

STRENGTHENING THE ECONOMIC DIMENSIONS OF PEACEBUILDING

PRACTICE NOTE SERIES

‘Peacebuilding essentials for economic development practitioners’

Practice note 5: Supporting the Economic Dimensions of Peace Processes

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1: Introduction to series

1.1. About this note

This practice note presents the possible impacts of political peace processes on post-conflict economic recovery and implications for economic development planning during these transition periods. Peace processes are a development concern because they often set out future political and economic orders that frame post-conflict economic recovery and long-term economic development. Development agencies can be strategic actors for peace processes, especially as these near their conclusion and the parties craft new economic futures. They are also important for the implementation phase and how ex-combatants and local populations experience life after armed conflict.

1.2. Who should read this series?

Policy-makers and practitioners, specifically those that are working in conflict-prone and conflict-affected states.

1.3. The series will help you to:

- Better understand key economic recovery challenges and opportunities in conflict and post-conflict contexts;
- Draw on existing good practice for your own economic development planning and programming in this area;
- Maximise the positive contribution your strategy and programme can make to economic recovery and peacebuilding; and
- Ensure that your intervention is conflict-sensitive.

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Section 2: Key issues, risks and opportunities

2: Key issues, risks and opportunities¹

Peace processes are a long neglected development opportunity: For many bilateral and multilateral development agencies, conflict situations are often perceived to be outside their mandate; some withdraw in the face of rising levels of armed violence and do not want to place staff and resources at risk; yet others make development engagements dependent on the formal ending of hostilities through a peace agreement. Such attitudes towards peace processes and engagement in conflict situations are often justified with reference to the bounds of institutional mandates, the rejection of politicising aid, and the difficulty of cooperating with rebel groups. In a national context, the topics of war and peace often fall more directly into the domain of other ministries – such as Defence or Foreign Affairs – that are more directly responsible.

The traditional understanding of the role of development agencies during armed conflict and in peacemaking have become increasingly overtaken by the realities on the ground as well as the evolution of development policy (see Box 1). Development agencies often maintain operations in countries that slide into armed conflict as well as in non-conflict countries with high levels of instability and criminal violence. There has also been an ever-increasing awareness of the nexus between development and security that many development agencies embrace.² To a certain extent, one can say that development agencies may even wish to attempt recapturing “their” development space after nearly a decade of war in Iraq and Afghanistan has seen an ever greater involvement of military actors in classic development tasks, especially in early recovery operations that initiate post-conflict development transitions.

This practice note explores how peace processes can strengthen prospects for post-conflict economic recovery, and investigates the potential implications for development agencies. It makes the following points:

- Peace processes are a development concern because they often set out future political and economic orders that frame post-conflict economic recovery and long-term economic development.
- Development agencies can be strategic actors for peace processes, especially as these near their conclusion and the parties craft new economic futures. They are also important for the implementation phase and how ex-combatants and local populations experience life after armed conflict.
- Development agencies have occupied various roles in past peace processes. In some contexts, they have been important in facilitating dialogue between various parties to a conflict, managing expectations in the economy, and mobilising funding for post-conflict economic recovery.
- The development community can play a valuable role in transforming the practice of peace mediation from an ad-hoc response to a crisis, to the creation of long-term national peace architectures. While there is an emerging mediation support infrastructure aimed at ending armed conflicts, there is no comparable effort to strengthen transitional pacts in the aftermath of war and forge the multi-stakeholder coalitions necessary for peace to last.

¹ This paper draws on research conducted on international cooperation in fragile states and armed conflict situations for the Swiss Agency for Development and Cooperation, as well as on economic issues and instruments in peace processes for the Swiss Federal Department of Foreign Affairs. It also benefited from the deliberations at the conference ‘Improving Coherent International Support to Peace Processes’, held in Ottawa on 26th January 2010. The paper is also based on the book, *The Political Economy of Peacemaking* (Routledge, forthcoming 2010). The views expressed in this publication are the author’s own.

² For the World Bank, see R. Zoellick (2008). ‘Fragile states: Securing development’, in *Survival*, Vol. 50, No. 6, pp.67-87, 74-75. For the Department for International Development (DFID) see DFID (2009). *Building the state and securing the peace*. Emerging Policy and Practice Paper. London: DFID. Over 100 countries have acknowledged the security and development nexus through support of the Geneva Declaration on Armed Violence and Development. See <http://www.genevadeclaration.org>.

Box 1: Peace processes: Opening the realm of “politics” for development agencies

Development assistance has long been perceived as a technical and apolitical market solution to development problems. More recently, however, perspectives are shifting and development assistance is increasingly portrayed as a political process that involves state-building as well as governance reform. The UK’s 2009 White Paper on Development, for example, argues that ‘the best way to stem the rise of violence and create a platform for sustained growth is to build a state that is capable of delivering basic services effectively and fairly, and is accountable and responsive to its citizens. It also requires working more politically. Conflict and fragility are inherently political (...) [and] their solutions must be rooted in politics’.³ This changing development discourse opens new opportunities for the engagement of development agencies in political processes such as peace processes.

