

GOVERNANCE REGIONAL INTEGRATION ECONOMICS AGRICULTURE TRADE

GREAT

insights

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*With contributions on economic development, business, jobs
and finance from:*

International Alert, Tax Justice Network, DEVCO, EIB,
OPM, NIR, ACDS, International Dialogue, ECDPM

About GREAT Insights

Governance, Regional integration, Economics, Agriculture and Trade (GREAT) Insights is ECDPM's magazine covering a wide range of topics related to economic development in Africa and the developing world. GREAT Insights gathers expert analysis and commentary from a wide variety of stakeholders with different perspectives.

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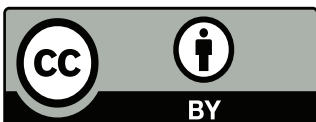
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Coverphoto: A Somali boy greets a soldier serving with the African Union Mission in Somalia (AMISOM) in the town of The Somali National Army (SNA), supported by AMISOM forces, has re-captured the town from extremist group Buur-Hakba.Al-Shabaab.

Photo above: African Union Mission in Somalia (AMISOM) combat engineers help grade and repair a road linking Afgooye, a town in Somalia's Lower Shabelle region, with Mogadishu, the country's capital. (Photos: UNPhoto)



Editorial

Addressing the root causes of fragility will be critical to realising the Global Goals of the 2030 Agenda for Sustainable Development. Yet while global matters are interconnected in a complex manner, they are often approached in a fragmented and narrowly specialised way. This is especially common when addressing peacebuilding and development in fragile and conflict-prone environment, where security and humanitarian approaches generally prevail.

Approaches to peacebuilding and fragility must focus not only on the security dimension, but also at the underlying causes and consequences that characterise conflict-prone environments, including the economic ones. In this context, greater attention must be paid to how peacebuilding processes can be better informed through an economic development lens, how approaches to promote economic development should take conflict and peace concerns into account, and what underpinning issues need to be considered in doing so.

This is particularly important for Africa where 46 out of the 54 countries of the African Union (AU) have experienced conflict. As stressed by Commissioner Solomon Dersso of the African Commission on Human and Peoples' Rights during the AU Summit in January 2016, "either Africa confronts head on the causes of conflict or faces the consequences of perceptions of fragility". So, besides immediate relief, the challenge is to address the critical economic conditions and captured rents, as in the case of natural resources, that lead to and fuel conflicts. It is also about adopting a longer-term perspective in post-conflict and conflict-prone contexts so as to provide new economic perspectives and prosperity over time. It is therefore about creating jobs, opportunities for more decent living conditions and means of substance, more equitable distribution, and developing sustainable and inclusive productive capacity.

This issue of *GREAT Insights* focuses on these complex inter-linkages between peace and prosperity, based on concrete experiences. The issue looks at this from three angles. The opening section presents how peace and economic development can be approached conceptually and practically. The second part discusses how peace and economic development cannot be delinked from questions about supporting business and creating job opportunities. The third section addresses questions about investments and financing, including illicit financing flows, and discusses instruments which outside agencies can deploy to support fragile environments in their path towards more resilience and development.

Dealing with such complex and interrelated matters immediately raises many questions, such as where to begin and how to approach situations, which can vary enormously - ranging from post-conflict and gradually resilient societies like Timor-Leste to countries, like South Sudan or Central African Republic, with conflicts spread throughout their territory. Evidently, highly context specific approaches need to be followed. Several messages emerge from the articles in this issue which should be taken into account in fragile or conflict-prone environments when promoting economic development and growth.

Evidence from a variety of conflict situations confirms that there is a lot to gain from deploying more conflict sensitive approaches when promoting economic development. Conflict sensitivity is relevant to governments, private sector and international agencies. It needs to be addressed at the very

practical level, such as investing in conflict assessments or conflict impact studies, and start already when identifying and designing investments in conflict prone contexts.

There is also a lot to gain in combining pragmatically context-specific institutional reforms and shaping regulatory frameworks for the private sector with a range of bottom-up support approaches to help the social and economic fabric to grow. Stimulating cross-border trade and relationship building between business communities of different origin are other means to promote peace and economic development. There is also evidence that establishing effective business-government platforms for dialogue and advice can support peace and economic growth. Another measure might be the provision of small-scale and gender-sensitive loans to entrepreneurs. At the international level, conflict sensitive programmes and information provision to increase the awareness of multilateral companies about how to invest in often resource-rich but governance-poor environments are much needed. This also goes for supporting continental policy discourses on fragility, such as the sessions on illicit financing flows held during the 2014 Tana High-Level Forum on Security in Africa and discussed in this issue.

Supporting peace and prosperity evidently does not lend itself to simplistic recipes. Approaches to work from the bottom up are often complex, tedious and long-term. Addressing economic development in fragile and conflict-affected environments cannot rely primarily on isolated technical approaches such as strengthening business opportunities for the private sector, or providing vocational training to the youth alone. A range of 'interconnected building-blocks', as described in this issue, has been deployed to deal with conflict in Medellin, Colombia. These comprise dialogue between diverse and rallying stakeholders, institutional as well as informal monitoring mechanisms to signal conflict and address them, deployment of conflict prevention and resolution mechanisms and stimulating responsible business practices. More sophisticated ways are needed for effective conflict management measures and fostering enabling environments.

We hope that this issue of *GREAT Insights* usefully contributes to spreading more awareness about conflict sensitivity in promoting prosperity and peace and on how such endeavours towards more comprehensive approaches can be addressed.



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Bread and peace: Linking economic development with peacebuilding

by Phil Vernon

Economic development and peace are both needed by the 1.4 billion people living in fragile, conflict-affected countries. The good news is, economic development initiatives can easily be designed to integrate peacebuilding.



Female trader in Goma, eastern DRC. Photo: Carol-Allen Storey for International Alert

Despite peacebuilding successes, the world is still too violent

The wars in Syria and other parts of the Middle East are a vivid testament that, despite major gains for peace across the world in the past few decades, much more needs to be done. The Global Peace Index score, as measured by the Institute for Economics and Peace, has decreased in recent years. According to the Organisation for Economic Cooperation and Development, at least 1.4 billion people live in around 50 fragile, conflict-affected countries. The situation of people in places as diverse as Yemen, Libya, Myanmar, Afghanistan, Philippines, Mali, India, Colombia, Pakistan, Israel, Palestine, the Democratic Republic of Congo, Iraq, Ukraine, Nigeria, Sudan, South Sudan, Somalia, and the Central African Republic – and in countries where political, gang- and crime-related instability and violence prevails – reminds us of the need to focus local and international efforts on peacebuilding, as a critical part of development.

In places like Syria and Yemen today, few can deny that peace is the priority. But the truth in many fragile and conflict-affected countries is that although peace matters, the economy most often seems to matter more. Parents, young people, governments, businesses, donors and others tend to see the world first and foremost through a lens of economic opportunity, looking for jobs, taxes, votes or profits. As a young Congolese woman told me: “Of course we want peace, but you can’t eat peace. We also need bread.” One reason why up to half of all peace processes eventually fail is because once the fighting stops, people quickly turn their attention away from peace and back to the economy, but don’t fix the problems which caused the violence.

In any case, economy and peace are intimately linked. Competition over access to resources is at the heart of most conflicts. The Arab Spring was sparked by the public suicide of a chronically jobless young man in Tunisia who had simply lost all hope. Long-term peace within and between societies

is really only possible when people have fair opportunities for a sustainable livelihood and the accumulation of assets, combined with general well-being, justice and security, in a context of good governance.

So those promoting economic development in fragile and conflict-affected places – businesses, governments, local and international organisations – need to make sure their projects make a contribution both to bread *and* peace. This fits well into the increasingly popular idea of ‘shared value’ propounded by Mark Kramer and Michael Porter of Harvard University – that businesses should aim to “advance the economic and social conditions” in societies in which they operate. And it also fits with the EU’s definition of corporate social responsibility as “the responsibility of enterprises for their impact on society”. But economic development doesn’t automatically produce peace – indeed, there are far too many examples of economic activities which undermine peace. So making a contribution to peace usually means adapting economic plans.

How to build prosperity and peace at the same time

Many businesses and development agencies feel they lack the knowledge to support peacebuilding. But it can be simpler than many people think: often it’s a matter of tweaking or supplementing what they might have already planned. International Alert, a UK-based peacebuilding organisation, has been supporting businesses, governments and others to integrate peacebuilding into their strategies and goals for many years, and recently published a report outlining how to do so entitled *Peace through prosperity: integrating peace into economic development*. What is critical is to include peace in the strategy from the outset. From our work, we have identified four generic goals which, when achieved, make an important contribution to peace, stability and prosperity:

- **Decent livelihoods.** When people are gainfully employed in decent work (employed, or self-employed), earn enough to live with dignity, and are treated fairly, they have a stake in stability. Decent livelihood opportunities which are accessible to people from all sectors of society help minimise exclusion and maximise social mobility. This obviously requires per capita economic growth.
- **Capital.** When people can accumulate economic assets securely, to provide them with a cushion in time of need, to improve their income, and to invest in and improve the economy, and can do so in a way that is fair to others, they not only have a stake in stability but are also more

empowered to say ‘no’ when politicians and warlords try to foment violence. Their capital may be individually or jointly owned and managed, including by the community or the state as in the case of welfare safety nets.

- **Revenue and services.** When the state, or other legitimate authorities, collect sufficient tax revenue, and invest it to provide the infrastructure and services needed for the economy and peace to flourish, they increase systemic resilience to violence. It is important they do so fairly and strategically, with both economic growth and strengthening peace as explicit policy intentions.
- **Environmental and social sustainability.** The right kind of economic development can enhance or at least avoid damaging the environment, and enhance or at least avoid undermining peace-positive attributes in society. This implies effective governance.

Cutting across all four outcomes is the idea of fair participation. Economic activities which benefit and are accessible to all groups – women, men, young people, and members of different ethnic and regional groups and classes – are likely to contribute to peace. They do so by reducing grievances between people and towards those in power, reducing the likelihood people will be manipulated by those who would undermine stability, improving their sense of membership and participation in society, and increasing their stake in a stable and sustainable shared future.

Multi-stakeholder effort for peace

Development agencies, governments and businesses alike need to map how they will contribute to these four outcomes through their policies, projects, business plans and strategies. There are some – but not yet enough – examples of this happening. The government of Rwanda has invested heavily in the IT sector, not only for economic reasons, but also for social sustainability: to reduce Rwanda’s dependence on farming, and thus remove the imbalance between the demand and supply of land which contributed to the 1994 genocide. The hope is that over time, this change will underpin and reinforce what is still a fragile peace. In another example, banks in Peru require businesses seeking loans to undertake a ‘conflict mapping’ as part of their social impact study, to ensure projects are socially sustainable, and contribute to social improvement beyond their financial bottom line.

Some companies operating in conflict-prone places take care to employ staff from different ethnic groups, to help reduce tensions in society. Trade can often strengthen

relationships. In Uganda the Lord's Resistance Army – a rebel group associated with the Acholi tribe – attacked Lira town several years ago. People in Lira, predominantly from the Langi tribe, boycotted Acholi businesses. Commerce as a whole stagnated, and it was business leaders, rather than government, who initiated a process to reopen trade relations between people from the two groups. In an example from International Alert's work, we support business people – mainly women – trading across the DRC's eastern borders, helping them improve their livelihoods and cross-border relations; and we have helped convene business leaders with access at a high level of government in the Philippines, to give politicians practical advice on bringing the country's long-running civil wars to a sustainable close.

Intentionality, ambition and early planning are key

In our report, we cite many other examples of governments, donors, NGOs and businesses making a difference for peace without undermining their economic goals. The critical points to make are first, that businesses and other economic development promoters in fragile and conflict-affected places have a responsibility to try and make a contribution to peace, through their economic projects. And second, that this is not rocket science: simply a matter of factoring into their plans at least one of the four peace-through-prosperity outcomes we have identified: fair access to livelihood and savings opportunities, improved tax revenues and government services, and improved environmental and social sustainability.

The idea of job creation for peace was popularised by the World Bank's 2011 World Development Report, *Conflict, Security and Development*, but has not yet been translated into practice on a wide scale. In some chronically conflict-affected countries it might make sense for international agencies, businesses and host governments to jointly develop programmes to create jobs in very large numbers, over sufficient time – perhaps 25 years – to provide work for young people who might otherwise become radicalised for violence, an economic boost, and peace-promoting infrastructure development, all at once. This would go against the orthodoxy that mistrusts long-term subsidy, but perhaps we need a new orthodoxy in which peace and stability is as important as the markets.

Of course it is much easier to see how integrating peacebuilding into economic initiatives can be done in fragile countries recovering from, but not currently subject to outright war – Uganda, Nepal or East Timor, say – than in those in the throes of outright violence such as Syria, Libya, Somalia and Yemen. But the causes of these wars are at least partly economic: for example the erosion of livelihoods by prolonged drought, and a history of economic exclusion for certain groups, in Syria. So it is not too early to begin planning for an economic post-war reconstruction which aims to improve access to livelihoods for all Syrians, and improve resilience to weather disruptions and climate change. This will not bring the civil war to an end, but it can help reduce the risk that peace in post-war Syria will be undermined. ■

See www.international-alert.org for more on this topic.



The full report can be downloaded here: http://www.international-alert.org/sites/default/files/Economy_PeaceThroughProsperity_EN_2015.pdf

About the author



Phil Vernon is Director of Programmes at peacebuilding NGO International Alert. In 2015 he authored *Peace through Prosperity*, a major International Alert report highlighting why economic development should include peacebuilding, and how businesses, governments and others can do so.

A delicate balance: Economic development and job creation in fragile states

by Joanna Buckley and Katie McIntosh

While economic development - and specifically employment - hold the potential to contribute to peace- and state-building, initiatives focused on growth do not necessarily innately support these goals and, in certain circumstances, even hold the potential to exacerbate conflict.

