

NETWORK paper

The Political Economy of War: What Relief Agencies Need to Know

by Philippe Le Billon (with Joanna Macrae, Nick Leader & Roger East)

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ABSTRACT

This paper suggests that a 'political economy' approach to war – one which focuses on how the distribution of wealth and power is affected during conflict – has far reaching implications for relief work.

In war there are both 'winners' and 'losers'. These two simple arguments arise from a focus on the political economy of war. The vulnerability of losers needs to be understood as a consequence of their powerlessness.

A political economy approach also stresses that the perpetuation of war can become an end in itself. A state of war provides and justifies the use of violent means to create or sustain economic profits and political power. A war may have clear 'winners' in the sense that they profit from the war without the war itself being 'won' in the traditional sense. For the losers, such a war is the never-ending accumulation of abuses, fear and frustration. Complex global political and economic processes and motivations are at work behind the distribution of the profits and burdens of war.

The paper proposes that by understanding the political economy of war, relief agencies can better assess the

forms of economic violence which threaten livelihoods during wars. Second, analysing the context and implications of relief work is crucial so as to minimise its negative impact – given that belligerents and foreign states may seek to manipulate a humanitarian presence and misdirect the resources provided by relief. Finally, understanding the course of a conflict in terms of political economy can help to identify political and economic interests which impede a transition to peace, and so help avoid the reconstruction of a pre-war economy that may have had much to do with the origin of the conflict.

Improving the distribution of power and providing more effective economic protection during war are challenges that require a broad range of initiatives. Relief can only play a limited role in line with the individual mandate and capabilities of each agency. However, there is room for manoeuvre. The design of relief programmes can be adapted to respond to local strategies for distributing wealth and destitution thereby reducing the extent to which armed groups can manipulate relief, as well as informing and encouraging collective rights-based political action.

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Glossary

Asset transfer/stripping: unfair exchange of assets (including outright looting) dictated by a power imbalance between the seller and the buyer.

Balance of payments: the record of economic transactions (goods, services, finances) between a country (its residents) and the rest of the world (non-residents) over a given period.

Bottom-up violence or **base-level violence:** violence perpetrated by civilians and lower ranking soldiers to pursue non-political goals, such as protection and petty economic gains.

Coping strategies: measures employed by populations in order to adapt to – or cope with – the context of war, in order to minimise negative impacts and to preserve a potential for recovery.

Entitlements: the set of resources that a person can command in a society by using his/her rights and the opportunities within his/her reach.

Free agents: Persons acting politically and economically without legitimacy and accountability towards a society.

GDP/GNP: the Gross Domestic Product is the income earned within the borders of a country, the Gross National Product is the income accruing to the residents of a country. GDP and GNP measures often fail to capture the incomes generated by the informal economy.

Merchant capital wars: War privately financed to achieve commercial objectives, with or without the approval of the state.

Patrimonialism: accumulation and redistribution of resources according to a personal and unaccountable agenda rather than a public and legitimate one. This accumulation and redistribution involves a relationship of patronage from the leadership towards clientele or followers.

Political economy: the production and distribution of power, wealth and destitution through economic exchanges. How political power controls economic resources and how this control in turn consolidates power.

Predation: economic relations involving a degree of coercion and little regard for the sustainability of the productive system. In other words, abusive taxation or violent appropriation involving an unequal economic relation between a powerful (predator) and a powerless (prey).

Public goods: goods and services paid by taxes and made available free of direct charges to the general public.

Rent-seeking: search for, and manipulation of, political and economic relations in order to secure privileged access to profits. In other words, behaviour associated with the creation of a context which protects abusive profits.

War economy: economic activities organised to finance war.

Acronyms

AFDL	Alliance of Democratic Forces for Freedom (DR Congo)
CCC	Cooperations Committee for Cambodia
DEA	Development-oriented Emergency Aid
ECOMOG	Monitoring Group (in Liberia) of the Economic Community of West African States
FAO	Food and Agriculture Organization (of the United Nations)
FARC	Revolutionary Armed Forces of Colombia
FEG	Food Economy Group
FEWS	Famine Early Warning System (of the US Agency for International Development)
HCR	High Commissioner for Refugees (see also UNHCR)
ICRC	International Committee of the Red Cross and Red Crescent
IDRC	International Development Research Centre
IDP	Internally Displaced Person
IFI	International Financial Institution
IMF	International Monetary Fund
LTTE	Liberation Tigers of Tamil Eelam (Sri Lanka)
MSF	Médecins Sans Frontières
NATO	North Atlantic Treaty Organization
NGO	Non-governmental Organisation
PCIA	Peace and Conflict Impact Assessment
Renamo	Movement of National Resistance (Mozambique)
RUF	Revolutionary United Front (Sierra Leone)
SCF	Save the Children Fund
SPLM	Sudan People's Liberation Movement
TNC	Transnational Corporation
UCK	Kosovo Liberation Army
UN	United Nations
UNHCR	UN High Commissioner for Refugees
UNITA	National Union for the Total Independence of Angola
VRS	Serb Army (Bosnia)
WFP	World Food Programme (of the United Nations)

Executive Summary

Neither decolonisation nor the end of the Cold War have brought the world into a new age of global stability. The newly interventionist international agenda which spawned numerous peacekeeping and humanitarian efforts during the 1990s has had mixed results, and new or recurrent wars continue to leave entire regions and vast populations in distress and uncertainty. What drives these continuing conflicts, resulting in massive humanitarian crises? And how can relief operations respond effectively, given that such operations can themselves be manipulated and may exacerbate conflict?

In order to get to grips with these two fundamental questions, the relief community can benefit from the insights offered by a *political economy* approach to war. This essentially means analysing the production and distribution of power, wealth and destitution during armed conflicts, in order to expose the motives and responsibility of those involved, within a historical context. It is common practice to emphasise the political motivation for conflicts – such as state control or secession. In contrast, some would argue that contemporary conflicts are essentially anarchic and lack any clear political agenda.

A political economy approach balances this by also stressing the importance of economic agendas¹ and examining how war generates both ‘winners’ and ‘losers’. It stresses the logic of war in a context characterised by state failure, unregulated global economies, socioeconomic disparities, identity politics and marginalisation. The winners, those who stand to gain from a state of war, may prolong a conflict if they have the power to do so but cannot ensure that an outright victory would keep them on the winning side. In fact the perpetuation of war can become an end in itself, providing and justifying the use of violent means to create or sustain economic profits and political power. The distribution of power is thus central to a political economy approach.

The production and distribution of power, wealth and destitution involves:

- **The war economy:** the production, mobilisation and allocation of economic resources to sustain a conflict (eg, taxation, commerce or looting).
- **Collateral economic impacts of war:** the unintended consequences of war on an economy (eg, reconfiguration of production systems; fall in foreign investments).
- **Economic strategies of war:** the deliberate disempowerment of specific groups through economic weapons (eg, embargoes; deliberate destruction of economic infrastructures).

This paper is concerned with the issue of how to alleviate the negative economic impacts of war. Its perspective is both conceptual/analytical (Chapters 1 and 2) and concrete/practical (Chapters 3 to 5 and the two annexes). Throughout, the focus is on how the distribution of wealth and power is affected during conflicts and how to:

- mitigate the effects of extremely uneven distribution;
- reduce economic incentives to prolonging a conflict;
- protect populations in distress against neglect, exclusion or exploitation during war.

Its purpose is threefold:

1. To improve understanding of the impact of war economies on the vulnerability of the victims of conflicts.
2. To attempt to improve the design of systems of distribution and monitoring of relief.
3. To inform a wider humanitarian response, going beyond relief to the better regulation of war economies.

This Executive Summary explains why a political economy approach to war matters. Chapter 1 sets out to distinguish the key features of war economies. Chapter 2 examines the relations between vulnerability and war. Chapter 3 places relief in a political economy perspective and considers the risks of its manipulation. Chapter 4 details the dimensions of international action in war and ways to enhance the protection of populations through a political economy framework. The concluding Chapter 5 draws out the implications for the way relief agencies organise their activity.

The Significance of a Political Economy Approach for Relief Work

For relief work, the implications of a political economy approach are far reaching. It is critical for humanitarian concerns that vulnerability should be understood as a product of powerlessness.

Comprehensive protection of victims not only implies providing the basic means of survival (eg, food, shelter) and physical protection, but also safeguarding political and economic rights.

The forms of economic violence which threaten livelihoods during war can take the form of neglect, exclusion, or exploitation. Understanding these distinctions can improve the design of aid programmes by defining priorities and the protection needs of beneficiary groups; equally, it may in some instances inform a case for disengagement. A political economy approach suggests that agencies move beyond needs-based solutions, which address symptoms, towards solutions geared to comprehensive economic protection, including steps to reduce vulnerability and to protect rights.

In this regard, relief may only play a limited role, adapted to the individual mandate and capabilities of each agency. There are severe constraints to protecting political and

economic rights when this goes beyond meeting basic humanitarian needs, where agencies need the consent of local power holders in order to assist the victims of conflict. Using a political economy approach, however, relief agencies can adapt the design of their programmes, to:

- take account of the strategies being employed by local conflict participants to distribute wealth and destitution;
- reduce the extent to which relief is manipulated by armed groups;
- inform broader action.

Reckless attempts to analyse a conflict can result in suspicion and lead to retaliation by belligerents against both agencies and their informants. A careful examination of the political economy of war, on the other hand, can help an agency with its negotiations and with reducing the manipulation of relief, as well as improving the security of field staff (Van Brabant, 2000). Furthermore, insights provided by relief agencies based on such an understanding may inform and motivate more political action by other agencies and institutions through public or confidential advocacy channels.

Relief agencies must also aim to prevent belligerents taking advantage of them by manipulating their presence and the resources they provide for economic, strategic or political objectives. An analysis of the context and implications of relief work in terms of political economy is crucial as a basis for guaranteeing the accountability of agencies to local populations, as well as to donors and the public.

Finally, understanding conflicts fully in terms of their political economy can help to identify interests that will impede a rapid transition to durable peace. This should help avoid the pitfall of reconstructing a pre-war political economy that may itself have had much to do with the origin of the conflict.

The Political Economy of War

The Major Processes at Work

All wars are different. They have complex causes rooted in history, the international context, economic circumstances, and the nature of governance and leadership. The analysis of any war must therefore emphasise its specific circumstances and its particular context. However, major common themes which stand out in the political economy of many contemporary conflicts are (i) the impact of globalisation and state failure, and (ii) the importance of war profits.

Globalisation and State Failure

Contemporary conflicts are frequently described as ‘internal conflicts’ or ‘civil wars’. This can be misleading, however. The dynamics of these conflicts are rarely purely ‘internal’. The war economies which characterise so-called civil wars are in many cases sustained by links between belligerents and the global economy. To a large extent it is because of global changes in the international economy and the associated weakening of the role of the nation state that many contemporary conflicts last so long.

Globalisation – the term used for these changes – is usually presented as a process of economic and cultural integration. However, it involves processes of disintegration and differentiation within societies too. This is most dramatically visible in the South, as new identities are defined outside the category of the nation state. In many cases this has been accompanied by recurring violent conflict. Globalisation is also generally associated with widening economic inequalities, although it is also possible that it can encourage the growth of alternative economic and political movements promoting better governance and greater social justice.

The role of the state itself has been affected profoundly by globalisation. The model of ‘modern development’ driven by the nation state dominated much of the

twentieth century, both in the West and in countries espousing the socialist path. Since the 1970s, however, the role of the state in economic life has been declining. At the national, regional and global level the trend has been towards economic deregulation and the growing influence of markets. The power and legitimacy of the state has thereby been reduced (Duffield, 1998).

Processes of nation state consolidation in the South have been effectively reversed over the last 40 years not only by this underlying globalisation of economic relations, but also by the disengagement of Northern states from their former involvement in state-building. If decolonisation was the first stage in this disengagement, the ending of Cold War patronage and the superpower–client state relationship associated with structural adjustment programmes was a second, and a third stage is now taking place in the sphere of development assistance. As international aid is cut back, a growing proportion of what remains is being channelled through the private/voluntary sectors rather than the state.

In a context of economic recession and decline of external support, the state has often been left as little more than an instrument of power for the ruling group, rather than a provider of *public goods* and arbiter for social justice. What this amounts to is state failure – the erosion of the state’s sphere of competence, its power and legitimacy. It is a process which has been accelerated by the hostile action of predatory regimes as well as by debt crises, the imposition of structural adjustment programmes, deteriorating terms of trade, and opportunistic/predatory corporate behaviour.

In Southern and former socialist countries the deregulation of international trade has been accompanied by a diversification of trade routes and of participants in trading activity. Economic systems have been further informalised through semi-legal and illegal activities.² The expansion of informal economies may be encouraged by

rulers seeking to counterbalance state failure by expanding their client networks. As economic activity has thus become less accountable it has become easier for private interest groups to take over. This is further encouraged by the dispersal of political authority, from a central state with a claim to sole legitimacy to a situation of multi-level authority – one in which power brokers at different levels can in effect permit, promote, protect and participate in self-interested economic activities both legal and illegal.

The profits generated by these informal economies, controlled by personal interests within states, mafias, armed groups, and/or western multinationals, escape public scrutiny and serve no broad societal objectives (Reno, 1998).

Ironically, the main credo of Northern liberalism, privatisation, has been turned into an essential instrument of political control in the hands of Southern rulers. It provides opportunities to restructure client networks, secure new allies and personal rewards, and gain favour with international lenders. Privatisation of the economy to international firms allows rulers to deny resources – financial and social – to opponents and possible challengers, as well as to build up hard currency and foreign support networks.

As a result of the process of globalisation there is much more scope for war economies to be sustained by external commercial links. Moreover, where state failure encourages separatism or the emergence of warlordism (see Box 1), violence may offer these warlords a durable means of political and economic control. War can provide a favourable environment for groups that thrive on the continuation rather than the resolution of conflict (Le Sage, 1998). In Afghanistan, for example, war has left the country virtually without a state structure, while the Taliban and its adversaries are sustained by an economy consisting mainly of drug production, arms dealing, and smuggling.

War Profits

Too often, conflict over state control stems from greed and the deliberate use of violence to access public offices and resources. Moreover, a state of war provides economic and political opportunities for the belligerents that cannot be achieved by peace or even victory. As Mary Kaldor (1999) argues: 'Politically, identity [of the warring parties] is based on fear and hatred of the other; economically, revenues depend on outside assistance for the war effort and on various forms of *asset transfer* based on loot and extortion or on price distortions resulting from restrictions on freedom of movement. In peacetime, these sources of sustenance are eroded.'

Current mainstream analysis tends to regard conflict as a state-centred internal process, stemming from a

Box 1: Warlordism and the Privatisation of Violence and Governance

The term warlordism refers back to the 1916–1928 period in China when about 160 wars were fought between autonomous military governors after the collapse of the central government. Warlords are strongmen who control an area by their capacity to wage war, and are able to organise a war economy, often including external commercial activities, to sustain themselves and keep (weak) central authorities at bay.

The increasing privatisation of violence and security is similar to warlordism in that violence is integrated into the management of domestic or international economic activities. Paramilitary units, self-defence groups, mafias, mercenaries and private security corporations gain access to resources by coopting or usurping the state's monopoly over legitimate violence.

combination of poverty, ignorance and weak institutions and thus resolvable through a mixture of sustainable development, conflict resolution and civil society measures. A political economy approach stresses, on the contrary, that the association of instability and violence is more than a transitory phenomenon. Violence has become an enduring means of asserting power and economic control. While development and civil society issues are relevant, the political dynamics of contemporary conflicts are at odds with the conventional assumption that states are in transition, albeit erratically, to liberal democracy.