2.1. Understanding peace processes and their relevance for economic recovery

Peace processes are important instruments for ending armed conflicts and designing post-conflict orders (see Box 2). Around 80 percent of armed conflicts in 2007 and 2008 involved some form of dialogue or formal negotiations. Talks between belligerents are therefore the rule, and not the exception, and the fact that some kind of communication always takes place underlines the strategic opportunity of these processes to prepare for a lasting peace.⁴ While historically, peace agreements structured the evolution of the international state system, the fact that most contemporary armed conflicts occur within states means that peace agreements increasingly frame domestic orders as well.

Box 2: What are peace processes?

Peace processes are ‘measures deployed to resolve differences, and settle disputes or conflicts, through diplomacy or other methods of peaceful settlement rather than violence’.⁵ They usually address two critical elements: the resolution of an existing armed conflict, and the creation of an order that manages future conflicts in a way that these do not become new armed conflicts. While the diversity and complexity of peace processes make categorisation difficult, a peace process has been described to exist if the protagonists are willing to negotiate in good faith, the key actors are included in the process, negotiations address one or multiple of the central issues in dispute, and the negotiators do not use force to achieve their objectives, and are committed to a sustained process.⁶

Peacemaking is a process that is usually messy, complex and uncertain, with few – if any – clear or simple directions or blueprints on how to manage it. The processes evolve through a number of overlapping phases between the engagement of the belligerents and the resolution and transformation of the conflict. Parties hardly

3 DFID (2009). *Eliminating world poverty: Building our common future*. London: DFID, p.70.

4 V. Fisas (2009). *Anuario 2009 de procesos de paz*. Barcelona: Icaria, pp.13-14; and V. Fisas (2008). *Anuario 2008 de procesos de paz*. Barcelona: Icaria, p.13.

5 B. Ramcharan (2009). ‘Peace processes’, in V. Chetail (Ed.). *Post-conflict peacekeeping: A lexicon*. Oxford: Oxford University Press, pp.228-244, at 228.

6 J. Darby and R. Mac Ginty (2000). ‘Introduction: Comparing peace processes’, in J. Darby and R. Mac Ginty (Eds.). *The management of peace processes*. Houndmills: Palgrave, pp.1-15, at 7-8.

ever engage in a peace process in good faith – which would be counter-intuitive after years of fighting – but rather signal a certain willingness to talk. In terms of the actors involved, a broad and inclusive process may be desirable, but is rarely possible. What matters is “sufficient inclusion” which means that there is a large enough support for deal-makers that outnumbers and marginalises extremists or “spoilers”.⁷ In addition, armed violence frequently precedes and accompanies peace processes, and is one of the most difficult challenges for a peace process. Violence tends to disrupt peace negotiations temporarily; however, it can also have a positive effect by catalysing efforts for a peaceful settlement.⁸

The relevance for development agencies of peace processes relates both to the backward- and forward-looking dimensions of peace processes (see Box 3). Development agencies can have a special interest in a peace process if armed violence is motivated by economic issues such as horizontal inequalities or social exclusion and if these issues are a structural catalyst for continued armed violence. They can even become a strategic partner if the parties agree to negotiate a new future vision of the economy and society that requires donor expertise in development planning. Credible commitments of development assistance can support momentum at a mature stage of peace negotiations and help shift the parties’ attitudes from short-term gains to a long-term economic vision.⁹

Box 3: The backward- and forward-looking dimensions of peace processes

Peace processes involve backward- and forward-looking dimensions: the former relates to past violence and injustices; the latter to visions for the future and paths towards new political, economic, and societal orders. These two dimensions are intricately linked because without an understanding of, or credible guarantees for, these new orders, continuing armed violence may be perceived by the parties as their first-best option to secure a better life.¹⁰

2.2. Charting new futures during the peace process

With the multiplication of donor activities in post-conflict and fragile contexts, there has been a growing interest in strengthening post-conflict transition, making aid more effective, and preventing the recurrence of armed conflict.¹¹ In this context, both formal and informal post-conflict economies are important because they absorb ex-combatants and provide populations with livelihood opportunities.¹² The economy creates peace dividends which define how former fighters and the population in general experience the post-conflict period. If this experience is negative, chances are high that disillusionment will feed into the dynamics of conflict recurrence.

7 J. Darby (2001). *The effects of violence on peace processes*. Washington DC: United States Institute of Peace Press, p.119.

8 K. Höglund (2008). *Peace negotiations in the shadow of violence*. Leiden: Brill, p.177.

9 N. Ball and T. Halevy (1996). *Making peace work: The role of the international development community*. Policy Essay No. 18. Washington DC: Overseas Development Council, pp.69-70.

10 I.W. Zartman (2005). ‘Looking forward and looking backward on negotiation theory’, in I.W. Zartman and V. Kremenyuk (Eds.). *Peace versus justice: Negotiating forward- and backward-looking outcomes*. Lanham: Rowman and Littlefield, pp.287-301, at 295.

11 United Nations Development Programme (UNDP) (2008). *Post-conflict economic recovery: Enabling local ingenuity*. New York: UNDP.

12 United Nations (2009). *United Nations policy for post-conflict employment creation, income generation and reintegration*. Geneva: United Nations.

Economic recovery is also associated with the implementation of peace accords.¹³ Peace processes are a series of overlapping phases between the engagement of the parties and the transformation of the conflict. They involve pre-negotiations, confidence-building, ceasefire talks, peace-agreement negotiations, and implementation.¹⁴ Economic recovery in the implementation phase is often complicated because it inherits flaws from previous phases that were necessary to ensure a ceasefire or peace agreement. The question therefore arises whether moving “upstream” in the peace process consolidates post-conflict transitions, and if and how the type, content and quality of a peace agreement and the process that drives it can facilitate these transitions.