Economic development and employment

Since the mid-2000s, donors have increasingly emphasised the importance of working in Fragile and Conflict Affected States (FCAS). Indeed, the UK Department for International Development recently listed FCAS as one of its aid priorities. In such contexts, economic development has frequently been stalled, interrupted, or is in continuation only in pockets of the country. It is widely accepted that conflict depresses growth – especially in the short term. This has an effect on, and can exacerbate, an already deteriorating business environment and associated employment opportunities.

Economic development is widely measured using a Gross Domestic Product per capita indicator, reflecting an increase in the economic productivity and average material wellbeing of a country's population. This imperfect indicator paints an incomplete picture, however, particularly in relation to drivers of conflict and fragility. Susceptibility to conflict also depends on the type of economic growth and whether this growth is inclusive or benefits a narrow group of actors.

Economic development can also be looked at through a labour lens: jobs are one of the core determinants (and outcomes) of growth and are widely regarded as a key route out of poverty. It is not always the case, however, that employment creation automatically contributes to growth and poverty reduction. Informal, vulnerable, low paid, and hazardous jobs are likely to have a lower potential transformative impact for those working in them similarly, as a process, economic growth – unlike



Adult students listen carefully to their teacher during an adult literacy course in a classroom in a secondary school in Gaga refugees' camp. Photo: UNHCR /F. Noy

inclusive growth – does not actively account for the concepts of inclusivity and equity – the absence of which, can be a key driver of conflict.

In order to better understand how policies around economic development and employment can have a positive, meaningful impact in fragile situations, it is necessary to understand often overlooked factors, including: the importance of inclusion in growth, the potential for growth to exacerbate conflict, and the trade-offs often required

when economic development objectives do not directly support peacebuilding and state-building.

Inclusion

There is growing evidence of the importance of inclusive political settlements (an organisation of political power which can include, or exclude certain groups and be contested), in helping prevent the occurrence of types of conflicts, including ethical and regional ones. In enabling a sustainable exit from

conflict, particularly in contexts where exclusion has been a major conflict driver, donors face a tension between supporting short-term stability based on an – essentially exclusive - narrow elite (for example, as in the cases of Nigeria, Afghanistan and the DRC) or pushing for an inclusive settlement (as in Zambia and South Africa) which, in turn, has consequences for the inclusivity of economic development.

Concerning jobs, there is a need for a shift away from initiatives that promote job creation alone towards those that consider the distribution of employment, the targeting of jobs and the resulting impact on poverty and conflict reduction. Challenges associated with job creation, unique to FCAS contexts, include: sustaining the reintegration of ex-combatants, refugees and internally displaced persons; balancing equity and security considerations; and addressing the root drivers of employment accessibility such as access to land and natural resources. In order for job creation to be inclusive and supportive of peacebuilding efforts, all these challenges need to be addressed.

Exacerbation of conflict

An often overlooked possibility is that certain types of economic development sectors and activities can actually generate violent conflict – for example, the oil and gas sector in the Niger Delta in Nigeria is a driver of conflict in itself. This is not to say that economic growth should not be pursued as an objective of development initiatives - rather that the process can have winners and losers as the social and economic order changes. Similarly, regional and international factors can influence the continuation of conflict – regardless of its initial cause – for example, by presenting an opportunity for exploitation of a resource in the absence of international regulatory mechanisms and a functional national government. This is the case in the DRC with the mining of coltan, in Liberia with the extraction of diamonds and in Syria, with oil exploitation. Such commodities cannot be deemed indifferent to peace and require policy makers to understand how local conflicts and violent entrepreneurs interact with, and

in some instances actually sustain, wider economic processes.

On the flip side, conflict may also result in an organisation of political power whose interests actually end up being – albeit, perhaps unintentionally or unconsciously – ‘developmental’. For example, the success of the Arab Spring in Tunisia has led towards democratic reform and a focus on alleviating underlying causes of conflict. Studies have highlighted that the rise in female headed households, post-conflict, can challenge men’s control over economic resources. Similarly, post-conflict institution building can present opportunities to challenge discriminatory structures e.g. gender-sensitive police reform in Rwanda and Liberia.

Trade-offs

Policymakers must also consider the temporal element of economic development processes in FCAS contexts. Sometimes an immediate focus on generating employment can clash with other objectives in a fragile environment (e.g. longer-term, inclusive peace- and state-building objectives), requiring challenging trade-offs to be made. These trade-offs need to be carefully considered given the general global paucity of evidence on the impact of immediate job creation interventions on long-term employment, the inclusivity of programmes across groups, or peacebuilding and state-building objectives.

Similarly, there needs to be a distinction between emergency – e.g. cash for work - short-term and long-term employment. While generating employment in the immediate-term is important, if real economic opportunities remain limited, it is unlikely to be sustained in the long-term. This is particularly important for policymakers when considering support for job-creating, labour-intensive works and more productive capital-intensive projects. Focusing on short-term employment may mean forgoing opportunities to tackle structural drivers of conflict, e.g. a lack of public goods. Examples of where concerns over access to employment and public services have fuelled conflict include Sri Lanka and South Sudan.

Ensuring conflict sensitivity: implications for policymakers

Overall, it is important to remember that neither jobs nor economic development guarantee that the poor and marginalised will participate and benefit from growth. Yet both have a place in the narrative of peacebuilding and state-building and there is a growing awareness that development and peace processes must progress in parallel. Growth can stimulate job creation, which reduces grievances and incentives to engage in conflict, but it is a fine balance, and in some circumstances, such growth can also exacerbate conflict. Effectively addressing fragility as a driver of poverty and instability requires a more robust understanding of this fragility in the first place. Interventions aiming to promote economic development and job creation in such contexts need to be sensitive to how they may interact with conflict dynamics and adapt their programming accordingly. Doing so will support a more robust and nuanced understanding as to how peace is won – and sustained. ■

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Regional economic integration in the Horn of Africa: Wishful thinking or a basis for peace?

by Bruce Byiers and Sophie Desmidt

Peacebuilding and economic integration are both long-term gradual processes that must evolve together, with an important regional dimension. No one regional organisation can take full responsibility for this, but by being adaptive and opportunistic, building on bilateral processes and growing economic interdependence while supporting peace resolution, the role for an organisation like IGAD will only grow.



A young Somali girl runs in front of an African Union Mission in Somali (AMISOM) armed personnel carrier, Lido Beach in the Kaaraan District of Mogadishu, Somalia. Photo: UN Photo/Stuart Price.

What comes first? A peaceful society leading to more economic exchange, growth and improved well-being? Or growing economic exchange and interdependence leading raising the costs of conflict and leading to a more peaceful society? That is a fundamental question for many, but is of particular importance in the Horn of Africa, where within and between-state conflicts underline the importance of a regional approach and the importance of regional bodies such as IGAD - the Intergovernmental Authority for Development.

While IGAD has a strong focus and considerable renown on peace and security issues, economic integration is often seen as lower priority in the region. But rising economic interdependence in the region may be slowly altering the interests and incentives for conflict. By adapting to these

changing interests and incentives, IGAD may be able to play a supportive role in promoting regional peace and prosperity with benefits at the national level.

Intertwined security & economic integration

The mutual connections between regional security and the economy relate particularly to the geographical constitution of the Horn of Africa. A number of landlocked countries, including newly independent South Sudan, are slowly but surely intensifying cross-border cooperation to ensure access to water, energy and existing transport networks in the region in the midst of long-running tensions within and between countries, the effects of climate change and drought, and influences from outside the region.

In response, Peace and Security, and Economic Integration are two of the three pillars underpinning IGAD's strategy (the third being Agriculture, Natural Resources and Environment). IGAD is a 'building bloc' of the African Peace and Security Architecture (APSA) and hosts one of Africa's most elaborate Conflict Early Warning Systems (CEWS). Peace and security is also a key area for donors supporting the region, forming one of the EU's key pillars along with economic integration and natural resource management in its Regional Indicative Programme for 2014 to 2020, for example.

Although IGAD has become best known for its peace and security related activities, not least in Sudan and South Sudan, it is also one of eight Regional Economic Communities (RECs) recognised by the African Union (AU) and a building block of the African Economic Community (AEC) under the AEC Treaty. This brings commitments to establishing a free trade area (FTA), macro-economic convergence, industrial development and investment promotion, infrastructure and transport development, information technology, tourism development, and the development of energy, agriculture, environment and natural resources. The recently approved Horn of Africa Initiative (HoAI) by the World Bank, EC, and AfDB among others further supports the linkages between these, with a large pool of external funding targeted at vulnerability and resilience, and economic opportunity and integration.

Getting more peaceful?

While operating regionally brings additional complexity, and while this region is home to three of Africa's most protracted conflicts in Darfur, South Sudan and Somalia, IGAD can point to impressive progress. Besides its "extensive CEWS", IGAD has managed to consolidate expertise in conflict mediation, supported by a heavily engaged IGAD Assembly of Heads of State and Government.

Part of IGAD's success in building common interest around mediation, early warning and conflict resolution are due precisely to the economic and political cost of cross-border conflict spillovers. Though observers have lamented the lack of institutionalisation of IGAD's peace and security architecture and the democratic deficit, with Heads of State primarily relying on *ad-hoc* approaches to conflict resolution and management, the economic and political costs encourage high-level political ownership of IGAD's peace and security agenda through inter-state bargaining.

This helped IGAD broker the 2005 Comprehensive Peace Agreement in Sudan, leading to the successful referendum in southern Sudan and South Sudan's independence in July 2011. Although violence broke out in December 2013, a peace agreement was signed in August 2015 and is being monitored by IGAD, with a Transitional Government of National Unity (TGNU) expected to take office now for a period of 30 months, preparing the country for next elections.

Meanwhile in Somalia, where the AU is present with its largest peace support operation, IGAD has booked progress in pushing forward the federalisation process through its Facilitator's Office for Somalia. This includes a number of agreements on interim regional administrations in the South-West and Central regions, a peace deal in 2014 between former opposition leader Col. Barre Hirale and the Interim

Jubba Administration and the inauguration of Jubaland Parliament. In tandem with the AU, IGAD has launched a security sector reform process and continues to mediate between rival clan militias in Southern and central parts of Somalia, where reports indicate that Al-Shabaab is expanding its activities into bordering Kenya, and that increased efforts will be needed to further eradicate the group. As with South Sudan, IGAD's role as a neutral platform have helped minimise the economic fallout from regional conflict. This has included some thorny issues, such as the deployment of Ugandan troops in South Sudan.

These are notable successes in a region facing considerable environmental pressures and confronted with longstanding regionalised conflicts. But common challenges associated with the physical environment and landlocked countries equally underpin the logic of greater regional collaboration, spearheaded by the convening power of the IGAD Assembly of Heads of State and Government.

And on the economic side?

In contrast to its relative success on conflict mediation, in 2012 IGAD described its own progress on economic integration as 'dismal'. Nonetheless, market integration and broad regional economic integration remain key stated IGAD objectives to create not only a free trade area, but also a customs union and eventually a common market. Beyond market integration, sometimes referred to as 'shallow integration', IGAD's strategy also reflects aspirations of 'deep integration' including the soft and hard infrastructures that facilitate economic exchange and interdependence. Economic integration and market access also underpin IGAD's approaches to its third pillar of food security and drought and disaster reduction, reflecting the fundamental place economic integration takes in its vision for regional cooperation and integration.

But actually implementing the economic integration agenda is subject to wide variations in economic policy approaches and challenges among member states, limited economic complementarity, and the fact that most are also pursuing economic integration through the EAC (East African Community) and COMESA (the Common Market of Eastern and Southern Africa). The tensions in the region also undermine the investment climate. This then raises questions about the potential role and specific added value of IGAD's economic agenda and who is driving it. It also raises a challenge to IGAD to identify how to build on the high levels of informal regional trade and the growing sub-regional and bilateral relations among members as a basis for greater regional economic integration - particularly given the risks of engaging in business in fragile states, characterised by conflict. The challenge is heightened by the scale of informal trade. According to the World Bank (2014), "IGAD has lagged behind other Regional Economic Communities (RECs) in negotiating and interpreting trade agreements, and the institutional framework to resolve associated disputes is weak". As such, IGAD faces a Catch-22: while it lacks the resources or capabilities to achieve economic integration on its own, its international partners appear unconvinced of IGAD's abilities in this field (Woodward, 2013).

But wait - there is growing economic interdependence!

The potential for peace cannot be seen in isolation from the growing drivers for economic cooperation in the region, which will raise the bar to finding common interests and priorities.

In particular, the centrality of Ethiopia to the region cannot be understated - in both physical and metaphorical terms. Stability in the region is increasingly a primordial concern for Ethiopia, due to the danger of overflows into Ethiopia near Somalia and South Sudan, but also in relation to its investments in the Grand Ethiopian Renaissance Dam (GERD), energy agreements and its expanding railway networks to overcome its landlockedness. Ethiopia has already begun supplying neighbouring countries with energy from hydroelectric power, gaining the moniker the 'water tower of East Africa' with its seven major drainage basins and related potential for hydroelectric power generation, generating over 2000 MW and soon to acquire a 10,000 MW production capacity once the projects under construction are completed in the coming four years. Though not without risks (for example tensions with Egypt around the use of the Nile Waters as recently discussed in an article from *The Economist*) these dynamics then also raise the opportunity cost of tensions and conflict - the potential benefits of the GERD to Sudan have reportedly improved relations and even extended to their role in the South Sudan conflict.

What role for IGAD?

While much of the progress and growing interdependence in the IGAD region relates to bilateral agreements and joint ministerial arrangements outside the IGAD framework, it nonetheless points to the potential opportunities for greater coordination through IGAD and/or other regional organisations. IGAD can facilitate bilateral meetings on a range of topics, representing a pragmatic approach given the challenges of operating regionally and that it may eventually manage to 'regionalise'.

