

The Role of Economic Instruments in Ending Conflict: Priorities and Constraints

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Throughout its 50 years, the International Institute for Strategic Studies (IISS) has been critically concerned with armed conflict, placing a strong emphasis on military capabilities and fundamental issues of international security, such as nuclear proliferation. Since the end of the Cold War, however, views about what constitutes 'security' have been shifting, and the IISS has moved into new areas. It was in this spirit that the IISS inaugurated a new Economics and Conflict Resolution Programme at the National Press Club, Washington DC, on 6 May 2009.

The inaugural session of the programme took the form of a roundtable discussion on the role of economic factors in war-to-peace transitions. The day provided a valuable opportunity to look back on and learn from almost 20 years of accumulated discourse and practice. A cursory glance at past experiences with peacebuilding reveals a track record distinguished by few successes and many disappointments. As Graciana del Castillo, Research Scholar and Associate Director at the Center on Capitalism and Society, Columbia University, pointed out, past performance in peacebuilding has been not only dismal but very expensive: roughly half of countries that emerge from war return to conflict; the other half become highly aid-dependent and are unable to create a viable economy. The two frequently cited success stories in Africa, Uganda and Mozambique, still receive respectively 38% and close to 20% of their GDP in foreign aid. This level of dependency is unsustainable, particularly in the current global economic climate.

One factor behind this poor record may be the regrettable neglect of economic factors in past discussion of peacebuilding and in relevant policy. This is precisely the lacuna that the new Economics and Conflict Resolution

Programme seeks to address. According to IISS Director of Editorial Alexander Nicoll, who is heading the programme, the assumption is not that wars can be ended purely through economic means, but that addressing fragile states affected by conflict requires new ways of thinking about development and security, two fields that need to be brought closer together both in academic analysis and in the formulation of policy. Robert Zoellick, President of the World Bank Group, had urged the IISS, in a speech to the Institute's Global Strategic Review conference in September 2008, to strengthen the exchange among security specialists, students of governance, development practitioners and political leaders.¹ To this end, the roundtable brought together some of the best minds from these fields. The objective for the day was to take stock of lessons learned and to identify some new and practical steps forward.

Ending Wars and Consolidating Peace

Effective engagement with countries emerging from war requires a clear understanding of the forces, networks and actors that determine the post-conflict environment. Unfortunately, academics, analysts and policymakers have too often succumbed to easy generalisations and unhelpful theoretical frameworks that have complicated rather than assisted past peacebuilding efforts. A better conceptual understanding of the transition from war to peace is needed.

Firstly, studies of particular cases of post-conflict reconstruction have demonstrated the necessity of balancing the desire to draw comparisons across cases with the recognition that each case has its distinct historical, cultural and local context. There is, in other words, a need to avoid template thinking. This injunction may

seem self-evident, yet it has stark implications for what can be learned from one peacebuilding operation and implemented usefully in another. As was noted by Mats Berdal, Professor of Security and Development at King's College London and an IISS Consulting Senior Fellow associated with this programme, there is now a growing acknowledgement that NATO's planning for Afghanistan in 2003–04 borrowed too simplistically from the Alliance's previous experience in the Balkans. Similarly, Charles Tripp has revealed how British planning for the invasion and occupation of Iraq leaned unwisely on the experience of post-Soviet transitions to democracy following the end of the Cold War.² Others will be familiar with the lessons that were drawn from Kosovo and applied to the transitional authority established in East Timor. To warn against the hazards of template thinking is not to suggest that generalisations across cases are impossible, but to stress that analysis, to be truly useful, must be sensitive to great variation in context. The key lies in recognising the importance of that unique context, seeking to understand it, and deriving broad themes and informed patterns from specific and carefully researched cases.

Secondly, past experiences and the availability of scholarship on specific conflicts should help to displace some of the artificial dichotomies and unhelpful polarisation that have marked the debate on the economic underpinnings of war. In seeking to bring out the economic aspects of civil wars, scholars have too often presented complex problems in terms of set dualities: greed versus grievance; new wars versus old wars; resource wars versus, presumably, 'normal' wars; the private sector versus the public sector. Evidence from qualitative research points to a more fluid reality, one that cannot be neatly captured by reductionist labels and easy contrapositions.³

Perhaps the most unhelpful dichotomy is the notion of war and peace as constituting two distinct phases. Rather than a clean break from violence to consensus, from repression to democracy, the transition from war to peace is better viewed as involving a realignment of political interests and a readjustment of economic strategies. Accordingly, armed conflict should not be treated simply as a violent collapse of a particular system, but also as the emergence of a new and alternative system of

power, profit and protection, one that rarely disappears with the formal end of hostilities.⁴

