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The Political Economy of Civil War and Conflict Transformation

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1. Introduction

Throughout history, economic factors have played a central role in warfare. Until recently, however, the economic dimensions of civil wars have received little policy attention let alone systematic scholarly assessment. This has changed since the mid-1990s, with a growing body of academic and policy research producing important new insights on the political economy of armed intrastate war (Jean and Rufin 1996; Keen 1998; Collier and Hoeffler 2000; Berdal and Malone 2000). A main impetus for this new vector of research has been the increased acknowledgement among analysts and policy-makers that many civil wars have become increasingly self-financing in nature (Ballentine and Sherman 2003).

Faced with a post-Cold War decline in superpower support, both rebels and governments have sought alternative sources of revenue to sustain their military campaigns. In addition to the traditional means of pillage and plunder, the trade in lucrative natural resources, diaspora remittances, and the capture of foreign aid have become increasingly important sources of combatant self-financing (Jean and Rufin 1996). Facilitated by weakly regulated globalisation and weak states in the developing world, combatants benefit from business deals with criminal networks, arms traffickers, and scrupulous corporate entities, reaching well beyond the war zones to the world's commodity markets and major financial centres (Duffield 1999).

Given the role of lucrative natural resources in fuelling war economies, the term "resource wars" has become popular among analysts and policy makers. Some even see these as a new type of armed conflict (Cilliers 2000; Renner 2002). More broadly, however, attention on the economics of conflict has found expression in the concept of "war economies".

Box 1: Distinctive Features of War Economies

- They involve the destruction or circumvention of the formal economy and the growth of informal and black markets, effectively blurring the lines between the formal, informal, and criminal sectors and activities;
- Pillage, predation, extortion, and deliberate violence against civilians is used by combatants to acquire control over lucrative assets, capture trade networks and diaspora remittances, and exploit labour;
- War economies are highly decentralised and privatised, both in the means of coercion and in the means of production and exchange;
- Combatants increasingly rely on the licit or illicit exploitation of / trade in lucrative natural resources where these assets obtain;
- They thrive on cross-border trading networks, regional kin and ethnic groups, arms traffickers and mercenaries, as well as legally operating commercial entities, each of which may have a vested interest in the continuation of conflict and instability.

Viewing intrastate conflicts from a political economy perspective can improve understanding of the key dynamics of many of today's civil wars. It can also lead to a more systematic understanding of how these dynamics impact on conflict resolution and post-conflict peacebuilding. As such, the political economy of armed conflict should be seen as an important addition to contemporary conflict analysis and policy development by those in governments, international organisations, donor agencies, NGOs and the private sector who are concerned with war and peace.

This chapter provides an overview of key debates and policy development in this fairly recent sub-field of conflict analysis. It starts with a brief mapping of the key analytical approaches and concepts shaping policy and research, including the merits and limits of the "greed or grievance" dichotomy, which dominated early research and policy debate on the economic dimensions of conflict. We then highlight the importance of conducting a stakeholder assessment of war economies to developing policy mechanisms that are effective and minimise unintended negative consequences. Two broad clusters of policy mechanisms available to the international community are assessed in the following section: control efforts aimed at curtailing resource flows to combatants, and efforts to transform the permissive causes of war and war economies. Final thoughts and recommendations for policy action are offered in the concluding section.

2. Economic Dimensions in Civil War: Beyond Greed and Grievance

While there is growing consensus that economics matters to conflict, there remains considerable disagreement as to how it matters and how much it matters relative to other political, socio-cultural, and identity factors. For some analysts, economic factors are analysed alongside other factors as a means to improve understanding of the complex causes and dynamics of war; for others, economics has become the explanatory framework for conflict analysis. Each approach has distinct implications for policy development and action.

2.1 The Economic Functions of Violence in Armed Conflict

Until recently, most scholarly writing on civil conflict tended to treat war as an inherently dysfunctional disruption of "normal" social, economic, and political interaction within a society. Based on empirical research on specific conflicts, such as Sudan, Angola, Sierra Leone, and Cambodia in the mid-1990s, an innovative body of research effectively challenged this assumption. Functional approaches to violence and civil war demonstrated that far from being irrational or dysfunctional, violence and instability often serve a range of political, social, and economic functions for individuals (Berdal and Keen 1997; Reno 1998). Expanding the famous dictum by Carl von Clausewitz, Keen described many of the conflict dynamics as "the continuation of economics by other means" (Keen 1998). In fact, where there is "more to war than winning", those benefiting from violence may have a vested economic interest in conflict continuation.

These findings also challenge core assumptions that have long informed thinking and guided policy with respect to conflict resolution. Indeed the very notion of a "comprehensive political settlement", used to describe many of the peace agreements brokered during the 1990s, suggests a definite break with past patterns of conflict and violence, and thus a dichotomy of "war" and "peace" (Keen 2001). The functionalist approach, by contrast, suggests that transitions from war to peace should instead be understood as "a realignment of political interests and a readjustment of economic strategies rather than a clean break from violence to consent, from theft to production, or from repression to democracy" (Berdal and Keen 1997).

2.2 „Greed or Grievance:" Contributions and Limits

Perhaps no other work has had more impact on the policy discourse on economic causes of civil war than the econometric studies by Paul Collier, and his introduction of the "greed or grievance" dichotomy. Among the many important findings, the most widely reported was that a moderate to high natural resource dependence of a country (measured in terms of primary commodity exports as part of GDP) is correlated with a higher risk of conflict. According to his controversial "greed thesis", economic motivations and opportunities ("loot-seeking") are more highly correlated with the onset of conflict than ethnic, socio-economic, or political grievances ("justice-seeking"). This lead to the hypothesis that resource wealth makes rebellion feasible by providing the opportunity and even the motivation for rebellion. Insofar as grievances factor at all, Collier asserts that they amount to little more than a rebel discourse used to mask and to justify their predatory activities among those whose support they seek (Collier and Hoeffler 2000; Collier 2000).

The idea that civil war is driven by rebel greed was particularly appealing to some policy-makers, discouraged by the complexity and seeming intractability of "ethnic" and religious conflicts of the early 1990s. If many contemporary conflicts are driven by contests over economic resources, then "resource wars" should be more amenable to resolution than conflicts over such indivisible identity issues as ethnicity, religion, or ideology. The greed-thesis shaped politics as well as policy, as corrupt and repressive leaders in conflict countries found in it a useful argument to deflect attention from their own wrong-doings by putting the blame for their countries' misery on "greedy rebels".

