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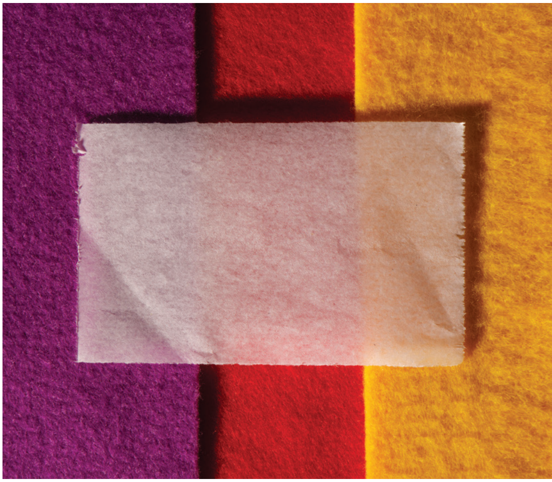

Business and Peace Agreements

Sean Molloy

This research draws on the PA-X Peace Agreement Database (www.peaceagreements.org), a database of all peace agreements at any stage of the peace process from 1990 to 2016. The database is fully searchable and supports both qualitative and quantitative examination of peace agreements.

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Executive Summary

Business provisions feature in peace agreements in a range of ways. Peace agreements can refer to the roles that businesses can play in peacebuilding or post-conflict reconstruction efforts. These contributions span from creating employment opportunities and generating economic growth, to actively assisting in processes to help reintegrate former combatants into society.

Peace agreements can also include commitments to reform the business environment. These commitments can help point the way towards reforms, which will assist business development, investment and entrepreneurship. Business environment reform (BER) processes can also help to redress those aspects of the business environment, which underpinned, contributed to, or assisted in perpetuating conflict. Peace agreements will also often provide for forms of political and territorial power-sharing which work to assign capacity over the business environment to different national and sub-national actors.

This research report argues that business provisions can form an intrinsic part of negotiated settlements in a number of ways:

1. By seeking to include businesses in post-conflict peacebuilding efforts, the contributions that businesses can make to peace can be harnessed, while at the same time limiting the potential for businesses to act as spoilers.

2. Provisions addressing the business environment can provide the foundations for future business activity while seeking simultaneously to address past injustices and exclusion from participating in economic activity.

3. Designating responsibilities and ownership for business environment reform can form important aspects of any negotiated settlement, which involves transferring power from one group to another.

There are, however, a number of risks associated with including business provisions in peace agreements.

1. Businesses can undermine peacebuilding processes by pursuing self-serving objectives or forming collusive relationships with political elites who lack commitment to the public good.

2. Addressing business environment reform carries risks, particularly when reforms seek to formalise the business environment too early or undermine otherwise productive informal economies. These risks include perpetuating exclusions and inequalities related to the conflict.

This research report reviews when and how peace agreements include business-related provisions, the nature of these commitments and their potential impact on peace and conflict.

The report examines how business provisions emerge from political negotiations focused on ending violence in intra-state conflict, and the ways in which they aim to address the broader environments within which business activity occurs. It provides recommendations as to how to manage the tension that emerges between the opportunities for including business-related provisions, alongside the risks associated with doing so.

The report forms one of a series of PA-X reports on power-sharing in peace processes, drawing on the data of the PA-X Peace Agreements Database (www.peaceagreements.org). This series of reports addresses political power-sharing, territorial power-sharing, economic power-sharing, and military power-sharing.

Key Findings

Peace agreements sometimes set out particular roles for business actors in peacebuilding.

These range from helping to create employment opportunities and to facilitate economic growth and development, to providing for the direct involvement of businesses in implementing peace agreements and assisting in various peace-related projects. Peace agreement provisions for business can signal the importance of business in reconstruction, and act as a roadmap for the inclusion of businesses in peacebuilding efforts. At the same time, addressing the interests of businesses in peace negotiations and providing for them in peace agreements also carries risk, in particular where businesses have played a role in fuelling conflict.

Commitments to business environment reform can help point the way towards reforms, which will assist business development, investment and entrepreneurship, and redress those aspects of the business environment which underpinned, contributed to, or assisted in perpetuating conflict.

Peace agreements have addressed reform of the wider business environment in a range of ways. These include addressing such issues as: promoting local businesses; protecting property and land rights; seeking to include those previously excluded from the business environment; and outlining the nature of business environment reform. The nature of business environment reform emerges in two primary ways, namely:

- systemic interventions, which seek to promote liberal business environments, with little state involvement; and
- sector-specific interventions, which involve governments intervening directly in the business environment to promote particular industries, business sectors or groups.

Commitments to reforming the business environment also carry risks.

Certain issues are too contentious between the parties or with society-at-large, to include. This is often the case in the context of control and ownership of natural resources. Moreover, there are risks with assuming that it is always desirable to provide for the formal legal regulation of business environments in peace agreements. Conflict settings are contextually diverse, and informal economies may be disproportionately productive and vital in the short-term. Business environment reform is one part of a complex reconstruction process, and therefore cannot be addressed adequately and in full in the peace agreement, and must await further reform processes if it is to be developed effectively.

Peace agreements will often provide for forms of political and territorial power-sharing.

These power-sharing provisions in-effect assign capacity over the business environment to different national and sub-national actors.

Recommendations

Peace agreements can provide an opportunity for ensuring that business actors as a constituency are engaged in the peace process, as potential peacebuilders.

However, given the potential for businesses to undermine peacebuilding efforts through collusive relationships with political elites, and by pushing business agendas at the expense of broader societal interests, caution must be exercised.

Business environment reform is often an important part of the post-agreement reconstruction phase, and part of a wider reform agenda.

Conflict analysis can help to inform how and what business environment-related issues to address. However, aspects of the business environment reform agenda can also be conflict-promoting, particularly because reforming the business environment is part of a more complex process of post-conflict economic reconstruction, involving complex relationships between business, elites and society. As a result, the relationship of business to conflict and peacebuilding should be part of conflict analysis in any attempts to support peace agreement implementation.

Greater inclusion of business actors in the negotiation stage of peace processes should be promoted.

Pushing for more inclusive negotiation processes, to include business actors, can help both realise the potential that emerges from the inclusion of business reform as both backward- and forward-looking, while at the same time ensuring that these processes are not driven by elites for elites. However, which actors can be involved in political negotiation processes, and also the breadth, timing and nature of reforms that are possible to include in a peace agreement, will depend on the context in question.

Those seeking to help support reform of the business environment will have to consider carefully the capacity of those actors who are given responsibility for delivering reforms.

Responsibilities for business environment reform depend on the relationship between forms of political, economic and territorial power-sharing, and on issues of capacity, ownership and responsibility for business environment processes at different national and sub-national levels.

Part I: Baseline Understandings of Business Provisions

Q. What do we mean by business?

As a working definition, this research report follows the definition offered by Ayele et al. (2016: 7):

Business refers to a diffuse collection of actors: business associations, multinational enterprises, small and medium-sized firms and individual entrepreneurs. These actors may operate in the formal or informal sector, range across agriculture, industry and services, and trade mostly domestically or operate across national borders. While all businesses are interested in profits, the profit orientation may be primary or, particularly in the case of social businesses, secondary.

Q. What do we mean by business-focused provisions in peace agreements?

A review of all peace agreements from 1990 to 2016 indicates three main types of provision addressing business:

1. Provisions that reference the potential contributions that businesses can make to peace/post-conflict reconstruction:

Peace agreement provisions can reference the positive roles that businesses might play during peace processes and in the aftermath of conflict. These include contributions that arise as consequences of normal business activity, such as providing jobs, generating economic growth and facilitating development, as well as more direct peacebuilding roles. The latter group of contributions can include the role of businesses in supporting efforts to reintegrate former combatants and assisting in the implementation of peace accords.

2. Provisions that address the broader business environment.

Peace agreement provisions also target businesses in less direct ways by addressing the business environment. The Donor Committee for Enterprise Development (DCED, 2008: 2), a membership group of donors and intergovernmental agencies focused on private sector development, defines the business environment as a 'complex of policy, legal, institutional, and regulatory conditions that govern business activities'. Relevant peace agreement provisions typically include commitments to reforming the business environment, which aim to change the contexts in which businesses operate, seek to invest in or establish a business (White and Fortune, 2015: 4). These provisions include commitments to modernise the business environment through processes of privatisation, trade liberalisation and macroeconomic reforms, such as improving the rule of law and protecting property rights. Commitments can also be more targeted in nature, addressing specific industries, issues, or groups through state-driven programmes and policies.

3. Provisions that delineate responsibilities for business environment reform, or provisions that define competences, ownership and or entitlements to resources and spoils.

