conflict in northern Uganda*, London, 2012

<sup>59</sup> Oxford Economics, 2014, *Op. cit.*

in fragile contexts. Nor should we forget the Peacebuilding and Statebuilding Goals (PSGs),<sup>60</sup> which were overwhelmingly endorsed by international actors at the Aid Effectiveness conference in Busan in 2011.<sup>61</sup> These articulate the need to focus priority actions in fragile countries on improvements in five critical areas: legitimate politics, inclusive economic development, justice, security, and revenue and services – and thus reflect many of the key elements of our framework for peace-conducive economic development.

- **Political economy:** Political economy is the sum of interactions between interests, incentives, values and institutions, and these are rarely confined within a single country's borders. Internationally operating incentives include the inducements offered to politicians and civil servants to engage in or allow drugs or other trafficking, or the availability of systems for investing stolen money internationally. These act on the interests not only of dishonest individuals in the country concerned, but also of individuals and/or corporations elsewhere. International banks still enable large-scale theft and laundering to the detriment of the needs and interests of citizens, for peaceful prosperity, in fragile contexts. Moves to tighten banking and money-laundering rules have made progress and need to be continued. The Kimberley Process and other policies designed to reduce the demand for 'conflict minerals' in the international market have made some small steps in improving governance of their supply. This is expected to eventually support progress towards peace by reducing the financial incentives for factions to misgovern natural resources to the detriment of human security and stability. Additionally, internationally agreed sanctions on the international economic participation of powerful individuals from fragile contexts is a tool for limiting their incentive to wage violent conflict.
- **The make-up of the economy:** While opinions differ on whether the 'liberal international peacebuilding agenda' is good for peace in the short term, there is perhaps greater agreement that, *other things being equal*, peaceful relations are in principle correlated with volumes of free and equal trade between democratic nations. The international community can do more to integrate a better understanding of the needs of peace into its norms and agreements, and in so doing pay attention to the needs of fragile countries to ensure that their economies grow in ways that maximise distribution and the development of secondary and service sectors. The needs particular to these countries have not been taken into account explicitly so far in WTO negotiation rounds – for example, maintaining the freedom to implement industrial strategies to subsidise and nurture fledgling sectors that are good for domestic peace. This could be a priority in future negotiation rounds. Meanwhile, the EU continues to hide many tariffs that undermine the competitiveness of fragile countries through various environmental standards and though its €59 billion annual subsidy to European farmers in 2014,<sup>62</sup> which distorts competitive and comparative advantage – and dwarfs the EU's 'external action' budget of €99 billion *over seven years*, from 2014 to 2020.<sup>63</sup> (*Continues on page 40.*)

<sup>60</sup> New Deal, Peacebuilding and Statebuilding Goals, <http://www.newdeal4peace.org/peacebuilding-and-statebuilding-goals/>, accessed 30 April 2015

<sup>61</sup> Busan Partnership for Effective Development Cooperation, Fourth High Level Forum on Aid Effectiveness, Busan, South Korea, 29 November to 1 December 2011

<sup>62</sup> FarmSubsidy.org, Home page, <http://farmsubsidy.openspending.org/>, accessed 28 April 2015

<sup>63</sup> J. Stratmann, *Understanding the 2014–2020 budget of the European Union: Implications for the EU's international development cooperation and financing*, London: Bond, 2015

### Using the SDGs in support of peaceful economic development

A typical feature of the political economy in fragile countries is that politics tends to be about competition for access to power, rather than about competition between ideologies or policies. Indeed, evolution from the former towards the latter is how some historians and development experts characterise improved governance.

The SDGs being debated this year are a major improvement on the MDGs, which they will replace. They are more comprehensive. And because they are more wide ranging, they will almost certainly be used in a different way: individual countries will define which SDG priorities they plan to emphasise in any given planning cycle, rather than being expected to focus on all of them. This places them as part of political discussions in fragile countries, for example, during elections, where politicians and citizens can use them to promote policy-oriented political debate.

