

MERCY CORPS
PEACEBUILDING THROUGH ECONOMIC DEVELOPMENT
APPROACH
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Photo: Jenny Vaughan/Mercy Corps

Poverty puts countries at significant risk of conflict. In his influential book *The Bottom Billion*, Paul Collier shows strong statistical support for the claim that conflict is clustered in the world's poorest nations. Low per capita income raises the chances that a country will experience violence,¹ while economic growth reduces the likelihood of civil war.² The relationship between poverty and conflict works in the opposite direction, as well. Conflict destroys infrastructure, disrupts trade, distorts markets, and can reverse decades of development. According to the World Bank's 2011 *World Development Report*, poverty reduction lags behind by 2.7% for every three years a country is affected by major violence, and no conflict-affected country has yet achieved a single Millennium Development Goal.

Building Peace through Economic Development

Mercy Corps' integrated economic development and peacebuilding programs go beyond conflict sensitivity to actively build peace through market development and economic activity.

The vast majority of Mercy Corps' programs are in fragile states and conflict-affected environments. In these settings, we have found that one of the most effective approaches is to integrate peacebuilding and economic development interventions. Like many other agencies, we have adapted our economic development programs to work **in** conflict, applying a "do no harm" lens to ensure that program activities do not exacerbate existing tensions or provoke new disputes. Increasingly, we go a step further and harness our economic development programs to work **on** conflict, as well – actively promoting peace by building economic relationships, addressing economic causes of conflict,

reducing economic incentives for violence, and supporting local private sector actors to build peace. In addition, we use peacebuilding tools to build trust, resolve economic disputes, and address market dysfunctions related to violence, power imbalances, weak relationships, and poor governance.

¹ See for example Rice, Susan E., Corinne Graff, and Janet Lewis. "Poverty and Civil War: What Policymakers Need to Know." Working Paper #02, Global Economy and Development, The Brookings Institution, December 2006.

² Humphreys, Macartan. "Economics and Violent Conflict." Harvard University. 2003.

Theories of Change

Mercy Corps' integrated peacebuilding and economic development programs are based on theories of change that link economic activities to expected improvements in peace and stability. While these theories of change are based on existing research, they are not yet proven. By using a theory of change-based approach to impact evaluation, we seek to learn about the causal relationships linking poverty and conflict, test the validity of different theories of change, and identify the most effective economic mechanisms for promoting peace.

Illustrative theories of change include:

- If we build economic relationships across lines of division, then we will promote stability by demonstrating tangible benefits to cooperation and promoting interdependence.
- If economic opportunities are strengthened and diversified, then the competition for scarce resources will be reduced and stability will increase.
- If young people are employed, then they will be less likely to join violent movements for economic gain.
- If private sector investment increases, then support for peace will grow because the people who benefit economically from increased trade will have an incentive to maintain a peaceful enabling environment.

Building Economic Relationships

Conflict can lead to a winner-take-all mentality that destroys the trust and relationships necessary for business and trade to flourish. When communities have been trapped in cycles of violence, it is hard for them to imagine that cooperation with an adversary can benefit them. Many of our programs seek to build or rebuild trust and economic ties between communities that have been torn apart by violence. Our programs aim both to jumpstart the local economy and to raise the incentives for peace by showing that there is a tangible economic benefit to cooperation.

In **Uganda**, the *Building Bridges to Peace* program sought to build trust and economic interaction between ethnic groups with a history of violence. Economic projects included a small dam that increased access to water for multiple communities, joint farming on land that was previously inaccessible due to insecurity, and the joint rehabilitation of local marketplaces. Economic activities were complemented by peacebuilding initiatives designed to build trust and strengthen local conflict management. The final evaluation found that communities where the program was implemented experienced improved access to natural resources, increased livelihoods opportunities, increased perceptions of security, increased trust, and strengthened inter-communal ties (e.g., intermarriage) compared with communities where the program was not implemented.

In **Indonesia**, the *Maluku Economic Recovery Program* aimed to stabilize peace by reinforcing economic ties between Christian and Muslim communities and promoting peaceful dispute resolution. Village-based economic councils implemented interventions to boost economic activity (e.g. business development training) and develop economic infrastructure and services (e.g. sea transport services facilitating access to markets). As a result of joint economic infrastructure projects, communities saw a 45% increase in sales, a 27% increase in assets, and a diversification in livelihoods, which created incentives to maintain peace during recent elections. Mediation workshops and multi-cultural events enhanced dispute resolution practices, increased trust, and strengthened linkages among different religious and tribal communities.