However, among scholars - and not only those who distrust the reductionist tendencies of quantitative studies - there has been growing recognition of the methodological and analytical shortcomings of the greed thesis that render Collier's findings and interpretations problematic (Ballentine 2003; Ballentine and Nitzschke 2003; Berdal 2003 and 2004).

First, there is a danger in inferring individual motivations from statistical correlations (Ballentine and Sherman 2003). The mere fact that combatants engage in predatory economic activities is seldom a reliable guide to their central dispositions. While some may participate in war economies to "do well out of war" others may do so out of the sheer need to survive, while still others may be coerced for their labour and land. Furthermore, individual motivations may change over time as conflicts mutate. Conflicts that begin as predominantly "grievance"-based may over time be complemented and, for some, even surpassed by pecuniary motives. In fact, such mutation can be witnessed in the protracted conflicts of Colombia and Angola. Determining just which motivations matter where and when requires more careful categorisation of different behaviours and empirical validation.

Second, much of the early research, and explicitly that of Collier, was overly "rebel centric", neglecting the role of the state both as an actor and institution in causing or prolonging conflict. The unexplored assumption was that "rebels - not state actors cause conflict", leading to a pro-state bias in analysis and policy action. Theories of rebellion thus provide only an incomplete picture of conflict onset. Neglecting an analysis of state behaviour may in fact legitimise repressive and corrupt state elites who may also profit from war at the expense of the population. Indeed, this state bias was evident in UN sanctions efforts to curtail the trade in conflict diamonds, which are narrowly defined as diamonds used by rebel movements or their allies to finance conflict aimed at undermining legitimate governments (United Nations 2001 and 2002).

Third, for some observers many of today's insurgencies, such as the so-called „narco-guerillas" in Colombia, have devolved into criminal enterprises and should be treated accordingly (Collier 2000a). Yet, however much insurgency and criminality overlap in today's conflicts, they are not the same. Whereas criminal organisations employ violence in the sole pursuit of profit, experts agree that combatant groups engage in economic activities to pursue military and political goals (Gutiérrez Sanin 2003; Williams and Picarelli, forthcoming). Casting rebellion as a merely criminal rather than political activity may foreclose opportunities for diplomatic solutions.

Fourth, the opportunity structure for rebellion does not depend on the availability of resources per se. Rather, critical governance failures are the mediating variable. Systemic corruption and the inequitable distribution of resource rents, patrimonial rule, and the systematic exclusion of ethnic or other minority groups ("horizontal inequalities") can create conditions conducive to the onset of conflict (Steward 2003; Nafziger and Auvinen 2003). At the same time, the corrosive effects of resource rents – often called the resource curse – on the relative military, political, and economic strength of a state make rebellion more feasible (Ross 1999). The weaker the state, the more feasible becomes rebellion, whether the goal is to overthrow a kleptocratic system or simply to get a piece of the pie.

And finally, while the availability of lucrative natural resources has important consequences for conflict dynamics, explanations of conflict should a avoid "resource reductionist" models in favour of more comprehensive approaches that focus on the wider range of political and economic interactions that drive conflict. Indeed, qualitative studies suggest that economic motives of self-enrichment and economic opportunities for insurgent mobilisation are not the sole or even primary cause of conflict. Rather, the outbreak of conflict tends to be triggered by the interaction of economic motives and opportunities with socio-cultural, political, and economic grievances (Ballentine and Sherman 2003).

This said, the greed versus grievance debate made important contributions to the study of civil war and to policy development. The quantitative studies undertaken by Collier and others have played an important role in advancing more systematic research and policy analysis on the much-neglected economic dimension of violence and civil wars. Importantly, they have established civil wars as a subject for economic research beyond the prior focus on measuring the costs of war and peace. By using the methods of rational choice in conflict analysis, both the functionalist and the greed models of civil war offer a powerful counter-argument to the „ancient hatred" explanations of conflict popular in both research and policy discourse in the mid 1990s. And, finally, the focus on the role of natural resource wealth rather than scarcity as a permissive cause of armed conflict provides an important new explanatory framework for studies of war and peace, and underscores the conflict prevention potential of development policies that target strategies of economic diversification.

2.3 Different Resources – Different Conflicts?

A particularly useful analytical framework for better assessing and explaining the complex relationship between natural resources and the onset and duration of armed conflicts has been developed in studies that systematically analyse the impact on conflict dynamics of the different types of natural resources. These studies particularly look at the way these resources are exploited and how they may come to benefit different conflict stakeholders (Le Billon 2001; Ross 2003). A main distinction has been made between lootable and unlootable resources and how they are associated with separatist and non-separatist conflicts (see Box 2).

Lootable resources (such as alluvial gemstones, narcotic crops, timber, or coltan) are generally associated with non-separatist insurgencies such as in Sierra Leone, Colombia, and Afghanistan. They are easily exploitable and transportable by small groups of unskilled workers. As such, they provide easy benefits to whoever controls the resource-rich area but also to the local population whose labour is needed. Access to lootable resources may prolong conflict, as weaker parties can avoid 'hurting stalemates' by generating finances necessary to continue hostilities. Where armed groups depend on easily accessible resources, there is a greater risk that conflict will be lengthened by the consequent fragmentation and fractionalisation of combatant groups, as internal discipline and cohesion are undermined by economic motives.

Unlootable resources (such as kimberlite diamonds, deep-shaft minerals, oil, and natural gas), by contrast, are associated with separatist conflicts. Several explanations can be given. First, economic and other costs tend to be borne by the communities in the area of exploitation, who are very often culturally or ethnically distinct, and often marginalised, groups. Mining and drilling can create local grievances due to environmental pollution and socio-cultural disruption (inflow of foreign workers, perceived threat to traditional mores, etc.). Second, because the exploitation of these resources are technology and skill intensive, the benefits tend to accrue to the central government and foreign companies that provide the capital and technology required for exploitation. Where corrupt, exclusionary, and unaccountable governments fail to adequately share the resources generated or to provide adequate public goods and services, a sense of economic deprivation may fuel other local resentments and feed separatist violence, as occurred in Bougainville (Papua New Guinea) and Sudan (Regan 2003; ICG 2002; Lewis 2004). Third, the existence of resource wealth in one area may be viewed by separatist movements as a viable economic base for an independent state, thus encouraging armed conflict.

