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## The Critical Role of Economic Development in Peace Implementation: Lessons Learned for the Framework Agreement on the Bangsamoro\*

### Introduction

Despite growing recognition of economic development as critical element of a peace agreement, the latter is seen as highly political and military. But while peacemaking appears to be leaning towards political and military issues,<sup>1</sup> economic factors are crucial in the success of any peace implementation. It is in this light that the Framework Agreement on the Bangsamoro (FAB) was forged in 2012 in a move to address inadequacies in the implementation of economic provisions of the 1996 Final Peace Agreement (FPA).

This policy study discusses the importance of economic development in the success of peace agreements in Mindanao, both past and present. It argues how the FAB deviates from the traditional notion of peace agreements that were seen as highly political and militaristic. It also analyzes how the developmental nature of the FAB ushered in a cooperative environment among parties, while establishing the rightful role of economic development in overall peace implementation. The analysis banks on three traditional economic concepts and processes, namely the rationality assumption, opportunity costs, and cost-benefit analysis. Lastly, the policy study explores economic prospects, opportunities, and challenges in the implementation of the FAB.

### The Framework Agreement on the Bangsamoro: A Developmental Peace Accord

#### Box 1: Key Economic Provisions on the

1. Income sharing agreements
2. Taxation Arrangements
3. Promotion of equal economic opportunities
4. Institutional innovations to increase predictability, accountability, and transparency of economic transactions
5. Sustainable Development
6. Normalization through Development

The 2012 Framework Agreement on the Bangsamoro (FAB) is a commitment by the Government of the Philippines (GPH) and the Moro Islamic Liberation Front (MILF) to establish a new autonomous political entity in Muslim Mindanao.

The Autonomous Region of Muslim Mindanao (ARMM) will eventually be replaced by the Bangsamoro, a system seen by the two parties as "more empowered and equitable."<sup>2</sup> This perception is anchored on favorable prospects for the economic and political provisions on the FAB.

Although demarcations are yet to be clarified in further talks, guiding principles have already been set in the sharing of wealth, political power, and territory between GPH and MILF. Apparently, the FAB follows "the maximalist standard" in the sense that it only sets the framework for future agreements which may range from wealth sharing to human rights, depending on what the parties decide to bring onto the negotiation table.<sup>3</sup> Several technical working groups, composed of representatives from both the GPH and the Bangsamoro, were formed to work out details of the provisions of the FAB. One of these was the Annex on Transitional Arrangements and Modalities on the creation of the Bangsamoro, which was signed by the GPH and the MILF in Kuala Lumpur in April 2013.<sup>4</sup>

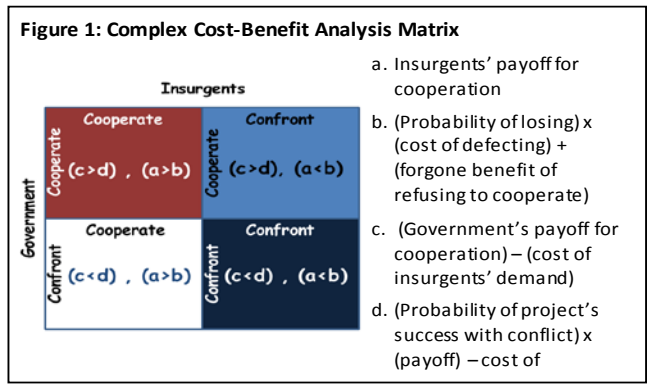
### The Role of Economic Provisions in Achieving Cooperative Game among Parties

Inequitable development and economic deprivation engender perceptions of government neglect. These make the people receptive to competing-state ideologies, sympathetic to insurgent groups, as well as vulnerable to recruitment by the latter. The impact of underdevelopment demonstrates how critical it is for government to ensure that developmental efforts are felt at the grassroots.

Economists who studied insurgencies tend to view these not as protest movements with common ideologies and principles, but organized crime groups motivated by economic gains.<sup>5</sup> Rebels seek to grab control of specific territory because of prospects of power and objective benefits attendant to it. With regard to the FAB, the wealth and power sharing arrangements, which motivated the MILF to suspend its separatist movement, say a lot about its economic interests as an armed group.