The transition between states of war and peace has become increasingly blurred. There is neither total war nor total peace, but a state of high uncertainty and vulnerability associated with the prevalence of violence. In El Salvador, for example, an average of 6,250 people per year were killed during the conflict, but there were 8,500 'peacetime' murders in 1995. In South Africa there were 12,000 murders in 1989, and 25,000 in 1997. Most peacetime murders seem unrelated to political agendas, but are nevertheless the expression of a violent political economy.

War can still be differentiated from 'violent peace' by the degree of organisation of the violence and the existence of a 'complex political emergency'. But this differentiation is somewhat artificial. Many populations suffer more from a violent political economy than from the direct impact of organised violence. Basic rights are undermined by economic upheaval, the collapse of public goods, asset stripping, and human rights abuses.

A political economy approach therefore embraces a wide definition of war. It views wars as the emergence of alternative systems of profit, power, and even protection, rather than simply the breakdown of a particular system. In these alternative systems, violence serves key economic, security, and psychological functions (see Box 2), going beyond its use by political groups to change or retain the legal and administrative framework.

The Likelihood of War

Wars occur mostly in poor countries. The transition from peace to war often takes place at a time of slow or negative growth, or when there is a sudden stop/slowdown in the economy in the face of rising expectations (Pastor & Boyce, 2000). This may be due to domestic economic and political mismanagement where extensive corruption and patronage politics put the self-interest of a specific group over that of society. It may also result from external shocks, for instance a collapse in export commodity prices or changes in external assistance (eg, the ending of Soviet assistance in the late 1980s; the application of structural adjustment programmes; aid conditionality).

Such a situation can induce a scramble for resources among competing interests. Whether it results in war depends, in part, on whether the society can achieve consensus on distributing the burden of adjustment. The form of governance is crucial here. When the state is itself weakened by corruption and patronage politics, consensus may prove impossible and the organisation and use of violence becomes more likely (see Boxes 3 & 4). In a society with political, ethnic or religious divisions, particular groups may reach consensus amongst their own members, but with differences between them that can result in conflict.

Relief workers often encounter conflicts that seem on the face of things to be about ethnic or religious distinctions or other forms of group identity. Indeed, these identities may well have a strong basis in the peacetime life of ordinary people. However, inter-group violence is often the result of a situation being deliberately manipulated to serve the power and economic interests of specific groups. A target group can be marginalised via racist discourses and policies, and denied political rights and access to resources (eg, education, administrative positions, and economic activities). In such circumstances identity politics force people to take sides. Identity becomes a means of survival for them, and a way to secure access to resources and group support.

The problem of competition for resources and of reaching consensus on adjustment will be worse:

- when politicians opt to mobilise support from groups with strong grievances about inequality and ethnicity;

Box 2: The Forms and Functions of Violence

Violence can be simply defined as the arbitrary use of force to achieve compliance.

- Politically, violence can assist in maintaining or accessing state power, creating a power base at the local level, or keeping unruly clients and populations busy with warfare. Violence can also be a political instrument to achieve or prevent changes in the law or the 'rules of the game' through progressive or regressive policies.
- Economically, violence can provide financial gains in higher military budgets and remuneration; gain or retain control of state resources; allow for illegal or immoral activities (eg, pillage, trafficking, and extortion); justify protection money; maintain a (monopolistic) control of trade; and facilitate the control of labour and resources (including relief goods).
- Violence can provide security for its perpetrators when the state is unable to provide it, or guarantee impunity for past crimes. In some contemporary wars young men in particular are safer within armed groups than as civilians. Force can also protect communities, for example, through self-defence units.
- Psychologically, violence can confer personal status (bearing arms, commanding others), as well as provide impunity and 'justifications' for murderous activities and abuses.

Just as physical violence imposes powerlessness upon its victim, so too does institutional violence – such as economic violence which threatens human life and dignity (see section in Chapter 2 on economic violence).

Source: Berdal & Keen, 1997; Keen, 1998.

- when the state faces a crisis of legitimacy and lack of credibility due to corruption or past failures;
- when the arbitrary use of force has become a habitual instrument of political and economic rule.

In Sierra Leone and Liberia during the 1990s, the political economy of war was closely related to the failure of the previous regimes and the rise of *patrimonialism*, corruption and violence in political and economic life since the 1970s.

Economic failure, and the unequal distribution of wealth and power, exacerbate both greed and grievances. Distinguishing between 'social' and 'asocial' political

Box 3: The Political Economy of Transition to War in Yugoslavia

Once a success story among socialist countries, Yugoslavia ran into a worsening debt crisis from the mid-1970s. Obtaining IMF credits then required deregulation and austerity measures. In the absence of thorough restructuring, however, and with Yugoslav exports suffering from a European economic crisis, these measures led to rising unemployment, poverty, and general economic and social deterioration. From 1990 onwards the state faced a severe budgetary crisis with a negative balance of payments and frequent defaults on salaries.

While elites held on to power within the different republics, the situation was exploited by successful entrepreneurs of the parallel economy, including criminal groups. Seeking to legitimate and extend their activities they developed links with republican political elites, together exercising a hold over scarce resources – mainly in the form of public funds, assets, and on-going contracts – and furthering and profiting from an unregulated economy. The erection of trade barriers between or within republics (eg, the quasi-embargo between Serbia and Bosnia-Herzegovina, or BiH) fragmented the internal market and contributed to economic collapse. This was accompanied by the export of stripped assets and capital flight. Politicians used regional inequalities and the rising feelings of insecurity among the population to demand constitutional changes. While wealthier republics (eg, Slovenia and Croatia) demanded independence the poorest and politically marginalised sought better representation within a federal framework, or in the Serbian case pushed for the formation of a larger republic (Greater Serbia).

The transition from peace to war took the form of increasing criminality and violent sectarianism. In most cases the war itself, or economic sanctions in the case of Serbia, served to reinforce a violent political economy and the temporary power of nationalist republican elites and criminal gangs.

The republic of BiH was particularly vulnerable to this transition. Its main metal and armaments industries were badly affected by the collapse of socialist regimes in Eastern Europe and the fall in military purchases associated with the end of the Cold War. Its ethnic mix and geographical situation meant that republican elites were divided. Greed and grievances were aggravated by its underdevelopment and the distribution of wealth which favoured the urban (predominantly 'Muslim') population. Unemployment and poor education meant that individuals had less to lose from joining paramilitary/criminal groups, which provided them with a sense of security and empowerment. As a result of the fragmentation of economic networks, displacement of populations, and destruction of infrastructure, the Bosnian war economy was based on subsistence, internal predation, and external assistance. Profiteering by local leaders prevented the emergence of a centralised – and efficient – war economy and jeopardised the legitimacy of their authority.

Source: Bojicic & Kaldor, 1997; Bougarel, 1996.

economies (see Box 5) helps to emphasise that war – or 'violent peace' – is more likely to occur and be sustained by the latter.

Wars which involve civil conflict can become 'vicious circles', causing a reduction in investment and a consequent slowdown in economic growth and so triggering a new round of social unrest and scramble for resources. Reversing the cycle involves new policies – possibly backed by massive aid infusion – delivered in a way that addresses the fundamental causes of conflict. International intervention on one side, however, also runs the risk of exacerbating conflict. This was particularly true of military interventions during the Cold War era. It remains a danger today, especially when external intervention is motivated by geopolitical or commercial objectives. Even if NATO's 'humanitarian' intervention ultimately brought security to Albanian Kosovars, it first dramatically aggravated their plight.

Financing War

As already mentioned, belligerents may perpetuate a conflict as a deliberate means of securing economic profits and political power. To do this they need resources generated by a *war economy*. In turn the war economy will determine to some extent the impact that war has on local populations and even on the course of the conflict.

Forms of War Economies

War economies can take several forms which are not mutually exclusive. A politico-military faction can adopt several of them according to local resources, the behaviour and capacity of its troops, local and foreign political and commercial connections, and geographical circumstances.

- **State war economy:** organised by a structured political group (mostly states) through (quasi)legal taxation of

Box 4: The Political Economy of War in Somalia

Orthodox explanations of the war in Somalia overstate the influence of clans and environmental stress and understate the economic stratification of society and the role of self-interested elites. From a political economy perspective, competition between the militia factions that overthrew Siad Barre in 1991 has perpetuated long-term patterns of alienation and exploitation.

Existing inequalities were accelerated by Barre's nationalisation of arable land, and industrial and urban infrastructure. The distribution of these resources to regime supporters reinforced a wealthy politico-business elite and left landless Somalis as an underclass, wage labourers and the urban destitute. In this context, Somalis' long history of exploitation by 'outsiders' in distant state institutions was easily played upon by local leaders, turning communal fears into animosities and justifying militia factions as 'guardians' of clan interests. Some self-interested 'warlords' used their militias to assert personal political and economic dominance. In the southern countryside these elites use military strength to appropriate land for agricultural export production and livestock raising, and to control flows towards external markets. Similar forms of economic 'development', wherein Somalia's productive resource base is monopolised by politicians and businessmen tied to militia factions, also occur in urban centres and coastal regions. Power struggles between these elites enflame competition for resources and survival which in turn guarantees a minimum level of popular support for the militias. In this struggle, no groups or individuals can claim outright victory. In fact, many appear content with the functional status quo of competition. Yet large numbers of outright losers are produced. People's livelihoods collapse and their vulnerability rises as a result of increasing powerlessness in the face of political and criminal violence, lack of access to resources, and biased and unstable markets.

Source: Le Sage, 1998.

Box 5: Social and Asocial Political Economies

Social political economy

- Power well distributed across society.
- All members of society contribute to the economy.
- Economic burden of adjustment and war evenly distributed.
- Wealth not finite and can expand through productive activities.
- Economic activities contribute to the provision of public goods.
- Low level of human rights abuses.

Asocial political economy

- Power in the hands of a few illegitimate and unaccountable '*free agents*'.
- Economic project requires few members of society.
- People mostly a hindrance or a prey to economic activity.
- Economic burden of adjustment and war unevenly distributed.
- Wealth finite, and economic activities extractive or speculative rather than productive.
- Economic activities do not contribute to the provision of public goods.
- Human rights abuses widespread.

Adapted from James Fennel (2000; personal communication).

revenues/profits as well as domestic and foreign borrowing. This model is only possible for political groups benefiting from a well-developed taxation system, (accessible) domestic savings, or foreign credit. The state war economy is generally able to protect civilian populations. However, its effectiveness can result in wars of an industrial scale which, if they target civilians, can have devastating effects on populations (eg, Jewish holocaust; the bombing of Dresden; Hiroshima).

- **Guerrilla war economy:** large armed groups which can count only on local resources must therefore develop close ties with local populations through political persuasion (eg, the LTTE in Sri Lanka). Armed groups are highly vulnerable to a withdrawal of local support – due to forced displacement or harsh repression by opponents – and therefore need to move frequently to safeguard local supporters (eg, Maoist guerrillas in China). A variation of the guerrilla economy is that of

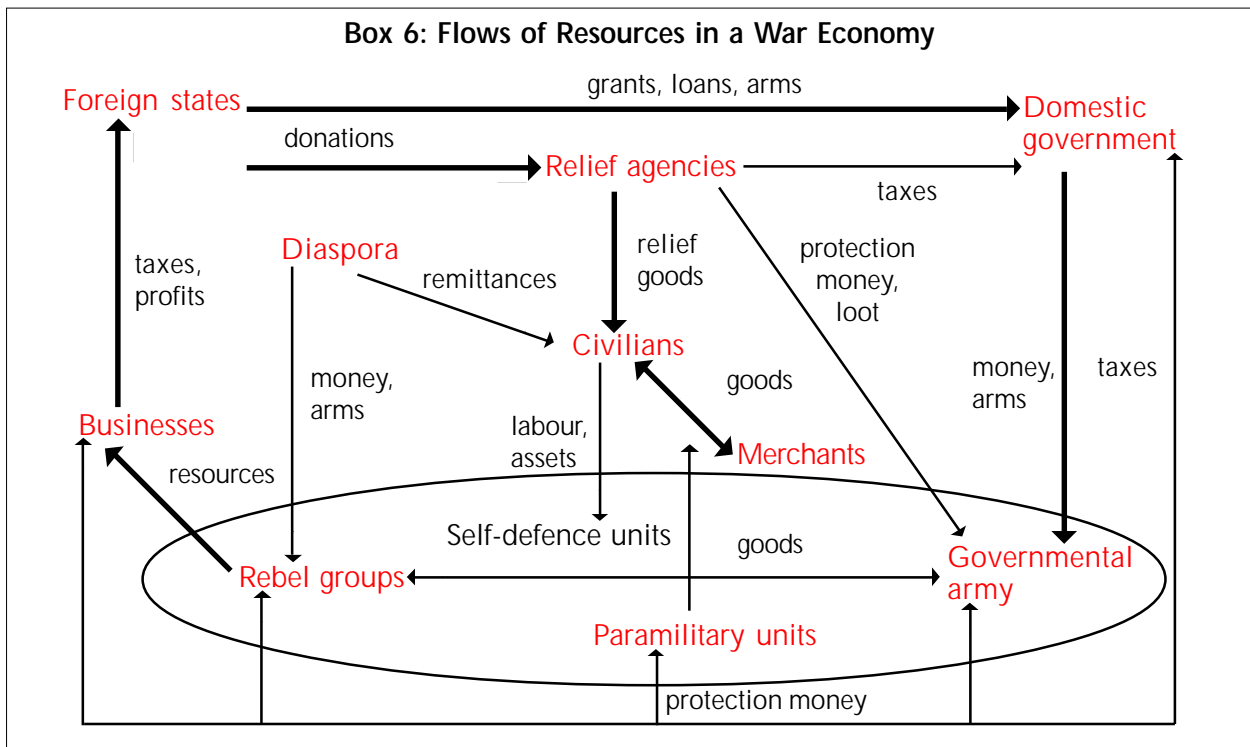
small armed groups which need little external or local assistance but act in a strategic fashion to gather popular support. Such groups are at the mercy of the political will of the population and vulnerable to denunciation by local people. Guerrilla war economies have a moderate impact on populations, at least as long as counter-insurgency measures do not target civilians and their economy (eg, US bombing and relocation of population to ‘strategic villages’ in Indochina or Latin America).

- **Predatory war economy:** armed groups relate to local populations and economic resources through violence, *predation*, and forced labour. While efficient as a short-term survival scheme, this type of political economy results in the progressive exhaustion of resources and diminishing political support (eg, post-1983 Renamo in Mozambique). This war economy has a dramatic impact on populations resulting in massive displacement, destitution and death. However, unless the state totally collapses and/or governmental armed forces adopt this strategy this impact is limited in geographical extent.
- **Foreign alliance war economy:** armed groups set up military sanctuaries inside neighbouring countries in order to gain foreign protection and economic/logistical support (eg, Contras in Honduras; the Alliance of Democratic Forces for Freedom, or AFDL, in DR Congo). They can also rely on foreign allies to establish military strongholds within the country. Armed groups remain

highly dependent on host countries and foreign support. They cannot control easily domestic populations (which flee the border/stronghold areas where most of the fighting takes place) and local resources. This war economy has little impact on populations unless a strategy of economic sabotage and/or political terror is chosen.