Peace negotiations can lay an initial foundation for post-conflict political and economic transitions and craft an economic vision that becomes the foundation for a new society. Even if addressing economic issues can be sensitive (see Box 4), taking this risk has the objective of making a life without violence a more credible reality at the time when parties consider a negotiated exit out of a conflict. In this way, peace processes facilitate the implementation of peace agreements, as well as disarmament, demobilisation, and reintegration programmes. It can also prepare the groundwork for the prevention of future armed conflict by addressing security dilemmas and ensuring that no party has the means to impose itself militarily in the future.¹⁵

Box 4: The sensitivity of economic issues in peace processes

Addressing economic issues in peace negotiations can be a sensitive endeavour. In general, long-term planning – such as economic recovery – is confronted with the short-term planning horizons of the belligerents after years of fighting. Talking about specific issues such as the financing of the belligerents is off limits to most negotiations because it is perceived by armed groups as an unacceptable constraint to their mobilisation.¹⁶ In the 2002 peace talks in the DRC, economic issues were only vaguely addressed because none of the belligerents or complicit third parties wanted to openly acknowledge the conflict’s economic dimensions in order to avoid exposure of their economic agendas.¹⁷ In Nepal, the issue of “capitalist” development was sensitive because it sparked debates between ideological hardliners and political pragmatists within the Maoists.¹⁸ Despite these sensitivities, there is an increasing recognition that tackling the economic dimension in peace processes is important. Noble Peace Prize Laureate Martti Ahtisaari argued that ‘agreeing about practical and concrete economic conditions during peace negotiations is crucial. Maybe one could even claim that finding a mutual understanding on money can really be seen as a manifestation of joint political will for peace’.¹⁹

13 S.J. Stedman, D. Rothchild and E.M. Cousens (Eds.) (2002). *Ending civil wars: The implementation of peace agreements*. Boulder: Lynne Rienner.

14 A. Guelke (2003). ‘Negotiations and peace processes’, in J. Darby and R. Mac Ginty (Eds.). *Contemporary peacemaking: Conflict, violence and peace processes*. Houndmills: Palgrave Macmillan, pp.53-65, 56.

15 C.L. Siriam (2008). *Peace as governance: Power sharing, armed groups, and contemporary peace negotiations*. Houndmills: Palgrave Macmillan, pp.25, 182.

16 R. Dwan and L. Bailey (2006). *Liberia’s Governance and Economic Management Assistance Programme (GEMAP): A joint review by the Department of Peacekeeping Operations’ Peacekeeping Best Practices Section and the World Bank’s Fragile States Group*. New York and Washington DC: United Nations and World Bank, p.23.

17 M. Nest (2006). ‘The political economy of the Congo War’, in M. Nest (Ed.). *The Democratic Republic of Congo: Economic dimensions of war and peace*. Boulder: Lynne Rienner, pp.31-62, at 55.

18 A. Wennmann (2009). *Economic issues in peace processes: Socio-economic inequality and peace in Nepal*. CCDP Working Paper 2. Geneva: Graduate Institute of International and Development Studies, p.15.

19 M. Ahtisaari (2008). ‘Lessons of Aceh Peace Talks’, *Asia Europe Journal*. Vol. 6, No. 1, pp.9-14, at 11.

Addressing economic futures in peace processes has a significant political value for peace negotiations. From the perspective of the parties, having a solid agreement on economic issues can bridge the period between the signing of a peace agreement and the manifestation of peace dividends. When the parties agree to a peace agreement, they face immediate demands to lay down their arms. But in return, they usually only receive a vague promise of a better future in the long term (see also the practice note on socio-economic reintegration in this series). In this context, development assistance can be a significant financial incentive (see Box 5). The time lag involved, and individual assessments of each party about the likelihood of future economic benefits manifesting themselves, affects their political commitment to a peace process. This commitment can be strengthened by placing post-conflict futures on the table and exploring ways to construct a new vision of the future.

Box 5: Development assistance as an economic incentive in peace processes

Development assistance can be an important – and in the absence of private-sector investment often the only – economic incentive for conflict-affected contexts. Assistance is usually offered in conjunction with political and military incentives such as the provision of legitimacy, recognition, or security guarantees. As with all incentives, their effectiveness depends on its perceived value, the credibility and mode of its delivery, and the timing and circumstances in which they are offered.²⁰ Development assistance is particularly effective as an economic incentive if it can provide a credible counterweight to political aspirations or war economies, support pro-peace constituencies, and influence the social and economic environment underlying to a conflict.²¹ The use of aid as an incentive is, however, not uncontroversial within the development community. Particularly if aid is perceived as “neutral” and “needs-based” assistance, incentivising aid may run the danger of becoming politicised or viewed as a “pay-off” to belligerents.