This new order is typically underpinned by a distinctive and highly resilient war economy, at the heart of which lies a perniciously symbiotic relationship between economic activity and violence. Understanding that relationship requires an appreciation of how the wide range of actors within and outside the conflict zone – political and military elites, economic interest groups, external players, neighbouring powers, transnational corporations, and ordinary people caught up in and dislocated by war – can develop an interest in the continuation of violence and conflict. While a conflict may seem senseless and anarchic to the outside observer, and very costly to the society as a whole, for some groups it may prove rewarding. Even those who do not have an interest in prosecuting a war will need to adapt to the socio-economic dislocation that accompanies it, in order to survive extreme circumstances. This process of adaptation and accommodation during conflict is likely to have an impact on the conflict environment itself, as well as on the shape and future perception of social and political institutions.

Berdal noted that this manner of viewing the war-to-peace transition is not only an important contribution to the academic debate, but is also highly relevant to the formulation of policy. Effective intervention in countries emerging from war requires an understanding of how the war has transformed the economic, political and social relationships on the ground, particularly at the local level. As was pointed out by Achim Wennmann, Researcher at the Centre on Conflict, Development and Peacebuilding, Graduate Institute of International and Development Studies, Geneva, even the initial aims of the combatant sides may have been transformed during the course of the war and be largely irrelevant to an eventual settlement.

This presents a serious challenge to those interested in peacebuilding. In efforts to bring peace to a war-torn country, Western policy and research have typically conceived of state failure through a mechanical lens: states collapse or fall apart and can be put back together again. As Berdal noted, this metaphor serves as a stereotyped conceptual aid and says more about conventional ways of thinking than about the realities on the ground.



An aerial view of the Unity Oil Field operated by the Greater Nile Petroleum Operating Company (GNPOC), Bentiou, Sudan, 5 November 2008. UN Photo/Tim McKulka

Indeed, complete collapse into anarchy is rare, as alternative systems of coping, even of governance, emerge that are built around bonds of loyalty, trust and mutual interest at the local level. While these systems represent forms of adaptation to extreme circumstances, and typically have violence built into them, they also have deep historical and cultural roots. Trying to understand these systems is a more useful starting point from which to view the problems of economic reconstruction than the notion of a post-conflict clean slate, which has often dominated the debate.

Getting in Early: Engaging with Illicit and Violent Actors During Conflict

Building on the strong continuities of the war-to-peace transition, Wennmann suggested that important economic opportunities for peacebuilding are provided *during* conflict, when the warring sides are only just initiating some form of diplomatic contact. In the 2007–08 period, 80% of all armed conflicts featured some form of dialogue or even regular peace processes; talking is thus the norm rather than the exception. These peace talks or agreements, Wennmann noted, offer a potentially crucial entry point for early intervention by development agencies and private companies: through assistance or

investment, these actors can give substance to whatever economic incentives are provided to end violence, and can thereby go some way toward shaping and meeting the expectations of the negotiating factions.

Wennmann added that changing the incentive structure of illicit economic and violent actors can be done without simply paying off rebel elites and senior commanders. In countries with natural resources, for example, warring sides may be swayed by the increased investment and revenue that these resources can bring in peacetime. Citing the example of Sudan, Wennmann suggested that one of the reasons why the Sudan People's Liberation Army (SPLA) and the government came to the negotiating table was that continuation of conflict would not allow for the full commercialisation of the country's oil resources. Peace can, in other words, be made profitable, even for groups that have benefited economically during the war. This will often require private-sector participation and ingenuity. In the case of Sudan, a private company approached all sides of the conflict and made the case for ending violence in order to draw greater profit. Though other factors were clearly involved in finalising the peace agreement, the understanding of natural resources as a driver of peace rather than war is novel and requires further examination.

More generally, successful intervention during conflict will often require engagement with perpetrators of violence or those who have benefited economically from conflict. This inevitably raises thorny ethical and practical challenges. James Cockayne, Senior Associate at the International Peace Institute, argued that to overcome these challenges it is necessary to reconceptualise the war-to-peace transition, not as 'conflict resolution' but as transformation from violent conflict to non-violent conflict, from economic predation to economic competition. It is a matter of compelling violent actors to adapt their strategy and realign their interests in a manner that is compatible with the broader war-to-peace transition, replacing violence as the means by which a livelihood is made or other socio-economic needs met.