In Table 3 on the facing page, we highlight the most evident overlaps between the current draft SDGs (the final version will be agreed on in September 2015) and our seven 'levers of change'. This shows, at a glance, that all the main features of our framework are prominent in the SDG framework. Not surprisingly, goals 1, 8 and 16 (poverty, economic development and peace) show the strongest overlap with our framework, while economic make-up, human capital, infrastructure and sustainability from our framework are most prominent in the SDGs. The important point to illustrate here is that one can weave a contextually salient political message using the global priorities contained in this grid, and thus highlight priorities for peace-conducive economic development for decision-makers.

Table 3 illustrates the *prima facie* intersections between the draft SDGs, as produced by the UN Open Working Group,<sup>64</sup> and some features of peace-conducive economic development from Alert's framework: peace and economic development as higher-level issues, along with the four outcomes, the seven levers of change and political economy, as shown in Figure 3.

To take an example, in Kenya where the national political economy is dominated by a few of the many ethnic groups there, the discovery of substantial quantities of subterranean water in the marginal, arid Turkana region offers an opportunity to improve the local economy through irrigation.<sup>65</sup> For the government and associated entrepreneurs to develop this requires capital, land and infrastructure. Given the underdeveloped situation in Turkana, members of the national political-economic elite could have a competitive advantage in obtaining land and water extraction rights cheaply, and persuading the government to invest in the market infrastructure they need. This would produce economic value, but not necessarily in a peace-conducive way. Indeed, there is every chance it would create or exacerbate conflicts locally, once the value of the land had been increased by development.

Kenyan activists for peaceful economic development might adduce their government's commitment to the SDGs in support of an argument for a different approach. With a focus on the need for jobs for local people and improved government revenue to provide improved services, they might highlight the need to diversify the economy away from extensive pastoralism, and use irrigation to produce high-quality beef and milk for consumption in urban markets in the East African Community. Linking Turkana cattle growers with Nairobi entrepreneurs, governments could incentivise both the former and the latter to participate, thus improving both economic and peace prospects.

64 UN, 2014, Op. cit.

65 J. Vivekananda, *Peace Audit: Kenya*, London: International Alert, 2015





- **Human capital:** How international norms affect human capital in fragile contexts may be less obvious. The Millennium Development Goals (MDGs) overemphasised mass primary education at the expense of secondary and tertiary education, and quantity over quality in education.<sup>66</sup> We therefore welcome that the current draft of the SDGs goes much further and includes a goal for “inclusive and equitable quality education and promotes life-long learning opportunities for all”, which is supported by targets that include technical and vocational skills and knowledge, tertiary education and entrepreneurship. The SDGs are perhaps ‘merely’ global goals, distant from the reality of people’s lives. But they will provide a reference point for politicians, technocrats and civil society in fragile contexts to use in support of policy proposals designed to contribute to sustainably peaceful economic development.<sup>67</sup>
- **Relationships:** International trade agreements can improve economic benefits and international and internal prospects for peace. They provide clarity and reduce the uncertainty that – as game theory eloquently explains – causes countries to misjudge their options and raises the risk of conflict. The retreat to protectionism unleashed by the Great Depression of 1929–33 is widely seen as having contributed to the internal and international conflicts that led to the Second World War. The WTO claims that, had individual nations retreated to protectionism as a response to the recession in 2008, up to two-thirds of world trade would have been eliminated.<sup>68</sup> In this scenario, the knock-on effects on livelihoods and internal and international conflict are easy to imagine. The option of protectionism was partly avoided by national treaty obligations under the WTO, and by the concerted actions of G22 governments and others to agree on collective approaches. The WTO’s claims may be exaggerated, but its point about the importance of international norms and cooperation for local and international peace is right.
- **Rule of law:** The international system contains a plethora of laws and rules to aid in resolving conflicts, but that are beyond the scope of this report, which is concerned with ways that economic development can integrate peace.
- **Security:** People’s security is affected by the economic activities in which they engage or which affect the circumstantial risks they run. An example which links to international policies and norms is the illegal drugs trade. The ‘war on drugs’ approach has failed, as the United Nations (UN) Global Commission on Drug Policy’s (GCDP) 2014 report explains.<sup>69</sup> Instead, it proposes a global drug regime centred on health and safety, with an end to the criminalisation and incarceration of drug users, along with targeted prevention, harm reduction and treatment strategies for users. It recommends governments regulate drug markets and adapt their enforcement strategies to target only the most violent and disruptive criminal groups, rather than punish low-level players. The drugs trade undermines stability and peace in fragile countries, thus adding an additional argument for a courageous change of approach. Changing policy towards illegal drugs is politically difficult, but this is a very effective illustration of how global policies affect people’s security in communities across the world, and of how this could be transformed if the political will were summoned.
- **Infrastructure:** Vast sums of money are being made available for carbon mitigation or adaptation to environmental change in fragile and conflict-affected countries through international frameworks managed by the UN Environment Programme, the Adaptation Fund and others. Much of this will be earmarked for infrastructure. These sums present an opportunity in fragile contexts to implement climate- and conflict-sensitive participatory planning processes, so the projects serve the triple aim of mitigation and/or adaptation, peacebuilding and economic development. To do this will require these triple objectives to be formally included in the policies of the various instruments, which is currently not the case.