Peace agreements sometimes delineate responsibilities for reform of the business environment, or include provisions that define competences, ownership and/or entitlements to resources and spoils. For example, in cases of territorial power-sharing, provisions can define ownership over natural resources, the rights to utilise these resources for commercial purposes and entitlements to receive the proceeds that derive from them.

Part II: Peace Agreement References to Business

Peace agreements often refer, directly or indirectly, to the roles that businesses can play in peacebuilding processes. The discussion in this report centres on intrastate agreements addressing conflict within states, primarily because most business provisions are found in accords of that nature. But it is worth noting that business-focused provisions can also be found in interstate agreements addressing conflict between states, and in interstate agreements which attempt to underwrite peace processes addressed at intrastate conflict.

Interstate agreements addressing interstate conflict

The primary focus of business provisions, when included in interstate agreements, is to use interstate trade to improve economic relationships between states. Although states can engage in commercial dealings with other states, provisions are relevant to business by virtue of the fact that it is businesses which conduct the vast majority of interstate economic transactions. Agreements often seek to harness these interactions by improving interstate commercial avenues. For instance, an agreement between Chad and Sudan provides that:

> The two parties agree to jointly develop and consolidate economic and social relations between the two countries in the best interests of the two brother nations; in this regard the two parties undertake to open direct channels of communication between those in charge in the two countries, and to encourage both official and private contacts, particularly between businessmen and investors; to conclude agreements and protocols to this effect, and anything else necessary for common cooperation. (Accord bilatéral pour le développement et le renforcement des relations entre Soudan et Tchad (Accord de Riyad), 3 May 2007).[1]

[1] All agreements are taken from PA-X Peace Agreements Database: www.peaceagreements.org.

Similarly, a peace accord signed between China and Russia stipulates that:

> On the basis of mutual benefit, the contracting parties shall conduct cooperation in such areas as economy and trade, military know-how, science and technology, energy resources, transport, nuclear energy, finance, aerospace and aviation, information technology and other areas of common interest. They shall promote economic and trade co-operation in border areas and local regions between the two countries and create necessary and favourable conditions in this regard in accordance with the laws of each country (Treaty of Good-Neighborliness and Friendly Cooperation Between the People's Republic of China and the Russian Federation, 16 July 2001).

Other examples can be found in agreements forged between North and South Korea (Declaration on the Advancement of South-North Korean Relations Peace and Prosperity, 4 October 2007; Agreed Framework between the United States of America and the Democratic People's Republic of Korea, 21 October 1994), and between Lebanon and Syria (Treaty for Brotherhood, Cooperation and Coordination, 22 May 1991). In essence, increased commercial interaction and cooperation is regarded as an important component of building peaceful relationships between states.

Inter/intra state agreements

Intrastate agreements sometimes have an international dimension. International actors can participate in the negotiation or implementation of an intrastate peace agreement, by acting as guarantors or participating in the monitoring or verification of an agreement. Where multiple states are involved in supporting implementation, these states can produce parallel agreements, which can include efforts to increase economic cooperation to strengthen relationships.

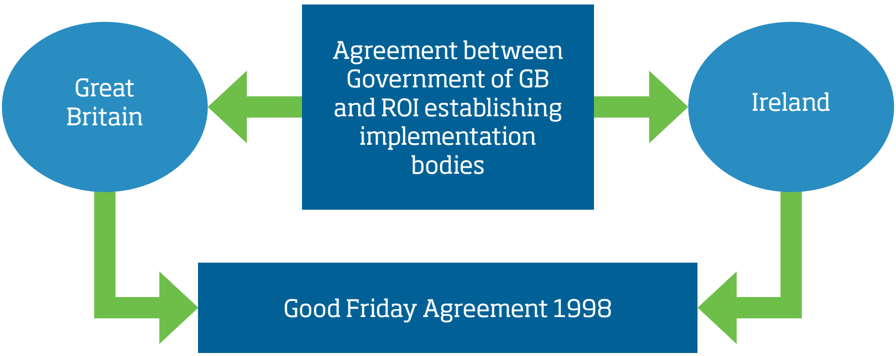

Figure 1: Interstate agreements to support intrastate implementation

For instance, pursuant to The Agreement Reached in the Multi-Party Negotiations (Good Friday Agreement or Belfast Agreement, 10 April 1998) in Northern Ireland, which ended the 30 year conflict known colloquially as 'the troubles', the United Kingdom and Irish Governments are co-guarantors of the GFA, mandated with ensuring that the provisions agreed upon are implemented. To support this mutual commitment, the two countries have also forged a number of separate agreements to improve relations between the two.

As an example, the 1999 Agreement between the Government of Great Britain and Northern Ireland and the Government of Ireland establishing Implementation Bodies provides a framework for increased economic cooperation between Ireland and the United Kingdom. The agreement seeks to improve the channels through which businesses from both contexts might develop and improve private contracts across the Irish Sea. Similarly, the Oslo Accords between Israel and Palestinians, were accompanied by an Israel-Jordan Agreed Common Agenda (14 September 1993), the Washington Declaration, (26 July 1994), and the Treaty of Peace between the State of Israel and the Hashemite Kingdom of Jordan (26 October 1994), which all involved commitments to cooperation over water, and other economic issues (see Bell, 2018).

Intrastate Agreements

The vast majority of conflicts since the fall of the Berlin Wall have been intrastate in nature. For this reason, most provisions addressing businesses can be found in intrastate agreements. In some cases, intrastate agreements have referenced the direct contributions business can make to peacebuilding activities. These include:

- ### Improving inter-communal relations:

peace agreements refer to the roles of businesses in improving intrastate relations between previously antagonistic groups. These provisions are similar to those of interstate agreements in seeking to improve relations through commercial interaction, albeit between conflict protagonists within states, rather than between states. For example, a number of agreements between Israel and Palestine include those promoting increased economic cooperation to further support and strengthen political relations and the broader peace process (Annex VI, Protocol Concerning IsraeliPalestinian Cooperation Programs, Israeli-Palestinian Interim Agreement on The West Bank and the Gaza Strip (Oslo II). Similarly, in Aceh, an agreement provides for free trade between Aceh and Indonesia, to improve relations between the central state and sub-state entities (Indonesia/Aceh, Memorandum of Understanding between the Government of the Republic of Indonesia and the Free Aceh Movement (Helsinki MOU), 15 August 2005).

▸ Reintegrating former combatants:

other agreements stipulate more specific roles for businesses in the peacebuilding process. For instance, provision can reference the capacities of businesses to be key constituents in processes of reintegrating former combatants back into society. These provisions emerge primarily in the context of conflicts with high numbers of combatants or political prisoners returning after conflict. In Colombia, the parties commit to 'make a special effort to call for the support of private enterprise and the international community to ensure the success of the reinsertion process... in order to find the best conditions for the economic and social adaptation of veterans in their communities of origin' (e.g. Acuerdo finale 27 May 1991, section 8). Another Colombian Accord emphasises the interest of the country's business community in contributing to the process that is underway and whose efforts the government has sought to channel through the National Reinsertion Committee (Acta de Resumen, Reuniones entre el Gobierno de Colombia y la CGSB, 10 November 1991). In Northern Ireland, businesses are encouraged to help contribute to the reintegration of former political prisoners (St Andrew's Agreement, 13 October 2006, 13), which was a particularly pertinent issue and indeed a contentious issue under the Belfast/Good Friday Agreement.

▸ Promoting the Peace Process:

peace agreements can also attempt to include businesses in the peacebuilding processes in other ways. For instance, peace agreements have included provisions:

- calling for the participation of business associations in political dialogues (The Nationwide Ceasefire Agreement (NCA) between The Government of the Republic of the Union of Myanmar and the Ethnic Armed Organizations (EAO), 15 October 2015);
- promoting the involvement of the business community in working out a set of broad agreements on the economic and social development of the country (Guatemala, Basic Agreement for the Search for Peace by Political Means, 30 March 1990; El Salvador the 1992 Chapultepec Agreement); and
- providing for a role for businesses in peace agreement implementation mechanisms *(see Box 1)*.

Box 1: Including business in implementation mechanisms

The National Peace Committee in South Africa (National Peace Accord, 14 September 1991), which was established to assist in implementing the National Peace Accord and establishing institutions of peace provides for the inclusion of businesses;

The National Reinsertion Committee in Colombia (Acta de Resumen, Reuniones entre el Gobierno de Colombia y la CGSB, 10 November 1991), which was a commitment on the part of the Colombian Government to establish a mechanism to assist in reintegrating former combatants underscores the importance of including a business component;

The Provincial Management Committees in the Democratic Republic of Congo (DRC) (Ordonnance N° 08/008 du 02 Fev 2008), which was founded as a mechanism to help implement the 'Amani Programme' stipulates the importance of ensuring that the business community is represented.