- **Humanitarian war economy:** the international protection and resources provided to civilian populations – as international refugees or within ‘safe havens’ – provides a ‘humanitarian sanctuary’ to armed groups (eg, Khmer Rouge in Thailand; Afghan Mujahideen in Pakistan; Army of Bosnia-Herzegovina in Bosnian enclaves). Humanitarian sanctuaries have many advantages: protection, resources, control over populations, and political leverage. This misuse of sanctuaries may be imposed upon relief agencies by armed groups, but it can also be accepted, or even motivated by, political considerations of donor states. This war economy may have little direct impact on populations outside the sanctuary but the indirect impacts can be devastating (eg, on Cambodian population as a result of Western, Thai and Chinese support for the Khmer Rouge during the 1980s; on Tutsi populations attacked by ‘refugee’ Hutu militias in eastern DR Congo).
- **Commercial war economy:** the commercialisation of local resources (eg, gems; timber) or the trafficking in illicit goods (eg, drugs) has become the foundation of many contemporary war economies. Armed groups create economic sanctuaries by gaining military control

Box 6: Flows of Resources in a War Economy



Adapted from Kaldor, 1999.

of economically profitable areas (eg, mines; plantations; ports) and develop commercial networks with third parties, even through collusion with rival groups. This war economy can have a moderate impact on populations to the extent that other economic sectors or redistribution schemes exist. The impact can even be positive by contributing to an opening of the economy or the protection of illegal sectors. However, most commercial war economies either become enclave economies, limiting the development of other sectors and the participation of civilians (eg, oil and diamonds sectors in Angola), or exploit them (eg, forced labour on rubber plantations in Liberia).³ Commercial war economies also tend towards fragmentation of authority and criminalisation of the conflict.

The importance of local resources in war economies has grown not only as a result of the fall in external support for armed struggles, but also because of the relative absence of ideology to mobilise the economic support of populations. Warring parties that can no longer rely on foreign support have survived by exploiting local resources and developing economic networks. The contrary can of course happen, as it did for the Kosovo Liberation Army, when the main resources of its war economy shifted from heroin trafficking and diaspora remittances to NATO and UN support. New conflicts targeting the control of key resources have also developed, as have *merchant capital wars* (wars privately financed to serve economic objectives). This threat is aggravated by the lack of regulation of large-scale transborder trade and the availability of modern weaponry. An example is Liberian support for the Revolutionary United Front (RUF) in the diamond areas of Sierra Leone.

The flows of key resources in an open war economy are presented in Box 6.

Most business sectors do not thrive during wartime as investments and transactions require security, trust and stability. Entrepreneurs themselves have a role to play in fostering peace and not rewarding those waging war (International Alert, 2000).

Nevertheless, war must be viewed as a 'social process capable of ... destroying some markets and creating others where none existed, ruining some people while making others very rich' (Chingono, 1996).

Many economic agendas may be linked directly or indirectly to violence, ranging from highly organised processes of dispossession and murder approved or conducted by the local authorities (eg, the Tutsi genocide in Rwanda), to illegal activities used to secure minimal *entitlements* and economic security (eg, farmers, squatters and illegal loggers in Cambodia). Not all

economic activities in wartime are negative, greed-driven activities conducted by armed groups and fuelling conflict. They can also provide a key means of survival for populations.

This is an important distinction and should be central to any analysis of whether particular economic activities in wartime are condemned as criminal. It is not sufficient to judge the issue of criminality solely according to whether violence is used directly. It is also relevant to look at how local communities adapt to the opportunities and constraints of the war context, and the incentives and disincentives for violence (Mwanasali, 1999). The nature of local and international economic linkages and the identity of the winners and losers should also be carefully considered. It may be foreign corporations and governments which should be considered criminal, rather than the petty entrepreneurs of the informal economy.

The Influence of War Economies on the Course of Conflicts

The course of conflicts and the tactics used in them are partly determined by the type of war economy (Berdal & Malone, 2000; Rufin, 1996). This is of major importance for relief agencies. They can assess the evolution of the conflict on the ground, for example, by identifying major resources or trade routes targeted by rival groups. They can also identify likely impacts on populations (the end of a humanitarian sanctuary, for example, is likely to leave armed groups dependent on the exploitation of local resources or, in their absence, on looting of local populations).

The economic agendas of war often shift the focus of armed groups. They become geared to controlling resources rather than populations. As local resources gain in importance for belligerents so their military activities becomes centred around areas of economic importance. From an economic standpoint, populations remain of interest if they are a useful source of resources or labour, or an impediment to commercial activities. Belligerents may exploit local populations as slaves, or forcefully evict them and/or bring in migrant labour which is more qualified and easier to control (eg, Thai and Burmese logging and mining in Khmer Rouge areas in Cambodia; Congolese digging diamonds in UNITA areas in Angola). Conversely, armed groups can become the 'protectors' of illicit economic activities carried out by the local population (eg, coca producers in Colombia; opium producers in Afghanistan or Burma).

Foreign support tends to consolidate and centralise power within armed groups, enabling leaders to distribute assistance to their supporters in a 'top-down' process. The opposite may be true when the group's resources come from predation or commercial activities. In this case resources flow from the bottom to the top through a

variety of relatively autonomous channels. The result can be a fragmentation of armed groups at the local and even individual level. Very small rebel groups without political agendas can emerge, which are difficult to distinguish from criminal gangs. This is particularly the case where marginalised and impoverished youths seek empowerment through the use of violence. The criminalisation of conflict is also related to the need to link up with the criminal networks which control the marketing of illicit commodities (mostly drugs) in major consuming countries (US and Europe).

Leaders may adopt radical measures in these circumstances to assert their control, to resist the fragmentation of their movements, and also to combat

corruption within them. There are many examples involving strict discipline, harsh sanctions, forced recruitment (especially of children), indoctrination, and violent repression against the population (eg, UNITA in Angola; Sendero Luminoso, or Shining Path, in Peru).

To end a violent conflict it is necessary to understand – and change – the incentives that make violence a solution rather than a problem for significant groups (Keen, 1998). When authority is fragmented, and the motives for violence lie in economic considerations at the local level, then even committed leaders cannot control their ‘followers’. This situation can severely impede any transition to peace.

2

Vulnerability and War

A population is vulnerable when people are powerless. Their disempowerment is often the deliberate result of belligerence and economic violence. Their protection and welfare, within the political economy of war, depends to a great extent on:

- the legitimacy and representativeness of political structures;
- the robustness of the economy.

A thriving war economy may exist, of course, without legitimate political structures. Examples of economic activities that may flourish in such situations include selling natural resources at tax-free prices to international buyers (eg, timber in Cambodia), or the forced transfer or looting of assets from wealthy but politically marginalised groups (eg, household goods from Bosnian Muslims; cattle from Sudanese Dinka). Typically, however, the general population does not benefit from these activities and the war economy does not work in their interest. Conversely, the presence of legitimate political structures does not prevent the existence of a war economy, as in Northern Ireland, but these structures are more likely to look after the economic interests of populations.

Vulnerability is affected by the impact of war in both macroeconomic and microeconomic terms – in other words, by the effects of war on:

- the structure and performance of the overall economy;
- people's entitlement/access to goods, services and resources.

A population's relationship to the state authorities, and to different warring groups, is important in understanding its exposure to different forms of economic violence. It will also help determine the '*coping strategies*' that may be adopted in response.

The Economic Impact of War on Vulnerability

Typical macroeconomic consequences of war are:

- situations of scarcity, with shortages of specific goods for a significant proportion of the population;
- the collapse of economic regulation and the rules of exchange, resulting in greater uncertainty, lower levels of trust, and a tendency for commerce to shift to barter or low-risk transactions;
- pessimism, resulting in reduced investment, the sale of assets at low prices by vulnerable groups, and short-term opportunistic behaviour;
- falling incomes, food production, exports and imports;
- declining tax revenues and rising budget deficits, in part due to high military expenditure;
- geographical and economic fragmentation and the development of alternative commercial channels (eg, smuggling routes);
- biased price structures and exchange rates, often manipulated by politico-military forces;
- hyperinflation, leaving salaries far below the prices of goods.

'Internal' wars generally have more drastic effects than 'international' wars because they are so politically divisive. Sectors of the economy which suffer most are those which depend on domestic demand for capital goods (eg, the construction industry), those which require significant capital investment (eg, manufacturing), and service industries which depend on a high level of transactions (eg, the transport, distribution and finance sectors).

According to Stewart and Fitzgerald (2000) and Collier (1999), economies are worst affected by war when:

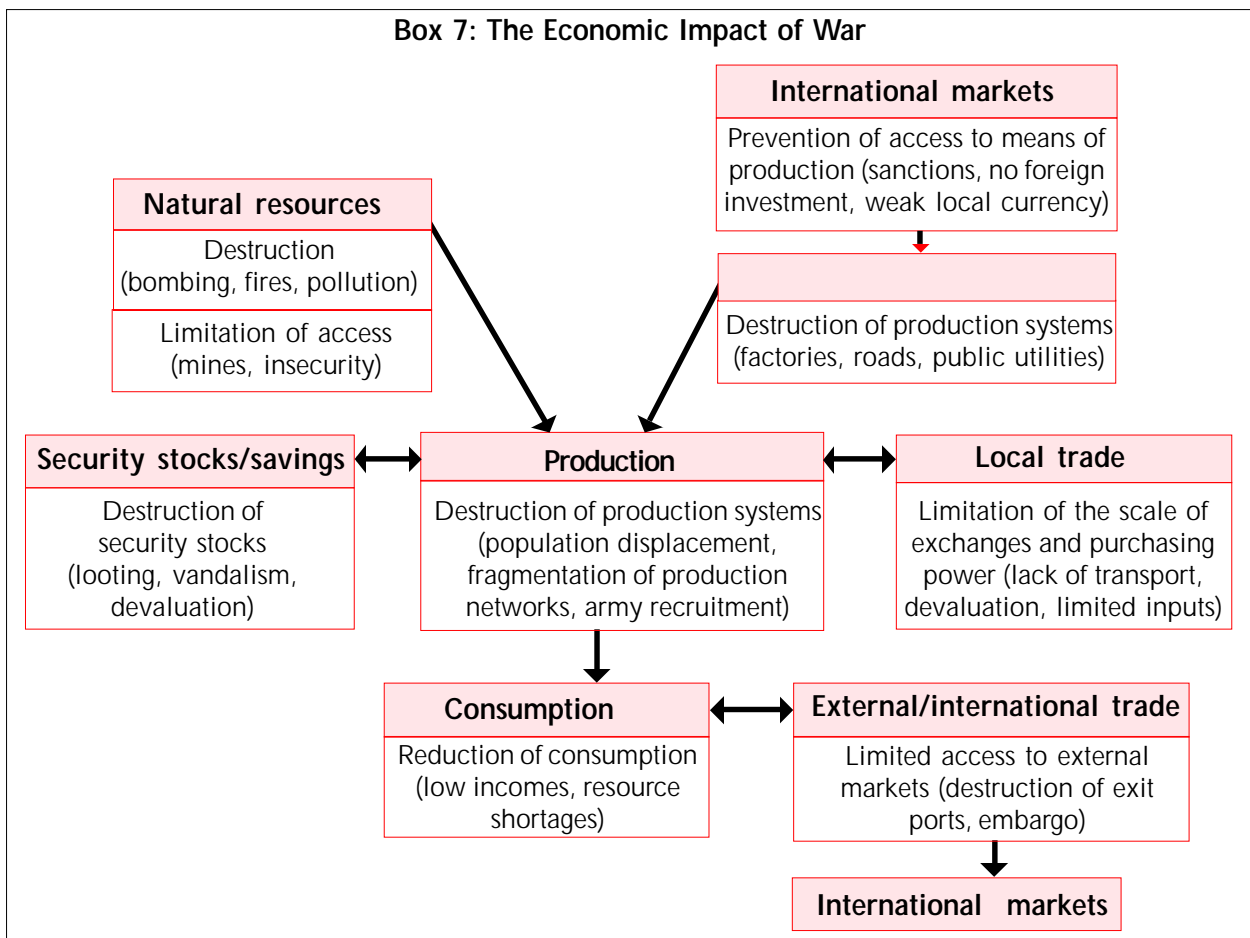
- average income is low, so that a small drop in economic output can be devastating;

- the tax base is low and/or dependent on a few key sectors (eg, oil), so that the regime has little capacity to address social and economic problems and is prone to *rent-seeking*;
- essential commodities are imported (eg, fuel, drugs, and vital economic inputs) and must be paid from export earnings which can be badly compromised by devaluation of the local currency, economic sanctions, or a drop in export prices;
- there is little flexibility in the economy and little or no capacity to switch from one product to another to substitute for imports and for the destruction of productive capacity (eg, bridges and power stations);
- there is high dependence on markets and thus on transport and on financial systems. Economies with a large proportion of subsistence agriculture are more resilient to war as long as they are not directly targeted.

At the microeconomic level, war has profound effects on individuals, on households, and on social integration within and among communities. One way of analysing this is to look at people’s entitlements – their rights and powers of access to essential goods, services and resources. Stewart and Fitzgerald distinguish between:

- **Direct entitlements:** items which a household both produces and consumes (eg, subsistence agriculture; picking food from the wild).
- **Market entitlements:** items earned through work, or bought or bartered (eg, petty trading; wage labour).
- **Public entitlements:** publicly provided goods and services (eg, health services; education; water).
- **Civic entitlements:** goods and services provided by relief agencies, community organisations, and relatives (eg, gifts; remittances).
- **Illegal entitlements:** resources acquired by theft and by the use or threat of violence (eg, stolen goods).

The responsibility for guaranteeing and regulating access to entitlements is primarily the responsibility of the state, so that the loss of entitlements is a problem directly connected with the issue of state failure. In a war economy, power and powerlessness determine the distribution of entitlements among (and within) different groups. Changes in entitlements affect people’s capacity to cope, not only to ensure their immediate survival, but also to avoid destitution and to secure the means of recovery. Loss of entitlements forces them to adopt coping strategies such as selling assets, migration, or accessing relief supplies. It is when coping strategies are deliberately blocked or manipulated that populations are most vulnerable.



Adapted from ICRC.

The inequalities between groups provide an important key to understanding the political economy of war. It is not just material poverty that makes a group vulnerable, but also political marginality. Indeed in some cases wealth without political or military power may mean that a group (such as an ethnic group) is particularly exposed to the risk of predatory violence, and poverty may prove a rational coping mechanism.

Economic Violence

War obviously does cause collateral (unintended) economic damage, but belligerents also seek to benefit from a war economy and to weaken their adversaries by economic violence. Systematic sabotage as a deliberate strategy, as conducted by rebel groups such as Sendero Luminoso (Shining Path) in Peru or UNITA in Angola, may cause damage costing billions of dollars over a protracted period. However, deliberate economic violence is not always harnessed to any political master plan. It may merely represent the scaling up of banditry, as politicians enrol thugs and petty criminals to achieve their personal objectives of power and wealth.

Violence may be directed towards undermining a target group's capacity to cope without seeking access to humanitarian relief or becoming engaged in the war economy through violence. Similarly, violence can be calculated to destroy a group's potential to recover.

Populations and target groups are vulnerable in different ways to different forms of economic violence, reflecting their relationships with the authorities and with warring armed groups. Forms of violence fall into three categories (see Annex 2 for an analysis of the mechanisms involved):

- **Neglect:** abandonment of the population by the political and economic ruling elite, and also by foreign states and international corporations. Generally, no particular groups are targeted. Neither the local authorities nor the international community take steps to alleviate the economic problems resulting directly or indirectly from war. The overall population fends for itself in a largely subsistence economy, apart from armed groups and a merchant class engaged in what may be a lucrative war economy (eg, Angola). This situation also characterises poor and/or misgoverned countries where 'forgotten' or 'orphan' wars no longer receive attention from relief or development agencies but deter foreign private investment.
- **Exclusion:** deliberate measures to exclude certain groups from the economy, typically by denying jobs and access to public goods and markets. This may be politically motivated to weaken the power base of

targeted groups, or economically motivated to increase profits for dominant groups. For example, Serbs were excluded from jobs in Croatia in the early 1990s, and vice versa. Sri Lanka illustrates the contrary case, with Tamils in LTTE-controlled areas still receiving pensions from the government.