Box 2: Resource Wealth, Lootability, and Types of Conflict

	Separatist Conflicts	Non-Separatist Conflicts
Lootable Resources	Burma – *timber, gems, opium*	Afghanistan – *gems, opium* Angola (UNITA) – *diamonds* Cambodia – *timber, gems* Colombia – *opium, coca* DRC – *coltan, diamonds, coffee* Liberia – *timber, diamonds, cocoa, coffee, marijuana, rubber, gold* Peru – *coca* Sierra Leone – *diamonds*
Unlootable Resources	Angola (Cabinda) – *oil* Indonesia (Aceh) – *natural gas* Indonesia (West Papua) – *copper, gold* Papua New Guinea – *copper, gold* Sudan – *oil*	Angola (UNITA) – *oil* Colombia – *oil, gas* Congo Republic – *oil* DRC – *copper, cobalt*

(adapted from Ross 2003, Table 3.1 and Figure 3.2)

Far from being mere academic classifications, these distinctions have important policy implications. Importantly, they highlight the need to consider both the political economy of rebellion as well as of state failure in explaining conflict onset and duration. As such, these studies also shed light on an often-cited paradox: why diamonds were a source of wealth in Botswana but a source of instability in Sierra Leone. The answer to this question may be two-fold. First, the alluvial diamonds found in riverbeds in West Africa provided easy loot for would-be rebels, while the deep-shaft, kimberlite diamonds in Botswana require heavy equipment and substantive capital in order to be mined. Secondly, however, the diamond sector in Sierra Leone was highly unregulated and corrupted since the 1950s. Few of the remaining official revenues were spent by the various kleptocratic regimes for development purposes. In Botswana, by contrast, the government's physical control over the mines and its wise macroeconomic and fiscal management of the revenues, reinforced by a generally transparent and corruption-free state apparatus, ensured that diamonds became a blessing rather than a curse.

3. A Stakeholder Analysis in War Economies: Who Benefits, Who Loses?

As has become clear by now, economic life does not cease to exist during war. Rather, it adapts and takes on new forms. Even more, often referred to by the shorthand term "war economies", economic activities in wartime in fact serve different functions for different participants. A stakeholder analysis of the political economy of conflict provides a more nuanced understanding of the functions of conflict that may contribute to more targeted policies and strategies for conflict prevention and resolution, as well as increase the effectiveness of humanitarian and development aid during and after conflict.

Every conflict has its own history, dynamics, and stakeholders. Yet, those seeking to end wars and avoid their recurrence need to ask several questions: Who are the key actors that participate in war economies? What motives do they have for their participation in war economies? What incentives do they have to seek peace? Who controls the means of violence? To adequately assess the different functions of war economies, Jonathan Goodhand proposes a particularly useful taxonomy of "combat", "shadow", and "coping" economies (Goodhand 2004). While empirically overlapping, each of these economies encompasses a distinct set of actors, motivations, and economic activities that can have qualitatively different implications for conflict resolution and post-conflict peacebuilding (see also Box 3).

The *combat economy* is based on economic interactions that directly sustain actual combat. It is dominated by a variety of actors, including the security apparatus of the state (military, para-military groups, police) and rebel groups, as well as domestic and foreign "conflict entrepreneurs" who supply the necessary weapons and military material. Generally, the combat economy serves to fund the war effort of these actors as well as to achieve military objectives (Brömmelhörster and Paes 2003). The preferred means of resource generation include the predatory taxation of licit and illicit economic activities, extortion of local businesses, the control over the exploitation of natural resources, the imposition of "customs" in border areas or setting up roadblocks, the sale of future resource exploitation rights to foreign companies, or the capture of foreign aid.

Box 3: Economies, Actors, Motives, and Activities During Armed Conflict

	The Combat Economy	The Shadow Economy	The Coping Economy
Who? *Key Actors*	Commanders, “conflict entrepreneurs”, fighters, suppliers of weapons and matériel	Profiteers, transport sector, businessmen, drug traffickers, “downstream” actors (truck drivers, poppy farmers)	Poor families and communities
Why? *Motivations and Incentives for War and Peace*	To fund the war efforts or achieve military objectives Peace may not be in their interest as it may lead to decreased power, status, and wealth Fighters may have an interest in peace if there are alternative sources of livelihoods available	To make a profit on the margins of a conflict Peace could be in their interest if it encourages long-term investment and licit entrepreneurial activity Peace requires alternatives to the shadow economy; otherwise a criminalised war economy will become a criminalised peace economy	To cope and maintain asset bases through low-risk activities, or to survive through asset erosion Peace could enable families to move beyond subsistence
How? *Key Activities and Commodities*	Taxation of licit and illicit economic activities; money, arms, equipment, and mercenaries from external state and non-state supporters; economic blockages of dissenting areas; asset stripping and looting; aid manipulation	Smuggling of high-value commodities; mass extraction of natural resources; Hawalla (currency order and exchange system); aid manipulation	Employment of diverse livelihood strategies to spread risk; subsistence agriculture; petty trade and small businesses; on-farm and off-farm wage labour; labour migration and remittances; redistribution through family networks; humanitarian and rehabilitation assistance

(adapted from Goodhand 2004, Table 3.1)

The *shadow economy* (sometimes called “black market economy”) encompasses the broad range of informal economic relationships that fall outside state-regulated frameworks. Key actors are a range of less scrupulous “conflict profiteers”, including mafias and criminals, who seek to benefit from the business opportunities that open up in highly unregulated and chaotic war situations. Profit margins are further widened under sanctions regimes, where those with coercive power and the right connections can gain significantly from cross-border smuggling activities, such as in Sierra Leone, Afghanistan, and the Balkans. Frequently, the shadow economy is already widespread before the outbreak of conflict and is a permissive factor for conflict when it contributes to violent state collapse or serves as a source of income to would-be-rebels. Once conflict erupts, shadow economies are easily captured by combatants and, thus, often become the basis for the combat economy. This was the case with the highly corrupted and informalised diamond industry in Sierra Leone, which provided an easy loot for the rebels of the Revolutionary United Front (RUF) and their sponsor, Liberian warlord-turned-president, Charles Taylor (Smillie, Gberie and Hazleton 2000; Hirsch 2001; Pugh, Cooper & Goodhand 2003). In Kosovo, the informal economy based on smuggling activities and diaspora remittances had long sustained Ibrahim Rugova's peaceful resistance against the regime in Belgrade. Equipped with arms smuggled from neighbouring Albania, however, the Kosovo Liberation Army (KLA) increasingly gained control over these economic activities to finance its armed rebellion (Yannis 2003).