But recent ECDPM analysis (forthcoming in PERIA) suggests that further integration in the Horn of Africa will rely on a combination of support for top-down, state-led processes and building on bilateral, national, informal and *ad-hoc* processes. This is in line with Healy (2011), who argues for a less state-centric approach to regional integration that could capitalise on the strengths of informal cross-border relationships and Fisher (2014), who suggests international actors should fund more regular, high-level summits at the regional level, rather than the everyday activities of the IGAD secretariat and other bureaucratic organs.

Regional peacebuilding and economic integration are both long-term gradual processes and both must evolve together. No one regional organisation can take full responsibility for this, but by being adaptive and opportunistic, building on bilateral processes and growing economic interdependence while supporting peace resolution, the role for an organisation like IGAD will only grow. ■

This article draws on ECDPM analysis on the political economy of regional integration in Africa, in particular the IGAD study, forthcoming at <http://ecdpm.org/dossiers/peria-political-economy-analyses-african-union-regional-economic-communities-africa/>

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Business and conflict in fragile states: The case for pragmatic solutions

by Brian Ganson

International policy debates caught up in old ways of looking at business, conflict and fragility are for the most part ignoring violence reduction and conflict management approaches that can mitigate today's growing conflicts.

The rising tide of business and conflict

"Because I'm the head of the state oil company, every morning I go to work and look for oil. But because I love my country, every night I go home and pray we don't find it."

The executive's sentiments reflect the reality of his small nation (names not mentioned in order to protect speaker's identity). Though soon to be counted among the world's middle income countries, the population is largely impoverished. In an ideal world, the country could well use the royalties, tax revenues, jobs, training, infrastructure development, and value chain opportunities that oil and gas exploitation might enable to help drive human development. But it is also a country that barely manages the delicate balancing act in national politics that intense inter-ethnic rivalries require. There are tensions between the capital and the outlying provinces over resources and authority, and in the provinces between poor farmers and even more marginalised indigenous populations over land. Missteps over many years by international mining companies – including land grabs, repressive security measures, water pollution, and broken promises to invest in communities – provide the basis for

smouldering grievances, overt protest, and generalised suspicion of the private sector. Meanwhile, highly-organised and internationally-financed gangs increasingly engage in illegal mining on an industrial scale, leading to skirmishes with the army. This all plays out against the memory of the country's guerrilla insurgency. Pouring oil revenues into this cauldron, the executive reflected, would more likely lead to greater chaos than accelerated development.

While this is the story of one small country, it describes the dynamics of conflict and violence in many of the world's fragile states. Here as in many other places, the assertion that large scale foreign investments can help reduce fragility, confronts the reality of global corporations becoming embroiled in fragile state conflict and violence. This is particularly true for 'large footprint' investments: extractives industries, agriculture or infrastructure development that inevitably become entangled with and part of broader systems and dynamics that create and maintain fragility. Such operations often expose the sharp edge of business and conflict, characterised by heightened intergroup tension, project abandonments, political upheaval, heavy handed government responses, or violence: those situations where the promised 'win-win' for business and development has instead manifested 'lose-lose' outcomes. Indeed,

a review of the 100 countries at the bottom of the Fragile States Index shows that virtually all have in the past five years confronted significant conflict including fatalities with a nexus to large scale business investments. Deadly conflict can range, for instance, from illicit trade in natural resources in war-ridden Central Africa to more isolated deaths related to protests over Barrick Gold's Pueblo Viejo project in the relatively stable Dominican Republic.

Contemporary international responses rooted in long history

Two narratives compete to explain the nexus of business and conflict in fragile states and provide solutions. One view sees the multinational corporation as a root cause of conflict and violence in fragile states. Democratisation and development NGOs, international human rights bodies, accountability advocates and others draw on an enduring legacy of global enterprises willing to exploit fragile conditions, strike deals with unsavoury actors, and foment conflict for economic gain – dating back to the slave trade and eras of colonial and neo-colonial exploitation – to understand multinational corporations as fundamentally profit-hungry, soulless and seemingly stateless. The logical extension of this perspective is advocacy for a variety of legal-regulatory



Jansaengpo Industrial Plant, Busan. Photo: Scott Rotzoll, flickr.com

approaches to containing the worst forms of corporate conduct in fragile states, both through legal accountability in the companies' home countries and through international regulation. One example is the current attempt to build the UN Guiding Principles on Business and Human Rights into a binding international treaty law with recourse mechanisms for victims.

The alternate view sees the multinational corporation as a force for conflict reduction in fragile states. Multilateral financial institutions, growth-oriented fragile state governments, business advocates and others draw on an almost equally longstanding liberal economic history – dating back to Locke in the 1600s and John Stuart Mill's assertion in 1884 that "it is commerce which is rapidly rendering war obsolete, by strengthening and multiplying the personal interests which are in natural opposition" – to understand a vigorous and inclusive private sector as the foundation for peaceful development. The logical extension of this perspective is a focus on statebuilding approaches that support the regulation of an open economy and the protection of private sector interests, as well as advocacy for ever-greater roles for multinational corporations in fragile state affairs. These are illustrated by initiatives such as the UN Global Compact and its Business for Peace initiative, donor

policies that increasingly favour private sector solutions, and World Bank support for institutional reform in Angola and Uganda.

A need for new lenses on business and conflict in fragile states

From the perspective of anyone who would like to advance human rights and peaceful development for people today and their children tomorrow, it is hard to put too much faith in either approach. Focused as they are on creating incentives and disincentives for international companies, they appear to have little to say about the multi-faceted and context-specific dynamics of business and conflict in fragile states illustrated above. And as the gap between international policy responses and this new face of conflict widens, so too does the gap between these policies and the new face of investment. Trends from the new Asian Infrastructure Investment Bank to the growing investment of Africa's own pension funds in the continent's major projects, for example, allow fragile state elites less interested in the international policy agenda to engage with alternative investors, aid donors and trade partners largely beyond the reach of current policy levers. The international regime on which both international policy responses to business and conflict are built is shifting

under their feet. Meanwhile, state-building has proven too slow and too resistant to outside intervention to be proposed as a realistic solution by those who claim to be concerned with the lives of this generation and the next.

At the same time international policy responses seem remote from the people touched hardest by conflict and violence, neither do they seem particularly attractive from the perspective of even an ethical company. Neither assessing and reporting on the company's compliance with international standards under a variety of compulsory and voluntary mechanisms or engaging in international policy forums meant to promote responsible investment in fragile states impresses the stakeholders who make the decisions about conflict or coexistence with the company at the level of its local operations. So even in the ideal case where a company invests significant resources to comply with international law and emerging norms, stay within the bounds of its host country legislation, and engage communities according to what it is told are international best practices, it may still find itself confronting operational disruption, destruction of assets, threats to people, or other forms of conflict and violence.

Contemporary international policy responses offer little that will address acute and widespread risks of conflict

and violence related to large scale business operations in fragile states at anything approaching the scale and speed required. If international policy responses remain focused primarily on the long-term goals of state formation, private sector promotion and human rights enforcement, destructive conflict will undermine business and social goals alike. Conflict and violence will at the same time hamper attempts to implement otherwise laudable and necessary reforms. If the primary goal is to reduce destructive conflict over private sector activities today in ways that lay a foundation for peaceful development tomorrow, then more pragmatic thinking and immediate action is called for. Conflict risk mitigation, conflict management and conflict resolution will need to be addressed directly and on their own terms.

A new logic for business risk mitigation and conflict prevention

The good news is that solutions exist to address destructive conflicts related to large scale business operations in fragile states as they unfold today and can be anticipated to increase in number tomorrow. They are to be found, however, largely outside of the current debates about either regulation or enablement of the private sector in fragile states. Mainstream peacebuilding and conflict prevention practice in areas as diverse as electoral conflicts and urban violence reduction demonstrate that even acute conflict is preventable and manageable. Experience also shows that these principles and practices when applied to the corporate domain can be predicted to have the same positive impacts.

These approaches can in general terms be described as a set of interconnected building blocks: institutionalised mechanisms or networks for monitoring the local context; the rallying of diverse and sometimes conflicting local stakeholders around higher-quality data and more trustworthy analysis; dialogue that builds sufficient consensus for action; proactive conflict prevention and resolution interventions;

and a backbone support organisation that facilitates expert and neutral assistance. Local actors in many conflict-prone and fragile environments put these tools to work. The Colombian city of Medellín achieved a 90% drop in violence from 1991 to 2006 through a holistic strategy that would implement pacification and community policing, improve access to basic services by marginalised communities, change the built environment and spatial segregation of the city, create jobs for at-risk youth, promote social cohesion within the city, and improve urban governance for security; in Somalia, at least 100 local processes over the last 20 years have protected the trade on which livelihoods depend and managed violence.

Unlike the dominant international policy responses of private sector promotion and human rights enforcement – which appear to largely ignore the political economy of fragile states themselves, in effect exhorting them to be less fragile by adopting the trappings of the liberal state – these approaches succeed despite conditions of social divisions, weak institutions, lack of trust in government, legacies of grievance from the past, pressing socio-economic challenges, or the presence of spoilers. They manage fragility by engaging parties on the basis of their partisan interests and desires to mitigate their own risks; creating vertical linkages from local conflicts to influential actors at regional, national or international levels; building from existing social and political capital and functioning institutions whether formal or informal; and providing outside intervention in more acceptable forms of expertise and advice. From company-community *mesas de diálogo* that are increasingly prevalent in Latin America to the peace committees sponsored by Chevron in Nigeria, such approaches work better to manage business and conflict, even in fragile contexts.

Conflict management as pragmatic coalitions for change

Neither company shareholders nor advocates for peaceful development need or should accept the growing

cost of business-related conflict in fragile environments. It is unhelpfully naive to ignore the actors inside and outside of companies and governments perfectly willing to profit from fragile state dynamics, including violence; but it is irresponsibly cynical to ignore the increasingly strong evidence of conflict mitigation strategies that all the same work. International policy debates caught up in old ways of looking at business, conflict and fragility are for the most part ignoring violence reduction and conflict management approaches that can mitigate today's conflicts while helping to build a firmer foundation for longer-term political stability and inclusive development. But those who want to band together to do something about business and conflict in fragile states – whether businesses looking for sustainable profitability, advocates seeking greater positive impact for vulnerable populations, or international institutions seeking greater stability – have much work to do but many places to start. ■

This article is drawn from the forthcoming book by Brian Ganson and Achim Wennmann entitled *Business and Conflict in Fragile States: The Case for Pragmatic Solutions*. (London: International Institute for Strategic Studies, 2016).

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Business as driver for development and peace

by Sofia Birkestad Svingby and Jonas Borglin

As multinational companies increasingly seek new business opportunities in fragile environments the question arises: How to do good business while contributing to economic development and peace?

Economic development and peacebuilding

As the primary driver of economic development, the private sector's ability to prosper is imperative to job creation and investments necessary for human security. Armed conflict and post-conflict situations constitute severe constraints on economic life and present a hostile environment to business and investments. The positive connections between the role and needs of the private sector and peaceful development are however still less explored.

Considering the multiple risks and associated high costs of violence, a peaceful development and improved socio-economic conditions typically converge with the self-interest of businesses with a long-term objective. The private sector, international and local, has the ability to contribute in at least two rather different ways: by conducting its core business and by actively promoting certain elements of peacebuilding.

Taking years of practical experience from private sector development in complex environments as point of departure, the authors argue that through conscious engagement and active dialogue promotion business can - and does - take on an important role for both economic development and peacebuilding in fragile contexts.

Company core competence is the key contribution

While potentially highly profitable, fragile or complex environments present a multitude of challenges for an

international company. This risk-opportunity balance must be carefully managed to cater for long-term success. Weak formal institutions, opaque power structures, commercial and political interdependencies and ethnic tension are some examples of particular challenges of the fragile context the company needs to navigate.

The private sector's main contribution to developing economies and societies stems from its core activity; its ability to offer products and services meeting local demand, and the related effects on job creation and economic growth. In their interaction with suppliers, consumers, employees and governments and institutions, companies may transfer know-how, promote peaceful tools of conflict management and good governance through their core business conduct. Herein lie both the inherent challenge and opportunity. A company's ability to steer towards sustainably successful business models rather than short-sighted and exploitative practices is pivotal.

However, in order to be successful, companies can not go about doing 'business as usual'. In complex or fragile environments, operations and products need to contribute to a virtuous rather than vicious circle of economic and societal development. If implementing conflict sensitive approaches in strategies and operations, companies can facilitate economic development while also contributing to establishing essential conditions for peacebuilding.

A context-sensitive governance model, including means of ensuring local compliance with the corporate code of conduct, is required, but key to implementing such approaches is leadership. Leaders' ability to navigate complex environments – harvesting opportunity and managing risk – determines if a business can successfully provide benefit to stakeholders, employees and society. In order to do this, leaders need to incorporate an attitude of attentiveness to any aspects in the local context that may influence the company's operations. The key attribute of such an attitude is inquisitiveness, continuously striving to understand the environment in which the company operates. The method is further developed in the concept 'Management in Complex Environments: Questions for Leaders' (Ganson, 2013).

This approach helps business leaders anticipate and manage the way the company influences the local context, positively or negatively. Moreover, and equally important, it supports the management's grasp on how the local context, for instance its conflict dynamics, affects the company and its ability to meet the wide range of requirements - financial, reputational, legal etc. - placed on international firms.



Bralima brewery, Democratic Republic of the Congo, owned by Heineken International. Photo: Wikipedia

Private sector building trust through dialogue

In addition to conducting business sustainably and responsibly, private sector actors (individual companies, multinational or local, as well as organised business) may offer channels and methods for trust-building outside the traditional arenas. This potential can be manifested by a well-functioning labour market dialogue or improved interaction between private sector and policymakers. The ability of individual employers or that of business organisations to contribute to conflict resolution, either at the workplace level or in society at large, may be decisive in establishing a dialogue-centred rather than conflict-oriented interaction.