Such engagements will often require working in selective ways with, rather than against, figures regarded as being part of organised crime. While such a pragmatic stance may raise ethical qualms, those actors who are the most capable of coercion and economic predation are also those most likely to upset a peace that does not account for their interests. Nonetheless, these engagements must be more than pragmatic; they must also be effective. As noted by Cockayne, if, as in Bosnia and Afghanistan, the central state's legitimacy is made too dependent on the continuing loyalty and effective performance of actors who are deeply entwined with the illicit economy, we may be setting that state up for corruption, illegitimacy and failure. The challenge lies in offering violent young men and the people who depend on them a pathway out of the orbit of coercive leaders and into the orbit of an effective and responsive state, while pursuing and excluding predatory leaders from the marketplace and from positions of state power, plausibly through the instruments of criminal justice. The difficulty and risk lies in discerning which individuals are potential partners for peace and which are ripe targets for law enforcement.

Helpful in this context is the ability to understand the range of political and economic interests and actors shaping the conditions on the ground. Indeed, as emphasised by Berdal, such an understanding is necessary for the identification of deeper, informal power structures, also called the 'shadow' or 'dual' state: the network of privilege and patronage where real power lies.

Susan Woodward, Professor, PhD Program in Political Science, The Graduate Center, City University of New York, made the point that this understanding must also account for illicit activity on the *international* level, carried out by companies, individuals and governments that draw financial benefit from and therefore also seek to perpetuate unstable political and economic environments. Without such an understanding, outsiders seeking to consolidate peace will grope in the dark, and their actions will often produce unintended consequences, at worst creating incentives for continued violence.

Post-Conflict Development: Some Lessons Learned

Rahul Chandran, Associate Director for Statebuilding at the Center on International Cooperation, New York University, noted that a peace agreement is not itself the end point of the peace process, and it is very likely that the economic and political basis on which such agreements are made will change and need to be revisited. One of the most immediate challenges following a peace agreement is establishing how to kick-start the national economy. Barthlomew Armah, Senior Policy Adviser, Bureau for Crisis Prevention and Recovery (BCPR), United Nations Development Programme (UNDP), made clear that at this point, the 'post-war' state and local economy are extremely vulnerable, having suffered through years of stunted growth, as well as death, destruction and displacement; a subsequent weakening of human capital; and the collapse or informalisation of institutions, which either disappear or are driven underground. The challenges of fostering economic development and enabling reconstruction in such a context are formidable.

Initially, the economic dimension of peacebuilding did not receive much attention within the UN peacekeeping institutions. As recollected by Graciana del Castillo, when peacekeeping came into its own in the early 1990s, the tendency within the UN was to delegate the issue of reconstruction to the development agencies, in particular the UNDP and the World Bank. While the peacebuilding community has since learned much, it has yet to conceive and implement a broader approach to peacebuilding, one that includes not only the rehabilitation of basic services and infrastructure but also the

creation of the micro- and macro-frameworks necessary to utilise aid to its greatest effect.

One of the more forceful lessons to emerge from recent practice concerns the effectiveness of aid. Clare Lockhart, Director of the Institute for State Effectiveness, noted that all too often the delivery of aid to states emerging from war has been counterproductive because it has either hollowed out local institutions or leeched away the capacity of both state and market institutions, rather than adding to them. The issue, Lockhart added, is not just one of better coordination between aid projects, as even the integration of several thousand small projects is unlikely to be a sufficient response to the complex challenge at hand; the whole, in other words, will not be greater than the sum of its parts. Alastair McKechnie, Director of the World Bank's Fragile and Conflict-Affected Countries Group, noted that foreign aid may not be sufficient nor even the most critical factor in working toward sustainable peace and development. A broader process of channelling and utilising sorely needed funds is required, one that takes into account and builds upon the local economic institutions and capacity of the target country.

In meeting this challenge, it has been critical to realise that reconstruction, or economic engagement in a war-torn country, cannot be viewed as what del Castillo referred to as 'development as usual'. Instead, the conditions facing a country emerging from war are in some ways akin to those seen in countries experiencing a deep financial crisis or natural disaster. On top of the extreme economic dislocation, the post-conflict environment is also intensely political, and policies will need to recognise and redress some of the causes and consequences of violence. The simultaneity of political and economic dislocation raises difficult questions regarding prioritisation and sequencing.

In a country under both economic and political duress, peace must receive priority over development. As del Castillo put it, building a macroeconomic framework is relatively easy compared to building peace, yet without the latter, the former cannot thrive. Indeed, as Lockhart made clear, the occasional presumption that markets will do better as long as the state is kept out of the way belies the high risks of rapid privatisation without the necessary legal mechanisms necessary to make this a fair process. There are two primary reasons for

this sequencing: firstly, development must be based on a sufficiently functioning and legitimate government that is able to provide the predictable business environment and legal framework necessary to attract private investment. Secondly, foreign investment in the absence of a legitimate government or strong local institutions provides a clear entry point for the 'ugly side of capitalism', such as extractive industries seeking to exploit the lack of oversight for easy profit.