The *coping economy* comprises those numerous economic interactions during armed conflict that provide benefits to the civilian population, particularly the poor and most vulnerable. These functions are even more important to civilian livelihoods where the formal economy and traditional livelihoods are destroyed or rendered impossible to sustain (Mwanasali 2000; Collinson 2003). This was the case in eastern DRC, where the swathes of arable land have been ruined by coltan exploitation and where a consolidation of large landholdings has happened under cover of conflict. Often, coping economies are centred on lootable resources, such as coca and poppy cultivation in Colombia and Afghanistan, and gold and coltan in the DRC. The coping economy also includes subsistence agriculture, petty trade and cross-border smuggling, or diaspora remittances that help civilians and their families to survive.

As with every attempt to force a complex set of social interactions into a taxonomy, there are cases that straddle these categories. In armed conflict motivations are, by definition, mixed and they may change over time. For those seeking to devise more effective policies for conflict prevention and mitigation, there is need to distinguish between those actors who engage in armed conflict for profit and power, and those who are forced to participate in war economies to sustain their civilian livelihoods. Importantly, there is need to assess the implications of war economies at the individual, household, or community-level. Assessing the vulnerabilities of these groups is a precondition to devise adequate policies. The work of the Humanitarian Practice Network at the Overseas Development Institute offers methods and frameworks for humanitarian aid based on empirical livelihood and commodity chain analysis in conflict situations, which may provide important insights for policy-makers (Le Billon 2000; Collinson 2003) (see Box 4).

Box 4: Commodity Chain and Livelihood Analysis in Conflict Settings

Conflict transforms society rather than simply destroying it, causing people to adapt their behaviour and their livelihoods in order to survive or to minimise risk, or to capitalise on the opportunities that conflict presents. Two frameworks lend themselves particularly well to supporting political economy analysis, particularly where it seeks to link the different levels of economic interaction (local, sub-national, national, and international): commodity chain analysis and livelihood analysis.

Commodity chain analysis can be applied to key resources connected with war economies, such as coltan, opium, hashish, and timber. Commodity chain analysis identifies power relationships within commercial networks, from primary production through to consumption, and from the local up to the international levels. Of particular interest for political economy analysis is the identification of who controls commodities and exchange at particular levels, as well as who controls the means of violence that can determine the commodity chain and the distribution of profits.

> *A livelihoods approach* starts by investigating how individuals, households, and communities seek to achieve and sustain their livelihoods. Livelihood analysis is cross-sectoral, and seeks to take into account all economic, political, social, and cultural factors affecting people's lives and livelihoods from the local up to the national and international levels. In analysing individual, household, and community livelihood strategies, their different assets (land, social networks, education, etc.), and ways to cope with conflict situations, several questions suggest themselves: what does the livelihood 'portfolio' of a given social group look like? How and why is this changing over time, i.e. is it a long-term response to environmental change, a response to changing market conditions, or a short-term response to a direct threat? How long-term is people's outlook, and how is this reflected in the way they use and manage their assets? Are they saving or depleting their assets for the sake of immediate survival?

(adapted from Collinson 2003, pp. 17-27, available at www.odi.org.uk/hpg/papers/hpgreport13.pdf)

Failing to distinguish between stakeholder interests, livelihood strategies, and vulnerabilities may lead to external interventions that harm conflict dependants, destroy what little of economic activity remains on a local level, while raising the profit margins for those who control violence and violent economies. A stakeholder assessment focusing on the different assets and vulnerabilities should thus be the sine qua non for any external intervention into war economies.

4. From War Economies to Peace Economies: Policy Options

The complicated reality of contemporary conflicts presents policy-makers with a two-fold challenge: to accurately assess the impact of discrete economic behaviours on conflict dynamics; and to develop and implement effective policy responses for conflict prevention, resolution, and transformation. Seen from a political economy perspective, the key question is how to make peace more profitable than war.

Given the relative newness of economic factors in peace and security analysis, policy responses are still largely nascent. However, a number of policy mechanisms exist that either seek to target the key economic flows that sustain civil wars or that indirectly address key issues. The first cluster of mechanism is primarily aimed at curtailing the linkages between the local war economies and the global markets (both legal and illegal) for commodities, arms, and finance. The second is concerned with addressing the structural factors of the political economy that characterises conflict-prone and war-torn countries, as well as the legacies of war economies and the challenges they may pose for peacemaking and peacebuilding.

4.1 Curtailing Resource Flows: Necessary but Insufficient

The self-financing nature of many contemporary conflicts has drawn attention to the connection between the trade in natural resources, global financial flows, and armed conflict. Increasingly, curtailing and managing these resource flows through regional and international "control regimes" has become a central means of conflict resolution for policy-makers in the capitals and the UN Security Council (Cooper 2002; Sherman 2002). The rationale underlying such regimes is fairly straightforward: if conflicts thrive on the trade in conflict commodities or the diversion of humanitarian aid or diaspora remittances, then curtailing these resource flows may help redirect combatant's incentives from war to peace. Rather than by long and arduous efforts to negotiate a political compromise, or even by direct military intervention in the form of peacekeeping operations, peace will be achieved through technical, relatively inexpensive measures that reduce the accessibility and profitability of economic resources to combatant groups (Lunde 2002; Hubert 2000).

Here, several policy instruments are available to the international community. Some, such as targeted commodity sanctions imposed by the UN Security Council, the Kimberley Process Diamond Certification Regime, and efforts to establish financial transparency in the extractive industries, have been adopted as an explicit and targeted response to the economic dimensions of contemporary civil wars. Others, such as interdiction regimes aimed at transnational organised crime, corruption and money laundering, drug trafficking, and terrorist finance, are mainly a reaction to threats posed by instability and conflict abroad to developed countries. In recent years, however, they have received increasing scrutiny in terms of their potential applicability to war economies (Bannon and Collier 2004; Ballentine and Nitzschke, forthcoming).

Taken together, these control regimes highlight the diverse group of actors that have (or should have) a stake in the issue. These include governments and governmental organisations such as the OECD or the UN, but also NGOs, and the private sector. The UN Security Council in particular has played an important role in addressing the economic dimensions of conflict through the inclusion of diamond and timber embargoes in its arsenal of targeted sanctions against the UNITA and the RUF in Sierra Leone, as well as the regime of Charles Taylor in Liberia. The creation of independent expert panels has been an innovative step in improving UN sanctions monitoring and compliance. The adoption by the panels of “naming and shaming” strategies and their detailed investigative reports have also helped to improve understanding of the actual linkages and dynamics of war economies, making clear who are the few who have profited at the expense of the many.