The fact that companies often have an acute awareness of the challenges facing citizens in local communities is sometimes overlooked. Organised business on local and national level, meanwhile, can have an important role to play in holding governments and public institutions accountable. The achievements of the 2015 Nobel Peace Prize laureates, the Tunisian Quartet, clearly demonstrate how business and labour market parties, when engaged in broad cooperation, were able to provide “an alternative, peaceful political process at a time when the country was on the brink of civil war” (Nobel Peace Prize 2015, Press release 10 October 2015).

Case: Labour market dialogue

A well-functioning labour market dialogue has the potential to contribute to a society where dialogue is a known and utilised tool for furthering differing views and mandates instead of violent conflict, as well recognised by the International Labour Organization.

One example from a fragile environment is the joint initiative by business and trade unions, supported by local and international organisations and donors, to increase cooperation between labour market parties in Colombia. Through the initiative, the ‘Labour Market Dialogue’, relations and trust between Colombian trade unions and employer organisations have been strengthened. Local organisations are building a Colombian negotiation model based on domestic and international experience. International actors, in this case Swedish organisations and companies, can act as norm entrepreneurs as local business partners are influenced through policies and applications of standards. The local partners subsequently establish new norms and practices that can have consolidating effects and spread the use of conflict management mechanisms (Fort, 2007, p.59).

Case: Conflict resolution through arbitration

One of the world’s most enduring conflicts, the Israel-Palestine conflict, presents another example where businesses have a stake in finding alternative ways for conflict resolution. In a unique joint attempt to provide a mechanism for business disputes, Israeli and Palestinian businesses came together to form the *Jerusalem Arbitration Centre*. It constitutes a potent platform for conflict resolution that, despite negative developments in the local security context, is able to facilitate dialogue between businesses from both sides.

Case: Labour market access for vulnerable groups

Lack of employment opportunities is a potential driver for conflict and instability. Similarly, lack of skilled employees hampers the business potential for local and international companies. As such, initiatives to support job creation are in the interest of both society and business and even more so in conflict-prone or post-conflict environments, where the issue of re-integrating ex-combatants is a priority.

There is ample opportunity for the private sector to contribute through innovative solutions; companies address the

lack of qualified labour and vulnerable groups benefit through the chance of a stable job, alternative economic incomes and improved quality of life. In vocational training conducted by Swedish companies in Colombia, the selected participants all represented vulnerable populations: teenagers at risk of recruitment by organised crime; former paramilitary and guerrilla combatants in the process of reintegration. A majority of the participants were either employed by the participating companies or referred to other employers after finalising the training.

The cases show how the private sector in distinctly different fragile local contexts, by catering for its own interests, can lead the way for innovative practical solutions. Further, by engaging in joint efforts, the multi-stakeholder approach in itself supports trust building.

Business should do what it does best

Business should be viewed - and view itself - as a stakeholder in sustainable development, even though a company’s status as a commercial entity may render it difficult to engage in far-reaching development work as such. The interests, capacity and mandate of companies and business associations need to be acknowledged if business actors’ potential in building resilient, prosperous societies is to be efficiently utilised.

The world has a unique opportunity to make use of the Sustainable Development Goals (SDGs) as a framework to include private sector actors as parties to the development agenda, aligning long-term business goals with global sustainability goals. In fragile and conflict-ridden environments, where the SDGs are likely to meet with the greatest challenges, the participation of business will be vital.

We argue that sustainable, responsible business practices and values are not complementary features of long-term successful business, but a pre-requisite. As such, the core business and the way it is conducted is the major contribution of a company - not only as a source of financing, innovation, job creation and growth - but through its impact on stability and governance issues, including anti-corruption, peace and security and the rule of law. ■

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Making international standards on responsible business fit for purpose and prosperity in fragile and conflict affected environments?

by Kathryn Nwajiaku

Most international standards for responsible business conduct are voluntary and place no obligation on companies and governments to implement them. With this in mind, the International Dialogue on Peacebuilding and Statebuilding together with SOMO developed a brochure which consolidates and distils those standards most relevant to conflict affected and fragile contexts.



Secretary-General Ban Ki-moon meets with Ouided Bouchamaoui, President of the Tunisian Confederation of Industry, Trade and Handicrafts and co-winner of the 2015 Nobel Peace Prize as a member of the Tunisian National Dialogue Quartet
Photo: UNPhoto

Many standards

In December 2015, the *International Dialogue on Peacebuilding and Statebuilding* officially launched its brochure 'International Standards for Responsible Business in Conflict Affected and Fragile environments', providing a concise overview of some of the key standards that can help businesses operate responsibly in conflict-affected and fragile environments. Over the last 15 years, a plethora of international standards and guidance have mobilised governments, businesses, investors, and civil society organisations to break the link between conflict, fragility and natural resource extraction and trade, culminating in the adoption of the *United Nations Guiding Principles for Business and Human Rights* in 2011. Many of these standards have special relevance for conflict-affected areas, such as the *Voluntary Principles on Security and Human Rights* and the *OECD Due Diligence Guidance for Minerals from Conflict-Affected Areas*.

What's the problem?

So, did we really need another brochure on responsible business? Well, yes. Surprisingly, many companies are often not very aware of the existence of the different guidelines. Companies may lack corporate commitment or capacity to implement international standards. Often the high risks associated with such environments and the lack of reliable and updated information about context, investment opportunities, standards and mechanisms, deter businesses and investors. At the operational level, particularly small and medium sized companies, even when they have committed themselves to observing these standards, often fall short on implementation. In conflict-affected and fragile environments, they may find it difficult to fulfil their commitments in the absence of an enabling environment.

Most international standards for responsible business conduct are voluntary and place no obligation on companies and governments to implement them. Existing guidelines and

principles do not always offer the possibility of addressing wrongdoing or harm caused. Very few have a non-judicial grievance mechanism attached, with the exception of the *OECD Guidelines* and the *IFC Performance Standards*. This reduces the incentives to implement international standards, particularly in difficult environments, and undermines their effectiveness and credibility. It also means that many multinational companies continue to have a poor track record of human rights violations in fragile and conflict affected environments in particular. At national level, many governments, civil society actors, local businesses and business associations often do not have easy access to user-friendly information on international standards, making it difficult for them to bring pressure to bear for implementation.

An overall approach...

With this in mind, *the International Dialogue on Peacebuilding and Statebuilding*, an OECD-hosted partnership between governments of countries affected by conflict and fragility, OECD-development providers from some of the world's richest countries, and civil society organisations collaborated with SOMO, to develop an easy-to-use brochure which consolidates and distils those standards most relevant to conflict affected and fragile contexts. It builds on the core principles of the *New Deal for Engagement in Fragile States (New Deal)* championed by the International Dialogue and endorsed by 40 countries and organisations in 2011, as a guide to effective engagement in conflict-affected and fragile environments. The *New Deal* calls on all actors, private and public, to invest in ways that tackle the root causes of conflict and to promote sustainable peace. The brochure is one step in the right direction, but standards, even if applied to the letter, can never be enough.

The International Dialogue's approach to promoting more and better business in fragile and conflict affected environments includes working to develop bespoke guidance for investors, and facilitating sector specific public-private dialogues in country, in ways that both contribute to building trust and peace and improve collaboration for scaled up investment for job creation. In Sierra Leone, in September 2015, as recovery from the Ebola Virus Disease was just taking root, the International Dialogue, in collaboration with the World Bank/ IFC and Sierra Leone's Up Africa! Ltd, worked with domestic private sector representatives and the Sierra Leonean Ministry of Finance and ICT, to develop a strategy for boosting entrepreneurship in the ICT sector. This work built on the unexpected boost which the Ebola crisis brought to the sector, particularly for young entrepreneurs from the diaspora. Additionally, the International Dialogue also works to amplify the voice of fragile states governments in international debates on development finance, to ensure that they are an

integral part of discussions on smart aid and leveraging others sources of development finance, notably corporate taxation and domestic resource mobilisation more broadly.

...based on collaboration

The complex and often complicated relationship between peace and prosperity, conflict, and underdevelopment, has for many decades been the subject of much academic debate; but also much innovation in policy making and advocacy. Countries like Botswana have shown us that no condition is permanent and that, when managed well, resource endowment can bring economic development, which itself can create the conditions for breaking cycles of conflict. The International Dialogue's *New Deal* acknowledges the critical role the private sector can play in proactively contributing to making economic development work for peace. The Tunisian's Nobel Prize winning quartet has ably and dramatically demonstrated what can be achieved when the business community comes together with other actors as a force for building peace and trust. It also highlights the scale of the challenge before us, making this kind of collaboration now more important than ever. ■

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The challenge of economic reintegration of ex-militants in Nigeria's Niger Delta

by Tarila Marclint Ebiede

Reintegration of ex-combatants in the economy can be a key driver for stability. The experience in Nigeria's Niger Delta region suggests however that reintegration and training of ex-militants must target sectors with high employment potential, such as agriculture, and not mainly the oil industry.

The Post-Amnesty Programme (PAP), an initiative of Nigeria's Federal Government, which facilitates economic, social and political reintegration of ex-militants in Nigeria's Niger Delta region is in its last year of implementation. A key concern for Nigerian policymakers and the international community is to ensure that ex-militants do not return to violence after this. This concern stems from the fact that, in spite of the various training opportunities offered by PAP to ex-militants, opportunities for economic reintegration remain limited. This challenge is not limited to the ex-militants in the Niger Delta. Reintegration of ex-combatants that have undergone disarmament, demobilisation and reintegration (DDR) has been a topical issue among policy makers and academics across the continent (e.g. EU Social and Economic Reintegration Programme, International Alert).

The PAP in Nigeria recognises the challenges of economic reintegration for ex-militants and has focused on funding educational and vocational training. In total, the PAP claims to have registered 30,000 ex-militants and have enrolled at least 12,000 of them in different vocational or educational training. Training has been undertaken both in Nigeria and institutions overseas (such as the United Kingdom, Ukraine, Russia, United Arab Emirates, Ghana, South Africa, United States, Malaysia, Germany, and France).

Field findings

An ethnographic fieldwork was conducted to understand and explain the reintegration trajectory of ex-militants in rural communities in the Niger Delta. Ex-militants who were affiliated with different armed groups were identified and interviewed during the fieldwork. The majority of the ex-militants interviewed have undergone



Young man waiting at the abandoned rice farm in Peremabiri Community, Bayelsa State, Nigeria. Photo: author's own

different trainings through the Federal Government PAP initiative that prepares them for reintegration.

On economic reintegration, ex-militants who have returned to their communities of origin after their training have been unable to find work, while those who received entrepreneurship seed capital to start trading have managed to keep their business open. This finding provoked further engagement with ex-militants to understand this discrepancy. As one ex-militant who had undergone training in crane and heavy duty operation in South Africa said, "I learnt how to drive heavy duty equipments, but the equipments in South Africa are different

from the ones in Nigeria. But actually, there is no work here. I have tried to get work, but they are not employing". On the other hand, an ex-militant who owns a shop in Ologbobiri community said, "It is my business, my children will not go to school if I fail".

These statements suggest that those who received entrepreneurship support tend to be more independent. This independence is mainly because they received training in entrepreneurship, which could be applied in different sectors. The number of ex-combatants receiving entrepreneurship support is low compared to those who had received other skills training to make them employable. In a practical sense,

not everyone can be an entrepreneur. As such, the relative success of ex-militants who are involved in small-scale entrepreneurship does not provide sufficient explanation to the challenges of reintegration experienced by other ex-militants. Instead, the lack of opportunities in the sectors that ex-militants have been trained in explains the challenges they experienced.

Current government initiatives

Recognising the challenge of actual employment for ex-militants after their training, the PAP introduced targeted initiatives to facilitate employment in the Nigerian oil industry. Many ex-militants selected training in areas in the hope that this would enable them to gain employment in the oil industry. The PAP administration equally expects the oil industry to employ some of these ex-militants. However, this has not been forthcoming. The former Chairman of the PAP, Kingsley Kuku, described the oil industry as being “uncooperative”. The current Chairman of the PAP, General Paul Boroh (rtd), has made sustainable reintegration his focus and has called on different state and private sector institutions to employ ex-militants that have undergone training. But his focus has also been on the oil industry. The challenge is that employment in the oil industry is limited.

In spite of significant economic potential, oil exploration in the Niger Delta region has undermined other economic activities such as agriculture due to large scale environmental pollution. Violent conflicts have also impacted negatively on the business climate in communities. Yet, despite the frustration and aggression towards oil companies, there are still expectations and aspirations among young people, including ex-militants, to benefit from the oil companies. Clearly, there is a need to find new means of providing employment opportunities for ex-militants in communities in the Niger Delta.

Business for peace in the Niger Delta

The current problem in the Niger Delta is that the majority of ex-militants having undergone training have not been able to find employment. The approach of the government has not yielded results. Lately, ex-militants have been

arrested for being involved in sea piracy, kidnapping, election violence, and illegal refining of crude oil. These activities threaten the peace in the Niger Delta and have raised concerns over the stability of the region.

The use of financial capital may have enhanced the capacity of (a limited number of) ex-militants to gain a sustainable means of income through small-scale entrepreneurship. But a sustainable means of income for the majority of ex-militants seeking employment will come from investing in economies that create employment for local communities of the Niger Delta. A focus on the ex-militants alone will not increase their opportunities for employment, nor will a focus on the oil industry alone. Other opportunities for investing in local economies in the Niger Delta have already been identified. In a 2011 report, the Partnership Initiative for Niger Delta (PIND), an initiative of the Chevron Corporation, identified agriculture as a viable economic activity that may enhance local economies of communities.