- **Exploitation:** the incorporation of target groups within a new political economy for the purpose of exploiting them. Exploitation may be carried out in a manner intended to maintain a viable economy (such as taxation) or it may amount to predation (asset stripping, looting/pillaging, and/or forced labour/slavery).

Exclusion and/or exploitation can be part of 'ethnic cleansing' and campaigns of genocide. The relevant economic tools of war include the creation of famine through embargoes, displacement of populations, distortion of the market, and deliberate destruction of houses, productive capability and infrastructure (see Section 5). Belligerents seeking to eradicate a particular target group may profit in the process as well as expecting economic benefits from the results.

Coping Strategies in Wartime

People must adjust their way of life, often dramatically, to cope with the impact of war. Possible 'coping strategies' include (i) falling back on subsistence farming; (ii) participating in the informal economy; (iii) obtaining humanitarian relief; (iv) resorting to violence.

- **Subsistence:** this is often the main option for those with few tradeable goods. Farming and/or gathering food from the wild may suffice to provide the basics for survival. The subsistence war economy, however, will not generate surplus resources that can be used to affect the balance of power in a conflict – except insofar as roaming armed groups may tax or predate upon the local population. People living in dispersed farms are highly vulnerable to attack even by small units, and may seek greater security by migrating to towns, strategic villages or refugee camps.
- **Informal economy:** whereas opportunities for commercial production and trade may be severely limited in the war economy (because of resource scarcity, damage to infrastructure and restrictions on transport, and market information), at the same time shortages of goods, plus the low level of trust among traders, can create opportunities to profit from rapid small-scale trading in the informal economy. War, displacement, and hunger created unprecedented incentives for some individual peasants in Mozambique, for instance. Smuggling and parallel market activity by these 'barefoot entrepreneurs', who

were only able to accumulate capital because of the disorganisation of the state and the emergence of a free market, made a few people rich while also alleviating the suffering of many (Chingono, 1996). The informal economy is generally open to any participants, but it may be dominated by particular groups while others are kept out. Involvement may also be heavily taxed and controlled, either by mafia groups or by elements of the state acting in their personal or factional interest. The informal economy may be so successful that it overshadows the legitimate economy thanks to its flexibility, the absence of (formal) taxation, and dealings in valuable illicit commodities (especially drugs). In these circumstances the state's tax base suffers serious losses, even while the economy may be thriving. This can promote a form of 'shadow state' politics in which leaders concentrate on controlling key parallel markets rather than on building effective state institutions so as to retain power (eg, Pakistan).

- **Humanitarian relief:** populations may turn to humanitarian relief, when available, for both protection and resources. In favourable circumstances, relief can reach individual households *in situ*. However, populations are often displaced towards major towns or refugee camps. Well-financed relief operations can sustain these large populations and help displaced people to set up afresh as participants in the local economy. However, the density of displaced people in some areas may make this more difficult, as well as increasing the risks of dependence on inadequate resources, and encouraging the spread of disease. Conversely, the departure of a large proportion of the population can slow down a country's subsequent recovery (eg, Rwanda).
- **Violence:** civilians themselves may engage directly in violence to protect themselves and to obtain resources. This may be described as *base-level* or *bottom-up violence*. It can take various forms:
 - Self-defence units may be set up to protect communities.
 - 'Victims' may join the armed groups which threaten them; indeed they may be forcibly recruited, particularly in the case of children (Keen, 1998). Although this can be seen as a 'coping strategy' in a war economy, its result will be to contribute to further violence and destitution, especially when small arms are widely available and warring factions are fragmented.
 - Violence may be deployed to protect personal economic interests, as when farmers in Cambodia protect their fields and belongings from marauders by laying mines on the paths leading to their village. This technique is also used by squatters in urban areas to deter attempts to evict them, and conversely by property owners or army personnel laying mines to keep squatters at bay. Illegal loggers also use mines, or signs warning of mines, to prevent the monitoring of their activities.
 - Accusations against neighbours, implicating them in war crimes, have been used by victims (eg, by some Tutsi in Rwanda accusing Hutus of involvement in genocide) in order to get access to their property.
 - Women play a particularly important role in developing coping strategies in war economies. Both in subsistence and in informal economy activities it is often largely up to women to maintain the minimum level of production and social cohesion for daily survival. While war can have a liberating effect on the status of women, especially if they are involved in combat or actively engaged in the informal economy, in most cases they face increased constraints and burdens, as well as suffering the most from predation and physical abuses.

3

Humanitarian Relief Operations in a Political Economy Perspective

How can humanitarians deal with the ethical dilemmas of working in contemporary conflicts? A political economy approach is essential if principles such as impartiality or neutrality are to be implemented, since this requires a sound understanding of the nature of a conflict, the aims of the belligerents, and the workings of the war economy.

This is not a new issue (see Destexhe, 1993). The ICRC, for instance, was criticised for not speaking out about genocide during World War II; to help field workers tackle these dilemmas the Red Cross movement has subsequently played a major role in developing principles of humanitarian action (Pictet, 1979). As the humanitarian system has expanded, these principles have attracted wider interest and considerable doctrinal dispute.

Key points emerging from these debates are:

- i. the recognition that decisions about humanitarian action must take place within an explicit ethical framework;
- ii. the awareness that humanitarian operations themselves affect the dynamics of wars if not in their intent at least in their impact.

This raises critical issues both about the manipulation of aid and more broadly about its unintended consequences.

Humanitarian agencies depend on local political and military forces on the one hand, and on international donors on the other, to reach and assist victims in war zones. Aid can accordingly be manipulated (Prendergast, 1996; de Waal, 1997) to the detriment of the long-term interests of the victims:

- **By belligerents** (to sustain themselves): armed groups can affect the local security environment to make it unavoidable for the humanitarian agencies to recognise their authority, and to gain a central role for themselves in the distribution of assistance.

- **By Western governments** (to manage conflicts at arm's lengths and contain the flow of refugees): donor governments can give, or withdraw, the means for the agencies to operate, and to a lesser extent can influence their mandate and the security environment.

Famines and economic crises also provide opportunities for powerful groups to benefit from a situation of scarcity by manipulating prices or the transfer of assets. They are likely, in such cases, to block, manipulate or threaten humanitarian assistance efforts in an attempt to preserve their economic interests.

The Manipulation of Relief by Armed Groups

The manipulation of humanitarian relief by armed groups (and their business associates) poses constant dilemmas and challenges for humanitarian agencies. While this is a well-known, if not overemphasised, problem, there has so far been little systematic quantification (for a critique see Hendrickson, 1998). Relief can be manipulated to support any or all of the major aspects of armed struggle: protection of armed personnel; military strategy; logistics; finance; recruitment; structure/command; and politics. The range of tactics which armed groups can deploy to do this fall into four broad categories.

The Manipulation of Humanitarian Space

- **Access denial:** depriving 'enemy populations' of assistance; hiding exactions against populations from observers; protecting parallel markets, trafficking, price manipulation, and asset stripping; raising the stakes and fees for authorising future access.
- **Threats and attacks on relief operations:** discouraging operations in some areas/populations; forcing recognition of the presence/legitimacy of particular

armed groups; undermining popular support for opposition groups; increasing the stakes and fees for protection rackets.

- **Tactical/military use of humanitarian space:** using ceasefires or sanctuaries (camps, airports, corridors/roads, hospitals) for purposes such as rearming or moving troops.
- **Commercial use of humanitarian access:** using (or enabling business associates to use) humanitarian convoys or corridors to transport commercial/luxury supplies instead of relief goods.

The Manipulation of Populations

- **Tactical/military use of populations:** using populations as shields to protect strategic locations and create humanitarian sanctuaries; using populations as labour/fighting force through forced

recruitment; forced displacement of populations to withdraw potential support from opposing groups or ethnically 'cleanse' an area.

- **Economic use of populations:** using displaced and malnourished populations to attract humanitarian resources and media.
- **Political use of populations:** using populations as political legitimacy/constituency by creating dependence on resources/protection.

The Manipulation of Relief Goods, Services and Staff

- **Use for political purposes:** claiming responsibility for relief support, either directly on behalf of an armed group or through an NGO 'front' organisation; gaining recognition/legitimisation through negotiation with relief agencies.

Box 8: The Manipulation of Famine and Developmental Relief in Sudan

Relief agencies have been trying to address the problem of war and famine in Southern Sudan since the war restarted there in 1983. For the most part taking a 'needs and constraints' approach they have provided food aid through initiatives dependent on the goodwill of political–military forces. The fact that this goodwill has frequently been absent has been a factor in the death of an estimated 1.6 million people. This is not only because the North has used economic embargo as a military weapon. It is also the result of a predatory war economy, whereby the assets of politically marginalised groups in the South have been forcibly transferred to a coalition of military, merchant and political elites. The success of this political economy of asset transfer has depended on actively promoting famine, obstructing relief, and ensuring that target groups remain politically marginalised. For the most part, relief agencies and foreign states have failed to counteract this by addressing its political roots and speaking up on behalf of those who lack political influence in their own society.

In Northern Sudan, developmental relief programmes have unintentionally helped to reinforce the networks of violence that donors and agencies supposedly oppose. The assumption behind such programmes is that, by providing only minimal economic resources to internally displaced people (IDPs) from Southern Sudan, they will enable these IDPs to become economically self-reliant and no longer dependent on food aid. This approach may recognise that the displaced have lost their assets through war and displacement. However, what it fails to address is the political nature of their current destitution. The identity of IDPs as southerners in Northern Sudan simply does not correspond to an aid agency conception of them as de-ethnicised (or depoliticised) self-contained households. Even rights-based approaches used by NGOs, redefining 'self sufficiency' as a 'right', have not altered this inadequate apolitical economic model. In reality, 'rights' in Northern Sudan are defined by local forms of authority and legitimacy – ie, by merchants, commercial farmers, local strongmen and the military – who are engaged in profitable oppressive and exploitative relations with southerners. Southerners provide cheap labour. Southerners have only 'weak claims' on their property because they lack political power and representation. Economic resources given to the displaced to promote their self-sufficiency have invariably ended up in the hands of exploiting groups. Cuts in food aid, intended to encourage southerners into the wage economy, have resulted in southerners becoming further enmeshed in non-remunerative forms of bonded labour.

In this context, attempts by aid agencies to promote development among IDPs have reinforced the subjugation of southerners. A decade of assistance has resulted in the wretched condition of displaced southerners in Northern Sudan improving little if at all.

Sources: Keen, 1994; Duffield *et al.*, 1996.

- **Use for military purposes:** diverting relief resources to feed, treat, communicate with and transport troops; using stolen relief resources (or ransoms for kidnapped staff) to buy strategic goods (fuel and arms, etc) and reward troops.
- **Use for personal gain:** appropriation of relief resources by soldiers/commanders.

The Taxation of Relief Operations

- **Direct taxation:** official or illegal taxation on imports; procurements; exchange rates; goods to finance war.
- **Extortion and protection rackets:** roadblocks; bribes; fees for armed guards.
- **Monopoly on procurement:** using high profits from procurement contracts (goods, transport, storage, distribution, staff) to finance war.

The significance of the manipulation of aid should not, however, be overestimated when compared with other aspects of For example, commercial activities (eg, smuggling, drugs, timber or gems exports) can generate revenue a war economy. amounting to millions if not billions of dollars a year, far outweighing the value of diverted aid. Furthermore, while aid is often portrayed as being at the mercy of warring parties, a good international image may be of great importance for belligerents who are seeking to develop commercial activities or to obtain foreign assistance and official recognition (Jean, 1996). Concerns about international public opinion and humanitarian assistance may then act as a constraint on their behaviour.

The Manipulation of Relief by Donors and Peacemakers

Humanitarian relief has been much used throughout the 1990s to address complex emergencies. While the victims of conflict welcome relief, its limits have been highlighted on numerous occasions and humanitarian assistance has occasionally been denounced as a façade or an excuse for lack of political action.

Too often foreign states have limited their engagement in conflicts by confining their role to that of donors rather than assuming their responsibilities as political actors.

Foreign political powers and donors have occasionally justified cutting humanitarian assistance on the grounds that relief is fuelling a conflict. In other cases they have deliberately withheld aid as a way of applying sanctions against armed groups and governments (eg, ECOMOG in Liberia).

On other occasions, however, foreign states have used a humanitarian mandate to address a problem of power

politics. In such humanitarian interventions, relief has been linked to military operations (Adams, 1996). The cases of Somalia and Kosovo highlight how the political agenda of foreign states, and the logic of military force, can supersede humanitarian objectives and the short-term interests of the victims. The costs can be enormous (eg, US\$55bn in operations and damages for Kosovo/Serbia). The withdrawal of the MSF-France aid agency in the aftermath of the Kosovo crisis drew attention to the problem of the foreign voluntary sector being used and manipulated to carry out what are really the tasks of governments and the UN.

Circumstances in which relief is particularly exposed to manipulation occur:

1. Where the international community has no other form of engagement, and relief operations are asked to respond to issues far beyond the capacity of their mandate (see Joint Evaluation of Emergency Assistance to Rwanda, 1996).
2. Where aid is tainted by political considerations in donor countries that jeopardise neutrality (eg, Iraq and Serbia).

The Unintended Effects of Relief on War and the Economy

Aside from the issues of intentional manipulation, there can be broader unintended negative effects of relief (Anderson, 1999; de Waal, 1997; Davies, 1995) including:

Exacerbating conflict: aid can increase competition in resource-scarce environments and may result in further conflict within and between armed groups and neighbouring communities. This is particularly likely when one party perceives that there is an imbalance in aid provision; when aid targeting is disputed; or when access to aid becomes highly conflictual.

Substituting for 'normal public expenditure': relief may allow warring parties to increase their military expenditure as it replaces their local responsibilities for welfare matters.

Legitimising the system which has led to war, the hostilities, and the inaction of foreign powers with regard to more forceful/political intervention.⁴

Distorting the economy of a country and thus the power and wealth/destitution of different groups. The positive effects of relief have been well documented by relief agencies. Other less clear-cut effects on the economy, however, include:

- **Monetary effects:** the quantity of foreign currency brought into the country can distort exchange rates,

encouraging devaluation of the local currency, the loss of financial sovereignty for the government, massive inflation, and a dual currency economy. In such cases, populations without access to foreign currencies will be further impoverished. Furthermore, armed groups often keep tight control over currency exchange, collecting commissions which contribute to the war economy (eg, in Southern Sudan where the SPLM nominates changers who impose unfavourable exchange rates on relief agencies). On the other hand, foreign currency can greatly assist in stimulating consumption.

- **Budgetary effect:** short-term financial support from donors for high-profile programmes (eg, large hospitals) may leave the government with long-term expenditures that it cannot afford or that drain the national budget. These programmes are, however, mostly set up during ‘reconstruction’ phases or where conflict is confined to specific areas.
- **Effect on local production and markets:** the resources released by aid programmes in to domestic markets can drastically cut the prices of commodities produced locally, and thereby undermine the livelihoods of part of the population. On the other hand, local purchasing of commodities or ‘developmental relief’ can support the local economy. It is important to identify who benefits from this support, and what impact this has on the conflict and on its victims.
- **Informal economy:** relief agencies can support the informal economy (eg, through buying goods on the black market) and thus undermine public finances. On the other hand, the provision of relief goods can

undercut the profits of merchants and mafias operating in the informal economy. These groups – often linked to local politico–military authorities – can stop such relief operations by using threats, violence, bureaucratic red tape, or getting the agency expelled.