Box 5: The Kimberley Process Certification Scheme

The Kimberley Process Certification Scheme (KPCS), an international, voluntary certification system for the diamond trade, came into effect on January 1, 2003. Initiated in May 2000 under the chairmanship of the South African government to deny “conflict diamonds” access to international markets, the ensuing Kimberley Process was the outcome of commercial, reputational, and humanitarian concerns among its government, industry, and civil society participants. The KPCS, a joint government, diamond industry, and civil society initiative, is based on the establishment of a “chain of warranty” and government-issued certificates to help track diamonds from their mine to the point of sale. Participants can only trade with other Participants who have met the minimum requirements of the certification scheme.

For more information, see www.kimberleyprocess.com, as well as the reports by Global Witness (available at www.globalwitness.org) and Partnership Africa Canada (available at www.pacweb.org).

The Kimberley Process Diamond Certification Scheme was created in response to the role of “conflict diamonds” in financing armed conflict in Angola, Sierra Leone, Liberia and the DRC (see Box 5). NGOs have raised concerns about the continuing weaknesses in monitoring and verification. Yet, the Kimberley regime has the potential to not only regulate the flow of “conflict diamonds” but also the much larger trade in illegally mined rough diamonds that have played an important role in violent state collapse in diamond dependent countries, such as Sierra Leone. Another source of state collapse - corruption and corrosive rent seeking by government elites - is being addressed by the Publish What You Pay Campaign (PWYP) as well as the UK-sponsored Extractive Industry Transparency Initiative (EITI). Both seek to introduce transparency in the business deals and revenues related to extractive industries (see Box 6). Whereas the PWYP campaign seeks to establish mandatory reporting of extractive industry payments to host governments backed by a variety of regulatory sanctions, the EITI is a consensus–based diplomatic initiative that urges both companies and host governments to adopt improved transparency practices. While transparency is an urgent necessity, it is far from sufficient to break the negative linkages between natural resource wealth, poor governance, and armed conflict. As important is the capacity of civil society to use the information made available by transparent reporting to hold governments to account – a capacity that remains critically underdeveloped in many war-torn societies.

Box 6: Revenue Transparency in the Extractive Industries

Transparency in the extractive industry has come to be a central policy issue for conflict prevention, peacebuilding, and development. Two initiatives have gained much publicity in recent years:

The Publish What You Pay (PWYP) campaign, officially launched in 2002 by a consortium of NGOs, seeks to make mandatory that companies in the extractive industries publicly disclose and disaggregate their payments to host governments (taxes, royalties, bonus payments, etc.). This would introduce a minimum of transparency and would enable local civil society and donor agencies to hold host countries accountable for the use of revenues generated from natural resources. Such a mandatory approach would be based on several control mechanisms of host country regulators, including stock exchange listing rules, public accounting standards, and public export credit and insurance agencies' conditionality and contractual agreements. The mandatory approach chosen by the PWYP campaign would help overcome the "collective action problem" encountered by companies that unilaterally disclose their payments and thus are vulnerable to host country reprisals and competitive disadvantages vis-à-vis less progressive companies.

For more information, see www.publishwhatyoupay.org.

The Extractive Industry Transparency Initiative (EITI) was initiated by the British government in 2002 as a reaction to the growing calls for resource revenue transparency. Based on the same rationale as the PWYP campaign, the main difference of the EITI is that it is thus far based on a voluntary approach and that it focuses more explicitly on the parallel disclosure by host governments of their revenues from resource exploitation. EITI, which was officially endorsed by the World Bank, is based on country level agreements setting out provisions for annual disclosure of company payments and government revenues by all parties in each country to a trusted third party, using standardised templates.

For more information, see: www.dfid.gov.uk.

In addition to these mechanisms specifically designed to curtail resource flows to conflict zones there is the plethora of criminal interdiction regimes that address such related issues as drug and arms trafficking, money laundering, bribery and corruption, and terrorist finance – all of which have gained renewed attention following the September 11 attacks and the "war against terrorism". A discussion of these would be beyond the scope of this article. Suffice it to say that by addressing issues key to contemporary war economies, they have potential positive synergy effects with efforts of conflict resolution and peacebuilding (Eckert, forthcoming; Williams and Picarelli, forthcoming).

Given the importance of conflict trade, diaspora remittances, and transnational criminal networks in sustaining many of today's armed conflicts, sanctions and interdiction policies are both warranted and necessary. Renewed policy attention and cooperation is required to strengthen existing sanctions enforcement mechanisms, the Kimberley Process, and other interdiction regimes. Likewise, efforts to establish financial transparency in business deals between extractive industry companies and host governments need to be supported in order to minimise opportunities for bribery and embezzlement. Efforts to bring "rogue companies" to justice and otherwise limit and deter their operations deserve the fullest support. These should include further consideration of the potential utility of establishing an international legal and normative framework that would apply to the most egregious economic crimes conducted by combatants and their associates, as well as to the misconduct of otherwise legitimate economic actors in conflict zones (Ballentine and Nitzschke 2004; International Peace Academy and Fafo Institute, forthcoming).

This said, control regimes have several shortcomings that policy-makers should keep in mind when seeking to design appropriate and effective policy interventions in regulating and transforming war economies. Importantly, these regulatory efforts face what analysts have called a "malign problem structure" that is characterised by a heterogeneous set of actors with strong incentives to evade regulation, a lack of empirical and normative consensus as to which activities ought to be regulated, competing and ill-defined jurisdictions, and an asymmetrical distribution of the costs and benefits of regulation (Lunde and Taylor 2003). Together, these make for a number of challenges:

First, control regimes face daunting enforcement problems. The effectiveness of commodity and financial sanctions as a tool for conflict resolution, for instance, is seriously undermined by widespread "sanctions-busting" by combatant groups in collaboration with neighbouring states, criminal networks, and corporate actors. This was the case, for instance, in Angola and Sierra Leone, where Security Council-imposed embargoes against so-called "conflict diamonds" from these countries were circumvented by local and international arms traffickers and diamond traders, facilitated also by government elites in neighbouring states (United Nations 2000; ICG 2001). In addition, there has been a certain unwillingness by relevant government agencies to enforce sanctions, follow-up on the UN Expert Panel recommendations, and prosecute known sanctions busters. Despite the naming and shaming efforts by UN Expert Panels, secondary sanctions against neighbouring states implicated in sanctions busting were imposed only once, in the case of Liberia for its role as an exporter of conflict diamonds smuggled from Sierra Leone. Even well-known sanctions busters enjoy practical impunity, despite their known involvement in several African conflict theatres (Raeymakers 2003). This lack of enforcement in the developed world, coupled with weak administrative and regulatory capacity of states in the conflict regions for monitoring conflict trade, means that sanctions-busting, money laundering, and trade in conflict goods continue to be a relatively low-risk, high-profit activity.