While the strategic utility of economic issues in peace processes has been recognised, the current practice of peacemaking appears biased towards military and political issues. A comparative analysis of different provisions in 27 peace agreements suggests that most peace agreements focus on security and political power, while economic provisions are only marginally addressed.²² However, economic provisions have been included where a conflict ended with a comprehensive settlement, such as in Guatemala and El Salvador. The North-South peace agreement in Sudan included an income-sharing agreement and a range of institutional innovations to increase the predictability of economic transactions between parties that did not trust each other.²³ However, due to the recent trend towards step-by-step processes, many peace accords only mention economic principles and the specifics are delegated to a political process in the post-conflict period.

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- 20 D. Cortright (1997). 'Incentives strategies for preventing conflict', in D. Cortright (Ed.). *The price of peace: Incentives and international conflict prevention*. Lanham: Rowman and Littlefield Publishers, pp.267-301, at 272-277.
- 21 P. Uvin (1999). *The influence of aid in situations of violent conflict*. Paris: OECD, 4. A. Griffiths and C. Barnes (2008). 'Incentives and sanctions in peace processes', in A. Griffiths and C. Barnes (Eds.). *Powers of persuasion: Incentives, sanctions and conditionality in peacemaking*. Accord Issue 19. London: Conciliation Resources, pp.9-13, at 12.
- 22 A. Suhrke, T. Wimpelmann, and M. Davis (2007). *Peace processes and statebuilding: Economic and institutional provisions of peace agreements*. Bergen: Chr. Michelsen Institute, p.23.
- 23 A. Wennmann (2009). 'Economic provisions in peace agreements and sustainable peacebuilding', *Négociations*, No. 11 (2009/1), pp.43-61; H. de Vries (2009). *Economic provisions in peace agreements*. The Hague: Netherlands Institute of International Relations Clingendael, pp.9-12.

Negotiating economic futures remains a difficult challenge because ensuring a positive long-term effect of the economic provisions depends on many uncontrollable facets. In Sudan, a difficult post-conflict implementation environment prevented the accrual of short-term benefits from a landmark wealth-sharing deal (see Box 6). In Nepal, economic issues became part of the post-conflict politics between the government and the opposition. In early 2009, the opposition wanted to prevent any successes of the government in the field of economic development in order to expose the government's incapacity to deliver on promises and thereby delegitimise it.²⁴ In contrast and despite obvious challenges, in Aceh the post-conflict economy recovered relatively fast because the tsunami provided unprecedented humanitarian and development attention, and the province had a much better pre-existing economic base compared to Southern Sudan.²⁵

Box 6: Oil and recovery in Sudan²⁶

Sudan's Comprehensive Peace Agreement (CPA) of 9th January 2005 included a landmark deal on sharing oil revenue. The agreement stipulates a 50/50 sharing formula for revenue from Southern oil wells and creates a series of new economic institutions for North and South Sudan. Reaching an agreement on wealth-sharing has been a major achievement of the North-South peace process. Not only has oil been a major factor in the conflict's onset and dynamics; it also represents an indigenous source for the financing of post-conflict recovery. A first transfer to the Government of Southern Sudan (GoSS) of US\$ 800 million reportedly occurred in February 2006 – over one year after the signature of the CPA. By 2008, collaboration on wealth-sharing improved with the government being recognised to have paid arrears for the period 2005 to 2007. For 2007, GoSS revenue has been calculated to amount to US\$ 1.46 billion. However, the positive contributions of income-sharing on economic recovery in Southern Sudan have been undermined by other problems such as a lack of security guarantees, persistent distrust between former belligerents, the armed conflict in Darfur, and sporadic armed confrontations between the North and the South. Thus, money alone is not sufficient for post-conflict recovery, but the wealth-sharing provisions in the CPA do provide an important component for future economic governance of Southern Sudan.

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Section 3: Major actors, institutions and processes

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In order to overcome the challenge of creating new futures, there is a need to forge innovative strategic alliances. Peace negotiations and post-conflict economic recovery are often perceived as two distinct operations that are conducted in different contexts and by different institutions. However, making economic futures tangible implies shifting our understanding of peacemaking from a two-stage process before and after a peace agreement, towards an ongoing process in which the resolution of a past conflict and the preparation of future political or economic

²⁴ A. Wennmann (2009). *Op. cit.*, p.18.

²⁵ A. Wennmann and J. Krause (2009). *Managing the economic dimensions of peace processes: Resource wealth, autonomy, and peace in Aceh*. CCDP Working Paper 3. Geneva: Graduate Institute of International and Development Studies, p.18.

²⁶ A. Wennmann (2009). *Wealth sharing beyond 2011: Economic issues in Sudan's North-South peace process*. CCDP Working Paper 1. Geneva: Graduate Institute of International and Development Studies, pp.20-21.

orders go hand in hand. In this sense, the know-how of development practitioners is important for mediators during a peace process in order to determine realistic economic futures; and the know-how of mediators is important for the development practitioners in the post-conflict phase in order to prevent the recurrence of conflict and maintain transitional pacts.