The potential of agriculture as an economic activity to empower local economies is not merely about farming itself, but it is more embedded in the value chain of the agricultural sector. Opportunities for investments in agriculture in the Niger Delta already exist, for example in aquaculture, palm plantation, cassava, vegetables, plantains, amongst others. These activities could be scaled up to further serve as a means of employment for the communities where these agricultural activities already exist, and create new pilot projects in communities where they do not exist. Instead of focusing on the oil sector and public sector, the Federal Government PAP initiative should orient communities and investors towards business opportunities in sectors such as agriculture. While individual grants may help individual small-scale enterprises, investment in businesses will enhance employment opportunities for ex-militants and other community members seeking employment. Agriculture could provide jobs if it is industrialised and provides the needs of the global market for processed agricultural products.

The Nigerian government has often expressed interests in promoting agriculture as an industry for revenue generation and employment. However

the government at both federal and state levels needs to ensure policy coherence that takes research findings of non-governmental initiatives such as PIND into account. As part of policy coherence, initiatives such as the industrialisation of agriculture in the Niger Delta should be clearly linked to the Post Amnesty Programme.

The international community and donor agencies can also support this process. What is needed in these communities are investments in large scale economic activities. The role of the government, through the PAP, should be providing the legal and organisational framework for such targeted investment in the communities to work. For example, the abandoned Peremabiri Rice Farm in Bayelsa State could create an entire economy for Peremabiri and neighbouring communities. An abandoned palm plantation exists in the Korokorosei community in Bayelsa State. The PAP should identify these existing opportunities and collaborate with the international community to attract investors who can help revive these existing infrastructures to create local community employment. This will go a long way in changing the economies in communities that have experienced violent conflicts in the Niger Delta. ■

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Breaking the vicious circles of illicit financial flows, conflict and insecurity

by Alex Cobham

Illicit financial flows (IFF) not only thrive on conflict and insecurity but exacerbate both, by undermining the financial and political prospects for effective states to deliver and support development progress. Policies to meet the Sustainable Development Goals' target of curtailing IFF will also promote peace and security.

In 2014, the Tana High-Level Forum on Security in Africa took as its theme the impact on peace and security of illicit financial flows (IFF). Leading figures from across the region, including a range of current and former heads of state, discussed the nature and scale of illicit flows and the policy options available.

The subsequent report of the High Level Panel on Illicit Financial Flows out of Africa, chaired by Thabo Mbeki, cited the Tana Forum background study (Cobham, 2014) and reiterated its analysis of the linkages with security; and so it was no surprise that the IFF target in the Sustainable Development Goals (SDGs) appeared under Goal 16: 'Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels':

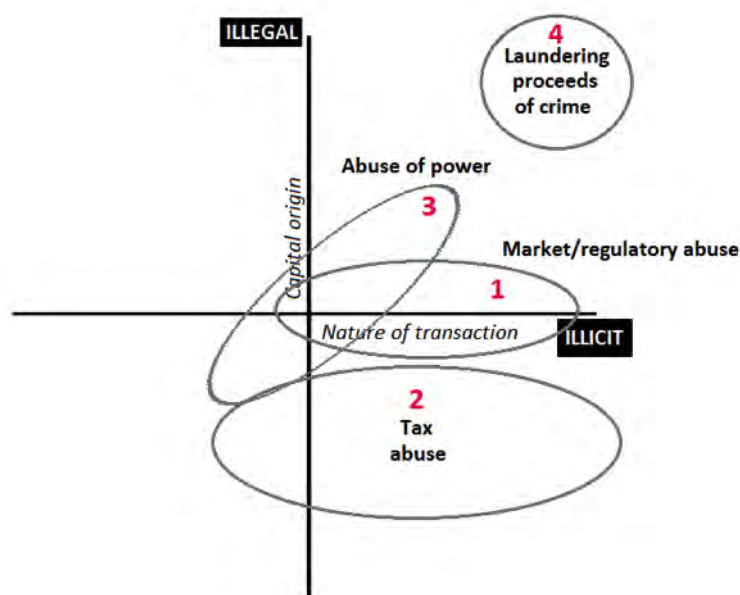
Target 16.4: By 2030, significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime...

The linkages between IFF and insecurity are not necessarily well understood, however. Assessing how the two issues interact can help to identify the range of policy responses that will support powerful progress.

Illicit financial flows

There is no single, agreed definition of IFF. The Oxford dictionary definition

Figure 1: Main IFF types by nature of capital and transaction



of 'illicit' is: "forbidden by law, rules or custom." The first three words alone would define 'illegal', and this highlights an important feature of any definition: illicit financial flows are not necessarily illegal. Flows forbidden by "rules or custom" may encompass those which are socially and/or morally unacceptable, and not necessarily legally so. Multinational tax avoidance (as opposed to illegal tax evasion) might come under this category.

This particular example also shows why a legalistic approach may introduce an unhelpful bias. Commercial tax evasion affecting a low-income country where the tax authorities have limited administrative capacity is much less likely either to be uncovered or successfully challenged in a court of

law, than would be the same exact behaviour in a high-income country with the same laws but with relatively empowered authorities. A strictly legal definition of IFF is therefore likely to result in systematically – and wrongly – understating the scale of the problem in lower-income, lower-capacity states. For this reason above all, a narrow, legalistic definition of IFF should be rejected.

The central feature of IFF – and incidentally a major reason their measurement is so difficult – is that they are deliberately hidden: financial secrecy is key, in order to obscure either the illicit origin of capital or the illicit nature of transactions undertaken (or both). As illustrated in Figure 1, four main types of behaviour are captured: 1) market/regulatory abuse (e.g. using

anonymous companies to conceal political conflicts of interest, or breaches of antitrust law); 2) tax abuse; 3) abuse of power, including the theft of state funds and assets; and 4) laundering of the proceeds of crime. Figure 1 also highlights that there is a broader distinction between 'legal capital IFF' (tax abuse and market abuse, types 1 and 2) and 'illegal capital IFF' (the abuse of power and laundering of criminal proceeds, types 3 and 4).

Security and state 'fragility'

There is growing agreement that the concept of fragile states – as a binary division against all other, 'non-fragile' states – is an unhelpful one for analysis. Instead, it is more useful to think of all states as occupying some position on a spectrum of (risk of) fragility. As the High Level Panel on Fragile States (2014) put it:

Fragility comes about where [pressures such as those stemming from inequality and social exclusion, or from new resource rents and resource scarcity] become too great for countries to manage within the political and institutional process, creating a risk that conflict spills over into violence – whether interstate or civil war, ethnic or tribal conflict, widespread criminality or violence within the family. Countries that lack robust institutions, diversified economies and inclusive political

systems are the most vulnerable. In the most acute cases, violence has the effect both of magnifying the underlying pressures and eroding the institutions needed to manage them, creating a fragility trap from which it is very difficult to escape.

The risk of fragility is then closely related to a state's ability to provide citizens with 'negative' security (to prevent personal, community, political and environmental insecurity) and with 'positive' security (to provide the conditions for economic, food and health security and progress). These two forms of security exhibit potentially mutually reinforcing relationships with particular types of IFF.

Two vicious circles

Figure 2 shows a vicious circle linking illegal capital IFF and problems of negative security. Where IFF derive from abuse of power – say, for example, the extreme behaviour of a kleptocratic leader – the cycle follows almost tautologically. The nature of the IFF itself undermines state legitimacy and both the capacity and interest to provide security, or indeed to act to curtail IFF.

When the rise in IFF reflects laundering of the proceeds of crime, it is the underlying crimes where the linkages are likely to emerge. Most dramatically, Cockayne (2011) finds that drug and human trafficking has

led to little less than the criminalisation of governance itself in West Africa and the Sahel. He identifies two hubs that grew strongly after Caribbean counter-narcotics efforts in the 1990s pushed the trade elsewhere: one around Gambia, Guinea and Guinea-Bissau, and the other around Benin, Ghana and Togo. In addition, Cockayne highlights important services provided in other states – namely money laundering in Senegal, and transit in Mali, Mauritania and Niger. The growing involvement of the state in criminal activity (including IFF), and the growing power of criminality over the state, make the vicious circle somewhat inevitable again.

Much of the problems of conflict and negative security arise in countries characterised by low levels of institutionalisation of authority, a heavy reliance on patronage politics and an accordingly high level of allocation of state rents to unproductive activities (patronage, to maintain the political machine). For a rent-seeking patronage order to function, it must resist or evade the pressures to institutionalise state finance – through, for example, an incentive structure in which senior officials have a personal interest in financial opacity and the misuse of public funds, and fiscal policy is subordinated to the 'political budget' (the state allocation for patronage purposes). Major sources of funds such as natural resource companies may

Figure 2: The vicious cycle of negative security and illegal capital IFF

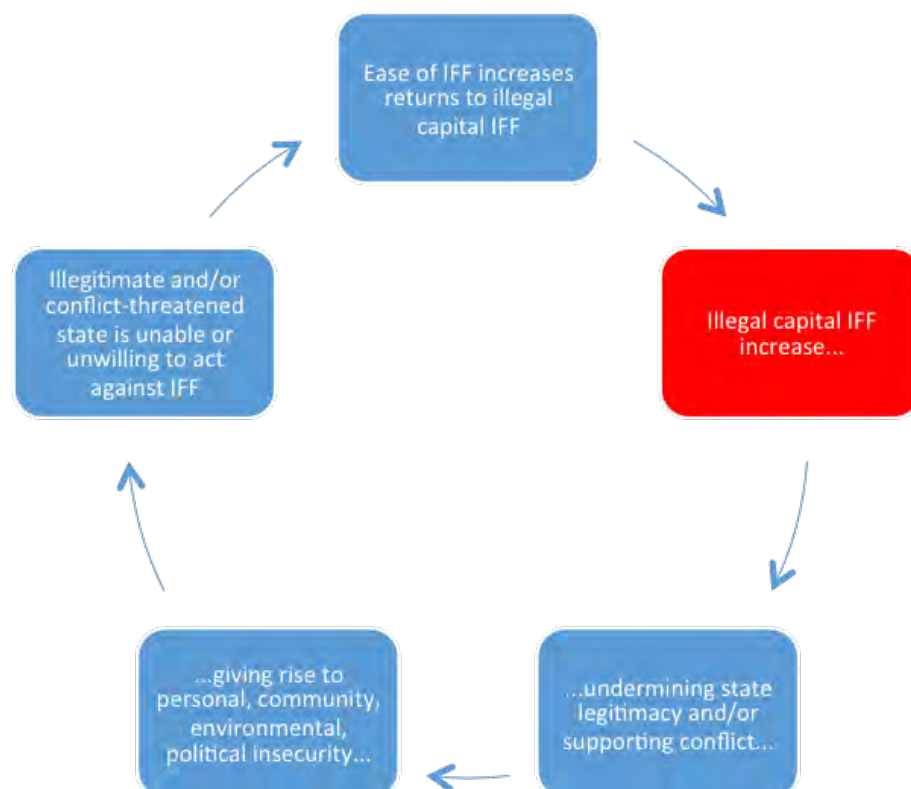
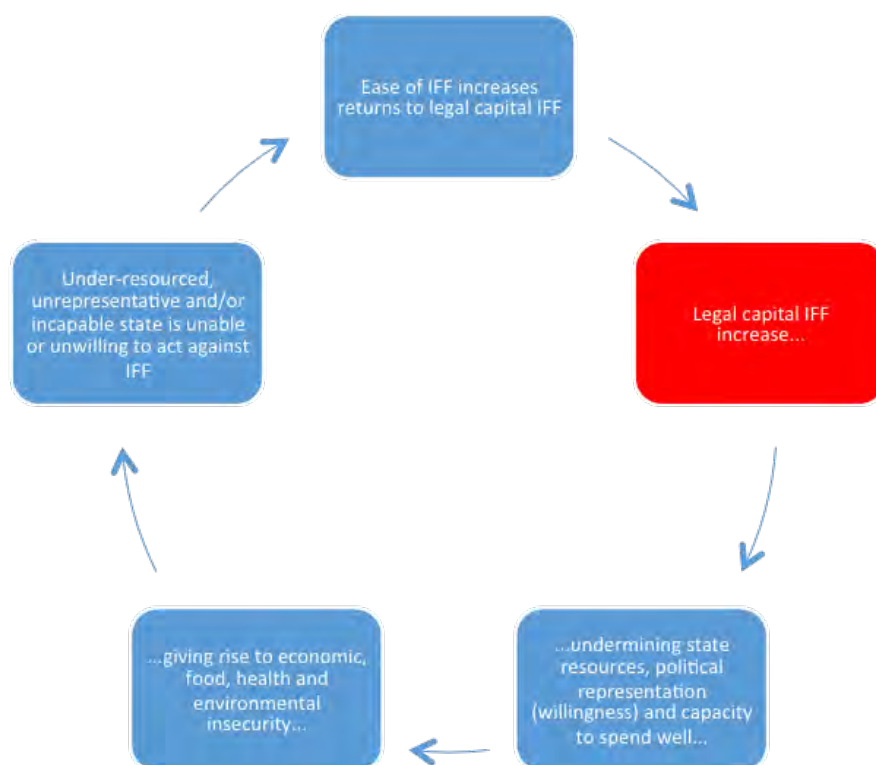


Figure 3: The vicious cycle of positive security and legal capital IFF



be rewarded through the opportunities to evade tax with impunity, and may maximise net profits through bribery.

In turn this kind of state structure creates structural incentives for violence. Kleptocracy will tend to require violence to protect the position of privilege; those outside may resort to force to extort rents from those in power, or to challenge for the prize of (illegitimate) power itself.

All four IFF types shown in Figure 1 are likely to result in reductions in both state funds and institutional strength – that is, they undermine governance as well as domestic resource mobilisation. While little research has sought to quantify the governance impact, and some attention has been given to the theft of state assets, a growing body of literature seeks to assess the financial scale of flows and the revenue losses associated with particular elements. Consistently, the scale of IFF and of revenue losses from corporate profit-shifting and from individual evasion through undeclared offshore assets is greater in lower-income countries; and often material in respect of countries' GDP. Indicative estimates of the resulting impacts on basic human development outcomes such as child mortality suggest these too are powerful indeed – potentially bringing African achievement of the Millennium Development Goal target forward from an estimated 2029 to 2016, for example (O'Hare et al., 2014).