Q. How can including provisions on business contribute to peace?

Bringing businesses into the peacebuilding fold:

literature on the relationship of businesses to peacebuilding posits that businesses can be important stakeholders in peacebuilding efforts. Businesses have economic, political, and social influence (Martin and Bojicic-Dzelilovic, 2017; Iff and Alluri, 2016; Gündüz, Killick, and Banfield 2006: 37-72), which means that they can contribute to peace in a range of ways. These include such contributions as:

- peace mediation (Iff, et al., 2010; Rettberg, 2013; Iff and Alluri, 2016; Miklian, 2016);
- reintegrating former conflict participants (Body and Brown, 2005; Giustozzi, 2006);
- promoting and advancing gender equality (Gündüz, Killick, and Banfield, 2006);
- facilitating community reconciliation (Golan-Nadir and Nissim, 2017; Ernstorfer, et al, 2015; Miklian, 2016; Lyon et al. 2006);
- empowering local business communities (Andersson, Evers, and Sjöstedt, 2011);
- investing in social and community development programmes (Ernstorfer et al, 2015);
- advocating for change and public policy engagement (Strachan, 2017; Datzberger and Denison, 2013; Zandvliet, 2011; Forrer, Fort, and Gilpin, 2012; Oetzel and Doh, 2009);
- campaigning for peace and actively preventing conflict (Forrer and Seyle, 2016; Owuor and Wisor, 2013); and
- building partnerships for peace (Kolk and Lenfant, 2013).

This potential is also recognised and reflected in number of policy developments *(see Box 2)*.

Box 2: Policy developments in the area of business and peace

The 2015 Sustainable Development Goals (SDGs) recognise explicitly a central role for businesses in helping to achieve development objectives, including the realisation and facilitation of peace (Nelson and Torres-Rahman, 2015).

Institutions such as UN peacekeeping are also bringing businesses centre stage (Miklian and Schouten, 2015). In September 2013, UN Secretary-General Ban Ki-moon launched Business for Peace (B4P), a multi-stakeholder initiative involving governments, business, and civil society. The initiative seeks to support companies to implement responsible practices aligned with the UNGC principles throughout their business operations and supply chains in conflict-affected/high-risk areas.

As part of efforts to implement the New Deal, the Organisation for Economic Cooperation and Development (OECD) continues to explore the potential of the private sector in supporting peacebuilding and development (OECD-Development Assistance Committee (DAC), 2012).

Despite the identification of potential roles that businesses can play, there is comparatively little discussion regarding how best to engage businesses to undertake these roles (cf. Ford 2015a). The literature has offered justifications for why businesses ought to do so *(see Box 3)* but examples of when, how and why business have responded are scarce, and where they exist, sometimes anecdotal.

Box 3: Arguments for and limitations of arguments on why businesses should contribute to peacebuilding

Reasons for Businesses to Contribute to Peace	Limitations
▶ Conflict is costly for business (Davis and Dranks, 2014; Oetzel, et al, 2009); ▶ businesses benefit from a peace dividend (Brauer and Tepper Marlin, 2009; Joras, 2009); ▶ businesses must ensure a social licence to operate (Ballentine, 2008); ▶ businesses believe in peace (Rettberg, 2016); ▶ businesses have moral obligations to contribute to peace (Fort, 2001)	▶ Businesses are far from homogenous and are motivated in very different ways (Andersson, Evers, and jöstedt, 2011); ▶ conflict and peace affects businesses differently (Rettberg, 2010; Sweetman, 2009); ▶ many businesses do well through conflict (Kanagaretnam and Brown, 2005; Cohen and Ben-Porat, 2008); ▶ businesses do not wish to be involved in the political process of peacebuilding (Cechvala, 2017); ▶ businesses lack the knowledge for how to contribute to peace (Roig, 2014)

Bottom line: Relatively few businesses play peacebuilding roles (Wennmann, 2016)

Specifying a role for business in the peace agreement can offer one route to encouraging business to undertake peacebuilding roles. As foundational documents, peace agreements act as roadmaps for the broader peace process. They not only define specific areas necessary for reform, but also the players involved in these processes. They can therefore provide a useful mechanism for increasing the involvement of businesses in a number of ways:

- Informing context-specific contributions that businesses can make: Peace agreements can help to define the specific roles that businesses might play in the specific context. For instance, in Colombia, assigning businesses responsibilities for contributing to the reintegration of former combatants reflects the capacity for businesses to contribute to a specific peace process project.

- Specifying the businesses to be involved: Businesses are far from homogenous. Different businesses are likely to possess different levels and means of influence in different contexts. For example, evidence shows that where business networks and associations are strong, they can mobilise business support and lobby for policy reforms that are relevant to conflict prevention and peacebuilding (Macintosh and Buckley, 2015: 21; Slim, 2012; Lyon et al 2006). Other research suggests that local businesses can be more effective in promoting peace (Gündüz, Killick, and Banfield, 2006), while the well-referenced case of individual business people like Tiny Rowland, Chief Executive of Lonrho in Mozambique, suggests that individual actors are, at times, better-suited to undertake peacebuilding roles (Vines, 1998).

Building positive state-business relations:

Much of the literature produced stresses the importance of effective state-business relations for economic growth and development (Cali and Sen 2012; Sen, 2015; Te Velde, 2013). Amongst different reasons cited are that economic actors can help to inform government interventions in markets and economies (Lemma and te Velde (2015: 3), thus limiting government failures. This can help to support the adoption of more effective policies that promote inclusive economic development. Similar arguments have also been made in the context of peacebuilding, with scholars suggesting that involving businesses in private sector development planning can increase their likelihood to play peacebuilding roles (Specker, 2009). Organisations including the UK government's Department for International Development (DFID) have funded research programmes examining state-business relations and their connections to economic development (Cali, 2010; Cali and Sen, 2012; Te Velde, 2006). [2]

Less is known about how to initiate positive state-business relations. Institutional economists talk about 'critical junctures', which are defined as moments when institutional innovation or change may be initiated (Leftwich, 2009). But these are often easier to identify retrospectively, rather than to plan for prospectively (see Ackah, et al., 2010). There are some examples of provisions in peace agreements, or in their implementation phases, which promote the involvement of businesses in peacebuilding (see Box 1 above), suggesting that including businesses in peace implementation mechanisms can act as the beginning for more positive state-business relations.

[2] See, for example, DFID-ESRC Growth Research Programme, https://esrc.ukri.org/research/international-research/international-development/dfid-esrc-growth-research-programme-degrp/; DFID-funded Research Programme Consortium on Improving Institutions for Pro-Poor Growth, http://www.ippg.org.uk/aboutus.html

Eradicating spoilers:

Addressing businesses in peace agreements can also help to prevent businesses spoiling the implementation of an agreement. Wennmann (2009: 49) cites the example of Guatemala where businesses hampered the implementation of the Agreement on a Firm and Lasting Peace of 29 December 1996. Wennmann notes that because the rebel's agenda was perceived as leftist and the peace process as a threat to their corporate interests, businesses attempted to delay and impede the implementation of the agreement. Alongside claims that businesses can be influential and powerful constituents in promoting peace, it is also the case that failing to include businesses can mean that businesses use these same forms and levels of influence to undermine peace (2009: 49-50).

Q. What are the risks associated with including business in peace negotiations and agreements?

Uncertain empirical bases:

Others are less convinced about the empirical foundations for the claims that businesses can contribute to peacebuilding. Some scholars argue, for instance, that the 'underlying assumptions of how business practices relate to peace are either entirely implicit or remain vague and unexamined' (CDA, 2014: 3). Jolyon Ford (2015b: 452) notes that there is a 'degree of conceptual wooliness accompanying much business and peace scholarship.' Brian Ganson (2017: 7) also highlights that 'much of the analysis [on] causal connections that are asserted about a particular business activity and peace positive impacts are premised not on specific case evidence of peace outcomes (or lack thereof), but rather on a set of postulates from related but distinct perspectives.'

The central critique advanced by these scholars is that existing literature on business and peace defines causes of conflict and then assigns roles to businesses based on linear solutions, which are often one-off instances or anecdotal. In contrast, recent developments in the field of peacebuilding increasingly embrace the fact that the move from conflict to peace is seldom linear and the complexity of the inter-related processes which must take place requires thinking in terms of conflict systems and complexity theory (De Coning 2013, 2016, 2018; Pospisil, 2017).

