



Note on the DDRnet Seminar

Sustainable Reintegration of Ex-Combatants: Shadow Economies and Cross-border Trade

The DDRnet seminar “Sustainable Reintegration of Ex-Combatants: Shadow Economies and Cross-border Trade” was held on Thursday February 23rd, 2012 at the Jupiter Hotel in Addis Ababa, Ethiopia. The seminar consisted of presentations by several experts¹ and a discussion of issues raised by the presentations, along with other contributions from the conference attendees.

Introduction

Economic systems have both formal and informal components that are specific to countries and regions. In developing economies the informal sector can be relatively large and in conflict-affected states it can be pervasive and well established.² War economies can have significant regional dimensions and can be better analyzed by accepting how civil wars unfold within “regional conflict complexes”.³ Conflict is embedded in

¹ Fred Robarts, Consultant with the UN Group of Experts on the DRC, Stavros Stavrou (TDRP), Anthony Finn (Fragile and Conflict affected States consultant), Guy Lamb (ISS), Richard Bamuturaki (COMESA) and Paul Brenton (World Bank, Africa Region).

² Feige Edgar, and Ivica Urban, “Estimating the size and growth of unrecorded economic activity in transition countries: a re-evaluation of electric consumption method estimates and their implications,” University of Michigan at Ann Arbor, William Davidson Institute, 2003.

³ Pugh Michael C et al. War Economies in a Regional Context: Challenges of Transformation, A Project of the International Peace Academy (Boulder, CO: Lynne Rienner), 2004.

regions characterized by vulnerability and insecurity and in this context national borders and trade corridors for shadow economies acquire particular pertinence to conflict analysis and DDR programming.

The DDRnet seminar sought to discuss a number of questions:

- What are the types of economic realities to which ex-combatants are returning?
- What are the types of economic reintegration and strategies and practices that have been pursued and what have been the results?
- Has DDR practice, especially its reintegration practice, adequately responded to these realities?
- Can DDR contribute to sustainable livelihoods, and therefore play a role in transforming war economies to peaceful ones? Should this be an ambition of DDR?
- What are the specific lessons and pointers for the African Union and the Regional Economic Communities (RECs) of reintegration of ex-combatants in informal and shadow economies?

Exploring Shadow Economies

The seminar discussed the nature of shadow economies including their size, diversity, pervasiveness and origin in the Great Lakes region in the end of cold war conflict. Shadow economies were

discussed in light of the actors involved and the activities that are characteristic of transactions in licit economies.

Participants discussed how shadow economies in fragile and conflict affected states can be sub-national, national, transnational, regional and international. Often all of these geographic or spatial dimensions are linked by the commodities that are bought, sold and traded and by a complex set of actors. For example, the conference found that the apparently isolated activity of illegal mining or logging in regions of the Democratic Republic of Congo (DRC) could have extended reach depending on the final destination of extracted resources, which in the case of hard woods are transported by land, water and air to destinations as far away as Asia. Fundamentally though shadow economies involve crossing borders and thus have economic and security implications not just for the area where illicit extraction of material, production of products, or levying of taxes occurs, but for communities and countries in which trade occurs.

The diversity of means of exchange within shadow economies was discussed and participants were presented with how armed groups in shadow economies trade goods for ammunition and weapons however on smaller scales; for example, at border crossings, community members in the DRC regularly exchange small goods (such as foodstuffs) to secure passage across national boundaries.

Extractive industries and cash crops

The extent and scope of extractive industries and cash crops in shadow economies were identified and discussed. In DRC industries include: (i) mining (in particular gold and tin ore); (ii) hardwood

felling, and (iii) palm oil production. The discussion identified that these aspects of shadow economies are not restricted to the DRC but are evident throughout the Great Lakes region dependent upon where natural resources are located and by whom access is controlled. Forestry and timber felling are particularly evident in DRC and the Central African Republic (CAR) while agriculture and the production and trade of cash crops is pervasive throughout the region. In the DRC, extractive industries, natural resource exploitation and taxation are characteristics of the illicit activities of both foreign and Congolese armed groups including the Congolese army, the FARDC.