Cross-Border Economic Engagement

Building economic ties across international boundaries adds an additional layer of complexity due to the politicized nature of borders and the increased vigilance of the concerned states and their regional neighbors. Local businesses can act as a powerful constituency for peace under these circumstances, nurturing economic interdependence and advocating for reform when political tensions preclude other forms of engagement.

In **Israel and Palestine**, the *Investing in Peace* program brings Israelis and Palestinians together through information and communication technology (ICT) business development activities, including cross-border trainings, networking and entrepreneurial events, and apprenticeships. These activities have enabled Palestinians and Israelis to meet as peers and collaborate in a neutral environment while promoting the growth of the Palestinian economy. The program has raised the ICT skill level of over 300 Palestinian youth and ICT professionals and fostered at least four ongoing business ventures between Israeli and Palestinian ICT firms.

Program evaluations have demonstrated that the people-to-people approach has improved perceptions of the other and increased willingness to engage in cross-border cooperation. This validates the utility of an apolitical, business development approach to bring people together and promote peaceful relationships in a politically charged environment.

Reducing Violence through Stronger Economic Opportunities

In places where economic need drives or exacerbates conflict, Mercy Corps works with businesses and entrepreneurs to strengthen economic opportunities, create jobs, and develop alternative sources of income. If people are able to meet the basic needs of themselves and their families, they may be less likely to engage in violent or criminal behavior to access economic resources.

In **Tajikistan**, Mercy Corps is working with government, local communities, and the private sector to enhance stability in rural areas through economic growth, improvements to essential infrastructure, and job creation. The program is implementing nearly 50 community infrastructure projects, including rehabilitation of electrical transformers and construction of irrigation systems and roads. Two successful agriculture fairs have created stronger linkages between hundreds of farmers and over 20 vendors, including input suppliers and banks. Through vocational training and apprenticeships, youth have gained marketable skills in carpentry, beekeeping, sewing, computers, and mobile phone repair. In the coming months, Mercy Corps will work with market actors along three high-impact value chains to boost agricultural productivity, spur growth, and increase household resilience to economic shocks.

Reducing Violent Competition over Economic Resources

Deep poverty often leads to fierce competition between groups over scarce economic or natural resources. In our experience, this is particularly true when livelihoods are based on environmentally damaging practices, such as over-grazing or unsustainable farming practices. We have found that linking market-driven economic development to negotiated agreements governing access to and use of resources is vital to ensuring the sustainability of those agreements. No matter how much people would like to abide by an agreement, they cannot if it undermines their economic survival.

In **Somalia**, Mercy Corps brings together clan elders, religious leaders, local government officials, women, and youth to find solutions to violence related to the charcoal trade. These leaders have negotiated eight major agreements that limit competition over economic resources, including timber, water, and arable land. Women and youth then implement integrated economic development and natural resource management projects that support these agreements, such as tree nurseries, small businesses that produce fuel-efficient stoves, and income generation projects for women and youth who used to be employed in the charcoal trade.

In **Guatemala**, Mercy Corps helps civil society groups, government officials, and community leaders mediate land disputes between indigenous farmers and large land holders. These local leaders have resolved over 315 land conflicts, benefitting over 14,500 indigenous farming families. As a result, thousands of hectares that were 'no-go' areas due to conflict have been returned to productive use. An integrated economic development component provides small farmers with access to affordable loans and technical assistance to improve agricultural production. This allows them to earn enough income to keep the land they have gained through mediation and move themselves, and their families, out of poverty.

Youth Employment & Economic Engagement

Poverty and widespread unemployment are risk factors that can push youth towards violence. Without economic options, youth remain idle, become frustrated, and are vulnerable to manipulation by leaders who promise financial gain. To reduce this vulnerability, our programs facilitate the acquisition of skills and opportunities that young people need to generate income and find employment. Our interventions work on both the supply and demand side by increasing youth employability through life skills, financial literacy, and technical skills development and working to increase the supply of real jobs through business development and entrepreneurship. In addition to economic reasons, young people are also drawn into violence out of a desire to protect their communities, to gain status and respect, or to protest injustice. We have found that the most

effective programs in these environments combine market-driven employment opportunities (including self-employment) with opportunities for youth to make positive contributions in their communities and political life.

In **Kenya**, lack of economic opportunity combined with tensions manipulated by political elites provoked youth violence in 2007. Mercy Corps' *Local Empowerment for Peace* program improves the economic situation of Kenyan youth through microenterprise and livelihoods programs, reducing the likelihood that elites will be able to mobilize them for future violence. In the first phase of the program, over two thirds of participating youth improved their economic independence by participating in income-generating activities. Program research indicates that economic incentives such as employment make youth less likely to join violent movements for economic gain. However, the findings suggest that while short-term youth employment generation programs can quickly stabilize violent situations, sustaining such stability requires investing in longer-term job creation that addresses young people's underlying grievances about the lack of meaningful and viable economic opportunities.