These scholars argue that it is often impossible to define in the abstract how those intervening can influence peacebuilding processes positively. Arguing in favor of including businesses in peace agreements on the basis that they can be key actors in peacebuilding processes requires stronger evidence regarding the roles that businesses might play, in order to reflect more recent thinking in the area of peacebuilding more generally (Ganson 2017, 2013).

Businesses can spoil peace processes:

Businesses can also undermine peace processes, depending on their own positions with regards to the conflict and peace process. For example, business interests may undermine peacebuilding efforts, as identified above in reference to Guatemala. At the same time, there are much older bodies of research exploring the myriad ways that businesses can be conflict-generating and sustaining (Payne and Pereira, 2016; Global Witness, 2015, 1998; Hönke, 2014; Michalowski, 2013). Seeking to increase the roles of businesses in peacebuilding processes comes with significant risks that they might exacerbate conflict, pointing to the importance of promoting socially responsible and context/conflict sensitive business practices in post-conflict settings (Graf, Iff and Alluri, 2016; Graff and Iff, 2013; Van Dorp, 2014).

State-business relations can be corrosive:

The literature on state-business relations also acknowledges the potential for collusive or corrosive relationships, which can undermine rather than support state transformation. Peter Davis (2016: 23-24), for example, highlights the example of Nigeria, which has been described as 'a privatized state where personal contacts and material gains constitute the triggers for state action.' Efforts to promote better relationships risk creating new relationships that are underpinned by harmful forms of rent-seeking. Alternatively, despite efforts to recreate a new political order, informal institutions between business and particular elites can persist, irrespective of efforts to create more inclusive political settlements. For instance, institutional economics refer to pathway dependencies (Harriss, 2006), which are informal institutions which often persist over time. These possibilities underline the importance of building effective accountability mechanisms and business environments that ensure transparency (Evans, 1995), a stable policy environment (Harriss, 2006), and strong checks and balances (Te Velde, 2013).

Part III: Peace Agreement Provisions Addressing

Business Environment Reform (BER)

In addition to providing for business to be involved in peacebuilding activities, peace agreements often reference the importance of business activity for both driving economic growth and development and creating employment.

- In Burundi, the key peace agreement stresses the salience of businesses in creating new jobs and reducing the burden and pressures on the public sector (Arusha Peace and Reconciliation Agreement for Burundi, 28 August 2000, 21).

- In Yemen, the 2014 National Dialogue Conference Outcomes Document places emphasis on the importance of the role of the private sector in economic and social development.

- In Afghanistan, an agreement states that developing a vibrant private sector will be essential for sustainable development (Tokyo Declaration Partnership, 8 July 2012).

- In Cambodia, parties committed to 'make use of the private sector, among other sectors, to help advance self-sustaining economic growth' (Declaration on the Rehabilitation and Reconstruction of Cambodia, 23 October 1991).

The underlying reasons for promoting the growth and development of the business community are numerous. They include claims that:

1. businesses create revenue for post-conflict governments;
2. businesses create jobs;
3. businesses are essential for undertaking post-conflict reconstruction efforts, particularly in the area of infrastructure; and
4. businesses reduce aid dependency.

These provisions also make a link between development and peacebuilding by focusing on the need to address the business environment, which can be defined as the 'complex of policy, legal, institutional, and regulatory conditions that govern business activities' (White and Fortune, 2015: 7). Nonetheless, there is a range of impediments to business activity in post-conflict settings, which point to the particular difficulties of the business environment post-settlement (Leo et al., 2012; see Box 4).

As Poole and Scott (2018: 21) note:

> States affected by violence and fragility often suffer from significant infrastructure deficits, poorly regulated markets and low levels of enforcement of property rights and contracts, and overall function inefficiently at a 'low-level equilibrium', while domestic demand is limited by poverty, insecurity, regular income shocks and a lack of access to financial services. They are often among the most difficult environments in which to start and operate a business.

The importance attached to growing and promoting business requires that these actors and organisations are both willing and able to conduct commercial operations in contexts emerging from periods of violence. For this reason, business environment reform (BER), which refers to 'the changes that are made to improve the business environment' (White and Fortune, 2015: 4), is viewed as a critical task in post-conflict settings (De Vries, Langa and Specker, 2009; Macintosh and Buckley, 2015).

To this end, peace accords have included provisions on BER in a range of ways. It will be argued that, as well as aiming to create environments conducive to business activity in the context of countries transitioning from conflict to peace, reform of the business environment is also directly related to efforts to address the past, particularly those areas and relationships that contributed to or sustained conflict. The discussion below examines these provisions through two lenses: a systemic approach to BER; and a sector-specific approach.

Box 4: Obstacles to business activity post-conflict

Economic: reduced foreign and local investment, sectoral shifts, damaged infrastructure, illicit taxation and extortion, the legacy of war economy, and informality. This causes a poor business enabling environment (BEE) thus BER essential to bring business back to the formal sector and to spur economic growth.

Political and security related: low legitimacy and capacity of the state, residual violence, and a lack of a functioning judicial system. BER is of upmost importance to bring back faith in the system, particularly within the judicial system.

Social: tensions between communities, weak and disrupted networks, low trust and psychological trauma. This can act as a barrier to effective BER due to slow implementation and uptake, and therefore also as a barrier to impact.

Demographic: a high number of female-headed households, a large number of incapacitated and injured combatants, health issues, population displacement, employee flight and low education. This is a prominent issue in how to guide BER to obtain inclusive growth.

(Source: Glanville and Harley, 2016: 8-9)

(i) Systemic Approaches to Business Environment Reform

The systemic approach to BER encourages indirect support to the private sector through improving the investment climate in which it operates (Mac Sweeney, 2008). Peace agreements often include provisions aimed at promoting systemic interventions to create free-market environments.

In some instances, these commitments include constructing sound regulatory environments underpinned by the rule of law. In Afghanistan, the commitments of parties and international partners to establishing an enabling business environment, included a regulatory framework and building necessary infrastructure (Tokyo Declaration Partnership, 8 July 2012). In Bosnia, parties agreed to the adoption of an economic policy, including laws and regulations governing the development of free markets (Framework Agreement for the Federation, 1 March 1994), while in Yemen, commitments included those to build up state infrastructure in order to support investment (Yemen, The Peace and National Partnership Agreement, 21 September 2014). In Libya, parties agreed to undertaking macroeconomic reforms (Libya, Libyan Political Agreement (Sukhairat Agreement), 17 December 2015. As a final illustration, in Darfur, the 2011 Doha Document for Peace in Darfur stipulates: 'The Investment Promotion Law shall be amended to provide for more incentive privileges for investment by foreign and local companies in the Darfur States, such as granting these companies exemption from taxes on business profits.'

Alongside these broad areas of reform, commitments that are more specific seek to:

- protect property rights (Bosnia and Herzegovina, Yugoslavia (former), Declaration Concerning the Constitution of the Federation of Bosnia and Herzegovina, 18 March 1994);
- promote reform to land ownership (Angola/Cabinda, Memorandum of Peace and Understanding in Cabinda Province, 1 August 2006; or access to land (Guatemala, Agreement on the Social and Economic Aspects and Agrarian Situation, 6 May 1996);
- prevent or break up monopolies (Yemen, National Dialogue Conference Outcomes Document, (25 January 2014);
- enable the free movement of goods and services (Cote d'Ivoire, Accord de Cessez-le-Feu, 3 May 2003);
- address corruption (Yemen, National Dialogue Conference Outcomes Document, (25 January 2014);
- promote privatisation of public enterprises (Democratic Republic of Congo, Peace Agreement between the Government and Le Congres National pour la Défense du Peuple (CNDP), 23 March 2009);
- reduction and restructuring of the public sector, while promoting support to indigenous businesses and enhancing efforts to attract direct foreign investment (Northern Ireland, Stormont House Agreement);
- remove economic sanctions (Comoros/Anjouan, General Agreement on National Reconciliation (Fomboni Agreement), 17 February 2001); and
- develop a more affordable and more competitive corporation tax rate (The Stormont Agreement, 2015).

In what is often termed 'formalising the rules of the game', commitments can also attempt to respond to illicit and predatory economies. To this end, provisions have sought to:

- stem the flow of conflict minerals (Sierra Leone, Peace Agreement between the Government of Sierra Leone and the Revolutionary United Front of Sierra Leone (RUF/SL) (Lome Agreement), 7 July 1999);
- address piracy (Somalia, Provisional Constitution of The Federal Republic of Somalia, 1 August 2012);
- control anomalies and malpractices such as black-marketing (Nepal, Constitution of Nepal 2015, 20 September 2015);
- tackle corruption and drug trafficking (Colombia, Acuerdo de 'Agenda Comun por el Cambio hacia una Nueva Colombia', Gobierno Nacional-FARC-EP, 6 May 1999); and
- prevent arms smuggling (Bosnia and Herzegovina/ Yugoslavia (former), Agreement on Special Parallel Relations between the Federal Republic of Yugoslavia and Republika Srpska, 28 February 1997).