- **Labour and services market:** if relief agencies pay high local salaries and premium prices for specific services (such as housing) this can cause a drain on the best human resources away from the productive and public sectors, and have significant distributional effects. However, relief agencies often represent the only significant source of cash employment and thus help to sustain or improve local skills.
- **De facto complicity with existing power structures:** for operational reasons, some relief agencies find it expedient to establish good relations with authorities for the sake of improving their channels of access to the victims of conflict, even if this means ‘winning and dining’ and making payments in kind (eg, food or medicine) or money (eg, in the form of dubious or illegal taxation on the movement of relief vehicles). Relief agencies can therefore add to the level of corruption, undermining ‘social values’ and further strengthening those in positions of power.⁵
- **Integration into the war economy:** the relief agencies’ own logic of organisational survival and growth may fuel the war economy. Agencies eager to increase – and spend – their budget may overlook the broader consequences of their assistance. Some may even develop an interest in prolonging situations (eg, retarding refugee repatriation) for their own budgetary/organisational purposes

International Action and the Political Economy of War

As we have seen, a political economy approach to war focuses on the relationship between violence and political and economic power. By emphasising how vulnerability is created by powerlessness, this analysis highlights the shortcomings of international action which is too often limited to the provision of goods by relief agencies. To be effective, international action should include the defence of political rights, efforts to stabilise the economy, and scrutiny of public budgets and business activity. In other words, it entails addressing physical, political and economic protection needs, and modifying the distribution of power in a war economy.

This is a complex challenge. In addressing it, different organisations have different roles to play. Working together, with local civil society as well as corporations and political authorities, they can make a difference. This chapter briefly reviews what international actors other than relief agencies can contribute. It then goes on to look specifically at tackling economic violence and forms of intervention to provide protection at the mesoeconomic level (support for production and self-sufficiency, survival relief, and rehabilitation).

International Organisations and the Political Economy of War

Aside from direct military intervention, international action in war generally focuses on how development assistance can influence a conflict situation (see Uvin, 1999). Far broader initiatives are required. There are policies that governments and donor organisations can pursue, however imperfectly (see Stewart & Fitzgerald, 2000), to reduce the costs of war for ordinary people. These include:

- keeping international markets open to sustain export earnings;
- providing foreign aid flows to offset losses in foreign exchange and government revenue;

- supporting market frameworks (eg, infrastructures, banking);
- enhancing the credibility of governments to encourage private sector development, while simultaneously using ‘war conditionality’ to ensure that governments give priority to social programmes and promote food security throughout their country.

The Role of the International Community, the UN and Regional Political Organisations

Peacemaking involves more than just securing a political agreement between faction leaders. Building democratic institutions has become a fundamental element of international peace initiatives. This is a trend which reflects the importance now attached to governance issues in promoting a social political economy. However, the transition to democracy and the protection of human rights can threaten the existing political economy from which ruling elites stand to benefit. Democratisation processes, like elections, have occasionally exacerbated tensions and led to renewed conflict (eg, Angola in 1992; East Timor in 1999).

Peace in itself may not put an end to violence, either physical or economic. Achieving this requires the transformation of an asocial war economy into a social peace economy. Bringing about this transformation is a tough challenge. Alleviating the suffering of vulnerable groups must remain the top priority, but it is also important that power holders – from rulers to foot soldiers – should be able to see opportunities in the peacetime environment for rewarding alternatives to war profiteering.

The ‘international community’ might appear best placed to bring about such a transformation, thanks to the universality of its moral standing and the effective power of its members. However, this ‘community’ is in reality a loose coalition of foreign states and organisations with diverging interests and political agendas. Some of its members may indeed be profoundly implicated in the

causes of war (eg, the US in Angola; Belgium and France in Rwanda), while others may simply lack interest in the plight of a country and its population. In both these cases, humanitarian aid can be manipulated.

International Financial Institutions

Until the mid-1990s the international financial institutions (IFIs; including the IMF and World Bank as well as donor and lender groups) had paid little attention to war, considering it as a temporary interruption of development and focusing mostly on reconstruction processes. At best their non-intervention – often dictated by the geopolitical imperatives of the Cold War – left governments struggling with macro-economic upheaval on their own. At worst, the economic conditionality imposed on governments weakened their capacity to oversee and facilitate a transition to peace (eg, Mozambique). The IFIs are now carrying out better assessments of their own role in conflicts (eg, the impact of IMF-instigated structural adjustment in Yugoslavia; see Box 3) and adapting their policies and conditionalities to the state of war. At a minimum, IFIs should also address the political and economic importance of military spending and continue to monitor the economy of countries at war. Going beyond this, greater engagement would involve more initiatives for macroeconomic stabilisation (eg, supporting the *balance of payments*) and greater concerted efforts with other political and economic actors to reduce the impact of war economies on populations.

Advocacy Groups

Advocacy and human rights organisations are best placed to denounce abuses of political and economic rights. Some of them, such as Human Rights Watch, have made efforts to incorporate economic aspects into their campaigning activities on Angola. Similarly, groups such as Global Witness have focused their work on links between human rights abuses and economic activities during conflicts (eg, Khmer Rouge activities in Cambodia financed by extracting timber; UNITA in Angola financed from the diamond trade). However, for a variety of reasons including lack of access, lack of resources or lack of initiative, most advocacy groups have concentrated their attention on documenting and denouncing the most blatant cases of (physical) abuses. They have not gone on to tackle the broader implications of the political economy of war in terms of abuses against populations. Greater collaboration between advocacy groups and relief agencies – the former providing a public voice and the latter providing knowledge about local political economies – could do much to bring about change in the political economy of war, especially when governmental or corporate actors have a prominent role to play but refrain from doing so.

Private Security Corporations

Since the late 1980s, due to the opening up of markets in former socialist countries and a generally permissive

political environment, the private sector has enjoyed more opportunities and greater freedom to expand its commercial activities. On the other hand multinational corporations now operate in increasingly insecure areas where their activities are only poorly protected by the security forces of weakened states, and where Western states are reluctant to engage their own forces to bring conflicts and insecurity to an end. In these situations, arms traders and private security corporations have found themselves a role, providing services including combat troops (Musah & Fayemi, 2000). These companies have been either hailed for their efficiency or condemned for their financial motives and human rights abuses. So far they have been mainly engaged in protecting areas of strategic economic interest for ‘recognised’ governments, thereby allowing them to pursue their war effort. It is sometimes argued that, given greater transparency and accountability, the private military sector has the potential for ‘helping to resolve seemingly intractable disputes’ (Shearer, 1999). There is, however, a real danger that we will see the consolidation of privately secured enclaves around areas of major economic interest, accompanied by still greater neglect of populations in areas of insignificant political and commercial interest. The increased use of private security companies contributes to the ‘privatisation of violence’ with security no longer a public good but available only to those who can afford it.

Private Commercial Sector

The role of the private sector is crucial in many war economies. Belligerents often rely to a large extent on the private sector to exploit local resources and to market them abroad. A wide variety of commercial actors are involved from migrant workers, individual smugglers, and small companies in neighbouring countries, to large multinational/transnational corporations (TNCs). Their involvement ranges from economic intermediaries to fully integrated political economic operations including ties with warring parties and arms procurement (Global Witness, 2000). The regulation and/or voluntary participation of the private sector are of key importance in transforming the political economy of war (International Alert, 2000).

A related issue is whether relief agencies should work with, or be financed by, private corporations involved in the war economy. TNCs are often eager to give a positive image of their activities in countries affected by conflicts to avert the danger of consumer boycotts. This is particularly the case for Western-based TNCs, especially those in the extractive industries (oil and minerals), but it also applies to some extent to regional and domestic corporations. Financing NGO actions is one way that a corporation can boost its public image (eg, the oil company UNOCAL in Afghanistan). However, the philanthropic approach of corporations is fraught with ambiguity and limitations. Elf-Aquitaine, for example, a TNC allegedly involved in oil for arms deals and

corruption, provided funding for a Spanish NGO on an infrastructure development project. The budget was substantial, and the programme went ahead even though the NGO was aware of the allegations about Elf. Unfortunately, the infrastructure was destroyed within two years due to the resumption of the conflict. Given the growing economic and political importance of the private sector, similar ethical choices will have to be made with growing frequency.

Forms of International Action

The political economy of war can be modified by creating disincentives for violence and positive incentives for peace, and thereby influencing the calculations of groups which have been profiting from violence. Ways of achieving this (Berdal & Keen, 1997) include:

Coercive Action

- **Use of force:** bombing (eg, Kosovo/Serbia 1999); invasion (eg, Vietnamese forces in Cambodia 1978; Gulf War 1991; Haiti 1994); staged coup; assassination.
- **Military sanctions:** embargo on arms and military training (eg, Bosnia, 1992–1995).
- **Political sanctions:** restrictions on travel and aviation (eg, on UNITA representatives from 1997–2000); withdrawal of UN representation and sovereignty.
- **Economic sanctions:** freezing foreign assets; disengagement of foreign corporations from war economies; trade sanctions and embargoes targeting imports and exports (eg, Cuba since 1964; Iraq since 1990, see Van Brabant 1999a and 1999b).

Assistance

- **Providing relief goods and services to war-affected populations.**
- **Providing development assistance in safe areas:** capacity building and investment in public infrastructures; services.
- **Economic support for peaceable activities:** export quotas; investment guarantees; subsidies for development which targets poverty, and for economic disengagement from violence.
- **Financial assistance:** debt relief; stabilisation programmes; balance of payments support; currency support; budgetary support (especially for key public services and security services).
- **Assistance in governance:** including the consolidation of security reforms, but also promoting civil society and protecting human rights.

- **Political facilitation:** assisting in negotiations; offering incentives; providing asylum/retirement for government or opposition leadership.

Rhetorical Measures

- **Observation and reporting:** monitoring violations of human rights; media coverage.
- **Condemnation in official declarations, advocacy and lobbying.**

Some of these forms of action are used frequently, such as withdrawing foreign support and denying legitimacy to abusive and unrepresentative governments and armed groups, or promoting peaceful economic activities and the consolidation of non-violent forms of politics. Much international action during conflicts, however, whether by states or other actors, is motivated by self-interest and the pursuit of economic agendas, such as the construction and protection of oil pipelines in Afghanistan, Burma, Chechnya, Colombia, or Sudan.

It is important to understand the various political considerations of foreign governments/donors, so as to evaluate their actions in tackling the political economy of war. These should be examined critically as a set of coherent – or incoherent – initiatives. Rhetorical measures may sometimes be mere ‘posturing’ for domestic audiences. Furthermore, some coercive actions can exacerbate conflicts, result in further suffering for populations, and be politically counterproductive, while the widespread use of aid conditionality ‘may simply overburden states whose capacity and willingness to engage in formal, long-term planning for development is limited by their need simply to survive’ (Macrae & Zwi, 1994).

Towards Coherent Political and Economic Protection of Populations

The term ‘protection’, mostly used with reference to protection against physical violence (see Paul, 1999), can be extended to non-physical forms of violence. The concept of economic protection, which builds on the ICRC’s definition of ‘economic security’,⁶ can be defined as: the preservation or restoration of a political and economic environment in which individuals and communities are able to sustain a livelihood in accordance with their biological needs and cultural standards. This implies extending the core objectives of humanitarian assistance beyond saving lives and alleviating suffering to include, where possible, protecting and restoring livelihoods.

The ability of a relief agency to provide this protection depends on its resources and the level of insecurity faced by populations. In this regard, the ICRC distinguishes

three modes of intervention to protect the victims of conflict:

- **Economic support** for their productive capacity, means of production, and economic self-sufficiency.
- **Economic survival** (or survival relief) to save lives by providing vital economic goods that they cannot otherwise access.
- **Economic rehabilitation** to restore, as far as possible, their economic self-sufficiency by rehabilitating their means of production

The classic tasks of relief agencies focus on economic survival and – in association with development initiatives – economic rehabilitation. The succession of phases of ‘prevention, relief, rehabilitation’ is so notoriously unstable, however, varying across different groups at different times and places, that this corresponding threefold division of the modes of intervention is somewhat artificial.

If economic protection is to be more effective in assisting the victims of conflict, and especially in reducing their possible dependence on external aid, it must more clearly address the political nature of powerlessness. Engaging with economic violence means dealing with power. Avoiding engagement with armed groups and war profiteers can be costly and dangerous. Political realities have to be considered, and the risks of engagement measured.

Relief agencies, unlike many advocacy groups, generally avoid an antagonistic engagement, at least until a decision is taken to withdraw. Even if their capacity is limited, however, relief agencies can play a significant role in promoting coherent international action to improve the political and economic protection of populations during conflict. Working with the victims of war they are well placed to understand the end result of the political economy of war, provided their analysis takes a broad and critical perspective.

As a first step, relief workers can point out the contradictions of international action and advocate

greater coherence between military, humanitarian, political and economic initiatives (Leader & Macrae, 2000; Carbonnier & Fleming, 2000; Uvin, 1999).

Going beyond this first step of constructive criticism of international actors, a ‘political’ humanitarian engagement can act against neglect, exclusion or exploitation by:

- analysing and documenting cases of economic violence;
- promoting economic rights such as the respect of property rights and livelihoods in accordance with legal and cultural norms and, possibly, non-discrimination on grounds of gender, religion, race, or political affiliation;
- assisting authorities and communities in regulating the economy in the interests of the most vulnerable, both by specific measures such as fixed prices and rationing and broader ones such as improving internal maintenance of law and order and democratising institutions. This might require the use of measures against predatory associations of merchants and armed groups;
- involving local civilian organisations in programme design and implementation, and linking this decentralisation and the local administration of welfare to efficiency in assistance rather than military control;
- reporting predatory economic practices involving human/humanitarian rights abuses, as well as economic neglect or exclusion, and devising corrective actions (see Annex 2);
- advocating better targeting or lifting of economic sanctions, macroeconomic stabilisation programmes by international financial institutions, debt relief, or more open trading relations with countries in crisis;
- lobbying international corporations to engage responsibly with economies at war, including ensuring greater transparency in financial dealings, and practising responsible supply chain management (ie, not buying goods from armed groups).

Organisational Implications for Relief Agencies

If humanitarian relief agencies are to work against the self-perpetuating political economy of contemporary conflicts, doing more to reduce vulnerability and enhance protection, they must be more politically engaged and have greater economic awareness. This requires a political economy approach rather than a needs-only perspective.

Understanding conflicts in this light raises many issues that cannot be solved by humanitarian relief, which in itself is no panacea against conflicts and suffering. Relief agencies may be in a position to convey a political message of a humanitarian nature to the ‘winners’ in a conflict, but any initiative that threatens their power base may endanger relief operations aimed at alleviating the plight of ‘losers’.

The implications for relief agencies are for them to:

- develop a better understanding of the political economy of war;
- address the dilemma of relief;
- bring political awareness to developmental relief;
- participate in building a capacity and network for advocacy.

Understanding the Political Economy of War

A number of obstacles deter relief agencies from gaining a better understanding of the political economy of conflicts where they are working. Factors here include:

- Information
- Staff time
- Prioritisation
- Staff turnover
- Expertise
- Focus

Information is often unavailable or not readily at hand, or staff are given no time to read it. The organisational field culture is oriented towards operations, so spending time on reading and thinking is not viewed favourably. Specialists who design emergency programmes tend not to see an understanding of political economy as a priority, and may consider it awkward to include political information or analysis.