Taxation and Trade in ordinary goods

Taxation by armed groups on extractive industries and on agricultural industries, forestry, trade and economic activities such as fishing, logging and hunting is pervasive. It extends to include indirect taxation on ordinary goods brought into remote mining areas. The conference examined how the Allied Democratic Forces (ADF), a sizeable foreign (Ugandan) armed group numbering about 1000 members and based in North Kivu province, makes significant profit from taxing the timber trade and the machinery such as chainsaws that are used in logging. Other foreign armed groups involved in taxation and trade in ordinary goods in DRC include the *Forces Démocratiques de Libération du Rwanda* (FDLR) for which the conference discussed a disaggregation of taxation on ordinary goods in Walikale mining areas in North Kivu. The Congolese armed group APCLS relies predominantly on taxation and levies on economic activities such as hunting and fishing; but also has controlled high quality tin ore deposits since 2009.

Arms, people and narcotics trafficking

The conference heard how the FDLR in North and South Kivu, numbering approximately 3000 members, trades cannabis in markets such as Goma and Butembo to a value of over USD 2 million per year and how for other armed groups some involvement in cannabis trade is not uncommon.

Formalization and “new” shadow economies

The conference discussed the formalization of shadow economies as evidenced in the use of taxation receipts and trade of raw materials and products by armed groups in DRC with commercial contacts in Uganda and Zambia. In the context of discussing regional/COMESA⁴ approaches and understandings of shadow economies the use of what COMESA has identified as newer forms of illicit transactions was explored. These newer forms of trade include: (i) human trafficking; (ii) drug trafficking; (iii) remittances from the diaspora; (iv) humanitarian aid misappropriation and trade, and (v) cattle rustling. It was agreed that these forms also serve to highlight the deep entwining of shadow and licit economies. The COMESA analysis of the transnational nature of shadow economies highlighted the role of piracy and the use of sea corridors in the illegal transportation of goods. Piracy in the Indian Ocean and along the Somali coast is highly profitable and has significant negative effects on legitimate trade and the shipping industry in the Indian Ocean. This form of illicit exchange highlights how shadow economies are closely intertwined not just with licit economies as outlined above but also with other long established criminal activity, particularly arms and drugs trafficking in the Indian Ocean. The

⁴ The Common Market for Eastern and Southern Africa

regional impact of such significant piracy is dramatic with monies gained fueling other areas of shadow economies and contributing to hyper-inflation as a result of large sums of cash being “dumped” into national economies. The transnational nature of shadow economies and the complex set of actors involved in transactions were additionally highlighted by the examination of the role of armed groups in providing protection to scam artists operating internationally and in different continents. Similarly remittances and the taxation of diaspora is an example of the role of international financing in shadow economies, examples of which include the taxing of Rwandese diaspora by the FDLR.

Actors in shadow economies and the borders they cross

The conference examined the actors in shadow economies and focused on: (i) armed groups (particularly those in the DRC grouped as “foreign” and “Congolese”, see above); (ii) national military; (iii) border police; (iv) ex-combatants; (v) ordinary community members and cross-border traders. The involvement of the military in shadow economies in DRC was discussed with (i) taxation; (ii) forced labor; (iii) direct expropriation of goods; (iv) protection of investors; and (v) direct investment in mines, transport and equipment such as saws constituting just some of the modalities in which the FARDC have engaged in illicit activities. Importantly command structures inform the hierarchy in shadow economies.

Border police in DRC play an important role in shadow economies and also in efforts to target and illuminate bribery and illegal payments to ensure border crossings. In a World Bank survey of cross-border traders in the Great Lakes region it

was identified how most traders are largely agricultural and entrepreneurial poor who do a vital job linking farmers to markets. Most (85%) are women and traders have an average age of 32 years in comparison to border officials, most of whom are men (82%). The majority (77%) of cross-border traders report that their household income is heavily dependent upon their trading activity. The World Bank study concludes that the majority of border traders regularly suffer gross violation of their human rights and that the lack of safety greatly undermines the livelihoods of these traders, compounds the lack of access to finance, information and knowledge.

The importance of the border in shadow economies (both official border crossings and the unofficial ones used by armed groups) and the importance of reform of governance and security at border crossings was discussed at the conference. It was presented that addressing security issues at the border would have trade benefits, benefits to human security, food security and income security for the region and not just for communities in border areas. Furthermore the challenge to improve governance at the border was presented as a benchmark for improvements in governance in other areas in the country.