3.1. The role of development agencies in peace processes

Development agencies have been involved in various capacities in peace processes. They have a special relationship to peace processes if armed violence has been motivated by horizontal inequalities or social exclusion, and coincided with the goals of poverty reduction and development programming. Development agencies can:

- Ensure economic issues are placed on the agenda in a realistic way;
- Develop mechanisms that lead to a sustainable revenue management;
- Foster realistic expectations among the parties on the amount and nature of development assistance after a peace agreement; and
- Provide the financing necessary to implement a peace accord.²⁷

In this context, development agencies are crucial to launching Post-Conflict Needs Assessments (PCNAs) that in some contexts occur in parallel to peace negotiations. PCNAs are multi-stakeholder initiatives that conceptualise, negotiate, and finance a shared strategy for recovery and development of war-to-peace transitions. They are crucial for the creation of a joint vision for the future after a conflict that is accepted by the parties, and consistent with economic realities. If PCNAs are conducted when a peace agreement is imminent, they can provide an important momentum for peace talks.²⁸

In addition, development agencies can stimulate a tremendous optimism for peace if they can provide credible promises for development investments in the aftermath of war.²⁹ Donor conferences in support of post-conflict economic recovery have become a recurring feature as evidenced in Bosnia, Sudan, Iraq and Afghanistan. However, if pledges remain unfulfilled, they can also foster frustrations and disappointment locally and within the international community.³⁰ The credibility of the commitment of development assistance is, therefore, essential to support and maintain momentum during peace negotiations and help shift the parties' attitudes from short-term gains to long-term economic planning.³¹

Despite these potentially positive roles, development agencies have both internal and external constraints to increasing their role in peace processes:

- Most development agencies are risk-averse and consider peace processes as “political” issues that are outside their direct mandate. Operations during “conflict” and “post-conflict” phases are institutionally divided between institutions that focus on their military, political, humanitarian, peacebuilding or development roles. This division limits the contribution of development agencies to peacemaking.

27 N. Ball and T. Halevy (1996). *Making peace work*, pp.67-68.

28 World Bank and UNDP (2007). *In support of peacebuilding: Strengthening the post conflict needs assessment*. Washington DC and New York: World Bank and UNDP, p.4, 8.

29 N. Ball, J.D. Friedman, and C.S. Rossiter (1997). 'The role of international financial institutions in preventing and resolving conflict', in Cortright (Ed.). *The price of peace*, pp.243-264, at 261.

30 R. Väyrynen (1997). 'Economic incentives and the Bosnian Peace Process', in Cortright (Ed.). *The price of peace*, pp.155-180, 167-168.

31 N. Ball and T. Halevy (1996). *Making peace work*. Washington, DC: Overseas Development Council. pp.69-70.

- The role of development aid can become contentious if it is perceived to assist non-state armed groups, especially when these have been involved in human rights abuses. In this context, development agencies become easy targets for criticism in their own country, and by the government of a specific conflict country.
- There are divides within the development community as to the politicisation of aid. While in a peace-process context, development aid is often portrayed as an economic incentive for the parties, such uses are rejected as being outside the real purpose of aid, which is poverty reduction and needs-based development.
- Member states of multilateral agencies are often unable to find a political consensus on how to engage in peace processes, which can therefore make the start of operations conditional on the existence of a peace agreement. Furthermore, the insecurity and instability in many post-conflict scenarios often mean that the conditions for the deployment of civilian personnel or the long-term commitment of development funding are not deemed appropriate.³²

Despite these constraints, there is a growing recognition in development agencies that engaging in peace processes can enhance development effectiveness in conflict and fragile states.³³ From the perspectives of development agencies, strategic engagement in peace processes prepares post-conflict aid delivery. Through such an engagement, development agencies can place post-conflict economic recovery on the table and thereby use peace negotiations to set the parameters for early recovery operations. These include the legal and political framework for aid interventions, and the identification of local leaders and organisations as partners for future operations. For example, a study on Liberia highlights that ‘the greatest scope for intervention in a sovereign state is immediately after the conclusion of conflict, in the elaboration of an internally-brokered peace process’.³⁴

The challenge for those supporting war-to-peace transitions is to steer these various interests towards a constructive engagement and greater levels of commitment by the parties to a peace process. If development assistance is an incentive, the main responsibility of the development agencies is to remain committed to their promises, and coordinate amongst themselves so that development funding is perceived by local populations as a credible peace dividend. Another element is to extend mediation support activities from the conflict to the post-conflict period in order to nurture the transitional pacts between domestic stakeholders that are necessary for the implementation of peace agreements and economies to recover.

3.2. Strengthening mediation support during and after armed conflicts

Over the last decade, the infrastructure to support negotiated conflict endings has grown tremendously. The United Nations Secretary-General’s report on enhancing mediation and its support activities highlights the growing capacity within the United Nations, as well as the role of regional and sub-regional organisations, some governments, and non-governmental organisations, to provide mediation support activities.³⁵ While historically a matter for kings, princes, or generals, today, peace

32 M. O’Donnell and J.K. Boyce (2007). ‘Peace and the public purse: An introduction’, in M. O’Donnell and J.K. Boyce (Eds.), *Peace and the public purse: Economic policies for postwar statebuilding*. Boulder: Lynne Rienner, pp.1-14, at 2.

33 OECD (2001). *Helping prevent violent conflict*. Paris: OECD, pp.51-52.

34 R. Dwan and L. Bailey (2006). *Liberia’s Governance and Economic Management Assistance Programme*, p.23.

35 United Nations Secretary General (UNSG) (2009). *Report of the Secretary-General on enhancing mediation and its support activities*. Document S/2009/189. New York: United Nations, pp.3-5.

negotiations are conducted at various levels including through United Nations Envoys, former Heads of State, elders of local communities, or specialised NGOs. Peace processes have become so complex that they sometimes involve hundreds of actors and as many agendas. Many mediators, therefore, attempt to limit the number of intermediaries to keep a peace process manageable.