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How would government and insurgent groups decide to cooperate if economic gains were to be factored in? Crost and Johnston (2010) identified factors which motivate dissenting parties to cooperate and arrive at an amicable settlement of disputes. Specifically, these include: (1) total payoff for cooperation; (2) probability of success in case of defection; and (3) total cost of defecting.<sup>6</sup> Considering these factors, the government and the insurgent group act as the two players in a strategic game of whether to cooperate or to confront. (See Figure 1 below)



Each player chooses its preferred policy strategy based on rationalization or calculation of costs against benefits. Government's decision is influenced by the payoff for cooperation. This may be measured by the success of developmental programs without obstruction from the armed group. However, in order to obtain cooperation of insurgents, government must address their specific demands, such as political concession and monetary transfer. These are compared against the probability of a development program's success in the presence of conflict, and cost of conflict in terms of casualties, arms, and overall impact on the community. The probability of a development project's success can be quite difficult to estimate given the presence of armed group which can launch an attack anytime during the project implementation to force implementing agency to abort its task.

An insurgent group also compares payoff of cooperation with government, measured in terms of demands accepted by the latter, against the probability of losing by the former and the forgone benefit of not cooperating. Naturally, an insurgent group maximizes its demands given that the success of the project could mean smaller recruitment pool for the group. Given the preceding options, it can be argued that the preferred strategy for both the GPH and the MILF is to cooperate. It is in this light that the MILF decided to suspend their armed struggle and quest for a separate state in a bid to maximize their benefits. An autonomous region has been opted as the more acceptable deal than a separate state.

In the same line, Cortright (1997) asserted that the effectiveness of a peace pact depends on three elements,

which include: (1) the perceptions of the two parties on the value of incentives attendant to their amicable settlement; (2) the level of commitment by the government to the agreement; and, (3) the consensual mechanisms through which provisions in the agreement must be delivered.<sup>7</sup> All of these elements can be found in the Bangsamoro peace process. For the first element, the FAB contains power and wealth sharing provisions which give the emerging Bangsamoro government an "equitable" share of revenues from the exploitation of natural resources within its territory, and the power to impose tax on its constituents. For the second element, the GPH effectively showed its sincerity and commitment to the peace process in two instances. One was President Aquino's secret meeting with MILF Chairman Al Haj Murad Ebrahim in Tokyo, Japan in August 2011; and the other, was the historical visit to the main MILF camp during the launching of Sajahatra Bangsamoro in February 2013. It must be noted that the MILF camp viewed these gestures as "great leap forward for both leaders, indicating a determined as well as decisive move for President Aquino and MILF Chairman to put closure to the conflict in Mindanao"<sup>8</sup> For the last element, the Bangsamoro has been well represented in intergovernmental bodies tasked to formulate the implementing rules and regulations of each key provision of the FAB. It appeared that Bangsamoro representatives have significant level of influence on how programs and services related to the FAB are supposed to be delivered.

When parties forge peace agreement, they are obliged to lay down arms, in exchange for what appears at the outset as vague promises and hazy future. Under this condition, immediate development assistance is a strong financial incentive and clear assurance of commitment to peace. The crucial factor here is the significant level of economic gains from which the insurgents can benefit only in a conducive environment of peace, against a certain amount of profit that they can grab in a hostile setting. True enough, economic development is particularly effective when it can provide credible counterweight to armed struggle.<sup>9</sup> Thus, government must provide sufficient and rapid economic revival to gain the insurgents' interest and confidence in the peace process. This confidence-building measure in the early stages of peace implementation fuels working relationship between the two parties while they take the long and tedious journey toward lasting peace. Initial economic investments can sustain momentum at the mature stage of peace negotiations and help shift the parties' attitudes from short-term gains to long-term economic interests.<sup>10</sup>

Notably, violence and conflict are consequences of poverty and underdevelopment. In the same way, conflict and violence worsen the economic situation of a country, leading to a conflict trap or a vicious cycle of deeper poverty and underdevelopment.<sup>11</sup> Utmost precaution is therefore required in investing too many resources in neutralizing violent conflict. If there were no credible and alternative future, such as livelihood opportunities to insurgents, they would continue their armed struggle.

It must be taken into account that the presence of a ready armed force of government is also a key element in peace implementation. The illustration in Figure 1 postulates that increasing an insurgent group's probability of losing as well as its cost of defecting could be a motivating factor for it to cooperate with government. A reasonable level of internal security force could therefore act as effective conflict deterrent, significantly reducing the risks and overall casualties from possible outbreak of another violence. However, military efforts alone cannot provide sustainable peace and development, as experience in the past showed. With this, the armed forces can provide support by protecting the people and promoting a safe and secure environment that will pave way for development.

## Lessons from the Past and Prospects for the Future

Experience in the area of peace implementation suggests that economic factors have a lot to do with the success or failure of the overall peace process. There are emerging lessons from the past that found their place in the current theme of peace implementation in Mindanao. Nonetheless, the FAB is still in its infancy stage. There are opportunities to be optimistic about, but there are also challenges to look out for. The proceeding discussions are some of the lessons that can be learned from previous efforts of forging peace in Mindanao, as well as of prospects for FAB as an alternative future for the Southern Region.