Because political conditions should inform economic policy, it is likely that optimal economic strategies will have to be modified to suit local conditions. Those that are often thought of as the most effective will often be unsuitable. Del Castillo provided the instructive case of El Salvador, where the structural-adjustment policies advanced by international financial institutions worked against the dynamics of the peace process. Steven Opeitum, a Uganda Development Bank executive speaking in a personal capacity, added the example of Uganda, where adherence to the principles of the Washington Consensus was thought to have brought swift economic development but in fact benefited only a small minority of the population while leaving the rest in poverty. In El Salvador, Uganda and elsewhere, particularly through the 1990s, the push for rapid liberalisation, privatisation and the cutting of public expenditure failed to take into account the fragile political and economic climate in which these measures were to be enacted. According to Armah, who based his presentation on a recent BCPR report, a great lesson to emerge from this decade of practice is that the imperatives of macrostability may have to be sacrificed for more effective peacebuilding.⁵

None of this is to say that building the economy and the market can simply be left until later. As Lockhart emphasised, a country requires sustainable revenue to enjoy stability, security and self-sufficiency. Overlooking or holding off on the economic dimension also risks subverting the broader political endeavour. The result has often been the coalescence of a criminal mafia elite that re-infects the country's politics and economics and becomes a major driver in its relapse into conflict.

There is, in other words, a real challenge in that a post-conflict society requires both legitimate political institutions and rapid economic development, often at the same time and with quick pay-offs that can satisfy what

are often unrealistic expectations of a 'peace dividend'. One possible solution to this conundrum is to enable the capacity that may already exist on the local level and to tie these efforts to the development of a legitimate and accountable central government. This is a more gradual approach to development, one that recognises that while the ultimate goal is to hook a state up to the processes and flows of globalisation, this cannot be done without first establishing appropriate local institutions.

A number of guiding principles for how this might be done were discussed. Framing the problem as one of local market-building, Lockhart provided a list of recommendations that focused on the need to invest in vocational and higher education as a means of building a skills base; to maintain and achieve accountability and rules of the game (pending rule of law); to work toward citizen rights; and to build a middle class that could be a stakeholder in stability. Other participants offered other promising entry points for economic actors: investment in telecommunications has typically yielded impressive returns even in demanding conflict environments (given regulation and adequate investment), just as the fair and competitive channelling of public funds into local construction projects has often helped stimulate job-creation, soaking up the pool of unemployed young men while also enabling reconstruction. As Lockhart underlined, these efforts should all be geared toward building local markets, local industry and local firms.

Enabling Local Capacity: Perspectives from the Field

The need to understand the range of local actors and enable local capacity was a motif in the day's discussion. The practical complexity of this injunction was conveyed in a session dedicated to current economic experiences in conflict-affected states. The importance of the local sub-state level was reinforced, but not without some caveats.

Afghanistan

Colonel Christopher Kolenda of the US Army provided an overview of his experience commanding a US military task force in northern Kunar and eastern Nuristan provinces, Afghanistan. When Kolenda's unit arrived in late 2007, this region of northeastern Afghanistan was

host to a thriving insurgency that rejected both the central government in Kabul, perceiving it as ineffectual and predatory, and the US military presence. Development was non-existent and levels of violence high, and militants had successfully marginalised local leaders and authorities.

Kolenda focused on understanding the underlying logic of the insurgency. This meant shifting the focus away from the Taliban, which was then often seen as a monolithic military problem, to the area's severe social, political and economic dislocation, which was feeding local insurgencies and enabling their appropriation by larger militant groups. Social cohesion in this part of Afghanistan had unravelled and economic deprivation was severe; outside of subsistence farms, over 90% of military-aged men were unemployed, and barely one in ten could read or write. Insurgent activity was the most promising opportunity to earn money.

The use of aid, including funds from the Commander's Emergency Response Programme (CERP) (funds provided by the US government to operational forces to meet some civilian emergency needs), had so far failed to alter the incentives for violence in this region. Development had been contracted to outside businesses from neighbouring villages, different tribes or further afield. The local communities, meanwhile, had no real say over projects, many of which were not relevant to their needs. Some locals perceived these externally imposed projects as affronts to their honour, and they became magnets for violence. Having no ownership over the projects, the local community also had no compulsion to defend them.