Staff turnover is often high so it is difficult to develop in-depth knowledge of the local political and economic context, and to pass it on to new staff through the systematic recording of experience. Investment in information is often concentrated at the beginning of an operation and then not sustained. Expatriate staff, who dominate the relief industry, are likely to suffer from limitations on their grasp of local issues; the knowledge of local staff could often be better tapped and utilised, and both expatriates and locals could be trained to appreciate and share appropriate information.

Although particular expertise may be needed to analyse a situation in terms of its political economy, few economists or political scientists are involved in relief operations and few relief workers receive the appropriate training. While relief workers are already overloaded, the employment of a specialist to provide expertise in political economy would mean an additional budget for a non-operational task, and could well be difficult to justify to donors. This could, however, be more cost-effectively done on an interagency basis. Even where political analysts are deployed at field level and produce insightful reports – as with the work of the International Crisis Group, or ICG, in the Balkans – their reports and knowledge are underutilised by aid agencies.

The information that agencies do collect and analyse (in efforts which are frequently duplicated by other agencies) is often rather narrow in focus, concentrating on some issues to the exclusion of others and reflecting a tendency

to turn towards external ‘solutions’. The private sector is rarely taken sufficiently into consideration. The local parallel economy is often considered either irrelevant or too dangerous to engage with because it is run by mafias. As regards the international economic context, transnational corporations may be seen as a source of possible donations, but as otherwise too difficult to influence or too ‘colonial’ to engage with.

All these obstacles can be removed. To do so involves changing the organisational culture, developing analytical methodologies and tools (see Annex 1), training or recruiting staff with a capacity for political economy analysis, integrating available knowledge – starting with that of local staff – and broadening the scope of analysis and engagement (see Annex 2).

Addressing the Dilemmas of Relief in Wartime

Whatever their level of understanding of a conflict and its political economy, relief agencies operating during wartime still need the consent of local power holders. The extreme caution of practitioners thus discourages them from challenging the authorities they are facing, even at an analytical level. Agencies do focus on identifying threats to staff security, which will usually entail analysing and understanding some aspects of political economy, but unfortunately this analysis is not carried over into action in terms of advocacy or programme design. Even if this may sometimes lead them to awkward conclusions, agencies do need to resolve or at least make explicit the moral dilemmas of relief.

The most frequent dilemmas concern participation in the war economy, and public advocacy against abuses. Can relief agencies tolerate the diversion of some relief goods, such as food and medicine, by and to belligerents? Is it justifiable to remain silent about abuses by belligerents in order to be allowed to help the victims? More recently, governments have been accused of using humanitarian action as a smokescreen to conceal their political inaction. Do agencies risk being complicit in this? Should they accept funding from governments that shirk the responsibility of intervening more forcefully to protect the victims of conflict? Conversely, should they accept funding from governments that pursue their own political objectives in the conflict by means of military intervention?

Agencies do have, and should retain, a principled approach to relief (Leader, 1999; Slim, 1996). An organisational conscience or moral ethos can inform their processes of choice and strategy, as well as justify the decisions of their staff. This ethos can be articulated through:

- a reassertion of the moral imperative and limitations of relief;
- codes of conduct and ground rules;
- justification of engagement (or disengagement) on the basis of rights as well as on the basis of whether the minimal conditions exist for the humanitarian mandate to be fulfilled (Leader & Macrae, 2000);
- better systems of targeting, distribution, and monitoring (Jasper, 2000, forthcoming);
- decentralisation and the administration of assistance by local bodies accountable for efficiency;

Box 9: Ground Rules for Relief Agencies in Sudan

The extent to which humanitarian agencies can or should challenge abusive authorities is a common dilemma. Providing relief often relieves only symptoms of a political problem, but an open challenge to abusing authorities can lead to expulsion so that even relief provision becomes impossible. What are known as the ‘Ground Rules’ in South Sudan is one way that agencies have sought to address this problem.

The ‘Agreement on Ground Rules’ was developed by OLS Southern Sector as a way of structuring their relationship with rebel groups in South Sudan. The SPLA was involved in its drafting and it was signed by both the head of the SPLA and that of OLS Southern Sector. It contains a statement of support for humanitarian principles such as neutrality and impartiality, as well as more detailed rules about agency property, security and etc. Importantly, it also contains a statement of support for the Geneva Conventions and the Convention of the Rights of the Child. This gave OLS the opening to discuss with the movement issues of abuse of international law, such as the recruitment of child soldiers. It thus introduced a rights element into a relationship that had hitherto been dominated by the provision of relief.

Crucially, this approach was made possible by political developments within the movement and its relationship to the people it claimed to represent that had nothing to do with OLS. However, OLS was astute enough to capitalise on these developments to shift the basis of its relationship with the movement to one based at least in part on law and rights.

Source: Bradbury, Leader & Mackintosh, 2000.

- Peace and Conflict Impact Assessments (PCIA), including the ‘Do No Harm’ framework;
- support for victims’ local coping strategies;
- development-oriented emergency aid.

Once relief agencies have gained insights into the political economy of war, and addressed the resulting dilemmas, they may reconsider some of their operational practices and aim at moving towards broader and more comprehensive forms of protection.

Bringing Political Awareness into Developmental Relief

The conventional model of humanitarian relief centres on action by external agencies following a needs-only approach. This model is generally failing. Ignoring the political nature of destitution, and the historical roles of outsiders in shaping the unequal distribution of power, it lacks the analysis necessary to identify strategic opportunities for intervention. It also fails to focus on the need for local communities to rebuild their own society (Prendergast, 1996).

Moving beyond the simple provision of relief goods is often understood in terms of development-oriented emergency aid (DEA) or ‘developmental relief’. In chronically unstable situations this aid is more a ‘holding operation’ than the adjective ‘developmental’ might pretend. But it does involve using approaches more familiar in the context of development work, such as a focus on livelihoods, local capacities, and the involvement of local people.

Acknowledging the prolonged or chronic character of war, developmental relief attempts to provide what donors and some agencies might want to call ‘sustainable solutions’ – which, if not in any real sense sustainable, are at least more supportive of local capabilities. Such initiatives concentrate on the micro-level, and their effectiveness is doubtful when macroeconomic and political conditions are particularly adverse. However, local development schemes rather than the provision of external goods and services can indeed help suffering populations. During conflict, there are opportunities for practical interventions to support subsistence strategies (eg, cattle vaccination programmes or agricultural support for crops such as cassava, a root crop providing greater security in times of conflict). Other measures, such as setting up credit schemes or using food aid as a means of market intervention to support the price of livestock, are valuable in helping to support socioeconomic networks.

Development relief may provide a viable option in specific circumstances. However, there is a tendency for this

approach to ‘normalise’ a political crisis, treating the losers as ‘victims of war’ rather than more specifically as the victims of powerful groups. It is essential to address not just economic destitution but also political powerlessness. Models of developmental relief tend, on the contrary, to assume that they are working within a process of (rapid) transition to normality (see Box 9). It is a major flaw to assume the possibility of ‘depoliticised’ development – only to see the resulting wealth quickly extracted from the participants because they are still powerless, as with displaced Southerners in Northern Sudan. Attention must be given to the protection of political rights and economic entitlements, and the overall (re)engagement of society into a political economy of peace.

Relief workers should be encouraged to foster inter-group cooperation. They should thereby give a voice to those who do not support the conflict and its predatory political economy but are weakened by the wartime pattern of political authority and economic activities.

Building a Capacity for Advocacy

The needs-only approach is not merely the dominant (if inadequate) form of humanitarian response, there is often an apparent absence of other initiatives and responses to the destitution arising from contemporary conflicts. By making themselves better informed about the political economy of war and able to give a voice to its victims, relief agencies can act for change.

Relief agencies are often best placed to identify problems. However, as already mentioned, their operational dependence on the consent of warring parties and their desire to reach as many people as possible discourages broad political engagement. What they can do, however, is use their knowledge of the situation to inform the design of appropriate responses by other actors, and help to mobilise political action through advocacy.

In order not to jeopardise the imperative of gaining access to populations, which remains at the core of humanitarianism, relief agencies will often face problems in engaging in *public* advocacy. They can, however, develop and define suitable ways of communicating – for example, through human rights groups on political aspects of conflict such as rights, justice, and the respect of humanitarian law. Potential interlocutors include belligerents, civil society, the private sector, foreign governments, and international bodies. There is also scope for NGOs and other relief agencies to do more advocacy-related work by presenting information in such ways as briefings to the UN Security Council and other forums.

Annex 1

Techniques for Analysing the Political Economy of War

Time and human resources are precious during emergencies. Information gathering and analysis take time, can be expensive and dangerous, and may reveal complexities which actually make programme design more difficult. Nevertheless, intervening without proper analysis can prove extremely costly to both agencies and populations – in terms of security incidents, wasted resources, missed opportunities or exacerbation of the conflict. A basic analysis of the political economy of a conflict is thus essential to any relief operation. In countries affected by permanent or chronic ‘emergencies’ it is worth devoting more time and thought to a detailed analysis in order to design a proper strategy. In such cases, appropriate intervention may require patience and a good deal of advocacy work rather than the ill-informed and rushed provision of relief sparked off by a particular surge of media interest.

This section aims to assist agencies in conducting such an analysis. It is not possible, of course, to provide a blueprint and a set of definitive analytical tools. Conflicts differ greatly, as do the capacities of agencies and the available sources of information. Agencies are often best placed to determine what analysis is needed, and should be encouraged to develop innovative approaches. Those involved in the analysis should be aware, however, that their own analysis of the political economy of a conflict, at national or local level, may be biased by their political beliefs, agency mandate, technical speciality, and background.

Methodology

The objective is to assess the dilemmas that may arise from humanitarian action, and to establish possible solutions to these dilemmas (see PCIA tools). This involves focusing on the various actors and the different strategies that are available to them within the political economy of the conflict. The analysis must set this in the context of the local environment in which victims are placed and relief agencies operate, but also in the broader

context of the causes of the conflict and its external relations often up to the regional, if not global, level.

The following methodological approach can be used:

1. Locate the ‘symptoms’ of the conflict, such as casualties, displacement, malnutrition, poverty.
2. Identify the characteristics of different groups, such as those affected by these symptoms and those not.
3. Analyse the changes in fortunes in economic and political terms of the different groups.
4. Establish who are the winners and the losers, and why. What are the local factors and what are the international factors affecting or shaping this process?
5. Determine the historical process behind the current context. How do the winners and the losers describe this history to explain their situation?
6. Deduce the potential implications for relief operations, such as modifying programmes or advocating positive actions that cannot be undertaken by the agency.

Sources of Information

The quality of the information fed into an analysis is crucial to the quality and relevance of the output. Sources of information need to be as diverse as possible. They should extend beyond the immediate circle of traditional relief partners, while also making use of personal or professional connections that might facilitate trust and dialogue. Interviews used in the information gathering process should be as informal and unthreatening as possible, and untainted by prejudices, but they do need to be sufficiently provocative and persistent.

The key sources for micro-level issues are local populations and local media. While international media and other reporting agencies, such as advocacy groups, can provide easy access to information, the nature of relief work requires site-specific insights that local populations are best placed to provide. Furthermore, foreign information and analyses tend to build a rather simplistic story, obscuring nuances and details which might reveal local strategies of power such as cooperative engagements between opposing factions. Obtaining relevant and accurate information from local populations can prove difficult. Trust needs to be built between the relief worker and the informant (as well as the possible interpreter or intermediary), and the knowledge, perspective, and safety of the informant must be carefully considered. It might be better to provide assistance first and ask questions later in order to build a minimum of trust and collaboration between the agency and both the population and local authorities. Asking too many questions for too long can raise suspicions among belligerents about spying, and can cause frustration and distrust among populations.

Various ‘two-way’ channels are needed through which the agency receives as well as imparts information. There may also be a need for independent analysis by an external organisation (eg, the London-based WriteNet <www.writenet.org> which provides UNHCR with analysis papers). This can be financed and managed by a group of agencies in order to avoid duplication and to facilitate the compilation of information (eg, CCC in Cambodia, DIAL in Colombia, or the Lobby Group in Sudan).

Security analyses by other relief agencies can provide a wealth of information on the identity, location, and

behaviour of armed groups. Politically sensitive analyses are often carried out unilaterally and kept confidential, however, rather than publicly disseminated. This is primarily because of fear of reprisal by criticised groups, although inter-agency competition (at least at the headquarters level) may also preclude the coordinated exchange of information.

Internal documents, political histories and manifestos from the various belligerents might help to cast a different light on the conflict and to build up both a sensitivity for, and responses to, the arguments of belligerents during negotiations (see section below).

Tools of Analysis

Several tools and question lists are presented below to assist relief workers in analysing armed groups as well as the structure and impact of the political economy.

Armed Groups Analysis

Knowing your adversary is the first rule of successful military engagement. The same is true for relief work. If the first requirement for the relief agency is to know the beneficiaries and their plight, it is also useful to know about armed groups and their strategies in terms of:

- **Aims and ideology:** what are a given armed group’s declared motives for engaging in armed conflict? Does it have a particular political programme/ideology? What is its political history? Does it have a commitment to protect civilians and respect human rights?
- **Leadership:** what is the history/origin of the leadership? What is the background (military/civilian)

Table 1: Actors You Should Know

Type of information	Sources
Macropolitical situation	Academic literature; UN/government reports; major/specialised newspapers; advocacy; NGOs; embassies; local informants.
Macroeconomic situation	Country reports by Economist Intelligence Unit, IMF and World Bank; government and foreign embassy reports.
Microeconomic situation	UN specialised agencies and NGO reports; reports on corruption by Transparency International < www.transparency.de >; provincial/district authorities; local informants.
Micropolitical dynamics	International and local human rights organisations; coordination forums; local informants.
Vulnerability assessment, economic and food security	FAO; FEWS; HCR; WFP; NGOs; local informants.
Humanitarian situation and relief programmes	ReliefWeb; AlertNet; UNOCHA; local/national humanitarian coordination bodies; local informants.

and level of education of the top leaders and local representatives?

- **Constituency:** Who supports the movement? What is the level of legitimacy? What kind of relations exist between armed groups and supporters (religious, ethnic, political, class)? What is the character of the different constituencies? Is there a diaspora? Does the armed group use the population of refugee camps? Does it use political coercion and forms of exploitation?
- **Openness:** does the leadership have a tight control of membership? On which basis is membership offered (or forced)? Is the movement open or authoritarian in character? Does internal dissent exist and is it tolerated? Does the movement have an accessible (international) representation? Is there a history of ‘purges’ and internal paranoia?
- **Military command and control:** what is the military culture (rank, honour) and level of discipline? Do commanders have strong authority and tight control over their troops? Are the combat units clandestine and autonomous? What are the dominant values (combat or political skills; ruthlessness)? Is conscientious objection by soldiers tolerated?
- **Strategy:** do military strategies directly concern civilian populations (displacement, terror, execution) or involve the systematic destruction of economic infrastructures?

- **Economy:** what type of economic support does the group have, and from what sources? What are its economic relations with local communities? Is there economic discipline and order (regular payment of adequate wages for soldiers)?
- **Foreign sponsors:** is the armed group supported by foreign states or private companies and organisations? In what way? Does the armed group have links to outside markets? Does it employ foreign mercenaries?

Structure and Social Impact of the War Economy

This tool can help in characterising the various economic activities during wartime according to their scale (macro, meso, micro) and their degree of illegality/criminality. The impact of each activity can then be considered with respect to the welfare of populations. This may be a direct impact (D) on the victims of a conflict, such as increased use of violence against them, but also positive economic opportunities. The impact may also be indirect (I), such as prolongation of the conflict and strengthening of the armed groups, but also economic growth.