Second, interdiction may entail negative unintended consequences. Where conflicts are motivated by a mix of political, security, ethnic, and economic factors (and not solely by pecuniary motives), curtailing resource flows to combatants may weaken their military capacity but not their resolve to continue fighting. Instead, sanctions or interdiction regimes may have adverse humanitarian effects by increasing civilian predation by rebel groups seeking to supplement lost revenues and material. In addition, sanctions and interdiction regimes tend to benefit those few with political connections and coercive power to circumvent sanctions regimes. In Bosnia, for instance, local strongmen benefited from smuggling activities, strengthening their influence over the country's fragile political and economic post-war institutions (Andreas 2004). Furthermore, efforts to control resource flows through commodity sanctions, consumer boycott, or drug eradication programs may deprive civilians who rely on illicit commodity exploitation for their survival of important incomes, thus putting further strains on already pressured livelihoods (Jackson, forthcoming; POLE Institute 2002). In addition to increasing civilian hardship, regulatory efforts may also inadvertently promote civilian resistance and increase civilian support for or dependence upon sometimes predatory rebel movements. To some degree, for instance, the guerrillas in Colombia and the warlords in Afghanistan provide poor coca and poppy farmers with protection from government-sponsored drug eradication programs, albeit at the price of being subjected to their predatory reign.

Finally, even the most robust policies to curtail or manage resource flows are likely to have diminishing returns, as those targeted are able to exploit new opportunities to channel arms, contraband, and money, and thereby to evade sanctions efforts. Efforts to combat organised crime and drug trafficking have a long history of failure. Partly, this is due to the increasingly fluid nature and adaptability of transnational organised crime, organised in loose networks rather than rigid hierarchies. Overall, as long as the structural factors of underdevelopment, state weakness, and horizontal inequalities remain, international control regimes will continue to treat the symptoms rather than the causes of contemporary conflicts and of the war economies fueling them.

4.2 Transforming War Economies: Challenges for Peacemaking and Peacebuilding

Recent years have seen the end of conflicts or major combat in a number of conflict theatres where resource predation and economic criminality have figured prominently, including Sierra Leone, Liberia, the Balkans, Afghanistan, and the DRC. Many of the economic relationships and activities that constituted the war economies in these countries, however, continue unabated.

How much these conflict terminations were influenced by interventions aimed at mitigating underlying war economies remains an open question.

Whether and how the legacies of war economies create distinct challenges to conflict settlement and peacebuilding remains an under-studied question. Little practical guidance exists that may help those in governments, aid agencies, NGOs, and the UN system tasked with developing and implementing programs for conflict prevention, resolution, and post-conflict peacebuilding in these settings (Nitzschke 2003). Again, this highlights the need for action based on careful stakeholder analysis. Just as the costs and benefits of war are borne differently by different participants in war economies, so too are the costs and benefits of making peace. If inadequately understood or left unattended, the legacies of war economies may undermine sustainable peace and recovery.

First, the relatively easy revenues derived from predation during war can lead to opportunistic defection and combatant group fragmentation, creating agency problems in terms of command and control. One example is the oft-cited "sobel" phenomenon ("soldier by day, rebel by night") witnessed in Angola, Sierra Leone, Burma, and the Balkans, where soldiers frequently colluded with rebels for personal gain. Similarly, where revenues generated during conflict become the reward against which combatants weigh the potential benefits of peace, there are large incentives for former combatants and their sponsors to act as "spoilers" of peace processes. A recent comparative study has found that two of the major factors in failed peace agreements have been the continued availability of easily accessible resources and the proliferation of armed groups (Downs and Stedman 2002). This finding underscores the utility of a stakeholder analysis; assessing the economic endowments and activities of combatants and their sponsors may help to identify possible peace spoilers. Further, those tasked with mediating and brokering peace agreements need to identify and adequately integrate economic dimensions into a wider set of targeted political and strategic inducements for conflict resolution and peacebuilding.

Second, the recent experiences of Afghanistan, the DRC, and Liberia suggest that the legacies of war economies may pose significant problems to the disarmament, demobilisation, and reintegration (DDR) programs that have become integral part of most of today's peace operations. Where fighters are remunerated through pillage of lucrative natural resources or civilian predation, the possession of arms is not just a function of ongoing insecurity but is also an economic asset (Sedra 2002). For some fighters, the economic opportunities and rewards available through violent predation might exceed those expected to be available after conflict, influencing a combatant's decision whether to voluntarily disarm and return to a civilian life. Thus, the continuing availability of lucrative resources and entrenched economic predation can pose additional challenges to an already difficult process. In Sierra Leone, for instance, many ex-combatants not reached by the UN's reintegration program became a serious security threat, mobilising for protest and moving to the diamond mining areas where they challenged local youth groups or were recruited as mercenaries for the war in Liberia (Durch et al. 2003). Taking into account the self-financing nature of many contemporary conflicts may help those in the UN and donor agencies developing and implementing DDR programs to develop strategies that offer meaningful incentives for combatants to comply.

Third, where shadow economies have become implicated in the political economy of conflict, economic criminality tends to be systemic and well integrated into regional and global criminal networks. Once entrenched, criminality can seriously undermine peacebuilding and post-conflict recovery. Those who have generated economic benefit during conflict – and also from externally-imposed sanctions regimes - such as the mafia structures in Kosovo and Bosnia, seek to consolidate their power in fragile post-conflict situation by expanding control over the local economic and political processes (Pugh 2002; Andreas 2004). At the same time, the more widespread the informal economy, the fewer are the tax revenues that accrue to the state. This undermines the ability of states emerging from war to finance the provision of basic goods and services, most importantly security, to undertake needed reconstruction projects and to establish viable institutions of governance. Importantly, the failure of the state to provide such services creates opportunities for criminal or shadow networks to undertake their de facto provision, thereby undermining the creation of the "social contract" necessary for stable and accountable governance (Addison and Murshed 2001). In these settings, a main challenge for peacebuilding efforts is to address the dysfunctional elements of the shadow economy that may benefit the enemies of peace and stability, while retaining its socially beneficial aspects to civilian dependants. Yet, this challenging task is further complicated by the fact that the different stakeholders in a war economy often make use of the same or overlapping trade and financial networks to further their respective interests.

