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The war economy transformation agenda: DSI approaches and behaviours

War economies are resilient to small-scale, narrowly defined projects, their transformation requiring concerted and simultaneous engagement by and through a variety of actors, reforms and processes. This range of programmes, broadly referred to in this book as the transformation agenda, has been developed and is implemented by a diverse network of actors, the Development-Security Industry (DSI) who work at multiple levels in an attempt to not only sever links between economic opportunities and political violence, but also to create more just, transparent and equitable modes of political-economic relationships within conflict-affected societies. However, even when the DSI attempts to transform political-economic relationships using a multi-faceted approach, war economies remain resistant to change. The explanations for such resistance in a diversity of cases, from central Asia to the Balkans to Latin America, are not to be found in the minutiae of individual project evaluations but rather a more comprehensive analysis of the characteristics of the actors which engage in transformation. Such analyses, undertaken in the previous three chapters on reform processes, allow for the creation of a detailed and systematic framework through which the collision between the DSI's transformation agenda and war economies can be understood. Although drawing from a single case, the findings presented are applicable to other scenarios, as it is not in the final outcomes or specificities of reform in Kosovo that one finds the answers to the problems of transformation, but in understanding the processes and the everyday technologies of aid on which the reform agenda relies.

Building upon already existing understandings of how development and security institutions engage with complex social, economic and political dilemmas, the findings from previous chapters can be used to develop a

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general approach to understanding the problem of war economy transformation, with the aim of improving responses to it. In order to understand the barriers and opportunities for building peace economies, one must address three interdependent processes. The limitations of war economy policy can be explained by examining the ideological foundations of the liberal peacebuilding project, conceptual lenses through which the problem is understood and the degree to which this is implemented in programming, as well as the operational characteristics of the DSI. By exploring these related characteristics of the aid industry, one finds that whilst the critiques of liberal peacebuilding do hold in many instances, and in ways which negatively impact upon the capacity of actors to positively transform economies, there is also a degree of heterogeneity in the response of operational actors.

In other words, some actors have manoeuvred within and around the typical liberal modes of intervention and attempted to integrate more context-specific, politically aware modes of programming with the aim contributing to the wider aims of positive transformation defined and described in Chapter 1. Whilst imperfect, these examples showed that innovation and attention to social, political and economic justice *are* possible. This is not to say that the specific alternative paths taken in the case studies presented in Chapters 5 to 7 should form a new model of engagement, but to highlight that progress can be made where there is negotiation with local actors, integration of a range of contextual issues is privileged and the goals of justice are more effectively balanced with those of stability and growth. These diverse responses, discussed and analysed in greater detail below, illustrate that individual agency and institutional flexibility are also important characteristics of the DSI and present opportunities on which to imagine alternative approaches to transformation.

Liberal ideology, processes and transformation

In ideological terms, politically liberal and economically neo-liberal foundations of the DSI have led to a strengthening and widening of the relationship between security actors and development agendas. This has resulted in a depoliticising of conflict analysis and programming as a (paradoxically) political strategy for installing a distinct form of liberal peace. Distancing institutions or policy reforms from political issues serves as strategy for appearing neutral and thus distancing actors within the DSI from accusations of neo-colonialism. While this depoliticisation is apparent in a range of programming, nowhere is its presence more felt than in the econometric areas of reform such as privatisation and fiscal programming (including the revenue collecting and tax policy arms within customs reform). These areas of programming remain heavily influenced by neo-liberal economic ideals, with

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the promotion of private business, the severing of relationships between public goods and private economic interests and the facilitation of free trade across borders emerging as cornerstones of building liberal peace economies. In these ways, removing politics from the equation has become part of the wider hegemonic process of global governance, whereby actors seek to remove any element or notions of power relations from policies and programmes – the reality and struggle of the politics of the locale are masked as technocratic governance replaces political, social contestation (Craig and Porter, 2005).

This ideologically biased form of conflict programming, which focuses largely on bringing stability (or negative peace) as opposed to substantial transformation (positive peace) to post-conflict areas, is fundamentally a tool for creating liberal regimes in previously 'illiberal' parts of the world. At least four specific impacts of this approach on transformation programming have been exposed. First, the standard critique of the liberal peace in this regard is that local needs become secondary to global, or foreign political-economic goals. Creating or sustaining physical stability remains the primary aim of the DSI, with local conflict resolution or socio-economic justice pushed to the background. Evidence of this effect of liberal peacebuilding is mixed. At a broad level, such a critique is justified if one considers the DSI's propensity for engaging in the shielding of some actors for the sake of stability and as such legitimising former war entrepreneurs. At the same time, the DSI has proved that it will go to great lengths to install some neo-liberal reforms such as privatisation, a process which has been pushed through despite serious concerns over legality, political impacts locally and regionally and potentially sowing the seeds for future conflict. Both of these processes limit positive transformation – with the former facilitating the growth of new conflict economies, and the latter creating structures which favour already powerful actors, while pushing others further towards the informal and illicit economies.

However, what was found in this research is that while there were indeed cases where the DSI favoured processes which promoted stability and the development of a free market economy (regardless of their negative impact on dysfunctional political-economic relationships) this did not necessarily come at the expense of, or preclude the ability of operational actors to engage in, types of programming which do not clearly fit the liberal blueprint. In some cases, operational actors sought out forms of intervention that attempted to engage in modes of transformation that encouraged the more progressive forms of change outlined earlier. There can be two simultaneous tracks of engagement, with the guiding actors of the DSI favouring policies of stability and liberal statebuilding, and operational actors seeking opportunities to resolve conflict and develop local capacity from the bottom up. So long as the

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operational actors do not fundamentally disrupt the overall aims of guiding actors (as occurred when international KTA staff in Kosovo attempted to halt the privatisation process), there does appear to be *some* political space for operational actors to engage in more structural or politically focused programming (for example public information campaigns and the dismissal of senior KPC officers for involvement in OC). In relation to this specific comparison, one might consider the fact that the flexibility for more contextually based programming occurred in instances which would further the DSI's core goals of stability or in no way challenged the core goal of facilitating free trade. Compare this to the attempt to halt the privatisation process (a threat to a core neo-liberal strategy) and one wonders if flexibility for more nuanced programming is an option only when the policy either furthers or in no way challenges core ideological goals of the guiding actors.