Vulnerability Assessment and Risk Mapping

Relief agencies have already been working for some time on vulnerability assessment. Different methodologies have been developed, for example:

- Vulnerability Analysis Mapping (WFP)

Table 2: Structure and Social Impact of the War Economy

	MACRO	D	I	MESO	D	I	MICRO	D	I
LEGAL	<ul style="list-style-type: none"> • Manufacturing • Foreign aid 			<ul style="list-style-type: none"> • Formal trading • Infrastructure development 			<ul style="list-style-type: none"> • Subsistence farming • Small-scale trading 		
GREY AREA	<ul style="list-style-type: none"> • Large-scale extraction 			<ul style="list-style-type: none"> • Informal trading 			<ul style="list-style-type: none"> • Informal trading on open markets • Small-scale smuggling 		
ILLEGAL	<ul style="list-style-type: none"> • Commercial deals between opposing factions • Sale of arms during embargoes • Major government corruption 			<ul style="list-style-type: none"> • Illegal taxation of relief programmes • Extortion of protection fees • Asset transfer 			<ul style="list-style-type: none"> • Petty corruption and theft • Check-point taxation • Small-scale taxation by armed groups 		
CRIMINAL	<ul style="list-style-type: none"> • Major public capital flight. 			<ul style="list-style-type: none"> • Looting of vital relief goods. • Use of forced labour. 			<ul style="list-style-type: none"> • Violent robbery – looting. 		

Adapted from Atkinson, 1997.

- Current Vulnerability Assessment (FEWS)
- Global Information and Early Warning System (FAO)
- Food Economy Approach (SCF/FEG; see Boudreau, 1998)

Risk mapping involves analysing on a geographical basis the level of risk of disaster. This can be done, for example, by overlaying a map of food security/vulnerability on maps of conflictual identity and strategic resources (eg, populations of the ‘wrong’ ethnicity along an oil pipe-line, close to a diamond mine, or on valuable land).

Market Structure Analysis (MSA)

The easiest way of analysing markets is to choose a key commodity and examine the context within which it is exchanged. Key commodities often constitute the main capital or security stock of households (eg, cattle or vehicles) and their conditions of exchange reveal the level of powerlessness and insecurity of the sellers (at the extreme, key commodities are simply abandoned or violently appropriated).

Relevant questions here are:

- Who initially possesses the key commodity?
- Why is the decision taken to exchange it?
- Who buys it?

- What is used in the exchange (cash, imported goods, food)?
- Who wins and who loses from the exchange?
- What are the strategies used by winners?
- In what circumstances are unfair dealings allowed and/or justified?
- Where does the commodity go?

The same type of analysis can be used to examine the production of key resources as well as the provision of relief goods (see relief access mapping).

Relief Access Mapping (RAM)

Relief represents a significant political and economic resource in the political economy of war. Relief access mapping is a tool that can help to map, at each stage of the relief operation:

- the strategies used by actors (eg, armed groups and local traders) to access or manipulate relief resources;
- their impact;
- the reaction of relief agencies.

The following case study (Box 11) did not explicitly use market structure analysis and relief access mapping, but shows how both tools would be relevant to the evolving political economy of food in Sierra Leone.

Table 3: Relief Access Mapping

Stage/Location of relief operation	Actor and strategy of access or manipulation	Quantity and/or value secured	Risk/impact on beneficiaries, programme and conflict	Reaction of relief agency
Information				
Positioning				
Funding				
Targeting				
Programming				
Local finance				
Employment				
Procurement				
Transport				
Distribution				
Monitoring				
Follow-up				

Box 10: Political Food in Sierra Leone

The spotlight on the role of diamonds in the war in Sierra Leone has obscured the importance of food, and its control, as a source of political power.

The opportunities for diamond mining have drawn labour away from agricultural production in the country so that Sierra Leone has, for many years, been importing 'white rice'. Various successive governments have used the control over the distribution of this food as a mechanism for patronage and hence a source of power. Imported rice was directly distributed to the diamond diggers, to the security forces, and then also to civil servants. Political allies of the regime were given the remainder at subsidised prices and could make a huge profit by selling it on at market price. The trade in white rice and illegal diamonds are closely linked: the diamonds earn hard currency – though as most of this is illegal it cannot be returned to the country (and converted into local currency to pay the diggers). The white rice, on the other hand, is paid for in hard currency and generates local currency from its sales. Middlemen, several of them of Lebanese origin, connect the two trades and create the internal flows between hard and local currency.

When, in 1993, the Revolutionary United Front (RUF) was driven back from the diamond mining areas, they started to attack the other link in the chain – the convoys taking food from Freetown to the centres in the east. Later, in 1995, they attacked food convoys to the besieged town of Bo where many internally displaced had gathered. These people, already experiencing malnutrition, were now targeted, and the food was diverted to the mining areas. Humanitarian aid was drawn into this political economy of food, when ECOWAS, after the overthrow of elected President Kabbah, imposed a de facto total embargo against Sierra Leone that lasted from August 1997 until February 1998 when he was restored to power. Although nominally humanitarian food aid was exempted, in practice it was systematically blocked. As Kabbah said from exile: 'Rice is a weapon of war.' Immediately upon his restoration to power humanitarian agencies were urged to bring in large amounts of food to underline that 'Kabbah = food'.

Source: Lefort & Littell, 1998.

Indicators for a Political Economy Analysis

- Importance of humanitarian aid: share of aid as % of GNP.
- Aid leakage (foreign exchange, taxation, embezzlement, administration costs, etc). Basic accounting to arrive to a leakage ratio (% of goods lost) and an efficiency ratio (price of a good delivered versus initial purchase price).
- Economic inequalities: % of population at different levels of income.
- Capital flows: foreign investment, credit and capital flight (balance of payments).
- Budgetary allocations: military and security expenditures.
- Inflation, consumer price index (key commodities), real wages and purchasing power.
- Economic and food security indexes.

Peace and Conflict Impact Assessments (PCIA)

Peace and Conflict Impact Assessments (PCIA) are frameworks of evaluation which have been developed for relief and/or development practitioners in order to anticipate or assess the impact of programmes in wartorn or conflict-prone areas. Several variants have been

proposed (eg, by Anderson, CARE, IDRC). The key issue for a PCIA is the likelihood that a programme will 'foster or support people, structures and processes strengthening the prospects for peaceful coexistence and decrease the likelihood of outbreak, reoccurrence, or continuation of violent conflict' (Bush, 1998). In other words, will development aid (Uvin, 1998) or relief do 'more good than harm' with regard to the exacerbation of the conflict?

The main PCIA is Mary Anderson's 'Do No Harm' framework. 'Do No Harm' recognises that, because of the extreme complexity of war, humanitarian assistance offered with the best of intentions will sometimes have a tendency towards unintended effects which aggravate the conflict. Clearly this is to be avoided, and can be avoided through careful attention to programmatic detail.

The first step in the Do No Harm method is to analyse the context of the conflict, proceeding to a comprehensive identification of its 'dividers' and 'connectors' – the factors that exist, in every conflict situation, which both divide people and connect people. These vary from highly systematic and institutional (eg, systems of legal exclusion or traditions of social interconnectedness and interdependence) to the spontaneous and informal (peace demonstrations, acts of hatred, and symbols of division).

The second step is detailed mapping of the relief aid being offered to include every aspect of delivery – where, why, to whom, with whom, how, what, and when. This is necessary because, when aid is delivered amid violent conflict, many of the problems arise from what appear to be only ancillary details (such as decisions about hiring and firing, or how targeting decisions are understood within the community).

The third step is to examine how each dimension of the aid programme impacts upon each of the ‘dividers’ and ‘connectors’. Negative impacts (worsening a division or undermining a connector) or positive impacts (lessening a division or reinforcing a connector) are recorded under the appropriate heading, as divider impacts or connector impacts.

If a negative impact has been detected, time is then devoted to brainstorming for programme options which

will improve the situation. These are always at the level of programme delivery itself: identifying a different method of beneficiary selection, a different mode of relief delivery, or a different staffing pattern. The aim is to come up with a way of overcoming the unintended negative impact while still delivering the much needed aid. Conversely, if a positive impact has been detected the aim of the brainstorming is to identify programme options which will strengthen and maintain this good effect.

There are no definitive solutions since each conflict has its own context. However, there has been a large amount of systematic learning through work on the Do No Harm project with numerous international and local agencies. The resulting formulation of key questions, and the many programme options identified to tackle them, are set out in the book *Do No Harm* (Anderson, 1999).

Table 4: The Do No Harm Framework

Context of Conflict				
Options to weaken dividers	Dividers/capacities for war	Aid	Connectors/capacities for peace	Options to strengthen connectors
Programming steps that may weaken or dissipate any dividers identified	<ol style="list-style-type: none"> 1. Systems & institutions 2. Attitudes & actions 3. Values & interests 4. Symbols & occasions 	Mandate Fundraising Headquarters Why Where What When Who With whom By whom How	<ol style="list-style-type: none"> 1. Systems & institutions 2. Attitudes & actions 3. Values & interests 4. Symbols & occasions 	Programming steps that may strengthen any connectors identified

Adapted from Anderson, 1999.

Annex II

Analysing and Engaging with the Forms of Economic Violence

Economic violence can take various forms, reflecting different contexts and motivations for belligerents, and with differing impacts on losers. This annex covers the most appropriate forms of analysis, and suggests interventions which may be effective.

At the extreme there may be little – short of military intervention – which can be done to offset economic violence when it amounts to a ‘scorched earth’ policy, as used in some cases of ‘ethnic cleansing’. Agencies may be restricted to reporting on the situation, condemning belligerents and engaging in advocacy on behalf of victims. ‘Scorched earth’ first gained attention as a military strategy, deployed either by an invading army or in the context of counterinsurgency operations so as to deny an armed group the resources of a local area and its population. It implies the comprehensive destruction of local production capabilities and the forced displacement or physical elimination of local communities. Examples are the devastation of areas of Afghanistan’s Panshir valley captured by the Taleban, or the destruction of Cambodian urban life under the Khmer Rouge regime in the 1970s. Analysis of this extreme of economic violence may be hampered by the lack of access to affected areas and by an absence of first-hand testimony if few victims are able to escape.

In other circumstances the political economy of conflict is more complex, allowing more options for intervention by relief agencies.

Destruction of Production and Market Infrastructures

The destruction or removal of physical infrastructure, such as roads, utilities, ports, factories, farmlands, machinery and trucks, and the basis of orderly commercial transactions, such as trust, regulations and financial instruments, can be deliberate or unintended. The impacts include lack of inputs in production (eg, fertilisers, raw

materials, tools and spare parts) and loss of access to goods obtained via the market (eg, physical access to markets, modes of payments and use of credit).

Examples: Idi Amin Dada’s campaign to eliminate the Asian merchant class in Uganda, resulting in economic collapse; requisitioning of civilian trucks for military use; destruction of power stations and bridges by NATO in Serbia; closure of banks and invalidity of Yugoslav currency.

Analysis: local agencies or international agencies may report on the extent of physical destruction. Information on market structures is more difficult to assess.

Intervention: reconstruction and provision of key means of production (eg, bridges, power stations and seeds) and development of markets where conflict victims are located. Advocacy for the protection of productive civilian infrastructures (application of the Fourth Geneva Convention) and condemnation of the political and deliberate character of destruction.

Economic Sanctions

Economic sanctions – restrictions on economic relations at an international, domestic, or group level – create shortages in imported goods and the loss of export markets. If the state is able to centralise and mobilise internal resources, and if the economy is sufficiently flexible, sanctions may be withstood by adapting local production, regulating prices or rationing. However, most states or armed groups in contemporary conflicts are weak and domestic economies are inflexible and dependent on imported energy and manufactured goods. The leaders of states or armed groups generally attempt to circumvent sanctions via the parallel economy (eg, smuggling networks in Burundi; Hoskins & Nutt, 1997). These activities, rarely regulated in the interest of the population, can generate huge profits and consolidate the power of

criminal gangs and local power holders during and even after the conflict. Sanctions thus have mostly negative consequences for populations but little impact on the resolution of the conflict or on better governance in 'post-conflict' situations.

Examples: Oxfam was started in 1942 to deliver relief to the population of Athens which was under embargo from the allies. About 200,000 Greeks died during the winter of 1941–42, but the British government did not lift the embargo and Oxfam's operation was a failure. More recently, the sanctions against Iraq since 1991 may have resulted in more than 300,000 excess deaths. Shortages resulting from economic sanctions against Yugoslavia (Serbia) have benefited a wealthy class of smugglers associated with the state authorities, and probably undermined a democratisation process.

Analysis: information on sanctions is relatively easy to obtain from authorities imposing them. Information on parallel networks is more difficult to obtain and may require the use of external inquirers, typically local business people or journalists. (For a monitoring of the effects of sanctions, see Garfield, 1999; Van Brabant, 1999b.)

Intervention: delivery of relief goods, advocacy for greater market openness by publicising the effects of sanctions and denouncing sanctions and/or the manipulation of the market.

Tax Evasion and Capital Flight

In 'classic' state war economies, governments raise taxation and mobilise capital (and savings) to finance the war effort. In 'new' war economies, however, the objective of belligerents might not be to win the war at all costs, but to profit from the war at the lowest cost. The tax base and tax system is generally weak in the first place, and high levels of tax evasion and capital flight drastically reduce public services and productive investments. The urban wealthy are often the first to flee, taking their savings with them and leaving behind businesses with neither cash nor management.

Examples: many Serbian politico-businessmen in Bosnia evaded taxation on their profitable commercial activities but maintained their power base through donations to the VRS (Serb Army) and militias.

Analysis: information on public finances can be obtained from governments or the IMF (eg, tax revenue; balance of payments; comparison of **GDP** trends with falling tax receipts). Data on the finances of armed groups is much harder, if not impossible, to obtain. Capital flight is also difficult to assess and requires banking information which is often confidential.

Intervention: assist the government in maintaining transparent tax revenues. Lobby TNCs for transparency in payment of taxes. Advocate freezing of capital/financial assets to prevent capital flight.

Distorted Budget Allocations and Slush Funds

During wartime the public budget is highly distorted in favour of security expenditure at the expense of the economic, health and education sectors. There is also an uneven allocation of public funds in favour of key towns controlled by the government which disadvantages rural areas and towns controlled by opposing armed groups. Furthermore a significant proportion of public revenue can be directed to slush funds for personal gain, or to parallel military budgets.

Examples: In Angola during the mid-1990s, 30 per cent of the budget was allocated to military expenditure and 20 per cent was 'unrecorded' (ie, used for parallel budgets). The provinces, with two-thirds of the total population, received less than 15 per cent of actual budget expenditure. Expenditure was concentrated in the capital, going mainly on subsidies to water, electricity, gas, education, and health for a privileged minority.

Analysis: if reliable public budgets exist a detailed analysis of planned and actual expenditure can provide an understanding of government priorities.

Intervention: budgetary assistance earmarked for specific purposes; advocacy of transparency and the provision of minimal public entitlements including preventive health measures.

Inflation, Weak Currency Exchange Rates and Devaluation

The financial context of a war is crucial to the economic security of populations. During a period of inflation people's purchasing power is eroded if salaries do not keep up with rising prices, and the value of savings is eroded. People avoid using the weakening currency, moving towards subsistence, barter or the use of foreign currencies. This further decreases the value of the currency, fuels continuing inflation, and increases the relative prices of imports.