Kolenda's unit devised a bottom-up approach to development that focused on the local communities and that helped change the underlying logic for violence. The approach centred on empowering traditional authority figures and linking them to the government, and on providing young men with alternatives to fighting. Given the lack of governmental reach into the area, Kolenda worked through traditional structures of governance such as village and district *shuras*, consensus-based committees bringing together elected local elders. He invested in the village elders as the most plausible alternative to radical influence, and localised development to provide economic opportunity to the



A de-mining expert detects anti-personnel land mines for clearance, Kunduz, Afghanistan, 21 October 2008. UN Photo/Jawad Jalali

young men who had been fighting as a means of making money.

When fresh CERP funds became available in summer 2007, they were distributed on the local level, with the village serving as a cornerstone of the effort. By working through *shuras*, Kolenda enabled a locally accepted means of reconciling competing interests. The *shuras* also gave the local villages and people a say over how funds were to be dispersed and who should carry out the works. Because the *shuras* had ownership and were responsible for oversight, the agreed-upon projects were in general carried out to a higher standard than those conducted by outsiders; they were also far less expensive as security-related overheads were much lower.

In the course of 15 months, 94 projects were coordinated with CERP funds, amounting to approximately \$12 million. When combined with other factors, this locally focused strategy began to alter the logic of violence. Young men were given a choice of how to make a living and most chose to contribute toward the creation rather than the destruction of their surroundings. As violence dropped and elders were given more authority, social cohesion strengthened. The security and economic effects were palpable: the price of food dropped

and it became possible to travel more freely in the area, and without road tolls. In time, American soldiers were no longer seen as threats but as partners. Accordingly, the tables soon turned on the insurgents, who were either co-opted or increasingly marginalised. When militants sought to surge 150 fighters into the area in summer 2008 to regain the initiative, the village elders tipped off the US military, which was able to counter the threat.

The approach was not entirely unproblematic. Maintaining dominance over the insurgency required routine presence, which was difficult to maintain throughout the area of operations. Where the US presence was at its weakest, results were uneven. The improvements were also inevitably fragile and there was a continued need for combat operations. Nonetheless, through dialogue, patience and confidence-building, Kolenda's unit was able to establish a new status quo that the local people were willing to defend, particularly as they themselves had been involved in making the progress happen. Central to the achievements was the use of CERP as a flexible means of disbursing funds. CERP was no panacea, but it provided the fuel necessary for the bottom-up development strategy to work.

Somalia

Local ingenuity in the absence of state control has arguably never produced results as staggering as in Somalia, which in spite of a 19-year period of war and statelessness has witnessed the emergence of fairly sophisticated forms of governance. As Ken Menkhaus, Professor of Political Science, Davidson College, illustrated in his presentation, Somalia's development sheds light on the evolution of informal power structures in the absence of central authority which – depending on one's perspective – presents both a challenge and an opportunity for peacebuilding.

The economic dimensions of Somalia's development have always been pronounced. With the overthrow of Siad Barre in 1991, the competing clans and actors in Somalia turned to large-scale looting. Food aid sent by Western donors to help the Somali civilian population became just another commodity to be seized and traded. To outsiders, the image was of pure anarchy. Yet as Menkhaus emphasised, people do not stay passive in the face of war and state collapse, but instead do whatever it takes to survive. In Somalia, particularly since the failure of the United Nations Operation in Somalia (UNOSOM) in the 1990s, such coping behaviour resulted in the emergence of informal institutions and markets. Through an amalgam of customary law, sharia law, and the influence of business people and various professional associations, a messy, loose and fluid mosaic of authorities emerged that collectively added up to something far removed from anarchy. In Menkhaus's words, southern Somalia has enjoyed a form of 'governance without government'.

A major actor in this process has been the business community. As Menkhaus explained, while UNOSOM failed in its mission to bring national peace to Somalia, it did succeed, inadvertently, in oxygenating the local market. By dropping about \$3 billion in procurement funds into the economy of Mogadishu over a two-year period, UNOSOM fed a local business community that was able to fuel an entire economy. The availability of funds and ability to profit convinced certain war merchants, who had been involved in various illicit economic activities, to shift toward more legitimate forms of commerce.

In due course, throughout the late 1990s and beyond, this activity gave rise to a business class in Somalia

that grew to be quite robust. Despite the lack of a state, Somalia now leads Africa in telecommunications, in setting up remittance companies and in the transit trade. The individuals and groups at the helm of these developments were not necessarily seeking peace, but they did want a predictable pattern of violence, as this would aid business. They were able to buy out local militias from beneath the feet of the warlords and provide them with salaries. By partnering with clan elders and local clerics, these businesses provided and contributed to a form of decentralised clan-based rule of law that served many of the functions of a state. The establishment of a proper state, meanwhile, has been avoided and, when attempted, resisted. While there is substantial interest in infrastructure, rule of law and predictable violence, the notion of a state has negative connotations of predation and control, mostly due to Somalia's history. There have therefore been many instances where the business community has sabotaged efforts at state-building even as it promotes public order on the neighbourhood and regional levels.