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66 P. Vernon and D. Baksh, 2010, Op. cit.

67 UN, Open working group proposal for the Sustainable Development Goals, New York: UN, 2014

68 WTO, 9 The WTO can ... contribute to peace and stability, [http://www.wto.org/english/thewto\\_e/whatis\\_e/10thi09\\_e.htm](http://www.wto.org/english/thewto_e/whatis_e/10thi09_e.htm), accessed 21 February 2015

69 GCDP, Taking control: Pathways to drug policies that work, Rio de Janeiro: GCDP, 2014

- **Land and capital:** Carbon mitigation programmes include Reducing Emissions from Deforestation and Forest Degradation (REDD+; the ‘plus’ indicates adding carbon sequestration), an international programme that promotes and rewards good forest management. Some of the early consequences of the EU’s policy to mandate 20% of energy coming from renewable sources were perverse, encouraging the conversion of small farmers’ land in fragile countries from food production to biomass for this market, thus potentially undermining their resilience.<sup>70</sup> REDD+ can inject large sums of international donor money into fragile contexts where there is a potential for conservation and sequestration of carbon in forests. If done conflict-insensitively, this may cause problems as powerful interests attracted by the funds outweigh less powerful interests who make their living from the same land.<sup>71</sup> Claims are already being made that REDD+ projects have fuelled conflict in fragile contexts.<sup>72</sup> With the right participatory planning and independent monitoring, these schemes can be harnessed for peace-conducive economic development. By setting up local governance structures and national and international monitoring by civil society, thus potentially increasing the voice of the less powerful in the governance of resources in which they have an interest, these schemes can provide capital for further local economic investments.

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70 D. Carrington and S. Valentino, Biofuels boom in Africa as British firms lead rush on land for plantations, *The Guardian*, 31 May 2011, <http://www.theguardian.com/environment/2011/may/31/biofuel-plantations-africa-british-firms>

71 T. F. Dorr et al., *Missing the poorest for the trees?: REDD+ and the links between forestry, resilience and peacebuilding*, London: International Alert, 2013

72 J. Kill, *REDD: A collection of conflicts, contradictions and lies*, Montevideo: World Rainforest Movement, 2015

## 6. Conclusions and implications

Economic progress is for many people, including politicians, the most important part of development. Unlike peace and good governance, it is a readily accessible and relatively uncontroversial idea that chimes with people's ambitions.