**An early emphasis on quick-impact development assistance is critical.** In the early stages of the FAB, it is critical for government to establish confidence-building measure through high-impact economic assistance that will keep the insurgents in the negotiating table. This move was felt in the government's implementation of the Sajahatra Bangsamoro Program, in line with the President's guidance to provide immediate socio-economic interventions for the MILF communities. The Program takes the form of quick-gestation and social protection-type programs for beneficiaries identified by the MILF members themselves. Aside from this, the Program focuses on health and education, as well as livelihood assistance project for 11, 000 MILF combatants.

Economic activities, particularly livelihood and employment are important in the early stages of peace implementation because these absorb ex-combatants and provide the latter with income. Economic revival ensures the success of crucial programs for lasting peace in the MILF community. This can be felt through normalization of social and economic life, demobilization of armed groups, reintegration of former combatants, and return of internally displaced persons.

**Economic reconstruction requires long-term recovery and institutional capacity to manage economic process.** Quite commonly, a post-conflict setting is characterized by weak if not non-existent institutions, a condition which makes the implementation of economic policies arduous.<sup>12</sup>

A credible and legitimate public sector is required to create a new political order that is completely different from its predecessor. President Aquino expressed belief that structural reforms are needed to fully deliver the gains of lasting peace and sustainable development in the Bangsamoro.<sup>13</sup> Under the FAB, the Bangsamoro will take a new ministerial form of government with a strong party system. People shall vote for a party according to the principles and programs which parties represent. The government is confident that the new system will champion an inclusive peace process and prevent the people from being intimidated by powerful political dynasties.

**Future economic plans must be realistic and tangible.** There is a need to foster realistic expectations between government and the MILF as regards the amount and nature of development assistance. Since FAB, in essence, only provides guiding principles, there is a danger of overloading its annexes with contentious issues which have no clear-cut solutions and assurances. Parties must be cautious of limiting deals to what their current working relationships can bear. They must remember that at this stage, building trust and confidence is crucial because they cannot afford too much disappointment and failure.

The 1996 FPA provides a good anecdote. In his address during the signing of the FAB in 2012, President Aquino was quoted saying that the ARMM is "a failed experiment." According to him, "*Many of the people continue to feel alienated by the system, and those who feel that there is no way out will continue to articulate their grievances through the barrel of a gun.*" But the perceived failure of the 1996 FPA was not really attributed to lack of economic provisions but to the failure in economic governance<sup>14</sup> and corruption. Up to 98 percent of its P20 billion annual budget had gone to personnel services,<sup>15</sup> with very little left for capital expenditures. It was also reported that the ARMM had violated the wealth sharing aspect of the 1996 FPA, particularly the control over strategic mineral sources. The purported autonomy had also been weak in addressing basic health and education needs in indigent provinces of ARMM.<sup>16</sup> An effective economic governance as a confidence-builder is thus essential to provide durability to the peace agreement and prevent future conflict.

**Development programs must be conflict-sensitive.** Understanding the economic interests of conflicting parties helps in finding common denominators in their respective positions and determine which they are willing to compromise. It will also help in avoiding highly contentious issues while the peace implementation is still in progress. For instance, it is not advisable if land reform were to be tackled in communities ruled by landlords and political elites as this would derail the peace process. By integrating conflict-sensitivity in developmental programs, parties avoid the cost of sporadic fighting which can result in collapse of economic projects, as well as flight of development practitioners and implementors from the danger zones.

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# Parties must realize that the end goal of peace agreements is not the temporary suspension of hostilities, but the building of strong foundations for inclusive economic growth and sustainable human development.

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Promoting transparency and participation is essential in championing an inclusive peace process. The post-conflict phase is going to be a period of great uncertainty. At this stage, transparency, especially in the division of economic resources, may help a lot. The Annex on Wealth-Sharing provides the opportunity to build legal systems and institutions that will ensure transparency in income sharing arrangements under the FAB. Involving all stakeholders in the formulation of development programs promotes a sense of ownership of the prospects of the peace dividend. Engaging with issues close to people's daily concerns democratizes the peace agreement and prevents it from becoming an elitist project.<sup>17</sup> By championing an inclusive peace process, the recruitment pool of spoilers<sup>18</sup> will be significantly lessened, disabling their efforts to derail the peace process. However, it is virtually impossible to officially include ordinary people in the negotiating table. In this case, it is important to seek representations from people's organizations, and the whole of civil society.