Figure 3 illustrates the vicious circle that can arise between these largely legal capital IFF, and problems of positive security. Bluntly, revenues are undermined where they are most needed; and further institutional damage follows from the weakening of the state-citizen relationship that is built on effective taxation.

IFF and security: Policy implications

At the Tana Forum in 2014, President Salva Kiir of South Sudan told how the 'vultures' had circled the new state even before it came into existence, building relationships with soldiers and others, so that when the moment came they were poised to create a web of contracts that channelled away oil revenues into anonymity – without delivering on the contracts:

When peace was signed, the vultures that were hovering over Sudan landed. We have learned in our cultures that when you see vultures hovering around, there must be a dead animal – or something is going to die... They knew there would be a vacuum of administration there... That [oil] money was disappearing day by day to where you cannot trace it.

The central feature of IFF is that they are hidden, typically by the financial secrecy provided by other jurisdictions. The secrecy in question relates primarily to

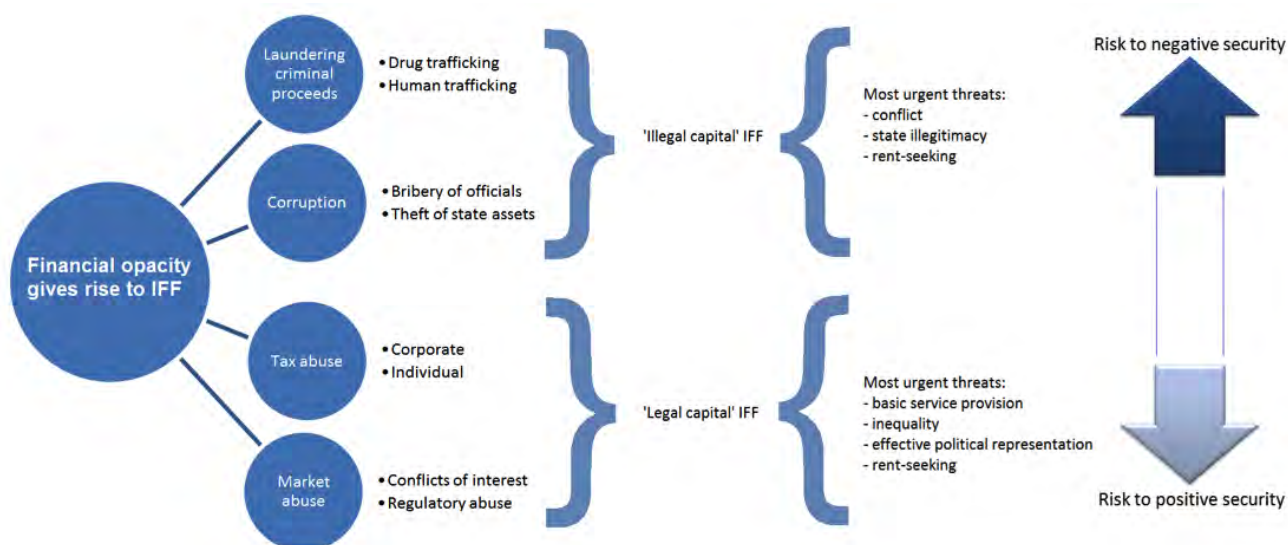
the provision of vehicles for anonymous ownership such as shell companies; to the refusal to provide information on foreigners' assets and income streams to their countries of tax residence; and to the type of corporate opacity that obscures the worst excesses of multinationals' profit-shifting. As shown by the Tax Justice Network ranking of tax havens, the Financial Secrecy Index, this includes many of the leading economies – not least the USA, ranked third.

States can protect themselves to a degree, by ensuring greater transparency of public contracts for example, and public country-by-country reporting by multinationals; and by engaging fully in the multilateral process for automatic exchange of tax information. But while other states insist on selling secrecy, major obstacles will remain.

Success in the Sustainable Development Goals target of curtailing illicit financial flows would contribute to reducing risks of state fragility across the board – and to achieving many human development targets too. But such progress depends on international progress against financial secrecy. A significant step would be the adoption of indicators for target 16.4 that will ensure individual states are held accountable for the secrecy they provide globally – and the IFF they stimulate as a result.

The following indicators (Cobham, 2015) draw from the agreed policy positions in the Sustainable

Figure 4: Overview of IFF and security linkages



Development Goals and the Financing for Development declaration from Addis, July 2015:

- For each country and jurisdiction, on what proportion of foreign-owned assets and to the states of what proportion of the world's population, are they providing tax information bilaterally to others?
- For each country and jurisdiction, from which countries and jurisdictions are they receiving tax information bilaterally?
- For each country and jurisdiction receiving information, what proportion and volume of revealed assets were already declared by the taxpayer, and what resolution has reached each year in respect of the remainder?
- For each country and jurisdiction, for multinationals making up what proportion of the declared multinational tax base is country-by-country reporting publicly available?

The harder it is for vultures to hide, the fewer may be the unnecessary deaths suffered.

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About the author



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Catalysing investment in the most fragile countries

by Heike Rüttgers

The European Investment Bank supports EU policies around the world, something which is extended to those fragile countries that need investment the most. The Bank takes a proactive approach to its projects, showing adaptability and flexibility in the financial products it offers, but also devising new instruments such as the Impact Financing Envelope to reach further than ever before. The Sustainable Development Goals adopted in September 2015 by the United Nations set ambitious targets, and we are matching those ambitions.

Sub-Saharan Africa has huge potential, its rapid economic growth rates springing forth from its burgeoning youthful populations and middle-classes, and its abundant natural resources both in materials and renewable energies, facilitated by its ever developing communication and transport networks. And yet this development is not uniform and not without systemic challenges. Wars, civil conflicts, political instability, migration, climate change, extreme weather events and disease are obstacles that the countries in the region must hurdle. The EIB plays a specific role in Africa, by providing the financial input and knowledge to catalyse private and public investment to enhance sustainable economic growth.

Conflict sensitivity

Violent conflict, within or between societies, results in loss of life and the destruction of assets, contributes to social and economic disintegration, and undermines public and private investments. On the one hand, economic recovery is one of the key pillars of peacebuilding and on the other hand, economic and social stability are important parameters for effective and efficient public and private investment. Therefore, the Bank includes a conflict sensitive investment lens in its operations, necessary to effectively implement investment projects promoting sustainable economic and social development in conflict-prone and affected countries.

The aims of applying such a conflict sensitive investment lens are to reduce the risk of a conflict derailing the project; to mitigate and manage the risk of conflict being unintentionally exacerbated by the project; and/or whenever possible and depending on context, to maximise the project's potential contribution to conflict prevention, structural stability and peacebuilding. The Bank does not shy away from investing in such countries, and in 2014, for example, had operations in 39 countries out of the 51 included in the OECD's list of fragile states.

Addressing fragility

Liberia is one of the world's poorest countries, still recovering from the civil war that ended with a peace agreement in 2003. In 2008, the EIB supported the economic development of the country by being one of the founding shareholders of Access Bank Liberia, playing the role of a catalyst investor. Access Bank is the first Liberian bank serving the micro and small businesses, and has generated exceptional development impacts in a very difficult environment. The Ebola crisis however challenged this success.

Having claimed well over 10,000 lives in Sierra Leone, Liberia and Guinea, the Ebola outbreak appears to be over. For these countries, the priority now is to get back onto solid ground and sustainable growth and job creation. Throughout the epidemic, the EIB was assisting with this, helping to lay the foundations for further development by signing loans in the affected West African countries.

On the ground, the EIB continues to work closely with Access Bank Liberia to help them with technical assistance and to recapitalise following the epidemic. This is essential as Access Bank serves primarily a low-income client base, the people who need access to finance the most, but also the people who find themselves furthest away from it. We have invested in an emergency project to rehabilitate the runaway and airside safety features at Monrovia's Roberts International Airport in Liberia allowing the airport to continue operating.

Faster reflexes

Vital infrastructure is also required, and the EIB has invested in interconnecting, upgrading and extending electricity production and distribution networks in Guinea, Sierra Leone and Côte d'Ivoire. While Guinea bore the brunt of its own Ebola outbreak, the EIB provided flexibility in terms of the loan tenor so that the project could be speeded up once Ebola came under control.



Rebuilding Madagascar with the help of EIB investment. Photo: Images History, flickr

Côte d'Ivoire has been no stranger to conflict, but as the country has its development plan, which includes a notable drive to peace and stability, the EIB is ready to act as a catalyst for further investment.

This is the role we play, providing long-term finance, but the EIB can also react quickly, and our aims are to improve this further by enhancing our sensitivity and effectiveness when it comes to specific challenges posed by investing in conflict-affected and fragile nations and economies. After Madagascar was hit by three cyclones in quick succession in 2015, the country suffered significant damage to infrastructure and flood defences, this coming barely two years after it could start to look forward thanks to the end of a decade of political struggle.

The country requires huge investment after several years of political sanctions, but at the same time weather systems are only likely to become more volatile as the effects of climate change hit. The Bank is investing in Madagascar's reconstruction programme for this necessary protection of homes and livelihoods. Once these are in place, Madagascar can create the environments needed to encourage investment.

Bringing newer, smaller projects on board

In 2015, the EIB formally gave the Caribbean and Pacific Impact Financing Facility (CPIFF) the green light. This €40 million investment has significance beyond financial figures. Economies in the Caribbean and Pacific tend to present higher risks than some other regions. Investment climates are not always favourable and their comparative small sizes mean they struggle to attract funding. Under the CPIFF, the EIB can now get involved in financing where it is most needed, supporting small businesses, community organisations and households in local currencies like in the Dominican Republic for Haitian immigrants.

The EIB was able to invest in the CPIFF thanks to the Impact Financing Envelope (IFE), the €500 million suite of financial instruments which enables the Bank to support projects which make a real difference on the ground and improve people's lives

in particularly challenging environments struck by wars or natural disasters, with the ultimate goal of alleviating poverty. It is also through the IFE that we intend to support Access Bank Liberia, as mentioned above. The IFE sits alongside the ACP Investment Facility, the revolving fund managed by the EIB, but takes in projects that would traditionally carry unacceptable levels of risk. The IFE brings about higher benefits.

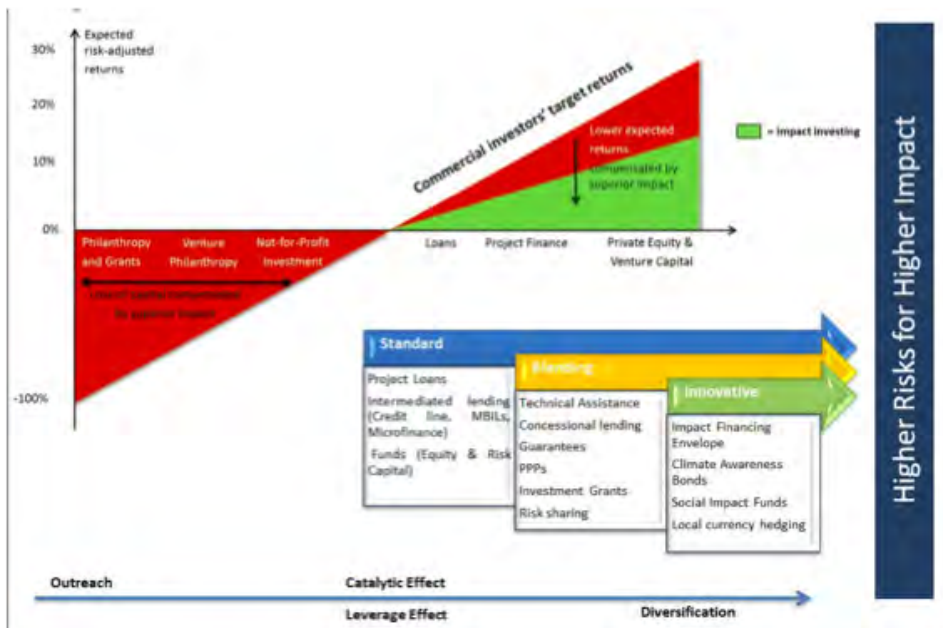
The ACP Investment Facility is used by the Bank to invest in private sector operations in the region. In line with the EU Agenda for Change, this is the most effective way to create jobs and improve standards of living in the developing world. A core aspect of operations under the banner of the Investment Facility is the financial sector. Lines of credit are extended to financial institutions to stimulate investment in local businesses.

The IFE allows the Bank to go deeper than ever before in countries where operations are challenging, and with counterparts who represent a higher risk profile, all with the aim of providing these economies with the kick start they need. Under the CPIFF, for example, ten countries have been identified as having the most potential for impact. These are Dominica, the Dominican Republic, Guyana, Haiti, Jamaica and Suriname in the Caribbean and East Timor, Fiji, Papua New Guinea and Samoa in the Pacific.

Four instruments, more impact

The Impact Financing Envelope is additional to the traditional lending, but with a different dynamic and a different ethos: higher risk for higher development impact (Figure 1). It is comprised of four separate instruments: social impact funds loans to financial intermediaries, risk sharing facilitating instruments and direct financing. Each of these goes beyond mere financing, and includes advice and technical assistance.

Figure 1: Instruments for developmental impact



Using the IFE, new opportunities open up. Institutions that would not qualify under the Investment Facility may qualify for IFE funding, notably microfinance organisations, local banks and credit unions. Local currency loans can then be provided to smallholder farmers, community organisations, microenterprises and SMEs. This applies to those countries with the most fragile economies: these are also the countries whose need for investment is greatest, but also the ones who would benefit most from technical assistance and advisory services.

More than a loan

Past experience is there to be learned from, and sub-Saharan Africa, the Caribbean and the Pacific have some of the most underdeveloped economies in the world. There can be myriad reasons for this, from civil wars and unrest, through to remoteness and epidemics such as the Ebola crisis. What is a common factor is that the EIB can apply current best practices to help kick start these economies, and offer them avenues to follow and foundations upon which sustainable growth and opportunities can be built.