Most people still think of peace in its negative sense, i.e. the absence of fighting or violence, rather than *positive peace*, which is the presence of relationships, institutions and other factors that allow people and societies to manage their conflicts without resorting to violence. But in conflict-affected or fragile contexts, the need for continued progress towards positive peace is axiomatic: if we can, we should surely develop the capacity to manage conflicts non-violently. So, given the predominant interest in economic development in many fragile contexts, and the known links between economic systems and behaviours and the risk of conflict and violence, it makes sense to try to integrate peacebuilding into economic development there. This means that those undertaking economic development policies, programmes and projects must take on board the needs of peacebuilding in their analysis, planning and actions. This includes politicians, civil servants, businesses, NGOs, donors and multinational agencies. This report has explained why it is important they do so and, in broad terms, how.

In our research, we did not find a framework serving this conceptual and practical purpose adequately, so we drafted one. Our claims for this are humble: it aims to simplify and bring together a complex set of issues, to integrate peace within a more familiar language of economic development, to identify a small number of generic peaceful-economy outcomes, to recognise the importance of political economy and to isolate seven 'levers of change' for programming. We believe this is a good starting point, which we recommend to economic development promoters in conflict-affected countries as a way to consider how they might include peacebuilding goals in their work.

In our framework, we have intentionally oversimplified the complex reality of peacebuilding in order to communicate our core message. In some respects, economic progress towards peace is simple. A business creates jobs, jobs improve incomes, incomes improve welfare and boost the economy, more taxes provide better services, security and governance improves, incentives for violent conflict are lessened... and so on. But it is complex, too. Economic progress does not automatically lead to peace. Indeed, some economic development can undermine peace.

Those integrating peace into economic development need to understand and deal with tensions and paradoxes. This means navigating a careful course between meeting the needs of incumbents in the political economy and opening up opportunities to others. It means getting the balance right between short-term and longer-term benefits, and between the needs of growth and participation. At times, it means balancing starkly different peace and economic development needs, as well as short-term and long-term stability needs. Pathways to peace will often be harder to argue for than economic growth, so navigating these tensions requires analytical and political skills, especially as the pathways to peace are relatively indirect and unpredictable.

The aim of this report was not to evaluate existing initiatives of governments, companies and agencies. Given the long-term and non-linear nature of peacebuilding, and the relative newness of economic peacebuilding as a field, it would have been beyond our resources to find and assess examples of successful peace-through-economic-development approaches that have stood the test of time. But one inescapable finding is that peace is not yet being integrated into enough economic development policies, programmes and projects – even when the rhetoric implies otherwise.

The concept of conflict-sensitivity is increasingly well known and being taken into account as a mitigation approach. But the levers of economic development for positive peacebuilding remain underused, beyond the simplistic notion that ‘economic development is good for peace’.

We therefore offer the following broad recommendations designed to enable economic development actors to integrate peacebuilding into their work.

- Governments, international agencies, businesses and economic development NGOs in fragile and conflict-affected countries should integrate making a contribution to peace into their formal mandates, economic policies, programmes and projects.
- To this end, they will need to identify and seize opportunities to pull the ‘levers of change’ to achieve fair opportunities for decent livelihoods and the safe accumulation of economic assets to increase government revenues for enhanced services and to ensure the sustainability of change.
- These same actors should place analysis of the political economy at the heart of planning their policies, programmes and projects.
- Practitioners should engage in more public discussion, including with academics, policy-makers and CSOs, in order to enhance the quality of what they do and ensure a wide range of stakeholders is involved, and to help shape a discourse of ‘peace through economic development’.
- Practitioners should also focus on close monitoring of implementation to ensure policies, programmes and projects are fit for the purpose of contributing to progress towards peace and prosperity in a complex and challenging political economy.
- Researchers should identify how economic interventions have had an impact on peace historically over the longer term, and tease out and share lessons for the present day.
- International and local peacebuilding experts should do more to make their expertise available to economic development promoters, and the latter should do more to engage with and learn from them in a spirit of joint enterprise and collaboration.





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