Thus, while there are cases when international goals appear to override the need for local transformation, there are also examples where both aims may be simultaneously furthered. Although there remains a substantial power imbalance between guiding actors and operational actors which is detrimental to positive transformation, the scope, nature and application of this agenda is still very much in negotiation. Constantly in flux and inconsistent in its application, the dominance of the liberal agenda can be and is contested by domestic and international actors alike. Although the gains made by operational actors in this sense are limited in relation to the control of guiding actors and their goals, examples of challenges to dominant liberal ideals and processes serve as starting points for changing the system. While appearing as an overpowering process at the macro level, the liberal peace project has not completely overtaken policy at the micro level, and thus the ways and means by which this global discourse and set of policy prescriptions can be challenged must emerge as a key area of research.

This relates to the second supposed impact of the ideological biases of the DSI – that in order to achieve the goals of liberal peace, domestic or local actors are allowed to capture post-conflict programming. Effectively referred to as 'buying the peace' (Le Billon, 2003) this describes instances where the DSI allows those who they fear may spoil the peace (often former war entrepreneurs) to retain positions of power or remain unpunished. Such capture can take several forms. Former military actors may demand preferences in the hiring of personnel for new security institutions. Elites may try and capture the benefits of specific economic development programmes such as privatisation either to consolidate the wealth and power gained through their participation in the conflict, or simply as a way to launder the profits gained through illicit activity. Actors may also try and influence legal codes, customs codes, or other regulatory codes which would advantage their social group or political party. Criminal actors may attempt to capture development program-

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ming in the same way, utilising the connections made with political actors during conflict. The supposed impact of this on war economy transformation is the legitimisation of war economy participation and wealth creation through violence, as well as the entrenchment of actors and relationships which should be eradicated or transformed.

While there is much evidence that in some cases actors within the DSI do turn a blind eye to this in order to ensure stability, there are also many examples of resistance to such capture. At least three responses can be identified. First, there is indeed a strategy of acceptance; in some cases international actors allow politicisation to occur for political reasons such as stability. Second, negotiation may be used to limit the degree to which political capture occurs. This often includes discussion over the number of ex-combatants that can apply to new security institutions or negotiation over the rules of privatisation or licensing agreements. The final strategy is denial, whereby international actors forbid certain forms of politicisation or capture. This may involve prohibiting military actors from engaging in party politics or maintaining executive authority over key areas of programming. In the case of Kosovo we see evidence of all three strategies and a movement between them. Consider, for example, the evolution in dealing with criminal elements within the KPC which has seen DSI actors move from a relative strategy of acceptance to one of denial as both the external and internal political environment was judged to be conducive to such a shift. Given these three policy choices when faced with the possibility of managing capture, actors need to consider both the costs and benefits of choosing one approach while also anticipating and seeking out opportunities to move from one strategy to another.

Third, and also in an attempt to ensure its goals are met, the DSI tends to introduce control mechanisms, utilising rhetoric regarding the altruism of its goals to impose profound control at the local level. In terms of long-term transformation, control mechanisms are deemed ineffective for several reasons. The structure of the agenda of control results in upward accountability, with domestic institutions being accountable to international actors as opposed to their own constituencies. This prevents the building up of necessary socio-political relationships which the international community is in fact trying to instil in post-conflict programming. This third ideological impact, providing justification for an agenda of control, at first seems to be well supported by the case of Kosovo. Ongoing executive control by UNMIK for the entirety of its mission over key areas of Kosovo's public sector, ongoing pressure by the ICO and renewed executive power by the new EULEX mission over Kosovo Customs provide evidence that the language of peacebuilding and reconstruction is allowing for and providing a degree of cover for invasive externally guided control mechanisms. We also see the use of the criminality discourse, a central theme in debates over war economies, in providing justi-

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fication for such controls. Such (ab)use of the concept of criminality can be seen in the use of 'Al Capone' prosecutions which illustrate the targeting of specific individuals deemed unworthy of participating in post-conflict Kosovo's affairs.

Yet concerns over an agenda of control also need to be reformulated. While such critiques are rightly laden with negative connotations, they often do yield results which further the aims of transformation in the short term. As discussed in regard to the customs agency, it is the heavy-handed techniques associated with an agenda of control which are credited with keeping *some* political interests from interfering in the service and preventing corruption. The ICO's renewed role, and the Special Chamber's ongoing role in privatisation was a direct response to substantial concerns over what an independent Kosovan privatisation agency might do. These control mechanisms are an attempt to ensure that post-independence privatisation is not captured by elites, nor is it discriminatory against Serbs and other minority groups. Likewise, the IJPP, while imperfect, has resulted in the effective trial of cases which domestic institutions would have been unable or unwilling to try. In some cases, control mechanisms may be needed and even desired by local actors in order to deal with acute problems in the post-conflict phase. In these cases, finding ways for the domestic actors to decide which control mechanisms are necessary, and how they should be implemented, will further the legitimacy and accountability mechanisms and therefore the sustainability of reform. In line with this, the agenda of control needs to be further dissected into long-term policies of control (such as installing neo-liberal economic systems) and short-term policies of control (such as executive control over the judiciary, police and customs). These latter forms of control are often a necessity in terms of transforming war economies as they allow for objective or strong responses to be formulated. And while the sustainability of these controls has been questioned, they have also been required in the short term. Finding ways of phasing out these forms of control, while replacing them with sustainable internal structures, emerges as a further key area for future research.

Finally, the ideological foundations of DSI programming are seen as problematic insofar as they favour liberal ideals over other forms of economic, political or social organisation. Modern liberal preconceptions about how states and markets should and do operate are also seen as problematic for post-conflict programming. Reform projects which attempt to transform post-conflict economies place much emphasis on the creation of liberal models of statehood and concomitant state-citizen-market relationships. The positive value and benefits of these models and relationships are presented *a priori*. There are limited attempts to reflect on whether the neo-liberal economic development paradigm, and the concomitant liberal governance agenda, are

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in any way deficient or dysfunctional and may in fact be *contributing* to the growth and sustainability of war economies. Related to this, the push for formality in areas such as customs reform may also push some actors further into the illicit and informal sectors as they are unwilling or unable to adapt to the new formal models imposed by the international community. There is also an ethical argument to be had related to the hypocrisy involved in some attempts by DSI actors to install such modes of governance. The DSI in fact uses techniques that contradict their own values and standards in order to bring post-conflict states and economies in line with the ideal liberal form of political-economy. They have broken their own guidance on judicial independence, democratic decision making and transparency. In this sense, transformation policies are in fact counterproductive to the aims of positive transformation insofar as they encourage political manipulation, create resistance to reforms and may push some actors further towards the informal and illicit sectors.