In these cases, planning and frameworks are essential. The Sustainable Development Goals give such a framework to the world, while regional and national initiatives are also a boon to development, offering encouragement to financial institutions such as the EIB to get involved, and as a consequence giving legitimacy and catalysing further investment, building capacity and resilience.

This applies across all countries and all sectors, from the largest green power plants through energy efficiency schemes and sustainable transport links, and from investment in large corporates seeking to innovate right down to small businesses and start-ups who are looking for relatively smaller sums to get their own innovative idea from the drawing board to the public. The common thread is a thirst for investment where worthy projects cannot get off the ground for want of financing.

Adapting to a new role

The most advanced economies will stagnate once they reach a certain point, and then diversification and innovation are the right paths to take to keep things moving. Less developed ones can get trapped in a vicious circle before reaching this stage,

pushing citizens into poverty, unless they receive the injection they need. Investment needs in the developing world are huge. The EIB cannot do it alone and nor would we ever seek to. Our role, and that of other financial institutions and development banks, is to provide the means to expand private sectors and make financial sectors both more sophisticated and more active.

For over a decade, the ACP Investment Facility has allowed us to do just that in sub-Saharan Africa, the Caribbean and the Pacific, providing long-term financing in local currency. This is something that sets the EIB apart from other institutions, and in real terms is something that is demanded on the ground and benefits the final beneficiaries of our funding. With the Impact Financing Envelope, we can then expand our offer across new frontiers, in terms of sectors and nations, notably the more fragile ones.

The instruments presented here can support initiatives beyond the EIB's traditional scope, and really make an even greater impact on the ground. From now until 2020, we can be sure there is a lot more to come and the EIB will play a bigger role in improving the lives of millions of people across the ACP countries, making its contribution to creating conditions for peace and long-term stability and prosperity.

Sectors that were previously challenging can now be supported more easily, not least agriculture and food security. The EIB can get closer to the ground than ever before, and we are excited to see what the coming years bring.

About the author



Heike Rüttgers is Head of the Division responsible for managing the ACP Investment Facility at the European Investment Bank.

Integrating economic development approaches into peacebuilding in the Central African Republic

by Irchad Razaaly

The Bêkou Trust Fund, the first ever European Trust Fund, has been established to go beyond humanitarian assistance and stimulate economic recovery as well as strengthen stability in Central African Republic.

A volatile and fragile context

For decades, the Central African Republic has been subject to a recurring cycle of instability and violence, which keeps the country in a state of vulnerability, while the main indicators of development have stagnated for 20 years.

In 2013 a rebel movement, the Seleka, put an end to François Bozizé's presidency. At this stage politically sponsored armed groups emerged and a culture of retaliation between armed groups and communities, seen as aligned with or supporting them, started to develop. This led to massive violence and human rights violations.

The common efforts of the African Union, UN, EU and France to stabilise the country led in 2014 to a ceasefire agreement and to the establishment of a transition government, presided by President Catherine Samba-Panza. Despite the fact that the Central African Republic has regained the attention of the international community,

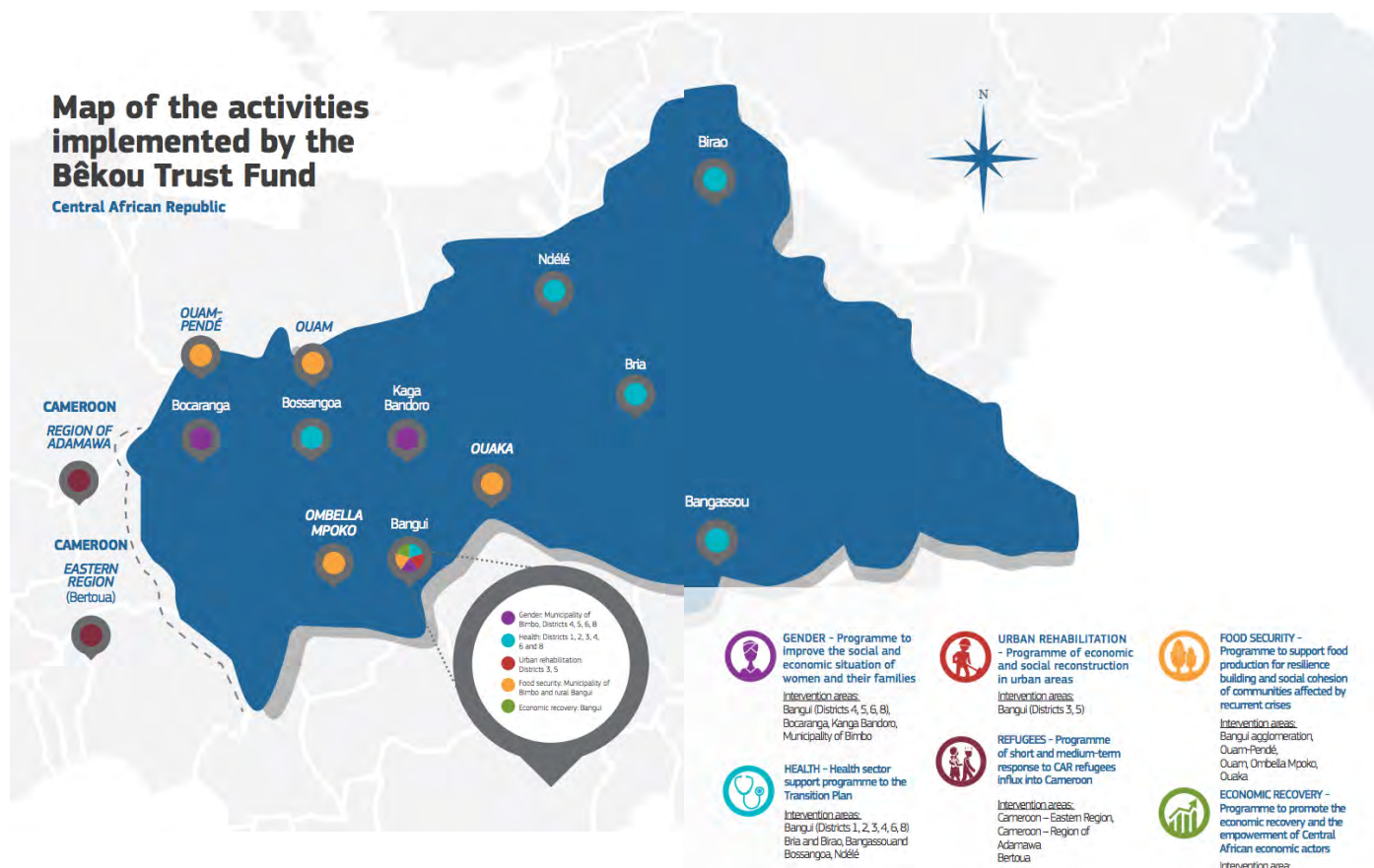
tensions and conflicts between communities, the presence of rebel movements and armed groups and the manipulation of religious differences still represent, among other factors, a threat to peace and reconstruction in the country (International Crisis Group, 2015). Since a new outbreak of intercommunity violence at the end of September 2015, the security situation has been very volatile. Nevertheless, after a few signs of stabilisation, presidential and legislative elections took place to choose a legitimate government who will lead the country to stability. In addition to or even due to this fragile context, the number of development actors and donors in the country is limited and does not allow for the launch of ambitious programmes for economic recovery.

A European first: the Bêkou Trust Fund

In order to respond to the consequences of the 2013 crisis, the European Union, together with France, Germany and



Food security and gender projects in the Central African Republic (2015, David Belluz)



the Netherlands, created the Bêkou Trust Fund, the first ever European Trust Fund. This instrument has been developed to enable donors act efficiently in a post-crisis situation and to allow the swift transition from humanitarian aid to early recovery and development (the so called LRRD approach - Linking Relief Rehabilitation and Development).

It makes use of flexible and faster procedures, different from traditional EU development tools, opening new possibilities to implement projects in a fragile context like the Central African Republic. Moreover it aims at pooling resources and expertise between humanitarian and development actors working in/for the Central African Republic and at ensuring better coordination between interventions.

In addition, the Fund should reinforce the effect and the visibility of EU's interventions in Central African Republic, in the aftermath of the violence of 2013/2014.

The Fund's main objective is to strengthen the resilience of populations, providing for urgent needs and mostly basic services while, at the same time, addressing the root causes of violence and tensions between communities. As one of the root causes of these tensions lies in poverty and inequalities between social groups, the Fund considers economic recovery and job creation as essential in supporting the country's development, stabilization and social cohesion. As such, the Fund integrates actions to support economic recovery in specific programmes and as an important component of most of its projects.

In practice

The Fund has launched specific programmes aimed at stimulating economic recovery and job creation:

- A programme of economic and social reconstruction in urban areas (PRESU) that aims to improve

socio-economic conditions in Bangui's poor neighbourhoods. It intends to provide inhabitants with social support and better access to basic services, as well as to create economic opportunities for households to boost their social and professional integration.

- A programme to promote the economic recovery and the empowerment of Central African economic actors: It aims to financially empower economic actors working in the informal economy and/or who were particularly affected by the crisis. By financing economic activities of local entrepreneurs, this programme brings added value, employment and economic growth, contributing to restoring the Central African Republic's socio-economic fabric.

Economic revival and job creation are also fundamental components of other programmes funded by Bêkou:

- **Food security:** The programme aims to sustainably improve food and nutrition security in the Central African Republic, through different actions: re-establishing people's livelihoods through capacity building of farmers' organisations and boosting savings and capital at community level. The objective is to strengthen communities' overall resilience on three pillars: food, professionalisation and income-generating activities.
- **Gender:** The programme aims to improve the economic situation and social status of women and their families in the Central African Republic, to contribute to a more equal society and to promote social cohesion. In strong partnership with local associations and NGOs, different actions are implemented through this programme: workshops, revenue generating activities, support for



THIMO (Travaux à Haute Intensité de Main d'Oeuvre) worker in Bangui - CAR
Photo: 2015, David Belluz

victims of gender based violence, support to the launch of economic activities, activities to raise awareness on women's situation and their role in the social and economic recovery of the country.

- **Reconciliation:** Revenue-generating activities are foreseen as a core part of the activities to restore dialogue and social cohesion. This aims notably at addressing inequalities and lack of access to resources, which are one of the major sources of tensions between communities.

Beyond humanitarian assistance, towards economic recovery

The Fund has, from time to time, been questioned about the relevance of such programmes in a fragile context such as the Central African Republic, where as yet the response to emergency needs is not fully covered.

In fact, this mechanism has been put in place specifically to go beyond humanitarian assistance, while laying the basis for development in the long term; as such, investing in economic recovery, job creation and better overall prospects for the younger generation (notably as an alternative to joining armed groups) is a key tool to ease tensions, to give hope and perspectives to strengthen stability. Perceived inequalities inside and between communities are in fact among the causes of destabilisation (CRISE, 2010).

While the Fund works to provide the conditions for economic recovery, the lasting effects in terms of stimulating private sector initiatives will not be guaranteed without the strong reengagement of the private sector, notably to restart businesses and economic activities affected by the crisis. ■

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Read more on the Bêkou Trust Fund at: <http://capacity4dev.ec.europa.eu/trust-fund-bekou/dashboard>

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The EU Trust Fund for Africa: A new EU instrument to accelerate peace and prosperity?

by Alisa Herrero Cangas and Anna Knoll

EU Trust Funds have been recently set up to deliver more flexible, swift, comprehensive and effective joint EU support in response to emergencies, fragility and other thematic priorities. Yet, expectations need to be managed, with regards to what impact can be realistically achieved with a little extra cash.



*EU Trust Funds raising the issue of how best to deal with irregular migration and displacement.
Photo: AU UN IST PHOTO / Tobin Jones, flickr*

EU Trust Funds (EUTFs) are a young add-on to the EU's external action instruments. Their creation responds to the EU's will to deliver more flexible, swift, comprehensive and effective joint EU support in response to emergencies, fragility and other thematic priorities. EUTFs allow contributions from Member States (and other private and public donors) to be leveraged and to pool large amounts of funds. They are designed to increase the EU's global political visibility and to enhance control over risks and disbursements. EUTFs are to be directly managed by the European Commission, or in the case of emergency trust funds, through delegated cooperation to third parties such as partner countries, international organisations or EU development agencies.

To date, three EUTFs have been created: the Bêkou Trust Fund for the Central African Republic, the Regional Trust Fund for Syria (Madad Fund) and the Emergency Trust Fund for Africa. Although they are quite different in scope, objectives, funding and governance arrangements, they all share the aim of addressing the root causes of conflict and instability and assisting conflict-affected countries and communities in the transition towards resilience and development. As the EU's migration and refugee crisis aggravates, pressure on the EU to deliver results is quickly increasing, but there may be a need to manage expectations and bring realism back to the table when discussing EUTFs. This article focuses on the EU Emergency Trust Fund for Africa.

The EU Emergency Trust Fund for Africa

The EUTF for Africa was set up at a record speed and formally adopted at the Valletta Summit, held in November 2015. The rationale is to help leverage change in African countries, reverse government practices associated with emigration and to promote tighter Africa-EU cooperation on issues of migration control, return and readmission. Originally, the EU Trust Fund was intended to finance the EU's Sahel Action Plan adopted in April 2015. As the refugee crisis unfolded, the Trust Fund's focus shifted towards bringing stability and addressing the root causes of destabilisation, displacement and irregular migration in Africa "by promoting resilience, economic and equal opportunities, security and development and addressing human rights abuses", in three vast and very different regions: the Horn of Africa, the Sahel and Lake Chad, and North Africa.