The analytical implications of this case study are manifold. Is the form of sub-state governance that has evolved in Somalia an impediment to state-building, or a foundation for it? There is a danger that the statelessness is cemented, which presents a problem for the West and for the state-based system of international relations. On the other hand, seeking to disentangle the local and sub-state networks that have evolved organically would appear unwise unless a viable and accepted alternative can be provided. One possible outcome suggested by Menkhaus is the notion of a 'mediated state': a weak central state allowed by stronger sub-state actors to carry out the core economic and essential functions that only it can perform. This mediated state may bring about a measure of stability and fit within the international state system, but the order it provides will necessarily be messy, fluid, illiberal and patchy, posing several problems for the Western state-building agenda.

Uganda

Steven Opeitum gave a presentation on the political and economic situation in Uganda, thereby providing a countervailing example of development conducted through and by a strong local state, in this case one marked by over two decades of continuous rule by the

same man, Yoweri Museveni. As Opeitum explained, when Museveni first gained power in 1986, he tried to implement 'home-made' economic policies that ran counter to the conventional wisdom of the IMF and the World Bank. When these policies failed to achieve their intended results, the government in Kampala yielded and adopted a set of measures defined by the IMF. Policies were introduced to reduce consumption, end subsidies, liberalise trade and raise interest rates at the same time that a value-added tax was implemented – measures that accorded with the Washington Consensus.

The implementation of the IMF reforms transformed Uganda into a so-called success story of African development: annual growth rates in Uganda were regularly at 6–7%, while inflation remained in the single digits. Yet as Opeitum added, closer scrutiny of separate variables reveals a much less promising picture. The level of poverty, for example, has increased along with the national annual growth, as has the level of unemployment. Every year, 400,000 Ugandans look for jobs, but only 18,000 are employed. The only employment option for many young men is in the *boda-boda* industry (a form of bicycle taxi service). Former child soldiers, meanwhile, have commonly been recruited into various militias, which together with the *boda-boda* phenomenon has had the effect of removing most able-bodied young men from agriculture and the service industries, thereby crippling Uganda's production potential. Furthermore, as the supply of *boda-bodas* now greatly exceeds demand, and as those recruited into militias often do not get paid on time, both forms of employment encourage participation in crime and other illicit economic activity to supplement a meagre income. Education is prohibitively expensive for most Ugandan families, particularly at the university level, and will often require a family to sell its land (and source of income), a high price to pay for academic qualifications that will not even guarantee any form of employment.

The contradictory picture captured by Ugandan development indicators raises the question of how best to account for the discrepancy. Opeitum suggested two possibilities: either it is a problem with the quality of the statistics, or we are simply being dishonest about the process of growth in the country. Dawn Liberi, a former USAID mission director in Uganda, pointed out that

part of the explanation can be found in the population boost in the country, which is limiting the impact of the economic policies put in place. More negatively, corruption and embezzlement by the leadership and elite have clearly played an important part. Opeitum noted, for example, that a large portion of the funds earmarked for infrastructure and social services have instead, due to corruption, found their way into the accounts of a small collection of individuals, whose investments in real estate and shopping malls have necessarily failed to contribute to development nationwide. The gap between rich and poor is widening, yet Uganda remains a sub-Saharan success story.

Implications

The Ugandan case study points to the difficulties of working top-down through existing government structures and corporate elites to achieve development in a war-torn country. The Afghanistan and Somalia case studies illustrate the power and potential of local-level development conducted at a distance from the state. There are interesting questions but no easy answers to derive from this cross-case comparison.

One of the main questions concerns the dispensability versus the centrality and legitimacy of the state and its government. This dilemma was captured in the discussion with reference to the Sunni Awakening in Iraq, where local insurgents turned on the extremist elements with whom they had previously been allied to work instead with the US-led coalition. As William Byrd of the World Bank noted, empowering local actors in this manner can help bring about short-term stability, but by elevating regional actors – tribes, militia, clans – it can also undermine the central government's legitimacy and monopoly on violence and thereby threaten the wider state-building agenda. In the case of Iraq and the Sunni Awakening, the turning of insurgents certainly helped to marginalise al-Qaeda in Mesopotamia (AQM), yet as noted by Cockayne, the other side of this deal was that the United States turned a blind eye to the tribes' oil smuggling and other illegitimate economic activities. Nor was there any guarantee that the Sunni tribes would accept the Iraqi central government or vice versa, producing a high likelihood of a future confrontation between these two empowered actors, now both benefiting from

American support. There is a tension, in other words, between enabling local actors and focusing on the capacity and legitimacy of the central state.