Systemic approaches, at their core, promote reforms aimed at improving the business environment by, amongst other things, formalising and modernising the economy and restricting the involvement of the state. The overall aim is to create a national framework which permits, and actually positively encourages, individuals to engage in complex economic activity (Mac Sweeney, 2008: 50).

(ii) 'Sector-specific' Approaches to Business Environment Reform

Creating the right environment for business is often considered not enough: more direct intervention in particular sectors, or even businesses, is needed to make a real and tangible difference on the ground. MacSweeney (2008: 50) assesses that many countries that have achieved impressive growth have done so, not simply by letting the market work its magic, but through more direct interventions, including alliances with private sector players, and through the direct support of emerging industries.

In contrast to systemic approaches, sector-specific approaches require targeted, direct intervention on the part of government in specific sectors, industries and businesses. In this way, sectoral approaches map onto ideas that it is important for the state to promote business resilience or inclusive growth, and to engage in industrial policy-oriented interventions (see Box 5 for useful definitions).

Box 5: Useful Definitions

Business resilience thinking acknowledges that conflict societies are in a constant state of flux and embraces various adaptive strategies in preventing and managing violence in order to build the capacity of local businesses to withstand external shocks. This conceptual conversion substantiates the important role of local knowledge and actors in understanding the roots and triggers of violent conflict, and inspires and respects community innovation and learning, strategic leadership and collective (inclusive) action (Van Metre, 2016).

Industrial policy is defined as the strategic effort by the state to encourage the development and growth of a sector of the economy. It refers to 'any type of selective intervention or government policy that attempts to alter the structure of production toward sectors that are expected to offer better prospects for economic growth than would occur in the absence of such intervention' (Pack and Saggi, 2006: 2).

[cont'd]

Inclusive Growth. The World Bank (Ianchovichina and Lundstrom, 2009) broadly defines inclusive growth as an absolute reduction in poverty, associated with the creation of productive employment rather than direct income redistribution schemes. It gives equal opportunity to the majority of the labour force in terms of access to markets, resources and unbiased regulatory environments for businesses and individuals. Loayza and Raddatz (2006) argue that sectors that are highly labour-intensive, such as agriculture, construction and manufacturing, have the greatest impact on poverty alleviation through increased income growth opportunities. Raniere and Ramos (2013) add that inclusive growth must also consider the impact of the growth process among different ethnic and gender groups and across geographical regions. Therefore, this understanding of inclusive growth incorporates the concept of horizontal inequality, or inequalities between culturally formed groups, in addition to vertical inequality, which is inequality among households or individuals (Stewart, 2002 cited in Macintosh and Buckley, 2015: 2).

Sector-specific approaches often seek to build states that are more resilient through direct interventions to build up sectors and industries by directly targeting specific, previously excluded groups. Understood in the context of reform of the business environment, sector-specific approaches involve, amongst other things, efforts to strengthen the capacity of the local business community by supporting specific types of business. For instance, in Gabon, an agreement stipulates that access to micro-finance will be made available to local to small businesses (Accord de Paix et de reconciliation nationale, 26 December, 1994), while a separate agreement commits the Gabonese state to use public procurement to promote small businesses (Accord de Paris, 7 October 1994). In Darfur an agreement states the following:

> Priority in providing micro-financing shall be given to grass-roots productive and service associations and those with urgent needs, according to the regulations and procedures specified by the established micro-finance institution (Sudan/ Darfur, Agreement between the Government of Sudan and the Justice and Equality Movement-Sudan on the Basis of the Doha Document for Peace in Darfur, 6 April, 2013).

In El Salvador, parties commit to prepare and carry out an information campaign on loan programmes for agriculture, livestock and micro businesses (SRN commitment), (Agreement of the Tripartite Meeting Spanish: Acuerdo de la Reunión Tripartita, 8 September 1993).

Provisions can often focus on building up productive sectors that can lead to a reduction on aid dependency and harnessing a country's comparative advantage. An example can be seen in agriculture, where some suggest that building up a country's agricultural base can reduce reliance on food aid significantly (Del Castillo, 2015; de Vries, Langa and Specker, 2009). In Nepal, the 2007 Interim Constitution peace agreement states that:

> The State shall develop the agriculture sector as an industry by creating conditions for economic progress of the majority of the people who are dependent on agriculture and raising productivity in the agriculture sector through encouragement to the farmers.

Likewise, in the DRC, the state committed to make it easier for farmers and small and medium enterprises to benefit from the services of savings and credit institutions through group associations, such as cooperatives and initiative centres (Democratic Republic of Congo, Intercongolese Negotiations: The Final Act ('The Sun City Agreement'), 2 April 2003).

Sector-specific approaches can also be tailored towards diversifying the economy and reducing dependence on a limited number of resources (Iraq, Constitution of Iraq, 15 October 2005; Nepal, Constitution of Nepal 2015, 20 September 2015). The logic driving this approach is recognised explicitly in the 2001 National Action Charter of Bahrain:

> The idea was to avoid dependence on a single main source of income, to be able to ensure a reasonable standard of living for future generations and to avoid vulnerability to external economic fluctuation. As a result, Bahrain has grown into an important regional financial center and an internationally acclaimed tourist-attracting point. Through support made available to manufacturing, high value added, informatics and services industries, it has been possible to develop a platform for economic development and to offer employment opportunities to citizens.

Sector-oriented interventions can also use the business reform process to target previously marginalised or excluded groups. Various examples demonstrate this approach:

- In the Democratic Republic of Congo, the 2003 Sun City Act outlines the need to set up appropriate and specific structures, which can enable women to gain access to credit, micro-finance and the business world.
- In El Salvador, an agreement provides for micro-business loans for demobilised people as an issue of priority (Agreement of the Tripartite Meeting Spanish: Acuerdo de la Reunión Tripartita, 8 September 1993).
- In Yemen, the 2014 National Dialogue Conference Outcomes Document stresses the importance of supporting farmers through finance mechanisms.
- In Guatemala, commitments are included to promote an eco-tourism programme with the broad participation of communities which have received appropriate training (Agreement on the Social and Economic Aspects and Agrarian Situation, 6 May 1996).
- In Central African Republic, an agreement states the need for an authentic employment policy targeting young people, women and vulnerable populations (Pacte Républicain pour la paix, la réconciliation nationale et la reconstruction en la République Centrafricaine, 11 May 2015).
- In Mali/ Azawad, an agreement stipulates that a special fund is to be set up to assist displaced persons enter the production cycle (Pacte National conclu entre le Gouvernement de la République du Mali et les mouvements et fronts unifiés de l'Azawad consacrant le statut particulier du Nord au Mali, Azawad, 11 April 1992).
- In Algeria, parties commit to stimulate youth employment (Algeria, Plate-forme portant consensus national sur la période transitoire, 26 January 1994) (see also Nigeria/ Plateau State, Declaration of Intent and Signatures, 10 July 2013).

Finally, systemic approaches focus on creating environments underpinned by free-market principles where the market itself acts as a regulator (the market mechanism). In contrast, more sector-specific policies are often promoted to protect the rights of those previously directly exploited, moderating the concept of free-market to achieve social goods such as equality, thought to be important to political and therefore economic stability.
Thus, agreements have sought to:

1. foster and protect the rights of minority groups, such as peasants, in the area of employment and land reform (Constitution of Nepal, 20 September 2015);

2. promote regulation of businesses to maintain fairness and accountability (Constitution of Nepal, 20 September 2015);

3. protect against the exploitation of children and women (Constitution of Nepal, 20 September 2015);

4. encourage adherence to corporate social responsibility standards, such as the Extractive Industries Transparency Initiative (Myanmar, The Nationwide Ceasefire Agreement (NCA) between The Government of the Republic of the Union of Myanmar and the Ethnic Armed Organizations (EAO), 15 October 2015);

5. commit parties to adopt legislation obligating the private sector to commit to the principles of good governance (Yemen, National Dialogue Conference Outcomes Document, 25 January 2015); and

6. develop accountable, efficient and transparent mechanisms, which build upon and surpass international best practices (Afghanistan, Tokyo Declaration Partnership for Self-Reliance in Afghanistan from Transition to Transformation, 8 July 2012).

Sector-specific approaches to BER differ from systemic approaches in that values such as equality often inform interventions. These are manifested through stipulations directly assigning governments a role in promoting specific industries, including previously marginalised groups, and intervening to ensure that business interests do not impede individual and group rights.