Lastly, where the illegal exploitation or inequitable, unaccountable management of natural resources has been central to conflict dynamics, improved resource governance needs to be made a central element of peacebuilding and post-conflict reconstruction strategies. While crucial, rebuilding the capacity of domestic institutions and promoting good governance of natural resource wealth after years, if not decades, of war, mismanagement and systemic corruption is a long-term task. In countries such as Sierra Leone and the DRC this requires a veritable transformation of predatory state institutions - often a product of colonial rule and post-independence leadership - that promote rent-seeking rather than socially beneficial economic activity (Reno 1995; Ballentine and Nest, forthcoming). Given both the understandable sensitivity of governments throughout the developing world to preserve their sovereignty and the enormous difficulties of strengthening weak and collapsed states, this is a daunting task. In the long-term, the success of resource management systems will depend on the emergence of a strong civil society that is able to hold government accountable for the use of the country's riches. In the short and medium term, civil society organisations will require support in developing much-needed capacities. Two promising initiatives are the local-level and multi-stakeholder Kono Peace Diamonds Alliance and the Campaign for Just Mining, designed not only to expand licensed diamond mining and introduce financial transparency in Sierra Leone, but also to ensure regular incomes to artisanal miners and their communities (see Box 7).

Box 7: Peace Diamonds in Sierra Leone

The Peace Diamonds Alliance, launched in December 2002, brings together local and international NGOs, diamond buyers, mining companies, and the government of Sierra Leone. Managed by Washington-based Management Systems International, and supported by, inter alia, DfID, Global Witness, De Beers, and Catholic Relief Services, the Peace Diamonds Alliance seeks to establish transparent and just diamond production and marketing systems, which reduce diamond smuggling and foster economic growth and social empowerment. The Alliance is based on a pilot approach of "systematic diamond management", including the establishment of mining co-operatives, the support of artisanal diggers with training and the provision of credit, as well as by ensuring that miners receive fair prices.

For more information, see www.peacediamonds.org.

The Campaign for Just Mining (CJM) is an NGO initiative, launched by the Network Movement for Justice and Development in January 2000 to promote sustainable development in Sierra Leone by advocating accountability, transparency, and social responsibility within the mining sector. CJM has established Task Forces of civil society members that monitor development within the mining sector and co-ordinate community-based educational programs to ensure that community members are aware of their rights and responsibilities under current mining legislation. CJM participates in radio and TV programs, debating issues such as the requirements of environmental impact assessments, child labour, and the implications of Sierra Leone's membership in the Kimberley Process.

For more information, see www.nmjd.org.

adapted from Partnership Africa Canada, 2004.

5. Recommendations for Policy Action

By now there is strong agreement among academics and policy-makers that economic factors matter to conflict dynamics. Clearly, not all conflicts feature strong economic dimensions, let alone a "resource dimension". Those that do, however, appear to pose different – and, at times, greater – challenges to conflict resolution and peacebuilding. Acknowledging these challenges may be crucial for a country's successful transformation from war to peace – and from a war economy to a peace economy.

Much policy development remains to be done. Preliminary research suggests several policy mechanisms and strategies that governments, aid agencies, regional organisations, international financial organisations (IFIs), NGOs, and the UN system may adopt to deal more effectively with the economic dimensions of civil war and conflict transformation (Ballentine and Nitzschke, forthcoming). If implemented in a concerted effort and sequenced adequately, these policy mechanisms may increase the odds for successful conflict prevention, peacemaking and peacebuilding.

5.1 Promoting Transparency and Accountability

Governments and multilateral institutions play a crucial role in achieving an effective, fair, and workable framework of global governance that can address the linkages between local war economies and global commodity and financial markets as a measure for both, conflict prevention and resolution. This includes strengthening and widening of global and regional regulatory mechanisms that address the trade in conflict goods, be they diamonds, timber, or oil. Civil society in developed and developing countries also has an important role in pushing the agenda forward. NGO campaigns against "blood diamonds", for instance, were crucial in creating and sustaining the momentum behind the Kimberley Process, and NGOs continue to push for more robust monitoring to ensure effectiveness of the process. In addition, commodity control regimes also need to be complemented by more comprehensive efforts that address the financial flows sustaining many war economies. Governments, IFIs and export credit agencies, and the private financial market should support and adopt the demands made by the Publish What You Pay campaign to establish financial transparency in the extractive industries (Global Witness 2004). In addition, increased coordination among financial institutions, governments, and international law enforcement agencies is required to address the linkages between money laundering, corruption, international crime, and – possibly – terrorist finance and civil war (Winer 2002).

5.2 Improving Sanctions Enforcement

Where sanctions were imposed as a means of conflict resolution, governments need to follow-up on reports by the UN Expert Panels and adopt appropriate national legislation to criminalise UN 'sanctions-busting'. The UN Security Council should impose, where applicable, secondary sanctions, ensure member state compliance with sanctions resolutions, and strengthen the mandates and administrative capacities of UN Expert Panels. To more effectively curtail resource flows to belligerents, there has to be continued information-sharing with NGOs such as Global Witness, who collect crucial information on illegal resource exploitation, government corruption, and raise public awareness on the issues. UN expert panels and sanctions monitoring mechanisms, for instance, drew heavily on the investigative reports by NGOs such as Global Witness and Partnership Africa Canada on the specific actors and activities in war economies. To be effective and credible, these regulatory efforts need to be complemented with donor programs that support building and strengthening the technical, administrative, and law enforcement capacities in weak states and zones of conflict. Important recommendations are offered by the Stockholm Process on the Implementation of Targeted Sanctions (Wallensteen, Staibano and Eriksson 2003).

5.3 Power-Sharing and Resource-Sharing Agreements

Peace processes and the negotiation of peace agreements are crucial moments in a country's transition from war to peace; they should thus also address the economic dimensions of the conflict. Where politically feasible, third-party mediators of peace processes should seek to include provisions for resource-sharing into peace agreements that establish clear benchmarks for responsible and equitable resource management. These provisions, such as those on oil revenue sharing contained in the recent agreement between the government of Sudan and the southern rebels, could also serve as reference for donors and civil society to hold governments accountable as agreements are implemented. External efforts can also indirectly provide support to local NGOs, as exemplified in the case of the peace process in the DRC. Backed by the widely-publicised report of the UN expert panel on the illicit exploitation of natural resources, for instance, Congolese civil society and church groups were ultimately able to put the issue of illegal resource exploitation and illegal mining contracts on the agenda of the peace negotiations. Given their importance to post-conflict recovery programs, IFIs should be included early on in the peace processes, whether formally or informally, to ensure co-ordinated policy action among third parties, and to match peace agreements with compatible post-conflict economic recovery strategies. Once agreements are concluded, IFIs should support peace processes through targeted "peace conditionality", by making loans conditional on issues such as the redress of horizontal inequalities, transparent and accountable resource management, and the restoration of legitimate property rights (Boyce 2003).