A related dilemma pits expedience against strategy, short-term necessity against long-term objectives. Nigel Inkster, IISS Director of Transnational Threats and Political Risk, remarked that in the immediate aftermath of a conflict it is often necessary to rapidly disburse money on 'quick and dirty' aid projects in order to create a climate of consent, which in turn produces sufficient security to enable reconstruction to begin. Yet the unintended consequences and long-term effects of actions taken early, without the chance for deliberation, to achieve rapid results are often unknown and have often clashed with more fundamental campaign plans and objectives. As McKechnie said of this conundrum, too much focus on the short term may mean that a sustainable state may not emerge; focusing too much on the long term may mean that conflict returns and the state is never built. Lockhart emphasised that policymakers can more easily navigate through this dilemma if they have high-quality leadership and management that can set a long-term agenda and implement it, with a clear view of what the goal is but with flexibility as to how to get there.

Institutional Constraints

Regrettably, institutional flexibility is not something the suppliers of peacebuilding assistance are well known for. Typically, the organisations, actors and institutions responsible for policymaking and implementation have proved inadequate or insufficient in dealing with and responding to the complex, fluid and intensely political contexts of post-war states.

Certainly, a number of institutions have undergone significant learning in the last two decades. Helen Lewis described how the UK Department for International Development has acquired a stake in understanding the linkages between economics and conflict so as to produce more effective and integrated interventions. Within the US government, the Office of the Coordinator for Reconstruction and Stabilization (S/CRS) has been established within the State Department to consider and address, in a coordinated, inter-agency manner, some of the typical operational challenges and institutional

deficiencies relating to peacebuilding; similar organisations have been created within the UK and Canadian governments. The Bretton Woods institutions have also transformed the instruments and approaches they adopt when dealing with conflict-affected societies. James Emery, Head of Strategy in the Sub-Saharan Africa Department of the International Finance Corporation (IFC), described how his organisation, the private-sector arm of the World Bank, has increased its involvement with post-conflict societies and sought to contribute, through economic development, to war-to-peace transitions. While the IFC tended only to wait for stability to emerge before intervening, it has of late adopted a more assertive role, intervening earlier to help consolidate peace in the aftermath of war.

These examples represent but a handful of important institutional innovations that have taken place in recent years. Yet for all the institutional change, several constraints remain. In particular, the issue of coordination between states, institutions, government departments and individuals was touched upon during the day's session. It is a familiar complaint and there have been various attempts to produce more integrated, inter-agency approaches to peacebuilding. The problem, as Dominick Donald of Aegis Group pointed out, tends to be that while all agencies want greater coordination, no one wants to be coordinated. Despite the appearance of new coordinating bodies, overall policy tends to remain disjointed so that agencies overlap or, worse, work at cross-purposes. Independently, each agency contributes a needed capability, but taken together, the whole does not equal the sum of the parts.

One of the main problems is the complexity that arises from the sheer number of agencies involved in peacebuilding. Donor coordination is but one aspect of the problem. As del Castillo put it, it is very difficult to ascertain how much money flows into a post-war country because there is no centralised agency with the resources and mandate to coordinate and oversee aid flows, from pledges to disbursement. The establishment of multi-donor trust funds has been attempted as a means of making this process more transparent, but the effect has not been as promising as hoped for.

Another institutional constraint is the lack of strategic thinking that goes into peacebuilding efforts. As

Berdal remarked, the tendency for donors and international organisations is to draw up a laundry list of eminently desirable post-war objectives, but with little differentiation between them. McKechnie characterised the challenge as being one of setting priorities when everything is a priority. The seeming inability to tackle this problem coherently reflects a fundamental failure of strategy-making. Berdal noted that the UN Peacebuilding Commission, hailed as one of the more concrete outcomes of the UN World Summit in 2005, has been fairly disappointing in this regard; the intention was to bring some sense of strategy to such endeavours, but despite rhetorical and institutional commitment to this cause, progress has been very slow. One solution, proposed by McKechnie, was to make greater use of the host nation's national budget as a priority-setting device, through which fundamental choices can be agreed upon, and specific projects financed and overseen.

The final and most fundamental institutional constraint may be one raised in the concluding session by Chandran, who questioned whether Western governments were in fact serious about their interventions in failed states. Provocatively, Chandran suggested that the lack of investment in the instruments of peacebuilding, the lack of strategic thinking going into these endeavours and the low financing allocated to them suggest a

low overall prioritisation by Western governments of this entire enterprise. This relates to a broader question of whether and how convincingly peacebuilding has been linked to the national interest of the states and governments most actively engaged in the related activities.