Of the four potential impacts of ideology on transformation, it is this final hypothetical that requires the least reassessment. While there was a general acceptance of the alternative and historically grounded manner in which Kosovo organises itself and operates, there appeared a general consensus that this would, and should, change with time, and that given the right tools it would 'convert' to liberal forms of political-economic and social organisation. Still, analysis should go deeper by examining the forms of liberal ideals which are *desired* by some segments of the population (for example, democratic over authoritarian policing) and therefore have a degree of legitimacy and thus are potentially sustainable, and forms of organisation which are *imposed* without local input (for example disallowing enterprises from fulfilling welfare functions) and thus result in limited compliance by local populations. A reform process should not be dismissed solely on the grounds that it is liberal. It should be judged in terms of its effectiveness in meeting locally identified needs and the degree to which it is seen as legitimate by the local population. It is when programmes find legitimacy from above, from external internatioal agendas, that reforms need to be questioned and local or alternative modes of political and economic governance considered.

The ideological bias towards liberal ideals and institutions in post-conflict and transformation programming is strong – policies which form the foundation of liberal peace or which support its installation are often pushed through with little regard for local or long-term political-economic consequences. Yet the ideological force of liberalism is not all-encompassing, as initial critiques suggest. Its impact on the DSI's attempts to transform war economies, while destructive in the way it legitimises and even encourages dysfunctional political-economic relationships, and often justifies severe control mechanisms, is not homogenous. While evidence of all the assumed negative effects

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of liberal ideology and processes on transformation were found in the case of Kosovo, both local actors and operational actors within the DSI have employed numerous strategies which attempt to renegotiate or usurp the constraints of guiding actors and liberal values of the DSI. While confirming the strength and negative outcomes of ideology in this regard, this research shows that the ideological impact is not static, it remains in flux, being continuously challenged and renegotiated, pointing to avenues for potentially challenging the direction of ideologically based policies and their impact on transformation.

Conceptualisations of war economies and the impact on practice

The failures of the transformation agenda can also be understood by addressing the ways in which the problem is conceptualised by the DSI and how its analysis does or does not impact policy. Development and security actors have two broad options when attempting to understand and address activity related to war economies and their legacy – a Rational Choice (RC) model and a Structural Political Economy (SPE) model. What is clear, given the preceding analysis of reform processes in Kosovo, is that most individual actors and institutions employ both strands of analysis in their conceptualisations of political-economies of violence. While this issue will be discussed in detail further on, it is first worth summarising what lessons can be taken from previous chapters in terms of *what* applying this latter, SPE, analysis entails.

The case of Kosovo has proved useful in terms of refining the questions which need to be asked in order to undertake an effective SPE analysis. The first set of questions requires actors to think more critically on the aforementioned issue of criminality which accompanies most if not all war economy programming. Dupont's (1999) assertion that the role of crime is often exaggerated or sensationalised was echoed in the varying opinions regarding the role of organised crime during both the war and post-conflict era in Kosovo. More research on the scale and nature of the problem is needed to make sure that the role of crime is neither under nor over stated, and to ensure that an adequate amount of resources are supplied for tackling the problem. Second, definitions of crime also need to be reconsidered in relation to local norms, values and social structures. Criminality is a subjective term, based partly on social and cultural perspectives but also on the legitimacy of those imposing rules regarding criminality. In some cases, effective investigation and prosecution techniques fail or face serious hurdles as an agreed upon, legitimate set of definitions and rules do not exist between the police and the policed (the way that acts of smuggling are criminalised by some, while seen as either a survival strategy or an act of political defiance by others is a case in point). Alongside this, the interdependence between licit and illicit economic activity

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and actors needs to be highlighted in order to ensure all actors in and benefactors of illicit activity are considered in transformation.

It is also useful for actors involved in transformation to break down criminal activity into sub-categories as different forms of crime call for different strategies. Three relevant forms of crime which can be identified are politically integrated crime, regular crime and perceived crime. These are not sociological definitions of crime, but rather categories of crime encountered through research which each have their own distinct characteristics and effects. The first category would highlight links between criminal actors and political leaders. Within this first category of crime, at least two motivations can be identified. First, actors engage with criminals to achieve acute political goals. So for example, the KLA was not a 'criminal organisation' but interacted with criminal structures as a means through which to further its ideological struggle, with criminal groups benefiting economically. Second, political actors may engage in criminal activity or align themselves with a criminal group (which may overlap with other social networks) in order to consolidate political power in the post-conflict phase. This may take the form of money laundering (to legitimise profits made during the war), corruption in the granting of licenses or the privatisation scheme, or the facilitation of criminal activity through interference in the judicial, security or customs sectors. In this sense there is a blurring between political and criminal motivations, with criminals and politicians becoming entwined in mutually beneficial relationships. The second category, regular crime, refers to crime which has no direct links to the conflict, ongoing instability or political motivations. In these cases there is less political analysis to be done and actors would more usefully engage with the theories and practices found in criminology and sociology.

In relation to transformation, rather more attention needs to be paid to the third category, namely perceived crime, which relates to assumed but unproved connections between criminal elements, war economy participants and political elites. This category highlights the role of rumour and speculation of criminal activity and has an equally strong, if not stronger, impact on post-conflict programming. Rumours of political-criminal links provide a strong justification for continued control over key areas by international actors. Perceived crime may also provide justification for participation in illegal activities: if the elite are acquiring wealth through illegitimate means, why should the average citizen follow the rules? Thus, while rumours are effective in justifying serious control mechanisms, they are also counterproductive as the failure to either quash rumours, or actually prosecute (if the rumours are indeed true), creates an image of a crime-ridden, mafia-led state. While providing incentives for others to smuggle, this can also affect the ability of post-conflict states to develop and attract the foreign aid and invest-

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ment required to rebuild. Furthermore, rumours of ongoing criminality allow for and create continued tensions between parties to the conflict, as sides continue to demonise each other through accusations of criminality. For example, the 2011 violence at northern border crossings has largely surrounded perceptions and rumours of Serbian officers and civilians being more involved in smuggling and customs fraud than their Albanian counterparts. In order to dismantle the problem of perceived criminality, two options exist. First, if the rumours are in fact true, individuals must be properly investigated and prosecuted. If in fact the allegations are rumours, and are nothing more, active steps must be taken to exonerate and publicise individuals' innocence.