To achieve these objectives, four broad types of interventions can be funded by the Trust Fund:

1. *Economic programmes*, with a focus on employment creation, particularly for youth and women, and the reintegration of returnees;
2. *Resilience projects*, geared to improving food security and to providing services for local communities and refugees;
3. *Migration management*, including fight against irregular migration and smuggling, return, readmission, international protection and legal migration;
4. *Governance and security*, including interventions in the fields of rule of law, security and development, border management and conflict-prevention systems.

The Africa Trust Fund rapidly mobilised €1.8 billion, drawing massively from the European Development Fund (EDF) - mainly reserves and regional programmes. The expectation was that EU Member States would match it with an additional €1.8 billion. However, to date Member States have been slow to sign up, with a shortfall of some €1.7 billion as of January 2016 of the originally envisaged €3.6 billion. In a context of general austerity, some Member States find it hard to mobilise additional funding; others claim that European Development Funds diverted to the Trust Fund, should already be counted as Member State contributions.

Matching the EU's migration, security and development objectives

A large portion of the EU Trust Funds initial resources are funded by EU aid instruments, meaning that the EU will need to comply with the requirements of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) for reporting the Official development assistance (ODA). However, given that other finance sources, such as DG Home budget or EU Member States, also contribute to the EU Trust Fund, all activities financed by the Africa Trust Fund may not have to comply with DAC's definition of ODA. The Commission's Directorate for Development and International Cooperation (DG DEVCO), will hold a veto power as Chair of the Trust Fund Board, which could help mitigate a risk of diverting aid from development purposes - a concern expressed by some NGOs and African officials interviewed. A closer look into the description of activities for the first pipeline of projects (Horn of Africa) suggests a strong focus on the Valletta Action Plan's priority domain No 1: "Development benefits of migration and addressing root causes of irregular migration and forced

displacement", which falls under ODA's current definition. The boundaries between stability and development are not always clear-cut. Funding border, security and irregular migration management activities can also have a positive impact on human development trends. Development effectiveness will depend on the rationale for choosing and designing interventions: is it the EU's fear of irregular migration or is it the EU's commitment to sustainable development?

Will a little extra cash generate sufficient prosperity to curb migration?

African leaders complained that the amount of money to be channelled through the Africa Trust Fund was inadequate, particularly in light of the EU-Turkey mammoth deal exchanging €3 billion (with a focus on immediate humanitarian support) against stemming the flow of refugees from the Middle East to Europe.

But the Africa Trust Fund needs to be put in perspective. The EU and its Member States provide more than €20 billion in aid annually to African countries, with the objective to promote long-term development. If we look at the 11th EDF national indicative programmes (2014-2020) and the Agenda for Change policy priorities, we can see that the EU is already supporting focal sectors that contribute to inclusive and sustainable development, and which in principle are relevant for addressing root causes of instability and the lack of opportunities that compel some people to leave their country. These include sustainable agriculture, food security and/or building resilience, and promoting good governance, state and peacebuilding.

The 11th EDF allocates €1609 million for Ethiopia, Somalia and Uganda combined, representing around 11% of the total allocation to national programming. Funds channelled through the Trust Fund to these countries represent an average of 8.5% of the total allocation to these countries (national programming and trust fund combined), this amounts to nearly 15% in the case of Somalia, and only 2% in the case of Uganda. Of course, this relatively small additional funding can be very important if wisely used (for instance by targeting key regions) but the expectations are also incredibly high, and may not easily fit into the EU's 'results agenda'. Tackling 'the root causes of irregular migration' is a lengthy, non-linear, unpredictable process, depending on many more contextual factors than support from financial and technical development partners; yet the narrative around the Africa Trust Fund suggests that aid can buy partner countries' cooperation (cf. in readmission and strict border management), and hence curb migration flows to the EU. However, all available political economy studies highlight the need to understand the dominant political and institutional forces and factors that constitute the incentive environment for governments to take up reforms, and that indicate that the potential for outside actors to shape and influence this environment is usually limited (an example is the EU's Governance Incentive Tranche).

Development effectiveness principles should still apply

From a perspective of aid impact and development effectiveness, several questions should be raised when discussing the Africa Trust Fund.

1. *Criteria for prioritising regions and countries.* Significant resources may be allocated to supporting countries that

fall under major African migration routes and reintegration measures in communities of origin. While this makes sense in terms of fulfilling the Africa Trust Fund's mission, it potentially conflicts with the EU's commitment to target aid in the poorest areas most in need. Migration experts have pointed out that irregular migrants coming to Europe do not always come from the poorest countries, regions or communities and suggest that, in the past, aid allocations have favoured countries and areas of origin, especially from where migrants reach Europe, and not necessarily developing countries which host large refugee communities. It is thus worth monitoring in which thematic and geographic areas the aid will be spent.

2. *Confusion between short-term (humanitarian) needs and long-term (development) objectives.* While the refugee crisis is a humanitarian emergency in its own right that requires immediate attention, immediate results cannot be expected from supporting long-term development objectives that supposedly will address the root causes of instability and displacement. It is thus also unclear why the Trust Fund is framed as an emergency one. Compared to the European Development Fund procedures, the Africa Trust Fund holds the advantage of allowing swift decision-making and flexible implementation procedures, but this does not necessarily mean achieving results quickly. Pressure to show results within a short time frame may create a bias in favour of programming that allows a rapid disbursement of funds.
3. *Respecting country and regional ownership.* So far, there is little evidence that African, Caribbean and Pacific (ACP) countries or institutions, let alone civil society, have been involved in designing this Trust Fund or will have a say on the allocation of EDF funds channelled through it. Our research also shows that Regional Economic Communities in Africa had little margin of manoeuvre to resist the EU's decision to allocate EDF funds to the Africa Trust Fund, particularly from regional indicative programmes. Although official documents state that "national and local authorities will be consulted in advance, with priorities and projects submitted to the Strategic Board and the Operational Committee, in order to ensure local ownership", many issues remain to be sorted out, as little guidance is given on how to involve partners from the region. Compared to the formal co-management rule underpinning the Cotonou Agreement and the EDF, the governance arrangement of the Africa Trust Fund allows for less formal oversight and a loss of formal control by partners, potentially with a loss of ownership on how these funds are spent. It is thus key to involve and hear the voices of regional and national authorities in the board, management and operational planning meetings of the EUTF as has for example been the case with the smaller Bêkou Trust Fund.
4. *Effective uptake of evidence-based research.* The EU and EU Delegations face resource constraints and in past programming processes did not show the best track record concerning the use of political economy and other analysis, nor on taking up policy relevant recommendations from evidence-based research. The Horn of Africa window of the EUTF has included a dedicated Research and Evidence Facility assuming that the Trust Fund will have "much greater impact by ensuring information, experience and lessons learned are used to influence programmatic, policy and decision making".

The objective is to fill knowledge gaps about the causes and drivers of instability and feed this knowledge into operational, programming policy and political practice. This is a welcome innovation, which hopefully will also be included in the other two regions concerned, yet the challenge to ensure the effective uptake of the Research Facility outputs.

Still missing: a sense of realism

EU leaders are confronted with an unprecedented human tragedy that is putting at risk the EU's integration project, putting policy-makers under pressure to find an urgent solution. The EU Trust Fund for Africa has created great expectations, and although it is premature to know whether this Trust Fund will deliver better results than alternative instruments, a sense of realism may need to be brought back to the table.

The colossal amounts of EU aid spent in productive sectors in Africa over the past 40 years have without a doubt made a significant contribution to economic and human development in these countries but they have not prevented people from migrating.

Additional funding channelled through a new flexible instrument can improve the situation for refugees and prospective migrants and can – if used wisely – promote trajectories towards more prosperity and peace. Yet, expectations need to be managed, with regards to what impact can be realistically achieved with a little extra cash. The programmes and activities funded by the Africa Trust Fund alone are rather unlikely to make a significant difference in accelerating peace and prosperity in Africa, and quickly and effectively addressing the drivers of displacement and irregular migration. ■

This article draws from previous ECDPM research on EU Trust Funds, and in particular from ECDPM's paper by Volker Hauck, Anna Knoll and Alisa Herrero Cangas: EU Trust Funds – Shaping more comprehensive external action? (Briefing Note 81). Maastricht: ECDPM.

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Mobilising African resources for Agenda 2063

Talking Points, African Capacity Building Foundation, 29 January 2016

Discussions for the UN Agenda 2030 have set high expectations for domestic resource mobilisation as a self-sustaining development finance strategy. Agenda 2063 is a roadmap for structurally transforming Africa over 50 years, and emphasises the importance of domestic resource mobilisation for a successful implementation of the continental development blueprint. Why then do African countries do not mobilise enough domestic resources to finance their development?



Growing pains? The long teenage years of European strategy

Talking Points, Damien Helly, 8 January 2016

As part of our Challenges series, Damien Helly asks if 2016 could be the year we witness the beginning of a renaissance in European strategic global action. From the pain of teenage years, Europe might just be reaching its formative ones.. or committing political suicide.



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Talking Points, Alisa Herrero Cangas, Hanne Knaepen, 18 December 2015

The Paris climate deal is a clear step in the right direction, and gives hope on the ability of the world leaders to organise collective action to address global threats. For the first time in history, all nations, including the largest emitters, have come to a universal and (partially) legally binding agreement on climate change, with the ambition to keep global warming below the 2°C target.



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Talking Points, Nina Thijssen, 18 December 2015

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#EUGlobalStrategy: putting sustainable development at the heart of EU external action

Weekly Compass, 29 January 2016

The drafting of the EU Global Strategy on Foreign and Security Policy - scheduled to be adopted at the June European Council - is a unique opportunity for the EU to reposition itself as a global leader. A new briefing from the European Think Tanks Group - ECDPM, DIE, ODI and IDDRI - points out the challenges and opportunities in aligning actors in Brussels and in Member States behind a strategy that guides not only the EU's security policy, but also wider EU foreign policy and external action. The strategy will have to carefully balance considerations of security threats with global sustainable development challenges, and should be an umbrella document for all EU external action – including development, trade, humanitarian aid and climate action. It also needs to go hand-in-hand with the implementation of the Sustainable Development Goals.

'Lived poverty' drops across much of Africa

Weekly Compass, 22 January 2016

Lived poverty - an index that measures the frequency with which people experience shortages of basic necessities - remains pervasive across much of Africa. But Afrobarometer shows evidence that in 22 of 33 countries across Africa, fewer citizens are going without enough food, clean water, needed medical care, enough fuel for cooking, and a cash income than three years ago. Lived poverty tended to decrease in countries that had made progress in developing basic infrastructure.

Best practice in joint programming from the EU

Weekly Compass, 15 January 2016

EU Joint Programming processes and their outcomes – such as Joint Programming Strategies – have the potential to give the EU and its Member States a more effective say in international cooperation and achieve greater development effectiveness. Yet the current application of Joint Programming is uneven and is stuck in the middle of a crossroads. Renewed political impetus, high level leadership, prioritisation, and rebranding of EU Joint Programming into Joint Cooperation Strategies is necessary to give new stamina to the processes, while keeping the exercise locally-led and with a clear eye on adding value.

A political economy analysis of ACP-EU relations

Weekly Compass, 8 January 2016

The Cotonou Partnership Agreement (CPA) that links the EU to 79 countries in Africa, the Caribbean and Pacific (ACP) expires in 2020. Stakeholders are currently preparing their negotiating positions for what should follow. ECDPM's Political Economy Analysis of the Future of ACP-EU Relations Report aims to contribute to this debate. It does not look at what is desirable, but at how things work out in practice and why. It finds that the CPA has a limited track record in delivering on several of its core objectives and the framework is ill-suited to deliver the aims of the recently agreed 2030 Sustainable Development Agenda.

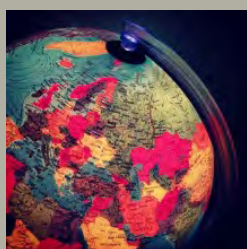
EU Trust Funds: Shaping more comprehensive external action?

Latest ECDPM publications



Byiers, B., Guadagno, F., Karaki, K. 2016. How to assess CSO-business partnerships for development. (Briefing Note 86). Maastricht: ECDPM.

The growing reference to CSO-business partnerships as a 'modality' for development raises the importance of understanding the processes underlying these and their policy implications. Stylised facts suggest 'philanthropic' partnerships are more frequent than 'strategic' partnerships but may be less sustainable; the private sector tends to dominate but partnerships with shared control may yield greater developmental benefits.



Gavas, M. Hackenesch, C. Koch, S. Mackie, J. Maxwell, S. 2016. The European Union's global strategy: putting sustainable development at the heart of EU external action. The European Think Tanks Group. Bonn, Maastricht, London, Paris. January 2016.

Amidst the consultation on the EU Global Strategy, Svea Koch (DIE), Christine Hackenesch (DIE), Mikaela Gavas (ODI), James Mackie (ECDPM) and Simon Maxwell prepared this latest European Think Tanks Group briefing. It points out the challenges and opportunities in aligning actors in Brussels and in Member States behind a strategy that guides not only the EU's security policy, but also wider EU foreign policy and external action



Bossuyt, J., Keijzer, N., Medinilla, A., Tollenaere, M. 2016. The future of ACP-EU relations: A political economy analysis. (Policy Management Report 21). Maastricht: ECDPM.

This report finds that the Cotonou Partnership agreement has a limited track record in delivering on several of its core objectives and the framework is ill-suited to deliver the aims of the recently agreed 2030 Sustainable Development Agenda.



Deneckere, M., Mackie, J. 2016. Galvanising action for the Global Goals: Challenges for EU-Africa relations in 2016. (Challenges Paper Issue No. 7). Maastricht: ECDPM.

The start of 2016 leads us into a new era in international cooperation, but time is not on our side. The migration and refugee crisis, global and local terrorism, violence and fragility in the European Neighbourhood and beyond – all triggered by or mixed with the very visible impacts of climate change – are stark reminders that action on multiple fronts cannot be postponed.

Next issue of *GREAT Insights*:
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