Q. How can Business Environment Reform lead to conflict resolution?

Addressing the past and building for the future.

Commitments to reforming the business environment can both address the past, while at the same time building for the future, in the following two ways: the issues included; and the types of reform promoted.

Issues:

Peace agreements can directly address those issues that have undermined inclusion and development. For instance, targeting such areas as the malpractices of businesses, illicit economies, monopolies, or insecure property and land rights, can be commitments to rectify issues that were at the heart of or relating to broader issues that caused conflict. Similarly, targeting women, smaller enterprises, the youth, or adopting efforts to diversify the economy, might be viewed as responses to the marginalization of specific sections, the neglect of types of businesses, or as efforts to safeguard against the capturing of specific industries by dominant groups.

While debates on BER typically address the issue from the perspective of promoting the conditions necessary for businesses to thrive, in the context of negotiated settlements following periods of conflict, the issues addressed are often also direct responses to what has gone before.

Types of Reform:

A brief overview of the approaches to the BER envisioned and included in peace agreements shows how these provisions connect to broader debates regarding the most appropriate way to galvanise business development in post-conflict settings (see MacSweeney, 2008; Macintosh and Buckley, 2015; White and Fortune, 2015). While one train of thought pushes the importance of free-markets, property rights and developing the formal rules of the game (Peschka 2011; Channell 2010), another focuses more on the involvement of the state in promoting particular sectoral approaches, or requiring that other public goods, such as equality, be supported. These choices relate to different underlying philosophies around the values and social goods delivered by free markets.

Although systemic-type policies typically co-exist with more specific sectoral approaches, the existing literature on reform of the business environment suggests that there is often significant disagreement, not only regarding which particular approach to adopt (systemic versus sector-specific), but also which specific types of systemic or interventionist approaches to pursue (Macintosh and Buckley, 2015; White and Fortune, 2015). For example, while some highlight the potential benefits of building up agriculture (Jaspars and O'Callaghan, 2010), others stress the dangers and limitations of such interventions if it creates market distortions (Pantuliano and Elhawary, 2009).

Understood in the context of negotiated settlements, however, the types of reform adopted cannot be reduced to economic rationales and arguments. Rather, they are often direct responses to what has gone before with respect to the connections of business to the wider conflict. For example, the underlying reasons for and importance of pursuing free-market based approaches often emerges as a response to contexts like Iraq, where heavily-involved states have led to corrosive state-business relations, the plundering of resources, nepotism or other harmful forms of rent-seeking. Alternatively, the failure of free-market economies to help empower those at the margins helps to explain why, in contexts like Nepal and El Salvador, interventionist approaches, which require direct engagement to address market failures, are pursued.

Thus the issues addressed, and types of BER committed to, in peace agreement provisions are inherently linked to the structure and impacts of the business environment prior to and during conflict on society (Humphreys and Weinstein 2009; Moore and Schmitz 2008). Recognising that the broader context has an impact on the specific types of approaches included in peace agreements, provisions focused on reforming the business environment provisions perform the dual function of being both forward and backward looking, with their inclusion just as important as those provisions that seek to reconfigure the political order. In this way, such provisions can be important for conflict resolution and transformation.

Informing context-sensitive interventions:

The literature increasingly suggests that external interventions in conflict-affected settings must be context-sensitive and underpinned by robust political economy analyses (McIntosh and Buckley, 2015; Humphreys and Weinstein, 2009; MacSweeney, 2008; Moore and Schmitz, 2008). One of the perceived failures of international interventions, both more broadly in the context of peacebuilding and specifically in the area of BER, is that prescriptive and technocratic approaches pushed by international actors have failed to make material differences, in part owing to the lack of local ownership (Mac Ginty, 2013).

Review of what peace agreements provide for can usefully inform international actors of local understandings of how business has connected to both the conflict and to peacemaking activities. It can assist in moving from abstract economic theories on the causes of conflict or the most appropriate strategies to adopt in order to address those, towards a more context-specific understanding of the realities of the setting in question. Peace agreement provisions also reinforce the need to recognise that economic aspects are inherently linked to political settlements. As Wennmann (2015: 7-8) argues:

> Peace negotiations and post-conflict economic recovery are often perceived as two distinct operations that are conducted in different contexts and by different institutions. However, making economic futures tangible implies shifting our understanding of peacemaking from a two-stage process before and after a peace agreement, towards an ongoing process in which the resolution of a past conflict and the preparation of future political or economic orders go hand in hand.

Peace agreement business provision can be understood as including a partial roadmap for international intervention which is more locally-owned, context-relevant and legitimate.

Co-ordinating international interventions:

Negotiated business environment commitments can also help to guide international interventions in ways that support greater co-ordination between the diverse actors involved in efforts to reform the business environment. One criticism levelled against international intervention is the lack of harmonisation among different actors (Scott, 2014), with scholars noting the need to better align the efforts and programmes of actors intervening (De Coning, 2013; Scott, 2014; Poole and Scott, 2018: 20). What remains missing is to understand how to bridge the gap between the need for greater co-ordination, on the one hand, while also ensuring local ownership, on the other. Although recent efforts are moving towards adaptive-peacebuilding approaches (De Coning, 2018), one approach might be to consider how peace agreements set out roadmaps for coordination, including how to use their provisions to create priorities for business development.

Q. Are there risks to addressing Business Environment Reform?

The dangers and limitations of inclusion of business:

The discussions above highlight that peace agreements can include a range of issues that fall under the purview of BER. Yet, for the same reason, peace agreements can also omit business-related issues, particularly when these issues are sensitive or potentially destabilising. Inclusion of business issues in a peace agreement is not always a good in-and-of-itself.

For instance, in Angola, despite diamonds being a major source of financing for UNITA, the Lusaka Protocol of 20 November 1994 did not include the issue of diamonds. The diamond issue was not included in the Protocol because it was deemed unrealistic that UNITA would withdraw from the diamond fields. In fact, diamonds were of strategic interest and inclusion of diamonds in the Protocol's agenda may have threatened the entire peace process. Instead, both parties were allowed to continue controlling their respective revenue source – diamonds and oil (Wennmann, 2009: 53-54).

In the DRC, the Lusaka Agreement of 10 July 1999 and the Global and Inclusive Agreement on the Transition in the Democratic Republic of Congo of 17 December 2002 both focus on military and political issues while referring to economic issues only vaguely. According to Wenmann (2009: 53), 'the reasons for this situation are connected with the economic agendas of belligerents in the DRC, their foreign patrons and third-parties.' He continues that no party wanted to openly acknowledge the economic dimensions of the armed conflict to avoid exposure.

There are dangers with 'stressing economic provisions in the wrong circumstances [when they] can lead to the failure of a peace process as parties walk away from the negotiation table' (Wennmann, 2009: 44). Some analysts find, therefore, that peace agreements typically carry 'what the traffic can bear' and leave many of the key issues unresolved in the interest of reaching a compromise to end the war (Suhrke, Wimpelmann and Dawes, 2007: 14).

Exclusive negotiations lead to exclusive reforms:

Some caution also needs to be exercised in using the reform provisions in peace agreements as roadmaps for intervention or co-ordination in cases where these agreements operate as elite-level deals. Often, peace negotiations are exclusionary, including only primarily political or military actors. This exclusion is often presented as a necessary trade-off between the goal of ending violence on the one hand – to which elite agreement will be crucial – and normative arguments in favour of more inclusive processes as necessary to long-term stability and development, on the other (Ní Aoláin, 2016; Rocha Menocal, 2015; Bell, 2015). The degree of inclusion will affect the issues that are addressed as regards business, the priorities set and perhaps even the nature of reforms pursued. For instance, elites may seek to protect their own economic interests rather than pursuing policies that facilitate inclusive growth. While reform provisions have the potential of performing the dual function of helping to address the past and building for the future, achieving this potential depends on the extent to which negotiations are inclusive and representative of society's interests.

The dubious influence of international actors:

The argument that provisions can help to inform international actors to intervene in context-sensitive and locally relevant ways may also be wholly implausible when the inclusion of business reform provisions in the agreements is driven purely by pressure exerted from international actors. In Afghanistan, for instance, the Tokyo Declaration Partnership for Self-Reliance in Afghanistan from Transition to Transformation (Tokyo Conference), 8 July 2012, stipulates that developing a vibrant private sector is essential for sustainable development and building peace. Prior to the Tokyo Declaration, the international community had made clear its intent to support Afghanistan. However, the international community also stated that sustained financial support is only possible, and only responsible, if Afghanistan successfully implements its programme of necessary governance and economic reforms. These reforms were principally free-market oriented reforms. Wennmann (2009: 56) suggests that if economic dimensions are included because of external pressure, parties may only pay lip service to them while attempting to continue profiteering. Again, although there are opportunities for using peace agreement provisions to help guide interventions, both of the above points highlight the importance of inclusive and locally-driven negotiations.