A second strand of the SPE approach addresses the functionality of war economies. In many cases, attempts at transformation focus largely on the negative impact of activities associated with these economies including their role in the commencement of violence or in their role in allowing violence to continue. However, war economies, their participants and the profits accrued also serve positive functions. This results in certain actors and activities gaining a degree of legitimacy with local populations, making transformation or eradication policies especially difficult. The functions of war economies can be broken down into three categories. First, these economies and their partici-pants may serve a security function with the emergence of some form of 'pax Mafioso' whereby opposing sides keep violence to a minimum in order to facilitate trade. Conflict entrepreneurs may also provide protection for local communities, especially when power vacuums emerge during periods of extreme upheaval or the collapse of formal state structures. Their presence and support for a particular group may also ensure one actor does not gain hegemony in an area; war economies, in some cases, may provide the capital to ensure (admittedly dysfunctional and undemocratic) balances of power.

Socio-political functions also need to be considered. The war economy, and its continuance in the post-conflict phase, may lead to modes of governance, creating informal or de facto governing structures including tax collection and the provision of social services. It might also form a fundamental part of patronage networks, allowing for a degree of political continuity or stability. At a higher level, the war economy may be contributing to the wider political goals of a society, such as a demand for independence. As Andreas (2005) notes, smuggling and other related activities have at times become seen as a patriotic duty. Of course ideally conflicts would be solved without violence. The international community could have possibly prevented the violence in Kosovo had they included the territory in the 1995 Dayton agreement. However, if the international community is unwilling or unable to help prevent conflict, there are serious moral hazards in dismantling struc-

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tures that may disallow vital resources to an oppressed population. Transforming war economies may actually result in empowering one party of the conflict, as it deprives resources to the other side.

Finally, both the positive and negative economic functions of the war economy need to be considered. Participation in these economies is not simply an issue of greed, but a way in which marginalised individuals, groups, or even nations can insert themselves into the competitive global market. Engaging in these activities (both during and after the conflict) is a form of employment when other opportunities are lacking. These economies also provide goods and services that the formal and legitimate markets cannot. During the conflict all groups will be faced with a collapse of formal modes of economic exchange. International embargos and the practicalities of bringing goods into a region may lead to an even greater reliance on underground exchanges. It is smugglers who often provide basic goods during these times, leading to a form of legitimacy for such actions. Finally, in the post-conflict phase, activity often considered illegal or corrupt, such as capture of privatisation schemes, often provides a mechanism through which former war entrepreneurs can 'go legal', allowing actors to contribute to the economic reconstruction of their state in more just and legitimate manners.

All of these functions taken together remind us again of Tilly's (1985) 'war makes states' dictum which can be adjusted from the above discussion to the view that 'war economies also make states'. Under such a view, one might want to consider that war economies are part of a wider (and historically based) global political-economy, in which powerful developed states and their leaders have used similar methods to consolidate power. This again points to the need for transformation techniques to be sensitive to the positive functions of some 'illegitimate' activity. Approaches to some war economies have considered this – the Alternative Livelihoods programme in Afghanistan for example has assessed the economic function of the poppy industry and has been keen to ensure that farmers are provided with other means to support their families before crop eradication begins, but such foresight is not the norm.

Highlighting the functions of war economies both during and after the conflict is not a way of justifying illicit activity, nor a suggestion that it should be allowed to continue. As one interviewee aptly noted, defining something as a coping strategy, or pointing to its role in social or ethnic cohesion, may often be wrongly used to justify illegal or otherwise inappropriate activity (I49). What the concept of 'functions of war economies' has illustrated, however, is that when considering transformation techniques, one must consider the multiple roles that the war economy plays in society. Once these functions are identified, policy makers should then consider how they might be replaced effectively and fairly, and also whether allowing certain activities may be useful (at least in the short term).

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The third strand of SPE analysis would involve addressing the broad geographical scope of these economies. Whilst addressing local political-economic relationships within a conflict zone is a necessary step, positive transformation requires us to consider a range of actors when constructing a strategy to prevent or transform war economies. The list of supposedly neutral or legitimate international actors in war economies is long, but several key actors are worth further discussion. International banks are often complicit in the transfer of money to conflict zones through accepting donations from the Diaspora. Profits from conflict trade are also stored in international banks in accounts set up by conflict entrepreneurs and their associates. Private companies and MNCs can be linked to a war economy in a multitude of ways. They may be in direct contact with armed groups (or their political representatives), providing payments to ensure their own security, or bribes in order to be allowed to continue conducting business. They may also be complicit in embezzlement or fraud. In other cases, they may knowingly flood a market with a product – dumping goods for their own benefit, and in turn contributing to increased smuggling as the domestic market is too small to sustain the deluge.

However, in less obvious ways, external actors are also part of local war economies. Foreign investment both before, during and after the conflict may alter the risk-payoff ratio for actors considering engaging in violence to capture resources. MNCs and businesses, by engaging in the sale and trade of commodities, also become nodes of war economies at various points in the value chain. Private security companies will profit both by being paid to help resolve a security situation and from possible kick-backs in the form of mineral exploitation contracts to sister companies, for example, in the post-conflict phase. Foreign governments may directly impact upon the war economy, as their policy of support for one side over the other alters the ability and opportunity costs for different parties to the conflict, either through the supply of arms, the purchasing of commodities (such as oil) or military intervention. Something as innocuous as a foreign state's domestic tax policies may also alter the incentive structure to smuggle, as the increased risk of circumventing policies also increases the potential payoff for actors. Furthermore, weakness or collapse in a foreign state can either allow foreign armies to become players in the war economy, or may create channels through which smuggling and other war economy activity can occur. Consumers in conflict-affected states, but equally consumers in 'peaceful' developed states who purchase the goods or services produced by war economies, also constitute a central node of the war economy.

War economies which lead to physical violence in one country or region, however, are not only impacted upon by external actors, but also have an impact upon actors in other geographical locations, with the illicit (and licit)

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trade of goods, people and funds spreading criminal, security, political and economic concerns across continents. War economies may also link up with one another – witness, for example the connections between Afghanistan's drug trade and the ongoing smuggling in the Balkans. The need for widening our geographical viewpoint is further highlighted by the impact that transformed war economies may have on other locations. The 'balloon effect' witnessed in many drug eradication programmes warns of the dangers of taking too narrow a geographical view in transformation projects as once transformed, or once control mechanisms are in place, activity may shift elsewhere in the region, leading to increased instability in neighbouring countries.