Examples: a monetary reform in Angola in 1990, replacing the severely depreciated currency with a new one, caused direct losses for those holding cash, especially in rural areas. The reform achieved neither of its two main goals – to reduce the excess of cash (liquidity) in the economy resulting from the government's printing of banknotes, and to destroy the value of cash held by the UNITA rebels. The initial deflation was short-lived, as the

government continued printing banknotes to meet its growing fiscal deficit. UNITA for its part had easy access to foreign currency – through US/South African support and diamonds sales – and ended up benefiting from a reform that proved highly unpopular and discredited the government.

Analysis: inflation can be followed through official figures (National Bank, statistical institutes) or through regular monitoring of prices of essential goods. Information on exchange rates is available from official sources or can be estimated through a survey of the parallel market. In both cases, local surveys carried out by agencies can provide a different picture from that conveyed by official national figures.

Intervention: agencies can influence these mechanisms, although often only to a very limited degree, by managing their cash inflow into the economy; advocacy for intervention of international financial institutions.

Economic Neglect

Armed groups tend to concentrate on military and commercial activities directly affecting their control, and to overlook their responsibility towards populations under their legitimate or de facto authority. Relief agencies should be well aware of their role as social welfare providers within a 'political economy of neglect', and the substitution effect that this has in freeing resources and labour for the pursuit of war. The strategy used by some aid agencies is to minimise external inputs and to support local efforts. In the absence of a viable alternative local form of authority and welfare system, aid agencies should also co-opt or involve commanders by inviting them to participate in meetings or project visits to get them to assume responsibility for civilian welfare.

Examples: commanders/warlords in Liberia; enclave oil and diamonds economies in Angola; the LTTE in Sri Lanka; the main Kurdish parties in Northern Iraq.

Analysis: neglect can be analysed through the implementation of the national budget (allocation to public services), and the amount and nature of foreign aid, as well as by considering a population's access to resources and by vulnerability assessments. Neglect by non-state actors concerns mostly the structure of the economy (eg, dominance of low-employment mineral sectors and absence of external private interest in other sectors such as agriculture or peripheral regions such as remote regions). It also concerns relations of production (eg, absence of unions to improve workers' salaries and working conditions).

Intervention: providing relief goods and services; assisting in local development; advocacy for better public services and greater care for populations.

Economic Discrimination/Exclusion

Before being subject to physical violence, politically targeted groups can suffer from the loss of jobs and access to markets. In turn these losses can push excluded groups towards a more violent relationship with the rest of society. Besides fuelling the logic of confrontation, this exclusion has negative consequences on production systems resulting in the withdrawal of labour and resource inputs.

Examples: Serbs and Croats losing their jobs, respectively in Croatia and Serbia. Serb policemen fired by Croatian authorities had every incentive to join a paramilitary group.

Analysis: exclusion can be detected through official policies or through specific surveys.

Intervention: providing aid to both displaced and local populations; using expatriate staff who speak the local language and thus not needing local staff with foreign language skills; weakening divisions in wartime markets by channelling assistance through a diversity of groups and promoting inter-group exchanges; reinforcing people's shared interests, for example by taking decisions through public debate, using committees or existing local leadership structures; protecting employment and access to markets by promoting tolerance and opposing marginalisation.

Asset Stripping/Transfer

Shortages and insecurity can push vulnerable populations to exchange their assets for essential goods or protection, or to move out of conflict areas. Buyers can profit significantly, tempting them to sustain or increase their profits by promoting shortages (eg, by embargoes and by speculation and hoarding) and violence (including violent appropriation or looting; see below). This process is assisted by the political marginalisation of losers and the impunity of winners, who behave as free agents. The winners are often powerful local actors from a dominant politico-military group, or may belong to the same political group as the losers, but with privileges derived from their wealth and key role in sustaining trading networks.

Examples: sale of household goods at bargain prices in the former Yugoslavia, especially in enclaves such as Sarajevo. Sale or barter of cattle by Dinkas in Southern Sudan.

Analysis: an analysis of the markets (who sells, who buys), monitoring of prices (which goods or services go up or down), and critical examination of motivations for exchanging assets and of how markets are regulated

(trust, authority, violence). These approaches can help to quantify the extent of coercion and power relations and the level of manipulation by powerful buyers.

Intervention: supporting access to markets by providing the most vulnerable with ways of obtaining cash or overvalued goods (relief food; cash for work; targeting employment opportunities; supporting the prices of goods they produce/own by facilitating access to markets; direct purchasing; or banning imports of relief goods that are already produced locally). Agencies can agree on set prices to limit the inflationary and distributional effects of aid on specialised labour and services. Finally, agencies can advocate political empowerment of vulnerable groups and support representative and legitimate governance.

Banditry and Looting

Banditry and looting are extreme forms of asset transfer, involving violent extortion rather than exchange and blurring the border between crime and armed conflict. They can be random acts performed by rogue armed units, or part of a systematic pattern of asset transfer between groups. Cattle raiding, pillage and car-hijacking belong to this category.

Examples: the systematic looting which accompanied ethnic cleansing in Croatia and Bosnia was both assisted and promoted by the recruitment of criminals into

paramilitary units. Criminal participation in factions in Sierra Leone had a similar effect in the conflict over territorial control.

Analysis: mapping out areas of insecurity associated with banditry and looting, and examining the level of involvement of armed groups. Is it the result of poverty among soldiers, or rather the accumulation of wealth by politico-military groups? Is it random, or part of a political campaign targeting specific groups? Who participates in the network of commercialisation of the looted goods? Are there means of pressure at any level (responsibility of area commander or traders)?

Interventions: Restricting interventions to 'life-saving' activities and lowering the value of aid can reduce incentives for looting it. Dispersing or packaging aid, or keeping the timing and location of deliveries secret, can reduce the opportunity for looting. Risks can also be displaced by publicly announcing a food convoy in a different location, or by instituting a ceasefire. Conversely, informing communities of future aid deliveries and giving details of thefts may reduce the impunity of looters, as may the clear identification or 'tagging' of aid. People can be less vulnerable if they hide goods, set up a self-defence unit or bring in opposing armed groups or peacekeepers, or if relief is provided after looting. Feeding or providing alternative economic activities for fighters, as well as allying the community with the armed group, can decrease the risk of looting.

Notes

- ¹ While significant, it is important not to over-emphasise the financial aspects of a conflict and lose sight of the political and social aspects. Thus, a political economy approach attempts to balance the different factors influencing human conduct, including psychological dimensions, and emphasises the ideas of conflict and division within society.
- ² A formal economy is regulated in order to ensure broad societal goals – such as the provision of public goods in the form of health services, or the right to private property – defined by a political system. The most visible mode of regulation is taxation by the state. An informal economy is not regulated, or is regulated outside the legal framework of a society.
- ³ For a study of the political economy of war in Liberia and its implications for relief agencies, see Atkinson, 1997.
- ⁴ Advocacy or political action by relief agencies do not need to be public. The action of ICRC in this regard is an example.
- ⁵ Corruption and the misuse of aid are not only external phenomena. The lack of supervisory and accountable structures, the pressure for disbursement, prevailing poverty and rampant corruption in the target country, and the lack of openness on the matter, all result in increased risks of corruption (Cremer, 1998).
- ⁶ ICRC defines economic security as ‘the situation of a family or of a community of families when they are economically self-sufficient because their means of production allow them to meet, on the long term, their essential economic needs (or obligatory economic expenditures) as defined by their biology, by their environment and by their cultural standards.’ The term economic security is sometimes replaced by livelihood security.

References and Further Reading

Note: For an extensive coverage of the existing literature on the political economy of war, see: Le Billon, P (2000) *The Political Economy of War: an Annotated Bibliography* (London: ODI) <www.odi.org.uk/hpg/warecons.html>

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The Humanitarian Practice Network – HPN

(formerly the Relief and Rehabilitation Network – RRN)

The **Humanitarian Practice Network (HPN)** is the new name for the Relief and Rehabilitation Network (RRN). As from 1 April 2000 the new **HPN** will continue the work of the former RRN in contributing to improved practice in the humanitarian field, but with several important changes.

The success of the RRN/HPN in producing objective, analytical and accessible material was confirmed by the conclusions of a recent independent external review (Sept–Nov 1999). The review also found that humanitarian practitioners are increasingly using its publications and that the Network compares very favourably with other professional information services. As a result of the review the purpose of the Network has been re-articulated to emphasise its role of stimulating critical analysis, advancing the professional learning and development of those engaged in and around humanitarian action, and improving practice.

Why the name change?

The use of the word ‘humanitarian’ in the **Humanitarian Practice Network** is more in tune with today’s way of thinking, and ‘practice’ reflects all that we do and who we target.

What else is changing?

Publishing will remain **HPN**’s primary activity. Good Practice Reviews, published once a year as the flagship publication, will remain as management reference guides on a particular topic – but with the further aim of being used as training manuals by specialist training organisations. Network Papers will be produced three times a year as a critical review of a specific thematic or sectoral topic, or an analytical and critical reflection of a particular approach in a specific country/region. The successor to the Newsletter will be published twice-yearly as a resource document with updates, practice notes and features.

The **HPN website** will become a key reference site for those in the humanitarian field, providing a resource gateway into the humanitarian sector. It will store the majority of past publications in English and French which can be downloaded for free. The value of the

website will be enhanced by the number of organised web-links to key players in the sector, strengthening the thematic search function, creating a profile of masters and training courses relating to the humanitarian sector, and having a conference and educational/training courses announcement page. More opportunity for feedback will be possible through the enhanced website and, where authors agree, readers will be able to dialogue directly with them.

How do I join?

The **HPN** Newsletter is FREE to all on request. Full membership to the **HPN** costs only £20.00 per year (£10.00 for students) and entails automatic receipt of all **HPN** publications as they are produced, as well as a discount when ordering back copies. A number of FREE subscriptions are available to those actively involved in humanitarian assistance operations or in ongoing activities in countries experiencing complex political emergencies.

If you would like to subscribe to the **HPN**, visit our website <www.odihpn.org.uk> and subscribe on-line. Alternatively, contact the **HPN** via email at <hpn@odi.org.uk> or at the address below and the Network will mail you a copy of the latest newsletter, which contains a registration form.

Newsletters

HPN Newsletters provide a forum for brief reflections on current developments in the field, key policy issues, etc. Hard copies of the Newsletter are available FREE and an electronic version can be downloaded from the **HPN** website.

Placing a Publications Order

Network Papers £5.00/3.50* + p&p
Good Practice Reviews £10.00/7.50* + p&p
(£14.95 for Good Practice Review 8 + p&p)
Newsletters FREE

*A discount rate applies to **HPN** members who purchase back or additional copies of publications. Discounts are available for bulk orders. An additional charge is made for postage and packing.

Network Papers

Network Papers are contributions on specific experiences or issues prepared either by **HPN** members or contributing specialists.

1994

- 1 *MSF-CIS (Celula Inter-Secções), Mozambique: A Data Collecting System Focused on Food Security and Population Movements* by T. Dusauchoit
- 2 *Responding to the 1991/92 Drought in Zambia: The Programme to Prevent Malnutrition (PPM)* by D. Mukupo
- 3 *An Account of Relief Operations in Bosnia* by M. Duffield
- 4 *Bad Borders Make Bad Neighbours - The Political Economy of Relief and Rehabilitation in the Somali Region 5, Eastern Ethiopia* by K. Van Brabant
- 5 *Advancing Preventive Diplomacy in a Post-Cold War Era: Suggested Roles for Governments and NGOs* by K. Rupesinghe
- 6 *The Rwandan Refugee Crisis in Tanzania: initial successes and failures in food assistance* by S. Jaspars
- 7 *Code of Conduct for the International Red Cross and Red Crescent Movement and NGOs in Disaster Relief* ed. J. Borton

1995

- 8 *Targeting the Poor in Northern Iraq: The Role of Formal and Informal Research Methods in Relief Operations* by P. Ward and M. Rimmer
- 9 *Development in Conflict: the Experience of ACORD in Uganda, Sudan, Mali and Angola* by ACORD
- 10 *Room for Improvement: the Management and Support of Relief Workers* by R. Macnair
- 11 *Cash-for-Work and Food Insecurity in Koisha, Southern Ethiopia* by P. Jenden
- 12 *Dilemmas of 'Post'-Conflict Transition: Lessons from the Health Sector* by J. Macrae

1996

- 13 *Getting On-Line in Emergencies: A Guide and Directory to the Internet for Agencies involved in Relief and Rehabilitation* by L. Aris, P. Gee and M. Perkins
- 14 *The Impact of War and Atrocity on Civilian Populations: Basic Principles for NGO Interventions and a Critique of Psychosocial Trauma Projects* by D. Summerfield
- 15 *Cost-effectiveness Analysis: A Useful Tool for the Assessment and Evaluation of Relief Operations?* by A. Hallam

2000

- 32 *Humanitarian Mine Action: The First Decade of a New Sector in Humanitarian Aid* by C. Horwood

Good Practice Reviews

HPN Good Practice Reviews are commissioned 'state of the art' reviews on different sectors or activities within the relief and rehabilitation field. Prepared by recognised specialists, and subject to peer review, they are produced in a format that is readily accessible to field-based personnel.

1994

- 1 *Water and Sanitation in Emergencies* by A. Chalinder
- 2 *Emergency Supplementary Feeding Programmes* by J. Shoham

1996

- 3 *General Food Distribution in Emergencies: from Nutritional Needs to Political Priorities* by S. Jaspars and H. Young
- 4 *Seed Provision During and After Emergencies* by the ODI Seeds and Biodiversity Programme

1997

- 5 *Counting and Identification of Beneficiary Populations in Emergency Operations: Registration and its Alternatives* by J. Telford

1998

- 6 *Temporary Human Settlement Planning for Displaced Populations in Emergencies* by A. Chalinder
- 7 *The Evaluation of Humanitarian Assistance Programmes in Complex Emergencies* by A. Hallam

2000

- 8 *Operational Security Management in Violent Environments* by K. Van Brabant

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HUMANITARIAN PRACTICE NETWORK



Background

The **Humanitarian Practice Network (HPN)** is the new name for the Relief and Rehabilitation Network (RRN). It was launched in 1994 in response to research that indicated substantial gaps between practitioners and policy makers in the humanitarian field, as well as serious weaknesses in the ability of the sector to learn and become more 'knowledge-based'.

Purpose

To stimulate critical analysis, advance the professional learning and development of those engaged in and around humanitarian action, and improve practice.

Objectives

To provide relevant and useable analysis and guidance for humanitarian practice, as well as summary information on relevant policy and institutional developments in the humanitarian sector.

Activities

- **Publishing in three formats:** Good Practice Reviews (one per year), Network Papers (four to six per year) and Newsletters (two per year). All materials are produced in English and French.
- **Operating a resource website:** this is one of the key reference sites for humanitarian actors.
- **Collaborating with international 'partner' networks:** this increases the reach of the **HPN**, and brings mutual benefit to the participating networks.
- **Holding occasional seminars on topical issues:** these bring together practitioners, policy makers and analysts.

HPN Target Audience

Individuals and organisations actively engaged in humanitarian action. Also those involved in the improvement of performance at international, national and local level – in particular mid-level operational managers, staff in policy departments, and trainers.

While a project and Network with its own identity, the **HPN** exists within the Humanitarian Policy Group at the ODI. This not only ensures extended networking and dissemination opportunities, but also positions the **HPN** in a wider 'centre of excellence' which enhances the impact of the **HPN's** work.

Funding

The **HPN** has just completed its second project period (November 1996–March 2000), during which it was supported by ECHO, the Irish Ministry of Foreign Affairs, Swedish SIDA, DANIDA, DfID, the Dutch MFA, and USAID/OFDA.

The next **HPN** project period will run over two years (April 2000–March 2002). Funders for this period are in the process of confirming their contributions.