Conclusion

The interplay of economic and political factors in conflict is now widely recognised. To many, it seems self-evident that conflicts – their onset, prosecution and resolution – cannot be understood without some appreciation of the economic factors that are at play. At the same time, this type of understanding has not always penetrated into the ways in which government and international organisations try to address conflicts, efforts which all too often remain fragmented according to agency and mandate. Nor has the political and economic complexity of the conflict environment been met by a sufficiently refined analytical lens. These are the challenges that mark current and future peacebuilding endeavours. In the present economic climate, when budgets will be tighter and patience more limited with protracted engagements that are prone to setbacks, these challenges will become more obvious and important. This provides the meat for subsequent sessions of the IISS Economics and Conflict Resolution Programme.

Notes

1 Robert B. Zoellick, 'Fragile States: Securing Development', *Survival: Global Politics and Strategy*, vol. 50, no. 6, December 2008–January 2009, pp. 67–84.

2 Charles Tripp, 'Militias, Vigilantes, Death Squads', *London Review of Books*, 25 January 2007.

3 See 'How "New" are "New Wars"? – Global Economic Change and the Study of Civil Wars', *Global Governance*, vol. 9, no. 4,

2003; Karen Ballentine and Jake Sherman (eds), *Beyond Greed and Grievance* (Boulder, CO: Lynne Rienner, 2003).

4 See David Keen, 'Organised Chaos: Not the New World We Ordered', *The World Today*, vol. 52, no. 1, 1996, p. 14.

5 Bureau for Crisis Prevention and Recovery, *Post-Conflict Economic Activity: Enabling Local Ingenuity*, Crisis Prevention and Recovery Report 2008 (New York: United Nations Development Programme, 2008).

IISS Economics and Conflict Resolution Programme

Inaugural roundtable meeting

Wednesday, 6 May 2009

National Press Club, 529 14th Street NW, Washington, DC 20045

The Programme is supported by the Portland Trust

Roundtable agenda

The Role Of Economic Instruments In Resolving Conflicts: Priorities And Constraints

8.30am Coffee

8.50am **Introductory remarks:** the IISS Economics and Conflict Resolution Programme

Alexander Nicoll

Director of Editorial, IISS

9.00am **Opening discussion: ending wars and consolidating peace**

Mats Berdal

Professor of Security and Development,
King's College London;
Consulting Senior Fellow, IISS

Graciana del Castillo

Research Scholar and Associate Director
Center on Capitalism and Society,
Columbia University
The Transition from War to Peace: Economic Requirements

Bartholomew Armah

Senior Policy Adviser, Bureau of Crisis
Prevention and Recovery, UNDP
*Critical Considerations in Post Conflict
Economic Recovery*

Chair: Alexander Nicoll

10.30am **Fostering locally-driven economic solutions**

Clare Lockhart

Director, The Institute for State
Effectiveness

Fostering Locally-driven Economic Solutions

Achim Wennmann

Researcher, Centre on Conflict,
Development and Peacebuilding,
Graduate Institute of International and
Development Studies, Geneva
Ensuring the Durability of Peace Processes

James Cockayne

Senior Associate, International Peace
Institute
Dealing with the Illicit Economy

Chair: Mats Berdal

Noon **Lunch – First Amendment Lounge**

1pm **Current economic experience in conflict-affected states**

Somalia: Ken Menkhaus

Professor of Political Science, Davidson
College

Afghanistan: Colonel Christopher

Kolenda

US Army

Uganda: Steven Opeitum

Manager Development Finance, Uganda
Development Bank

Chair: Nigel Inkster

Director, Transnational Threats and
Political Risk, IISS

2.30pm The balance between the public and the private sector

James Emery

Head of Strategy, Sub-Sahara Africa
Department, International Finance
Corporation

Helen Lewis

Conflict Adviser, Conflict, Humanitarian
& Security, Department for International
Development, UK

Chair: Nader Mousavizadeh

Executive Director, Goldman Sachs
International;
Consulting Senior Fellow, IISS

4.00pm The role of external bodies in helping recovery from conflict

Alastair McKechnie

Director, Fragile and Conflict-Affected
Countries Group, The World Bank

Rahul Chandran

Associate Director for Statebuilding, Center
on International Cooperation, New York
University

Chair: Andrew Parasiliti

Executive Director, IISS-US and
Corresponding Director, IISS-Middle East

5.00pm Cocktail Reception – Zenger Room

Rapporteur: David Ucko

Transatlantic Fellow, RAND Corporation