Finally, considering the temporal scope of a political-economy of conflict is vital. One needs to look both backwards and forwards in time to formulate a full picture of a war economy. Looking at historical factors will shed light on the factors which have led to a war economy in its present form. Factors to consider are the historical conflicts between groups over resources (both physical and financial), land (commercial, industrial, agricultural and domestic) and other economic goods such as access to employment opportunities or credit facilities. It is important to trace how, when and why these various resources were fought over, and also examine the responses by the groups who lost. For example, the loss of economic opportunities (predominantly employment in the public and social sectors) by Albanians in Kosovo led to the creation of parallel systems, a major reason for the intractability of illicit, informal and parallel activity in the region. Likewise, there is a need to look at the post-conflict impact, or continuance of the war economy, which often has an impact in the political, economic and criminal realms. Politically, many of those who rose to prominence as a result of their contribution to the conflict are the key actors in these post-war economy activities. They are considered to either be central political figures or have connections to such figures. In this sense, those who profited from the war economy during the conflict, continue to profit in the post-conflict phase. The economic relationships that were based on power, violence and threats during the conflict are thus left relatively unchanged, suggesting a high degree of continuity between the war economy and the post-war economy.

Analysing the war economy from a wider temporal lens is thus justified on several fronts. First, it provides insight into why many activities associated with war economies have become so entrenched and in some cases actively supported by the population. It further suggests that persistence is required in transformation as a short-term project which is due to be implemented over a number of years cannot easily transform structures and disputes that were created over the course of decades or even centuries. Table 8.1 is a useful tool for actors who aim to engage in a more politically aware and structural

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Table 8.1 An SPE framework for analysing war economies

Dimension	Factors to consider and questions to ask
Criminality	What is the scale of the problem? Obtain objective facts on levels of criminality. What are the alternative definitions of crime within a given locale? How do these compare and contrast with the approach of the DSI? What connections are there between crime and legal forms of economic activity? Can the crime be classified as 'politically integrated', 'perceived' or 'regular'?
Functions (negative and positive)	What are the effects on security? What actors are granted legitimacy through their involvement in the war economy? What socio-political functions are served? (Including basic needs such as provision of social services and higher needs such as political freedom.) What are the economic functions? (Including employment and the opportunity to 'go legal' in the post-conflict phase.) What will replace positive functions if the war economy is transformed?
Geographical scope	What is the impact of the war economy on other areas? What outside actors influence the war economy at the local level? (Banks, Diaspora, private security companies, foreign armies and governments, MNCs, foreign consumers.)
Temporal scope	What are the historical conflicts over resources in the area including non-commodity resources such as land and employment opportunities? How did the 'losing' side react to their losses? What are the ongoing political, economic and criminal effects of the war economy in the post-conflict phase?

approach to transformation. Asking and finding answers to the following questions provides a vital first step in moving DSI actors towards more favourable 'policies of engagement' discussed in the next section.

Translating conceptual approaches into policy

As argued previously, there are concerns that the ideological biases of development-security actors results in the adoption of apolitical lenses, as opposed to a lens akin to that of Table 8.1, and that this in turn is a contributing factor to inability to effectively transform war economies. Returning to the evidence from Kosovo, this potential impact should be reassessed, as a concern over the dominance of apolitical, technocratic responses may be overstated. A fairer statement in terms of analytical lenses employed by the DSI, would be that

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individuals and institutions employ both frameworks, creating and implementing policies that represent both modes of analysis. However, it is often the case that actors who utilise an SPE analysis are not always willing or able to turn this into context-sensitive programming. What is important to note is that in some instances, particularly in reforms related to more econometric issues such as privatisation and financial policy, conceptualisation and policy outcomes are more easily characterised as existing at the RC end of this scale, with neo-liberal economic doctrine arguably harder to challenge than some of the more political or social areas of programming. This is problematic insofar as integrating and operationalising policy based more on policies towards the SPE end of this analytical spectrum is deemed to be more effective for the goal of positive transformation, due to its capacity to draw attention to a wider range of features that are critical to the functioning and transformation of war economies.

The empirical research from the previous three chapters allows for a more nuanced approach to understanding the relationship between the choice of conceptual lens and the impact on DSI policy prescriptions. In terms of operational actors understanding and integrating the factors related to an SPE analysis, several outcomes can be identified. The first can be classified as policies of denial. In these cases, even when SPE issues are understood, policies are implemented as if there were no conflict, and therefore no political considerations need to be made (consider for example the pushing forward of the privatisation programme in Kosovo, despite claims by the Serbian state over SOEs and the questioning of the legality of the process by international staff themselves). The next category represents almost the complete opposite, and can be referred to as policy paralysis. In these cases, the political situation prevents actors from implementing reforms for fear of engaging in political issues. An example of such a policy is the unwillingness to set up border police or create appropriate ministries within the PISG.

Alternatively, evidence of political integration was found on two fronts. In these cases, an SPE analysis appears more influential in the creation and implementation of policy. The first can be conceptualised as policies of functionality, whereby actors were willing (and able) to negotiate or manoeuvre through the political minefield in order to allow their policy to function more efficiently, but without addressing or attempting to resolve the wider political issues. An example can be found in the UCS's ability to effectively negotiate coordination with regional counterparts. Unfortunately, these policies are often reliant on mechanisms of control – the decision to send EU customs guards to man border posts in the north may contribute to the ongoing ability to manage customs crossing points, but does not fundamentally address the ongoing tensions between the Serbian community and Kosovan government institutions. Secondly, there was evidence of policies of engagement whereby

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contextual factors which hindered the project's success were addressed directly. Examples of this include the tackling of public perceptions and attitudes towards smuggling and illegal goods through public information campaigns by the UCS.