Economic Dispute Resolution & Trust-Building

In conflict contexts where trust is in short supply, even minor economic disputes can flare into violence. Mercy Corps works with local government officials, private sector actors, civil society groups, and community leaders to transfer needed negotiation skills so they can resolve concrete disputes that are leading to violence and inhibiting economic growth. Negotiation skills are critical in business as well as conflict resolution and have a unique dual purpose in this regard.

In **Iraq**, Mercy Corps provided negotiation training to a network of Iraqi tribal, religious, government, private sector and civil society leaders. These Iraqis have worked together across regional, political and sectarian lines of division to resolve over 130 major disputes. Roughly half of these (48%) were related to economic issues, ranging from tribal disputes over land, to community-government clashes over where to locate markets, to disputes between farmers and oil companies over access to land and employment. Our final evaluation shows that that network members are resolving more disputes, are tackling more complex problems, and are reaching agreement more often than before the program. Most importantly, Iraqi leaders can point to clear examples of where their efforts have led to a measurable reduction in violence.

Building a Private Sector Constituency for Peace

Local businesses can be powerful advocates for peace and can help bring stability to troubled regions through economic development. However, many businesses are reluctant to invest in conflict-affected environments. Mercy Corps aims to increase local private sector investment in conflict-affected situations and support business-led advocacy for policy reforms that will both address the underlying causes of conflict and improve the enabling environment for business development. The economic benefits resulting from increased private sector activity can create incentives for peace and raise the costs of continued conflict. This in turn may decrease support for militancy among local populations and put pressure on governments to resolve ongoing conflicts and normalize cross-border relations.

Understanding Economics & Conflict: Analysis and Results Measurement

Rigorous analysis and results measurement are essential for designing effective interventions, understanding when course correction may be needed, and learning which interventions are most effective. Mercy Corps has invested significant resources in analysis and results measurement in the area of peacebuilding and economic development. We recently completed joint conflict and market assessments in Uganda and Nigeria which highlight the overlap between conflict and market actors and illustrate the ways in which power dynamics impact both the market and the conflict context. In addition, we have developed theories of change, indicators, and data collection tools that measure the impact of integrated economic development and peacebuilding programs. Through an 18-month research project entitled *Evaluation and Assessment of Poverty and Conflict Interventions*, Mercy Corps teams in Ethiopia, Indonesia, and

Joint Assessment of Conflict & Market Dynamics
While conflict analysis is critical to understanding key conflict actors, drivers of conflict, and the political economy, market analysis helps to identify systemic constraints and viable interventions that can mitigate or prevent conflict while promoting equitable, pro-poor growth.

Uganda developed and tested indicators and data collection tools that help to evaluate such programs. We have applied these and other relevant tools in Kenya, Uganda, Ethiopia, Somalia, Iraq, Guatemala, and Indonesia. Based on what we have learned through this and other research projects, we are developing a second generation of tools that continue to push the boundaries of rigorous impact measurement.

Findings from the **Evaluation and Assessment of Poverty and Conflict Interventions** research project suggests a number of preliminary conclusions about the role of economic development in peacebuilding, including:

- Economic development interventions should promote mutually beneficial cooperation rather than increasing competition between adversarial groups.
- Economic development interventions should specifically target the underlying economic causes of conflict rather than aiming to increase general economic interactions between adversarial groups.
- “Deep” economic interactions (such as participation in economic associations or business partnerships) may build stronger relationships between adversarial groups and provide a stronger incentive for peace than “thin” economic interactions (such as trading at a local market).
- Trust-building measures may need to be implemented alongside or prior to economic development interventions to develop the relationships necessary for business partnerships and trade.

For the past three years, Mercy Corps has delivered an elective on market development in fragile and conflict-affected environments as part of The Springfield Centre’s annual “Making Markets Work for the Poor” course. This course is an on-going mechanism to refine our theories of change and document on-the-ground interventions within a market development framework. The course incorporates understanding what is different about market development in conflict situations and increasingly aims to articulate how a systemic market development approach and economic development interventions can contribute to peacebuilding.

For More Information

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Evaluation and Assessment of Poverty & Conflict Interventions

www.mercycorps.org/resources/understandingpovertyandconflict

Uganda Conflict & Market Assessments

www.mercycorps.org/resources/cattleraiduganda

www.mercycorps.org/resources/conflictandeconomicdevelopmentassessmentinacholilandregionuganda

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