The importance of sequencing reforms:

The question of how to sequence BER is the subject of much debate (MacSweeney, 2008; Macintosh and Buckley, 2015). However, there are a number of dangers associated with pushing for reform processes too early.

Risks in formalisation: BER commitments typically attempt to move towards more rules-based environments. The conventional logic is that greater business investment is supported and enabled by protecting property and contracts and that this increase helps create 'peace dividends' (Beasley 2006; Haider 2009). As Gerson (2001: 103) notes:

> Conflict settlement requires the injection of optimism and hope born of employment and economic opportunity. Otherwise, fragile peace arrangements can rarely be sustained. And, over the long term, only the private sector is capable of growing new enterprises, opening investment opportunities, and providing employment and enduring economic security. The creation of employment and other economic opportunities can nurture and sustain fragile peace arrangements.

However, the realities are often such that informal and even illicit economies provide livelihoods for a greater number of people than any formalisation process can, at least in the short to medium turn. Attempting to move from informal to formal economies can be destabilising when it removes people's means of subsistence. Scholars argue, therefore, that idealistic strategies must often give way to less than optimal approaches (Mackie et al. 2017; Schoofs, 2015; Del Castillo, 2015).

Box 6: Del Castillo's sequenced approach

ECONOMICS OF WAR (or underground war economy)

↓

ECONOMICS OF PEACE (or post-conflict economic reconstruction)

↓

ECONOMICS OF DEVELOPMENT (or development as usual) (or normal development)

Source: Graciana Del Castillo, 2015

Graciana Del Castillo (2015: 10; see also Box 6) underlines the importance of moving from war economies to peace economies to development economies:

> Because the political (or peace) objective should always prevail over the economic (or development) one during this phase, a basic premise for effective reconstruction is that first best economic policies are not always achievable or even desirable at this stage. This makes this phase fundamentally different from development as usual in countries not affected by major conflict.

She suggests that the primary focus must often be ensuring that conflict does not remerge and that this will require prioritising security-related issues and accepting trade-offs between what is normatively desirable and what is feasible and practically possible.

The limitations in overlooking informal economies:

Alongside the risks associated with attempting to shift from informal to formal economies, others also stress that informal economies can be productive. Moore and Schmitz (2008) note, for instance, the importance of understanding the circumstances in which informal arrangements raise productive investment in ways that strengthen the demand for formal rules. Development scholars have illustrated how societies underpinned by informal and personalistic politics can lead to economic growth in development *(see Box 7)*.

Box 7: Developmental opportunities in informal relationships

Scholars like Mushtaq Khan have advanced the political settlements framework, which emerged as a critique of approaches that ignored the conflictual aspects of institutions and the conflictual nature of the social transformations that development entailed (Khan, 2017). According to this perspective, the distribution of power can explain the emergence of different types of policies and institutions that may otherwise be hard to explain, including why particular types of reforms work better in some settings than in others. While in advanced countries the distribution of power is largely based on the distribution of incomes generated by formal institutions and rights, the distribution of power in developing countries draws significantly on organisational abilities based in non-capitalist sectors. In these cases, informal institutions like patron-client allocative rules, and informal adaptations to the ways in which particular formal institutions work, play a critical role in bringing the distribution of benefits supported by the institutional structure into line with the distribution of power (Khan, 2010). Thus, pushing for the formalisation of the business environment without paying due regard to the underlying balance and nature of political power and institutions can miss opportunities for development.

[cont'd]

Booth and Golooba-Mutebi (2012) develop this insight using the term Developmental Patrimonialism. They argue that informal governance mechanisms, such as rent-seeking, can nevertheless contribute to development and other social outcomes. In such contexts as Kenya, Malawi, and Côte d'Ivoire, post-independence strongmen had presided over strong growth by curtailing multi-party democracy, centralising economic rents via the patronage system, and carving out some space for long-term technocratic planning (Kelsall 2016a).

Work by Lant Pritchett and Erik Werker (2013) for the research project 'Effective States and Inclusive Development' [3] has expanded this approach further through a framework that aims to analyse what they call the 'deals environment' in any given economic sector. Central to Pritchett and Werker's approach is the notion that the foundations of economic growth lie not in the abstract application of 'better rules' to developing economies (as the good governance agenda would suggest), but in changes to the way that economic 'deals' are made.

Finally, Tim Kelsall (2016b), in providing a typology of political settlement types, refers to hybrid settlements. Under these types of settlements, as seen in such places as Cambodia, Uganda and Indonesia, the most powerful elites accept the basic terms of the settlement, while some may remain willing to use violence in order to achieve their aims. The bureaucracy is permeated by patronage and nepotism, but civil servants are not entirely neglectful of their public duties. Despite the existence of relatively 'closed' settlements, along with informal bureaucratic governance, these settlements can still have developmental potential.

[3] See: http://www.effective-states.org/

While economists and those focused on private sector development post-conflict advance the importance of developing formal economies, underpinned by the rule of law, in certain contexts informal relationships can be productive. They can also better support livelihoods than the imposition of economic systems that do not conform to traditional customs and cultures. Viewing informal economies as a 'less than optimal approach' should also be tempered by assessments of the limitations and dangers associated with international interventions based on 'best practices' that have often failed to have the desired results.

The need to understand how a range of reconstruction processes will affect the business environment: The concept or notion of peace dividends creates expectations that material improvements will result from peace. Approached through the lens of reforming the business environment, these expectations include that there will be more employment opportunities and increased spending by governments because of heightened resources and the reconstruction of physical infrastructure. Yet, there is the need also to consider BER commitments in the context of the broader processes and sequences of events that are prerequisites to reform processes. For example:

- even if policymakers want to start providing credit for microenterprises immediately, this will not be possible until the monetary authorities and the basic legal framework are in place. In Kosovo, for example, the first challenge was to restore the payments system, without which all other policies would have been ineffective;

- support to access to finance also includes improving the full financial ecosystem. For example, developing appropriate regulatory frameworks to ensure the stability of financial systems and providing incentives for sustainable investments. In many countries, reactivating agriculture may not be possible without first de-mining fields and roads; and

- in Iraq, the currency exchange was necessary to eliminate Saddam Hussein's portrait from the currency bills and, in Afghanistan, it was necessary because of the existence of several currencies and the large degree of counterfeiting (Del Castillo. 2015: 15).

The business environment as a 'complex of policy, legal, institutional, and regulatory conditions that govern business activities' (DCED, 2008: 2) means that the reform process is dependent on developing institutional capacity in a broad range of areas, adding a further dimension to efforts to proceed from war to developmental economies. Only some of these – the most political – will be addressed in peace agreements. Thus, amidst discussions on peace dividends, there is also the need to manage expectations in such a way that is commensurate with the gravity of the task that is BER.

Recent interest in strategies directed towards catalysing investment:

Business reform processes take significant time. This creates a significant tension: on the one hand there is the perception that businesses are necessary to peacemaking, yet on the other, owing to poor institutional capacity, the necessary environments are often not there without significant reconstruction. For this reason, various innovations have emerged that seek to catalyse investment in post-conflict settings, beyond efforts to rebuild the institutional environment (see Scott, 2014; Poole, 2014; Oxfam 2017; Poole and Scott, 2018; Giordiano and Ruiters, 2016; see further Box 8).

Box 8: Examples of alternative efforts to galvanise business activity

Risk Financing and Transfer: risk financing and risk transfer involves putting in place a strategy to ensure the availability of funds for post-disaster relief and reconstruction that is commensurate with the scale and frequency of anticipated risks. These approaches are characterised by a shift from ex-post to ex-ante mobilisation of financing. This strategy should exist within a comprehensive approach to disaster risk management which also considers how to reduce, mitigate and make practical preparations for residual risk (Poole, 2014; Scott and Poole, 2018).

Blended Risk Finance: blended risk finance involves using public subsidies to incentivize private investment in partner countries (Oxfam, 2017). The OECD defines blended finance as 'the strategic use of development finance for the mobilisation of additional commercial finance towards the SDGs in developing countries'. 'Development finance' comprises both Official Development Finance, as well as private funds that are governed by a development mandate. 'Commercial finance' refers to both public and private sources of finance that do not have a 'development' mandate, for example, investment by public or privately-owned pension funds or insurance companies, banks, businesses and so on.

Part IV: Allocating Responsibilities for Reform of the Business Environment

Any provisions for business environment reform raise questions as to whom or what groups/ levels of government will be given responsibilities for undertaking those reforms; and in the case of natural resources, whom has ownership and thus the rights to benefit commercially from them.