Donor agencies need to design and support tools and strategies for more effective, equitable, and transparent systems of resource management as part of their "good governance" programming, both as part of more "conflict-sensitive" development aid and post-conflict peacebuilding (Collier et al. 2003). At the same time, humanitarian and development aid need to be more responsive and better equipped to ensure benefits for those civilians who are dependent on war economies, including the illicit and artisanal resource exploitation. Local NGOs and research institutes, such as the POLE Institute in Goma, DRC, can provide important analysis of the local dynamics of war economies that need to form the basis for intervention. Importantly, the World Bank and its private sector arm, the International Financial Corporation (IFC), should support the adoption of new regulations and legislation on corporate engagement in natural resource industries to minimise corruption and impede rogue companies from undermining fragile peace. In addition, support to civil society organisations is crucial for holding governments and companies accountable. The Just Mining Campaign in Sierra Leone, for instance, advocates a rights-based approach to diamond mining in the country, stressing the need for the formalisation of artisanal mining, the provision of access to medical facilities and housing, improved safety conditions at mine sites, as well as local participation in decision-making and national mining policy development.

5.4 Rethinking DDR

To ensure stability in the fragile "post-conflict" setting, the primary focus should be on mechanisms to take the violence out of the economy. Yet this is easier said than done. As Keen and others have convincingly argued, violent economies often exist already before armed conflict erupts; equally worrisome, they also tend to persist in the so-called "post-conflict" society. Where lucrative resources have figured prominently during conflict and remain an available source of income for peace spoilers, the UN, the World Bank, and bilateral donors need to make disarmament and reintegration parallel and complementary, not sequential, processes. Socio-economic support to former combatants needs to be provided early on in the DDR process, taking account also of the different incentives of rank-and-file soldiers and middle-level commanders. For UN peacekeeping missions, renewed focus on reintegration programs may require more coordination with humanitarian and development agencies and NGOs. Importantly, DDR programs must receive up-front provision of funds for "quick impact" projects, including job provision and alternative income-generating activities. DDR programs, such as those in Afghanistan, must also form an integral part of national post-conflict development and reconstruction strategies (ICG 2003). This requires better policy coordination with the IFIs and donor agencies, which tend to determine the post-conflict economic development policies of war-torn states.

5.5 Harnessing the Shadow Economy

UN peace missions and donor agencies engaged in post-conflict peacebuilding and reconstruction need to address shadow economies and economic criminalisation with 'carrots and sticks'. An often-overlooked fact of war economies is that warlords sometimes provide basic services that the state is unable or unwilling to offer. Post-conflict reconstruction programs need to thus provide incentives for shadow entrepreneurs to join the legal economy. In addition, the state's capacities to provide basic services, security, and employment need to be strengthened in order to free civilians and conflict dependants from the often predatory control of warlords and mafia structures. Importantly, donor agencies need to review their post-conflict macro-economic strategies, not least to adequately account for the social functions of shadow economies and to provide much needed employment (Woodward 2002). To address the challenges posed by the entrenched interests of conflict entrepreneurs improved law enforcement, police training, and judicial reform is required. Where these capacities are weak, outside support in the form of law enforcement cooperation and mutual legal assistance, as well as direct policing by UN peace missions can provide essential stability and security (TraCCC 2001). When properly mandated and equipped, UN peace missions may support the establishment of state control over resource-rich areas and borderlands to impede illegal resource exploitation and smuggling activities. In this regard, recent mandates in the case of peacekeeping missions in Sierra Leone and Liberia are encouraging examples.

6. Conclusion

One of the initial propositions guiding policy research and development on the economic dimensions of armed conflict was that the economic benefits made available to combatant parties through war may reduce their incentives to seek peace. UN sanctions, certification regimes, and other control policies were consciously aimed at tipping the cost-benefit calculus in favour of peace, by reducing the gains to be had from war. Did these economic interventions achieve their goals? Pointing to the end of conflict in Cambodia, Angola, and Sierra Leone, proponents of sanctions would argue that they have. Others, however, stress that in both cases military interventions were the decisive factor to conflict termination, with sanctions contributing to outcomes by shifting the military balance in favour of the victors. Still others might maintain that, even where violent struggles over resources have been central to armed conflicts, peace can be achieved through traditional diplomacy, without external economic interventions, as was the case in the DRC. While these mixed findings suggest that economic interventions are not the panacea for peacemaking that some had initially hoped, they also indicate that, when taken in combination with other diplomatic and military interventions, measures to curtail the financing of conflict can contribute to positive outcomes.

As important, bringing economic factors into the calculus of peacemaking holds the promise of creating more durable conditions for sustainable peace by "breaking the conflict trap" of poverty, poor governance and violence. There remain many unanswered questions as to when and how measures to address the activities underlying war economies might best be integrated into peace implementation efforts, and by whom. Putting resource sharing on the negotiation table alongside power sharing may, in some case, improve the prospects for durable peace. In others, however, the prospect of reducing combatant's access to the source of wealth made available by war may undermine efforts to conclude an agreement. In the case of the DRC, it was precisely this concern with getting an agreement to end the conflict that led mediators to exclude economic issues from the discussion. As recent developments in the DRC suggest, this exclusion is not without its risks: not only have conflict elites been rewarded, but unresolved and often violent disputes over land and resources in eastern DRC threaten to undo the peace achieved thus far. For policymakers, the lesson is as clear as the challenge is daunting: unless and until war economies are dismantled, the prospects for durable peace remain poor.

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Further information and useful links:

The *Bonn International Center for Conversion* (BICC) project on The Role of External Actors in Civil War Economies in Sub-Saharan Africa, see http://www.bicc.de/projects/project_files/111_ecwarend_english.html.

The *Center on Global Integrity* project on Making A Killing: The Business of War, see http://www.publicintegrity.org/bow/default.aspx?act=resources.

The *Fafo Institute* project on The Economies of Conflict - Private Sector Activities and Armed Conflict, see http://www.fafo.no/nsp/ecocon.htm.

The *Global Policy Forum* documents on The Dark Side of Natural Resources, see http://www.globalpolicy.org/security/docs/minindx.htm.

The *International Peace Academy* program on Economic Agendas in Civil Wars, see http://www.ipacademy.org/Programs/Programs.htm (completed programs).

UNU-WIDER project (2001) on Why Some Countries Avoid Conflict While Others Fail, see http://www.wider.unu.edu/research/research.htm.

The *World Bank* research program on The Economics of Civil War, Crime and Violence, see http://econ.worldbank.org/programs/conflict.

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