While there is an emerging support infrastructure for peace processes, there is little, if any, support capacity that ensures negotiations are ongoing after a violent conflict has ended. At present, mediation support is mainly perceived as a strategy to find a negotiated exit out of an armed conflict. However, the need to support new transitional pacts as peace agreements are implemented is well known, but too little is done in practice to support these. The case of Nepal shows the importance of mediation support to end the conflict, but also to assist the political processes in the aftermath of the war that shaped the country's political and economic prospects.³⁶

There is a growing recognition of the potential of mediation outside its traditional role in conflict resolution. The OECD highlighted the role of mediation in strengthening the resilience capacity of states and state-society relations. Important elements include supporting dialogue processes between civil society, the private sector and state institutions.³⁷ Mediation initiatives have also strengthened private-sector investment in Bosnia and Herzegovina. Between 2004 and 2006, local mediators resolved disputes between companies and thereby facilitated the release of €8 million in private-sector investments.³⁸ The difference between the experience of electoral armed violence in Kenya and the preventive peace architecture in Ghana shows the potential development benefits of continuous political processes that manage local disputes (see Box 8).

These examples illustrate the potential gains of mediation support activities for economic development. Identifying the value added of current mediation practice provides important insights into strengthening political accords and economic conditions in war-to-peace transitions.

Box 8: Kenya and Ghana

Kenya's 2007 post-electoral armed violence had high economic costs for the flower and tourist industry – the country's largest foreign exchange earner in 2007. The violence led to a 24 percent reduction of flower exports and exports from companies located in the violence-affected areas dropped by 38 percent mainly as a result of the displacement of workers.³⁹ In addition, Kenya's tourism sector suffered a 40 percent decline from 2 million visitors in 2007 to 1.2 million in 2008. The Kenyan Tourism Board estimated the economic costs of the violence to the tourism industry at over 20 billion Kenyan Shillings (US\$ 270 million).⁴⁰ The destabilising effect of violence sent a warning signal to Ghana where the government wanted to avoid a similar outcome during its 2008 elections. It strengthened the National Architecture for Peace in Ghana

36 A. Wennmann (2009). *Op.cit.*, pp.17-18.

37 Organisation for Economic Development and Cooperation (OECD) (2008). *Concepts and dilemmas of state building in fragile situations: From fragility to resilience*. Paris: OECD, pp.27-29.

38 International Finance Corporation (IFC) (2008). *Alternative dispute resolution in Southeast Europe*. Washington DC: IFC, p.2.

39 C. Ksoll, R. Macchiavello, and A. Morjaria (2009). *Guns and roses: The impact of the Kenyan post-election violence on flower exporting firms*. Centre for African Economies Working Paper 2009-06. Oxford: University of Oxford, p.1.

40 Ghana Business News (2009) 'Kenya post-election violence costs country loss in tourism's income'. *Ghana Business News*. 16th May. Available at <http://ghanabusinessnews.com/2009/05/16/kenya-post-election-violence-costs-country-loss-in-tourism-income>. Accessed 3rd December 2009.

that had been created after the 2004 elections. Local Peace Councils composed of eminent personalities were tasked to mediate conflicts ranging from land, labour or chieftaincy disputes, or differences between and within political parties. The architecture was mobilised prior to the election to ensure a peaceful election and prevent armed violence.⁴¹

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Section 4: Key questions to consider

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At a time when multilateral donors, governments and companies are spending vast amounts of political and financial capital on peacemaking, peacekeeping and peacebuilding, the failure of peace processes and the recurrence of armed conflict have high stakes. Looking at the economic dimensions of peace processes is thus an attempt to safeguard these investments at an early stage of conflict management and create visions for the future and a new society which convinces the parties to an armed conflict that it is worthwhile to stop fighting. A step in this direction is to recognise that armed conflicts, peace processes and peacebuilding indeed have economic dimensions that must be managed to secure peace.

The experience of many negotiated conflict endings suggests that peace processes do not end when the belligerent parties agree on a peace settlement. A negotiated exit out of armed conflict requires a strong transitional pact that must be nurtured and supported as the parties implement the agreement that ends their conflict and prepares whatever is next. These war-to-peace transitions require a constant human effort to succeed, as well as ongoing support mechanisms and capacities that facilitate peace processes. While mediation support infrastructure is growing at the bilateral, multilateral, and civil society levels, they tend to focus on ending the violent conflict. However, without offering credible new futures and alternative livelihoods to those that were involved in the violent conflict, some groups and individuals might wish to continue their armed struggle or criminal activities.

Defining a role for development agencies as strategic partners for peacemaking is therefore an important element to managing the transition from war to peace. Their engagement during a peace process can help create a new vision of the economy and society that convinces parties that it is worthwhile to stop fighting. If a future without armed conflict becomes a more viable reality, the parties to a peace process may increase their commitment in negotiations as companies commit to post-conflict economies before the signature of a peace agreement. In addition, development actors can marshal important financial flows into conflict countries that could be used as incentives for peace.

The following questions for development planners help identify the attitudes of development agencies towards peacemaking and explore what it would take to mobilise them.