Often, discussions over responsibility emerge in contexts where some form of power-sharing is adopted. While there is some debate as to how power-sharing should be defined, it is generally understood to involve the distribution of political, military, economic, and/or territorial authority between the key groups at the heart of the conflict. Power-sharing arrangements aim to reduce the risk of civil conflict by guaranteeing potentially warring parties a role in a country's government, thus lessening the stakes of political contestation (Gates and Strøm, 2008: 1).

Although rarely examined through the lens of business, economic power-sharing arrangements have a direct bearing on business-related issues (for in-depth discussion of types of power-sharing, see the PSRP PA-X Power-sharing Reports series).

Involvement in decision making:

Power-sharing arrangements often increase the influence of previously marginalized groups to influence reform processes. In some instances, political power sharing arrangements include provisions that designate inclusion in or responsibility over key ministries that are responsible for defining BER. For example, in Liberia, the Peace Agreement between the Government of Liberia, the Liberians United for Reconciliation and Democracy (LURD), the Movement of Democracy in Liberia (MODEL) and the Political Parties (Accra Agreement) (18 August 2003) gave former rebels control over key ministries and public corporations. Representatives of the former Taylor government, for example, received control over the Liberia Petroleum Refining Corporation, the Liberia Water and Sewer Corporation, and the Budget Bureau. Meanwhile, LURD and MODEL were allocated state companies like the Liberia Telecommunications Corporation, the Forest Development Authority, and the National Ports Authority.

In other cases, peace agreements delineate the competences of sub-state entities or local government to define and promote their own economic, social and cultural development programmes at the sub-national level. Approached from the perspective of reforming the business environment, this often entails transferring responsibilities to undertake the very reforms discussed above. A few examples demonstrate these types of provisions:

- In India, the 2011 Memorandum of Agreement on the Gorkha Territorial Administration, 18 July 2011) transfers competences to develop the agricultural industry to Darjeeling.

- In Bosnia, the 1994 Declaration Concerning the Constitution of the Federation of Bosnia and Herzegovina (with Proposed Constitution of the Federation of Bosnia and Herzegovina attached), provides that the Cantons shall have all responsibility for regulating and promoting local business and charitable activities.

- In Angola, under the Memorandum of Peace and Understanding in Cabinda Province (1 August 2006), the Cabinda Provincial Government is given special powers of an economic and social nature to promote the development of the economy of the province through the development of the commercial services sector (in particular trade, hotel and tourism, banking, insurance ,transport). The Cabinda Province is also tasked with fostering national entrepreneurship and encouraging foreign business and monitoring compliance by companies with legal obligations, in particularly those related to labour, tax, and environmental orders.

- Similarly, pursuant to the territorial power sharing arrangements between Aceh and Indonesia, Aceh has the right to set and raise taxes to fund official internal activities. Aceh also has the right to conduct trade and business internally and internationally and to seek foreign direct investment and tourism to Aceh (Indonesia/ Aceh, Memorandum of Understanding between the Goverment of the Republic of Indonesia and the Free Aceh Movement (Helsinki MOU), 15 August 2005.

In other cases, agreements stipulate a balance of competences, both specifying the responsibilities of the sub-state entity, while also outlining the responsibilities of the central state. For instance, in Kosovo, the 1999 Ramboulliet Accord states that: 'The Assembly shall be responsible for: enacting laws ensuring free movement of goods, services, and persons in Kosovo consistent with this Agreement; adopting programs for the development of agriculture and of rural areas' (at page 7). At the same time, 'the communes shall have responsibility for regulating commerce and privately-owned stores, developing programs for tourism, the hotel industry, catering, and sport.'

Ownership/ control over resources:

In some circumstances, the distribution of competences to control natural resources is a key point of contention, precisely because it is this allocation of power which determines control over natural resources (Haysom and Kane, 2009: 13; Haaß and Martin Ottmann, 2015). Peace agreements often define who has ownership or control over natural resources (see Bell, 2018) and, for the purposes of this brief, the right to use these resources to engage in commercial relations with businesses. For instance, the 2013 Annex on Power-Sharing to the Framework Agreement on the Bangsamoro stipulates that 'the Bangsamoro Government shall have authority and jurisdiction over the exploration, development, and utilization of mines and minerals in its territory' unaddressed, illustrating that even business-focused provisions can be highly political contentious.

Rights to benefit from reforms and ownership over resources:

Peace agreements can also define whom is to benefit from the proceeds which arise from BER or ownership over natural resources. As an example of the former, in Northern Ireland, while bearing the full costs of the devolution of corporation tax, Northern Ireland is also to receive the full benefits of the devolution of corporation tax consistent with the Azores criteria (A Fresh Start: The Stormont Agreement and Implementation Plan, 17 November 2015).

In the case of natural resources, agreements can also define the extent to which sub-state entities are to benefit from revenue generated by them. In the Philippines/ Mindanao, for example, pursuant to the Annex on Revenue Generation and Wealth-sharing to the Framework Agreement on the Bangsamoro (FAB), 13 July 2013, government income derived from the operations of Bangsamoro government-owned and -controlled corporations, financial institutions, economic zones, and free ports operating therein, are to go to the Bangsamoro Government.

In addition to Aceh's special status pursuant to the Memorandum of Understanding between the Goverment of the Republic of Indonesia and the Free Aceh Movement (Helsinki MOU), Aceh was to keep 70 % of its oil and gas revenues (a much greater share than received by any of the other Indonesian provinces). Similarly, in Sudan/ South Sudan, under the 2004 Agreement on Wealth Sharing, the sharing of oil revenue from wells in Southern Sudan previews that 50% of net oil revenue accrues to the Government of Southern Sudan (GOSS) and the remaining 50% to the National Government and States of Northern Sudan (Art.5.6). Concerning non-oil revenue, the Agreement specifies various sources of revenue collection for the Government and in GOSS, including taxes and fees (Art.6). All national revenue is centralised in the National Revenue Fund (Art.7.1). 50% of the revenue collected in Southern Sudan is given to the GOSS (Art.7.3).

Conclusion

This Research Report has argued that business provisions feature in peace agreements in a range of ways. Peace agreements can refer to the roles that businesses can play in peacebuilding or post-conflict reconstruction efforts. On one level, assigning peacebuilding or post-conflict reconstruction responsibilities to business in peace accords can be understood as usefully harnessing the capacities of business to contribute positively to peacebuilding. In what some have termed an 'era of disillusionment' (Bell, 2015) with existing approaches to peacebuilding, seeking to include businesses in peacebuilding efforts reflects an emerging consensus that it is necessary to do things differently. The growing body of literature and recent policy developments in the area of business and peacebuilding suggests that locating business roles through peace agreements could serve as an important mechanism for harnessing the potential of businesses to be important constituents of peace.

At the same time, it is acknowledged that businesses can undermine peacebuilding processes, particularly when businesses pursue their own self-interests vis-à-vis societies or form harmful, collusive relationships with political elites.

Peace agreements can also include commitments to reform the business environment. These commitments can help point the way towards reforms, which will assist business development, investment and entrepreneurship. Business environment reform processes can also help to redress those aspects of the business environment which underpinned, contributed to, or assisted in perpetuating conflict. Addressing BER, however, also carries risks. In particular, addressing reform of the business environment can be destabilising if it alters the basic distribution of spoils and entitlements or removes informal means of subsistence in a manner which privileges ideas about functioning markets over the on-the-ground realities. In this sense, how, when, and where to employ particular BER processes will be directly related to the political economy, the history of conflict, and the relationship between business, elites and broader society.

Finally, while beyond the confines of this Research Report, designating responsibilities and ownership for BER can form an important aspect of any negotiated settlement which involves transferring power from one group to another. Reform of the business environment, therefore, is often intricately linked to discussions on power-sharing, be it economic, political, or territorial.

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About Us

The Political Settlements Research Programme (PSRP) is centrally concerned with how political settlements can be made both more stable, and more inclusive of those affected by them beyond political elites. In particular, the programme examines the relationship between stability and inclusion, sometimes understood as a relationship between peace-making and justice.

The programme is addressing three broad research questions relating to political settlements:

1. How do different types of political settlements emerge, and what are the actors, institutions, resources, and practices that shape them?

2. How can political settlements be improved by internally-driven initiatives, including the impact of gender-inclusive processes and the rule of law institutions?

3. How, and with what interventions, can external actors change political settlements?

The Global Justice Academy at The University of Edinburgh is the lead organisation. PSRP partners include: Conciliation Resources (CR), The Institute for Security Studies (ISS), The Rift Valley Institute (RVI), and the Transitional Justice Institute (TJI, Ulster University).

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