A presentation on the economic and social reintegration of ex-combatants in TDRP countries addressed the questions of the economic realities to which ex-combatants are returning, and the reintegration challenges they face.

Figure 1. Ex-combatant livelihood activities⁵



Ex-combatants encounter harsh economic realities and the challenges to reintegrate economically in communities of return are complex and multifaceted, and closely related to the drivers of social reintegration. In the studies informing the presentations at the conference it was identified that ex-combatants rarely have just one economic activity or income generating activities. Rather ex-combatants often have multiple and often low-level IGAs. It was discussed how in some cases ex-combatants are faced by difficult human security issues, food security issues and income security and that these challenges are presented through a combination of external factors (including low levels of personal security, mixed results from participation in DDR programming partly due to program design and partly due to external factors, and depressed local economic conditions with limited IGA opportunities) and personal circumstances (including the

⁵ Lamb, Guy. "Assessing reintegration of ex-combatants in the context of instability and informal economies" Presentation at the DDRnet Conference *Sustainable Reintegration of Ex-Combatants: Shadow Economies and Cross-border Trade*, Addis Ababa, February 22nd 2012.

functionality of kinship networks, access to informal credit, access to family, and personal pre-conflict assets).

In Uganda two main cross-cutting issues affect the economic reintegration of reporters: gender and local economic conditions.⁶ Female reporters in Uganda endure particular challenges because of their gender and their status of reporters. Laying aside social reintegration, kinship networks which are central to early economic reintegration can often be dysfunctional and hostile to returning female reporters. The key drivers of this dysfunctionality are: (i) the perceived *economic burden* to the family of supporting female reporters and their children; (ii) a *lack of acceptance of the value of full reintegration of reporters* or understanding of the reasons to accept back family members who often spent a long time in captivity; (iii) the *social burden* of having a female household member that *possibly may never marry*, and (iv) the *cultural obstacle of not accepting children of a non-patriarchal bloodline* into the family.

In Uganda local economic conditions (which there and in other TDRP countries can imitate either regional or national macro-economic conditions) provide additional barriers to economic reintegration because: (i) reporters who are re-skilled during reintegration or return with pre-existing or acquired skills such as carpentry often cannot use those skills because of the absence or lack of market demand, and (ii) of how these conditions restrict the ability to diversify

⁶ Reporters in Uganda are both ex-combatants and their dependents/supporters that have renounced all involvement with the rebellion and registered with the pertinent government agencies. To receive amnesty reporters must satisfy the conditions of the Amnesty Act, 2000.

livelihood strategies and in many situations thus enforce dependency upon subsistence agriculture and create risks to food and income security, ultimately contributing to long-term poverty.

Formal economic opportunities are limited in some regions in the Great Lakes countries. The fact that informal economies are so much larger than the formal economy means that ex-combatants will almost invariably work in the informal economy. In some conflict affected areas where there is a strong presence of armed groups such as in North Kivu, DRC there is a risk (often realized) of re-recruitment of ex-combatants into armed groups at least partially as a result of the attraction of illicit economies.

DDR, reintegration and strategies concerning ex-combatants

The performance of the World Bank's Multi-country Demobilization and Reintegration Program (MDRP) and TDRP in which Angola, Burundi, CAR, DRC, Republic of Congo, Rwanda and Uganda have participated, were presented. To date the MDRP and TDRP have reintegrated 323,216 eligible persons and by the end of the TDRP this is estimated to become 340,000. Studies in a number of TDRP countries looked at how ex-combatants relate economically. Programmatic DDR components such as vocational and life skill training were identified as contributing to economic reintegration and the importance of other external drivers was highlighted, particularly: (i) access to land; (ii) livelihood diversification, and (iii) kinship networks and family. Moreover in MDRP-TDRP countries it takes under three years for ex-combatants to reach economic parity with community members. But

female ex-combatants are usually below the average of their peers. This gender aspect was explored further with regards to the particular barriers to social and economic reintegration that female reporters experience in Uganda. The TDRP analysis presented the success of economic associations: ex-combatants who join or create economic associations are usually more successful at economic reintegration. When economic associations are formalized, ex-combatants have an easier time accessing credit, access which otherwise they would need to seek informally and via their kinship networks.