Attitudes towards peacemaking:

- What defines the mandate of engagement of a particular development agency? Does it have statutory limitations of engagement in conflict zones?

⁴¹ United Nations Department of Political Affairs (UNDPA) (2009). 'Conflict prevention in partnership with UNDP', *Politically speaking*. Spring, pp.16-17, 21.

- Do development agencies plan a major post-conflict recovery operation after the signing of a peace accord? Are they engaged in the planning or implementation of PCNAs?
- What is the level of aid flows during armed conflict? Who is the biggest donor? Who the biggest recipient of aid? What aid instruments are used to channel aid to the conflict country?
- Have development agencies been attacked during the conflict? Do they want to engage in a peace process or with an armed group to reduce attacks against their staff?

Mobilisation for peacemaking:

- Do development agencies have a long-term development engagement in the conflict country? What potential expertise or networks do these agencies have that can support the peace process?
- Have horizontal inequalities been a catalyst for the conflict? Is there a convergence between the motivations for violence of one of the parties and poverty reduction objectives of the aid community? Do belligerents consider agreeing on a new future vision of the economy that would require the expertise of the donor agencies?
- Does the actual or promised development assistance provide a credible alternative to the economic opportunities of conflict economies? How are the benefits of development assistance distributed? Will all parties benefit in the same way from development assistance? Are there some stakeholders that lose out?
- How sensitive are the parties towards incentives, conditions, or threats related to development assistance? How dependent are they on aid flows? What are alternative economic opportunities that could potentially provide higher rewards than development assistance? How credible are the incentives and threats? Is aid conditionality consistently applied by all donors, and to all parties?

5: Existing good practice and guidance

While there are no formally articulated good practices on peace processes and post-conflict economic recovery so far, the following points distil some emerging lessons.

- *Peace processes and post-conflict economic recovery are part of a continuum and not two separate phases.* Actors commonly associated with the post-conflict phase – such as development agencies – can be strategic partners in peace processes and support backward- and forward-looking peacemaking. Development agencies have a proven track record of engaging in peace processes and have provided important momentum, especially at mature stages in negotiations when parties start crafting new visions for the future.
- *Development aid is inherently political, even if perceived as a needs-based, technical intervention.* In a conflict context, aid becomes part of the conflict, and the recognition of aid as an incentive for peace can have important positive impacts on peace-process negotiations. However, promised aid must be delivered to prevent disappointment, and its relative importance as an incentive depends on the magnitude and sub-national distribution of other financial incentives deriving from private-sector investments or conflict economies.
- *Rapid post-conflict economic recovery requires the involvement of development agencies during the peace negotiations.* Development agencies are strategic

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Section 5: Existing good practice and guidance

partners for peacemaking because they shape the frameworks, institutions, and alliances necessary to prepare post-conflict economic recovery. This engagement is important because a speedy economic revival is known to be a crucial factor in fostering a successful peace accord implementation.⁴²

- *Development agencies can assist in the formulation and implementation of peace agreements.* While lessons are highly context-dependent, development agencies have placed economic issues on the agenda of peace talks in a realistic way, prevented the politicisation of development concerns, provided incentives for peace through development aid, fostered realistic expectations in future economic development, offered development expertise for the creation of new economic orders and institutions, and provided the financing for the implementation of a peace agreement. A better understanding of the role of specific aid instruments (e.g. development projects, multi-donor trust funds, budget support, technical cooperation) in war-to-peace transitions would provide important guidance for aid effectiveness in post-conflict settings.
- *More attention and investments are needed to ensure mediation support in the aftermath of conflict.* Armed conflicts do not end with the signature of a peace agreement, only with its successful implementation. Post-conflict transitions can be very conflictive and professional mediation support can facilitate managing disputes between political, military, or economic elites, and at the local and provincial level between communities. Development agencies can support national peace architectures through financial assistance and the provision of expertise. They thereby strengthen the transitional pacts between local stakeholders that are necessary to implement a peace agreement and enable economic recovery.

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Section 6: Where to find out more

6: Where to find out more

Below are selected background resources that are available online. Please refer to the references in the text for specific issues.

Reading

- Organisation for Economic Cooperation and Development (2001). *Helping to prevent violent conflict: International development*. Paris: OECD. (Chapter 5 'Peace processes, justice and reconciliation'). Available at <http://www.oecd.org/dataoecd/15/54/1886146.pdf>
- A. Suhrke, T. Wimpelmann, and M. Davis (2007). *Peace processes and statebuilding: Economic and institutional provisions of peace agreements*. Bergen: Chr. Michelsen Institute. Available at http://www.undp.org/cpr/documents/we_do/Peace_agreements_Study_Final.pdf
- A. Wennmann (2009). "Economic provisions in peace agreements and sustainable peacebuilding." *Négociations*, No. 11 (2009/1), pp. 43-61. Available at <http://www.cairn.info/revue-negociations-2009-1-page-43.htm>
- A. Wennmann (2007). Money matters: The economic dimensions of peace mediation. PSIS Occasional Paper No.4. Geneva: Graduate Institute of International Studies. Available at <http://graduateinstitute.ch/webdav/site/ccdp/shared/6305/PSIS-Occasional-Paper-4-Money-Matters.pdf>

⁴² S. Woodward (2002). *Economic priorities for peace implementation*. New York: International Peace Academy, p.2.