The question then becomes one of identifying the factors that allow or disallow for what can be called 'policy moments' – opportunities where politically grounded peacebuilding and transformation are possible, and actors are willing to take the risk of engaging in the difficult issues found through an SPE analysis. From occasions where DSI actors have implemented programming that would be reflective of an SPE reading, a preliminary analysis of factors which might allow the problem of choosing apolitical strategies to be overcome emerges. Some initial thoughts on what might facilitate such 'policy moments' are worth highlighting. Changes in domestic political context are one factor which can create the space to engage in more politically 'risky' programming. For example, suggestions that Kosovo's population was becoming increasingly frustrated over the criminal linkages between the former KLA and the post-conflict elite resulted in an environment which allowed the international community to take a stronger stance than they might have been able to in the immediate post-war phase, given the post-conflict euphoria which saw the KLA elevated to the status of heroes. Likewise, internal changes regarding the legitimacy of intervention may force the hand of DSI actors to engage with political questions previously considered off-limits. When local populations start to question the strategy of both domestic leaders and the DSI, actors may be forced (or finally enabled) to implement alternative policies. The end of the UNMIK mission perhaps offered a clear 'break' which may have created new spaces for institutions such as the ICO and EULEX to implement new policy choices.

Changes in external political context will again alter one's ability and willingness to engage in issues of politics. For example, the changing stance of the key powerful actors vis-a-vis the status of Kosovo allowed actors within UNMIK to push forward with key institutions such as the Ministry of Interior and Ministry of Justice. Finally, resource changes will also shape the degree to which international actors engage with politics, although their effect can be varied. A decrease in resources may force international actors to rely more heavily on local actors, increasing the possibility of engaging in or being influenced by contextual factors, but might also result in the DSI actors choosing more simplistic blueprint-type policies as fewer resources decrease the possibility of creating complex, creative or sustainable programming. Likewise, an increase in resources may come in the form of increasing the number of experts available, or the creation of special prosecutors' offices, potentially widening the scope for dealing with war economies more broadly. Increases in funding, however, could increase traditional, top-down mechanisms such as

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increasing police presence. However, what changes in resourcing will almost always represent is a juncture at which the possibility of changing the nature of programming reveals itself. Being able to recognise and take advantage and shape these moments towards transformation becomes a key task for operational actors.

The impact of conceptual and analytical lenses on DSI efforts to transform war economies is clearly complex. There are instances where strict RC analyses result in policies that are in tune with the individualistic and econometric ideals which underpin this model. When this happens, technocratic solutions which fail to address complex deep-rooted problems ensue. Operational actors within the DSI, however, often undertake analyses which are more in tune with the SPE approach, but this only rarely results in the creation or implementation an SPE-guided policy which would fundamentally alter political-economic relationships in a way that furthers the aim of positive transformation. Despite being aware of the factors which constitute a critical political understanding, operational actors often find themselves unable to actively incorporate such factors into their programming. It appears that this occurs when problems appear insurmountable (either politically or functionally) or when incorporating and transforming complex political realities directly challenges core interests of guiding actors (such as ensuring basic physical stability and installing neo-liberal economic reforms). In other cases, an SPE analysis may lead to projects which effectively manoeuvre facets or barriers presented by an SPE approach, but these strategies still fail to fundamentally alter the political-economic relationships stemming from war economies. Only when operational actors are able to translate an SPE approach into politically grounded programming is there evidence of sustainable and positive transformation. These ‘policy moments’ which allow an SPE approach to be taken appear to be highly dependent on a number of internal and external political or economic factors.

Operational features of the DSI: limits to immediate progress

The problem of transformation can be analysed finally through an examination of concrete operational barriers that stem from the tangible ways in which the DSI engages in conflict-affected states. These hurdles are of course functions of both the ideological characteristics and conceptual biases found within the industry, but are nonetheless worthy of closer inspection given their obvious and often immediate impact on war economies. To begin, because of its contribution to conflict dynamics generally and war economies specifically, the role of the DSI in transforming these economies is called into question both functionally and ethically. Contributions by the DSI to conflict economies can be specific or general. DSI actors may become directly engaged

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in criminal activity through, for example, the smuggling of cigarettes, frequenting brothels, bribery or fraud. In more general ways, the DSI may also increase incentives for illicit or illegal activity by increasing the demand for certain goods such as pirated DVDs, cigarettes, telephones and other luxury goods. Foreign investment, and the huge profits that accompany it, may also increase the incentive for actors to engage in corrupt business practices. The DSI can also increase the ability of actors to engage in such activity by providing the goods (e.g. cigarettes and arms) or the mechanisms (e.g. increased technology, banking facilities or marketplaces) through which such activity can flourish. Finally, the DSI might actually increase the need for war economies to operate as policies such as bombing campaigns and sanctions regimes force populations to seek alternative ways of acquiring goods and services.

While the potential role of external actors has already been discussed in terms of widening the geographical scope of analysis, the contributions of actors within the DSI is relevant in operational terms on several fronts. Policies of the DSI might actually contribute to the very economic relationships that they are attempting to transform, and thus actors need to be aware of when their own policies are hindering their own success. Further, such an examination is required given the paternalistic and normative posturing of internationals vis-a-vis conflict-affected countries in general. Derogatory labelling of conflict actors using terms such as 'warlord', 'criminal' or 'kleptocrat' is a moral judgement. And while some of these labels may at times be somewhat accurate, those casting judgements are perhaps not well placed to make such claims given their own contributions to these economies. Furthermore, it is unfair and unrealistic to expect domestic institutions and less powerful international operational actors to be responsible for the transformation of political-economic structures that have in part been created and sustained by powerful foreign actors. This is especially relevant when the ability to transform war economies becomes a condition for sovereignty or acceptance into international institutions and communities. In this sense, Kosovo's status has been somewhat unfairly linked to its ability to tackle behaviours and relationships for which the DSI is partly responsible.

The participation of DSI actors in the war economy is also important in terms of creating cultures of accountability. International institutions such as the UN and KFOR have granted themselves immunity. They have occupied and damaged many former SOEs in Kosovo, yet are not held responsible for this damage. This sets a poor example for future leaders as such actions suggest that the powerful are not accountable and can expropriate resources by claiming it is for the greater good. What this also alludes to is another possible reason for the DSI at times favouring an RC model over that of SPE insofar as it absolves them from responsibility. Accepting the latter would

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force the DSI to alter its own operating procedures and would also require it to directly engage with powerful actors such as foreign governments and MNCs, a requirement which likely does not fit with the DSI's current agenda or mandate.