The TDRP's analysis of social capital indicators found that across MDRP-TDRP countries reintegrated, ex-combatants usually share similar social indicators with community members including: (i) social and economic networks; (ii) understanding of community; (iii) demographics of friends, and (iv) support networks. Indicators such as: (i) levels of trust; (ii) comprehension of the positive impact of ex-combatants on the community; (iii) empowerment, and (iv) stigma deliver common findings in the study countries around the positive reintegration of ex-combatants.

The conference addressed the question of whether DDR practice, especially its reintegration practice, adequately responded to the economic realities encountered by ex-combatants. In the first instance the realities discussed were widened from the economic to include social and psychosocial realities faced by ex-combatants. The conference heard that in general DDR practice has failed to address the psychosocial needs of ex-combatants and that this is also a result of the failure of respective governments to include psychosocial development as part

of great national government programs. It was recognized that most states in the region do not have the appropriate mental health frameworks or infrastructure but in Rwanda there has been great effort to address this. However the state was still challenged by lack of sectoral expertise and human resources needed to deliver and develop appropriate services. On reflection it was suggested that DDR stakeholders have not prioritized psychosocial support at least partially because of the focus on measurable outcomes, since the outcomes of psychosocial support are neither easily measured nor immediate.

The seminar discussed the degree to which DDR practice has understood the dynamics of kinship networks and how the family of ex-combatants is affected by conflict and the return of their family member. First the primacy and the importance of the family should be reconfirmed. It was noted that DDR practice has not understood the complexity of the family or kinship networks and has assumed that the family would always play a positive role in reintegration. However as documented in recent TDRP studies on the reintegration of reporters in Uganda and elsewhere it is now understood that this assumption is incorrect.

In measuring the success of reintegration components of DDR there are currently methodologies (quantitative and qualitative) to comparatively analyse the level of reintegration of ex-combatants into the formal and informal sectors. The complexity and challenges of measuring successful reintegration and the contribution of DDR practice to this was noted by the conference. However the TDRP has done much to bridge the knowledge gap on DDR performance in

the Great Lakes Region and has a comprehensive set of comparative quantitative studies and some qualitative studies addressing reintegration and the performance of DDR practice. In the future quantitative analyses will be combined into a regional analysis of DDR and reintegration.

There is a wealth of knowledge about the evolution of DDR in sub-Saharan Africa held by conference attendees, the AU, Regional Economic Communities and by DDR practitioners in the region, and this knowledge should be captured and analysed to inform future DDR. The conference presented complex analyses and strategic approaches to DDR and to shadow economies, and highlighted emerging opportunities for knowledge acquisition and collective responses.

Opportunities and ways forward

A discussion of shadow economies in the COMESA region described the need to break the cycle 'conflict-war-war economy' and develop a regional analysis which describes actors and networks involved in shadow economies as well as the regional contribution that DDR can make to addressing the involvement of ex-combatants in illicit trading.

Traditional reintegration components of DDR could be widened to incorporate local illicit groups with the objective of integrating these groups into licit economies.

The analysis of the border suggested that governance and security reform can lead to opportunities for cross-border services and better cooperation by regional partners. Some cross-border services that

were discussed include: education services and legal services.

Main Conclusions

The regions should engage a wide spectrum of partners when seeking to address war economies including civil society and international partners that fit the scope of shadow economies. There is a particular importance in fostering regional strategies and cross-border strategies in shadow economies, the economies of war and in supporting the reintegration of ex-combatants socially and economically into licit economies. In principle the value of collaboration, networks of DDR practitioners and architects, and of shared perspectives and understanding was reaffirmed.

The seminar identified a need for further research and some questions raised include: (i) an analysis of the use of reinsertion and reintegration supports by ex-combatants; (ii) an analysis of the role of the family, kinship and personal networks; (iii) the use of former command structures; (iv) scoping the potential to expand the scope of reintegration including non-conventional reintegration programming; (v) analysis of whether there is scope to legitimize rackets as part of reintegration programming and if so how; (vi) developing cross-border cooperation on facilities and policy – joint cross-border operations; (viii) capturing a sub-Saharan history of DDR.