## Conclusion

At a time when government and MILF are investing vast amounts of political and financial capital in the FAB, the failure of peace processes and the recurrence of armed conflict have high stakes. The analysis of the economic dimension of the peace process provides a critical framework of how the initial investments in the peace process can be protected and sustained. The lessons learned and articulated in this policy study on FAB bring to the fore the critical role of economic development in the success of the peace settlement.

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## Endnotes

<sup>1</sup> Wennmann, A. (2010, September). *Practice Note 5: Supporting the Economic Dimensions of Peace Process*. (Issue Number not Cited). International Alert, London. Available from: <<http://www.international-alert.org/sites/default/files/publications/201009PracticeNote5EconomicDimensions.pdf>>. Accessed: 6th March 2013.

<sup>2</sup> *Official Gazette: 2012 Framework Agreement on the Bangsamoro* [online]. (2012). Available from: <<http://www.gov.ph/the-2012-framework-agreement-on-the-bangsamoro/>>. [Accessed 20 March 2013].

<sup>3</sup> Vries, H., Lange P., and Specker, L. (2009, December). *Economic Provisions in Peace Agreement*. (No Issue Number Cited). Netherland Institute of International Relations, The Netherlands. Available from: <[http://www.clingendael.nl/publications/2009/20091214\\_cru\\_paper\\_specper\\_peace.pdf](http://www.clingendael.nl/publications/2009/20091214_cru_paper_specper_peace.pdf)>. Accessed: 16th March 2013.

<sup>4</sup> Other than the Annex on Transitional Arrangements and Modalities there are also Annexes on Wealth Sharing, Power Sharing, and Normalization

<sup>5</sup> Beath A., Fotini C., and Enikolopov R. (2012, April). *Winning Hearts and Minds Through Development: Evidence from a Field Experiment in Afghanistan?*. (2011-14). Massachusetts Institute of Technology, Massachusetts. Available from: <<http://ssrn.com/abstract=1809677>>. Accessed: 12th of February

<sup>6</sup> Crost, B. and Johnston, P. (2010, November). *Aid Under Fire: Development Projects and Civil Conflict*. (2010-18). Belfer Center, Harvard Kennedy School, Massachusetts.

<sup>7</sup> Op Cit

<sup>8</sup> Ibid

<sup>9</sup> Wennmann, A. (2010, September). *Practice Note 5: Supporting the Economic Dimensions of Peace Process*. (Issue Number not Cited). International Alert, London. Available from: <<http://www.international-alert.org/sites/default/files/publications/201009PracticeNote5EconomicDimensions.pdf>>. Accessed: 6th March 2013.

<sup>10</sup> Ibid

<sup>11</sup> Op Cit

<sup>12</sup> Woodward, S. (2002, October). *Economic Priorities for Peace Implementation*. (Issue Number Not Cited). International Peace Academy, New York. Available from: <[http://www.countrycompass.com/\\_docs/library/InternationalPeaceAcademy-EconomicPrioritiesforPeaceImplementation.pdf](http://www.countrycompass.com/_docs/library/InternationalPeaceAcademy-EconomicPrioritiesforPeaceImplementation.pdf)>. Accessed: 26th March 2013.

<sup>13</sup> Lifted from the statement made by President Aquino in 7 October 2012. Source: <<http://www.manilatimes.net/index.php/opinion/columnist/33331-questions-about-the-bangsamoro-framework-agreement>>. Accessed: 26th March 2013.

<sup>14</sup> Achim Wennman (2007) set out key elements for economic provisions namely taxation arrangements, budget transparency, natural resources, sharing agreements, and commodity tracking systems.

<sup>15</sup> Lopez, T. (2012). Questions about the Bangsamoro framework agreement. *The Manila Times*, 16th October, <<http://www.manilatimes.net/index.php/opinion/columnist/33331-questions-about-the-bangsamoro-framework-agreement>>. Access date: 26 March 2013

<sup>16</sup> Mendoza, B. (2012). *Bong Mendoza's Blog: Perfecting the peace with the MNLF: GPAP, Part VII* [online]. Available from: <<http://bongmendoza.wordpress.com/2012/10/13/perfecting-the-peace-with-the-mnlf-gpap-part-vii/>>. [Accessed 26 March 2012].

<sup>17</sup> Op Cit

<sup>18</sup> Spoilers are those who are necessarily part of the peace process but have high stakes in its failure. For instance, armed groups aside from MILF have high motivations to obstruct peace implementation as it may mean less support for them.