The second impact related to this dimension addresses basic operational problems of the DSI, of which several stand out as particularly influential in terms of transforming war economies. First, coordination across the mission and staffing diversity can be seen as having several impacts. In the judicial sector, having international jurists and legal monitors from a variety of backgrounds may result in disjointed legal codes and systems, making investigation and prosecution more difficult. Police training will likewise be fragmented, creating time, space and thus room to manoeuvre for criminal actors. The 'lead nation' concept is a possible option for combating such problems. Special prosecutors' offices for specific forms of crime such as customs fraud or financial crime are another way of increasing cohesiveness in dealing with particular forms of activity. One reason for poor cooperation and coordination, however, relates to the nature of the relationships between DSI actors which has in some cases been characterised by competitiveness and mistrust. Development actors may be unwilling to share information with security actors as it may threaten their relationship with local populations. Likewise, some security actors refuse to share information and intelligence with other actors. This again creates room for manoeuvre by groups who can take advantage of the competition between actors.

The problem of a contract culture within the DSI is also a fundamental barrier to transformation. Impacting on institutional memory, contract culture is problematic in that many agreements and arenas for cooperation to fight organised crime, collect intelligence or move towards greater judicial cooperation are strongly linked to an individual and their informal and personal relationships with professional counterparts. When individuals leave, these avenues of cooperation and coordination can disintegrate, and have been seen to do so. In the judicial sector the problem of short-term contracts is even more pronounced as it also affects the ability to recruit qualified staff and increases the difficulty of prosecution as prosecutors and judges leave in the middle of important trials. These factors inhibit the building up of sound jurisprudence. Thus, not only is the impact of contract culture felt immediately, but it has long-term repercussions as well. This relates to another problematic feature of the DSI – the following of trends. In Kosovo, a delay in dealing with issues of political-economy has allowed actors involved in these activities to become entrenched and for criminal organisations to solidify their positions and political linkages. Specifically in the judiciary and security sectors, a delay in recognising the impact of war economies may delay the creation of institutions or specific laws which are

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needed to fight activities such as organised crime and smuggling. This suggests a need to re-think the sequencing and priority of programming options.

Due to the broadness of the peacebuilding agenda, the problem of mission creep has also become of great concern as institutions find themselves engaged in tasks which are neither part of their mandate nor compatible with institutional skills and resources. As issues of political-economy are incorporated into the overall peacebuilding agenda, already existing institutions are often tasked with transformation, increasing the scope and scale of their mandate beyond what was originally envisioned. There has been limited progress in enabling actors to fulfil expanded mandates. The UN and other major donors do not have, nor likely have they wanted to have, the funding mechanisms and the political support to supply money for items such as phone-tapping equipment, unmarked police cars for surveillance or money for paying informants. Peacebuilding missions are not set up to deal with these types of problems, and the required equipment and expertise is not part of the standard peacebuilding 'kit'. It is not clear that peacebuilding missions should be equipped in this way, but if they are to be tasked with the transformation of war economies, as they have been, these issues and lack of resources need to be addressed. The DSI needs to clearly address whether transformation is a task it should be engaged in, and if so what resources are realistically needed to engage in such a task. All of this can be related to concerns over the limited capacity of, and lack of resources available to, actors within the DSI. When mission creep sets in, the resources and skills needed to fully engage with new mandates is lacking. Often, institutions are not provided with the resources needed to complete their tasks. Poorly resourced police services, judiciaries and customs services will be unable to manage the criminal elements of war economies without proper resourcing. This includes funding for buildings, information technology, equipment, training and staff salaries.

Finally, the momentum felt at the beginning of missions often fades with time as new emergencies demand both the human and financial resources of donors, and public support in foreign constituencies dwindles. In some cases, the local population also becomes disillusioned by the actions of the DSI and inevitably foreign actors must disengage. Ideally, exit strategies would be well planned and gradual. However, as witnessed in Kosovo, exit strategies may also be forced, rushed and ill-planned – describing another operational impediment found in the DSI, quick exits and rushed timelines. In all areas of reform addressed in this research, there are concerns that the internationals are exiting too quickly – before local institutional capacity is in place to ensure a smooth transition and sustainable progression.

Overall, the DSI's direct involvement in war economies calls into question its willingness and/or right to engage in transformation, while serious opera-

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tional limitations call into question its capacity to do so. Operational actors, heavily constrained by the structure and nature of the industry, appear to have neither the political clout (to deal with the way in which more powerful actors in the DSI contribute to the war economy) nor the operational capabilities (to engage with a problem which requires long-term planning, effective coordination across regions and sectors and high levels of human and physical resources). In order for war economies to be positively transformed, the behaviour of powerful DSI actors would need to be addressed while simultaneously providing operational actors with a more substantial and effective set of tools and procedures.

Building a peace economy: the limits of liberal peacebuilding

Dominant critiques of the current model of international development and security programming provide much insight into the problem of post-conflict political-economic transformation. However, such critiques tell only part of the story. In order to fully understand the ways in which the DSI engages with war economies and identify the barriers to creating both positive and negative peace economies, several additional factors, issues and questions must be addressed. These barriers, described above (and summarised below in Table 8.2), are a function of the dominant values and approaches of the Development-Security Industry, a complex network of actors which operates through the liberal peacebuilding agenda. By assessing the impact of this agenda on transformation policy, a comprehensive framework for understanding the difficulties of building economies based on sustainable, positive peace and justice emerges.

The framework presented here allows for a multi-layered analysis which finds that transformation is dependent on ideological constraints and tendencies and the ability to convert various conceptual lenses into practice, as well as structural and operational features of the DSI. Ideologically, the DSI is less concerned with positive transformation which would focus on changing relationships of power and dominance in post-conflict settings and more concerned with bringing physical stability and opening up markets to neoliberal forces. Because of this ideological focus, there is a tendency to view war economies through a narrow model based on RC-type theories. Such analyses tend to ignore global linkages or facilitators in the growth and sustenance of these forms of economic accumulation. As such, an arbitrary disconnect between 'economies of war' and 'economies of peace' is created and only the immediate or more tangible facets of war economies are considered in need of transformation. The wider structures and issues considered by an SPE approach, though often acknowledged by operational actors, only occasionally influence policy to any degree. This is due in part to the ideological

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foundation of the DSI but also in part to the great difficulty that operational actors have in dealing with such complex and deep-rooted issues. Thus, even when an SPE analysis is undertaken, operational actors within the DSI are often ill-placed to address such complexity and as a matter of practicality or functionality fall back into more simple models and practices. Dealing with the complexity of the issue is further hindered by the complicity of the DSI in the very structures they are trying to transform, as well as the *modus operandi* of institutions.