- A. Wennmann (2010). *Development assistance: Guidance notes for mediators*. CCDP Issue Brief 2. Geneva: Graduate Institute of International and Development Studies. Available at [http://graduateinstitute.ch/webdav/site/ccdp/shared/6305/Issue Brief_2_v5.pdf](http://graduateinstitute.ch/webdav/site/ccdp/shared/6305/Issue%20Brief_2_v5.pdf)
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- P. Uvin (1999). *The influence of aid in situations of violent conflict*. Paris: Organisation for Economic Cooperation and Development. Available at [http://www.reliefweb.int/rw/lib.nsf/db900sid/PANA-7DJE8F/\\$file/oeecd_sep1999.pdf?openelement](http://www.reliefweb.int/rw/lib.nsf/db900sid/PANA-7DJE8F/$file/oeecd_sep1999.pdf?openelement)
- United Nations Development Programme (2006). *Evaluation of UNDP support to conflict-affected countries*. New York: UNDP. Available at <http://erc.undp.org/evaluationadmin/manageevaluation/viewevaluationdetail.html;jsessionid=0512492956EAB697CEA5AE090AEBD712?evalid=2013>
- United Nations Secretary-General (2009). *Report of the Secretary-General on enhancing mediation and its support activities*. Document S/2009/189. New York: United Nations. Available at <http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N09/278/78/PDF/N0927878.pdf?OpenElement>
- H. de Vries with P. Lange and L. Specker (2009). *Economic provisions in peace agreements*. The Hague: Netherlands Institute for International Relations Clingendael. Available at http://www.clingendael.nl/publications/2009/20091214_cru_paper_specker_peace.pdf

Training

- Folke Bernadotte Academy, Sweden
<http://www.folkebernadotteacademy.se/en/Training/>
- Graduate Institute of International and Development Studies, Switzerland:
Available at <http://graduateinstitute.ch/corporate/training-workshops.html>
- International Alert
<http://international-alert.org/training/index.php> and
http://international-alert.org/peace_and_economy/index.php
- United States Institute of Peace: Available at
<http://www.usip.org/education-training>

About the Practice Note Series

This practice note forms part of a series of Peacebuilding Essentials for Economic Development Practitioners that Alert is producing, in partnership with leading experts and practitioners from relevant fields, in the course of 2009-2010. The aims of the series are to:

- Introduce economic development practitioners to key economic recovery and peacebuilding challenges in conflict-affected and post-conflict contexts;
- Share lessons and good practice on how to strengthen the economic dimensions of peacebuilding;
- Provide practitioners and planners with the knowledge and tools to ensure that their interventions are conflict-sensitive;
- Promote experience-sharing between economic development and peacebuilding practitioners, to enhance synergies between the two.

Topics covered in the series to date include:

- Market Development in Conflict-Affected Contexts
- Socio-Economic Reintegration of Ex-Combatants
- Foreign Direct Investment in Conflict-Affected Contexts
- Business Environment Reforms in Conflict-Affected Contexts
- Supporting the Economic Dimensions of Peace Processes
- Natural Resource Governance in Conflict-Affected Contexts

About the Project

'Strengthening the Economic Dimensions of Peacebuilding' forms part of International Alert's wider work, ongoing since 1999, on improving business conduct and promoting a peacebuilding approach to economic interventions in conflict-prone and conflict-affected contexts. Our firm belief is that just and lasting peace requires broadly shared economic opportunities, including decent work, to redress economic issues and grievances that fuelled violent conflict in the first place, and to address the economic impacts

of conflict on the livelihoods and lives of conflict-affected populations.

Indeed strengthening the private sector and market-based economies has become a key concern for development assistance in recent years, including in countries affected by conflict. But while the links between peacebuilding and the economy may be obvious, it is less clear how a peacebuilding approach to such economic interventions can be achieved in practice, and how they can be made conflict-sensitive. Understanding the ways in which these interventions can interact with pre-existing conflict dynamics is crucial given that the allocation of resources and economic opportunities feature prominently as root causes in many conflicts; therefore any external intervention targeting the economic sphere is bound to interact with core conflict issues and the economic legacies left by violent conflict. This will be to the detriment of the local conflict context, and programmes, alike.

The objectives of the overall project are three-fold:

1. To identify lessons in order to generate evidence-based resources and guidance for policymakers and practitioners to improve the conflict-sensitivity and peacebuilding impacts of economic interventions
2. To promote uptake of such good practice
3. To put the links between economic recovery and peacebuilding on the agenda of relevant national and international actors through advocacy, outreach and networking

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To find out more, visit

http://www.international-alert.org/peace_and_economy/index.php?t=3

About International Alert

International Alert is an independent peacebuilding organisation that has worked for over 20 years to lay the foundations for lasting peace and security in communities affected by violent conflict. Our multifaceted approach focuses both in and across various regions; aiming to shape policies and practices that affect peacebuilding; and helping build skills and capacity through training.

Our field work is based in Africa, South Asia, the South Caucasus, Latin America, Lebanon and the Philippines. Our thematic projects work at local, regional and international levels, focusing on cross-cutting issues critical to building sustainable peace. These include business and economy, gender, governance, aid, security and justice. We are one of the world's leading peacebuilding NGOs with more than 120 staff based in London and our 11 field offices. For more information, please visit www.international-alert.org

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