Various motivations and reasons for the choice of policies can be identified, highlighting the power relations and processes within the DSI that need to be addressed and re-negotiated in order to advance and improve responses to war economies. In this sense, the framework, provided in Table 8.2, provides insight into when and under what circumstances operational actors might find themselves in a position to undertake more just and structural transformation. In order to move forward and implement more successful programming, DSI actors should consider a number of issues. First, opportunities for challenging ideologically biased programming which favour international goals over domestic goals should be sought. Actors should also attempt to anticipate how programming might be captured and seek ways to either prevent this from the outset, or to consider how they might transition to alternative strategies as local and international contexts are altered. DSI actors should also remain cognizant of alternative modes of political, economic and social organisation and attempt to integrate these into policy as opposed to relying on liberal blueprints.

Using frameworks such as the one presented in Table 8.1, DSI actors should analyse war economies from an SPE perspective (as many actors already do) and then, more importantly, consider how they might operationalise the results of such an analysis in order to move towards policies of engagement – always being aware of 'policy moments' which might allow these more risky forms of policies to be implemented. Finally, the DSI as a whole needs to reconsider the use of strategies which themselves contribute to war economies and re-equip operational actors in such a way that allows them to deal with the complexity of political-economies of conflict. This may include addressing the availability of resources to operational actors – both financial and human – and reconsidering the timing or sequencing of policies so that projects both complement each other and are introduced based on a thorough assessment of the situation. Likewise, there should be a stronger focus on planning and executing exit strategies, especially in terms of finding ways to phase out control mechanisms.

What has been detailed throughout this work are a variety of relationships and processes, which when taken as a whole have been unsuccessful in fundamentally transforming economies of war into economies based on

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sustainable peace and justice. While presenting general characteristics of the nature of the transformation agenda, what is striking and most promising are the moments in which policies, programmes and actors do *not* engage with war economies in the ways both scholars and practitioners would expect. Emerging as most encouraging from this research are examples of when actors both within and outside of the DSI transcended or escaped the boundaries set up by the dominant features of liberal peacebuilding and engaged in flexible, progressive and effective programming which furthered the ultimate goal of positive transformation. Moving away from basic goals of stability and economic growth, actors engaged in this progressive approach take the time to integrate and negotiate local and international contexts with the aim of promoting sustainable and just modes of peace.

As such, this work represents a useful step forward in creating a broader and more holistic approach to understanding international approaches to war economies. It provides a basis through which other programmes and transformation attempts can be analysed, a process which will allow for further refinement of the transformation dilemma. At the same time, through its inclusion of examples of when actors used their skill, knowledge and agency to implement progressive and flexible policies, the framework offered here both highlights the potential for effective transformation and provides a preliminary base for addressing the factors which allow for alternative policies to be identified and implemented. With political economic relationships having the ability to threaten international, state and human security, the need to transform war economies into economies of peace is great. The current liberal peacebuilding agenda, as formulated and implemented by the development-security industry, has proved ineffective in this task. However, neither this industry nor its ideologically based foundations have complete dominance over the transformation agenda and within these institutions, actors have revealed that they possess the ingenuity, creativity and willingness for contestation that is required to alter the dominant perceptions and reactions to war economies.

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Table 8.2 A framework for analysing DSI engagement with war economies

Dimension	Nature of DSI and potential impact on transformation	Elaboration on types of engagement and impacts
Ideological	Local needs become secondary to global or foreign political-economic goals.	Strong evidence that ideological goals (stability and installing a liberal peace) pursued despite negative impacts on transformation. However, local and international needs do not necessarily conflict. Although guiding actors are able to overpower operational actors, operational actors do seek out opportunities and methods to challenge guiding actors.
	Political capture of programming by domestic elites allowed in order for above goals to be achieved.	Three strategies exist: *Acceptance* allows political capture, *negotiation* limits it and *denial* forbids it. DSI needs to balance costs and benefits of each and seek ways to manoeuvre between the three based on internal and external political environment.
	Justification for control mechanisms.	Sometimes needed, desired and beneficial. Two forms: *long-term control mechanisms* (should be avoided) and *short-term or holding mechanisms* (should be implemented and negotiated with local population with the aim of being phased out as early as possible).
	Favouring of normative, liberal economic and political ideals.	Widespread evidence of favouring of these forms of organisation, however, a difference between *imposed* and desired liberal reforms. The former should be avoided while responsibility for the latter should be transferred to local actors to ensure widespread support and legitimacy. Possibility of democratising or negotiating mechanism of control.
Conceptual	Technocratic and apolitical responses utilised instead of context-specific programmes.	RC model generally dominates nature of war economy programming leading to apolitical or technocratic policies which do not fit context and fail to address structural issues. This limits effectiveness of programmes in both the short and long term. Evidence that SPE analyses undertaken by operational actors but this has a varied impact on policy choices.

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Table 8.2 Continued

Dimension	Nature of DSI and potential impact on transformation	Elaboration on types of engagement and impacts
	RC model chosen over SPE model of war economy results in narrowly defined goals and targets instead of changes to wider structures which support war economies.	Four policy responses were identified when a SPE analysis was undertaken: in these cases the socio-political history/context of the war economy/legacy were understood but incorporated (or not) into policy in a variety of ways.
		Policy paralysis, whereby DSI actors fail to act due to what are seen as political obstacles.
		Policies of denial, whereby polices are put in place despite political obstacles (both of these may lead to unsustainable policies, entrenchment of war entrepreneurs, creation of new conflicts and conflict commodities).
		Policies of functionality, whereby DSI actors are able to manoeuvre or adapt to the political realities of the situation without transforming or changing the politics.
		Policies of engagement, which refute the depoliticisation hypothesis and suggest the presence of 'policy moments' which allow for the possibility of structural transformation which takes into account factors of SPE approach.
		Policy moments which allow a change in strategy appear to be related to changes in the legitimacy of the intervention, changes to internal and external political environments and changes in resourcing.
Operational	The DSI escapes responsibility from its contribution to the war economy, leaving only part of the war economy transformed.	DSI contributions may be *specific* (direct involvement in criminal activity) or *general* (increasing the incentive, ability or need for local actors to engage with the war economy).
	Capacity to deal with complex issues is hindered.	Key problems identified in terms of war economy transformation include *coordination/staff diversity, competition/mistrust, contract culture, following trends, mission creep, human/physical resources, quick exits/rushed timelines.*

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