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Money Matters: Negotiating Economic Exits from Violent Conflict

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Introduction

Let me start by thanking the Nagulendran Philanthropy Alliance for its generous support of the Nagulendran Chair. Dorothy and John, I am particularly grateful for the confidence you have placed in the Chair to advance innovative thinking in peace mediation.

And thank you all for taking time out of your busy schedules. It is a pleasure to have you here today, in the room or online.

The title of my lecture is *Money Matters: Negotiating Economic Exits from Violent Conflict*.

In this lecture, I am circling back to where I started my career. One of my first publications, in 2007, was entitled *Money Matters: The Economic Dimensions of Peace Mediation*.² Nearly twenty years later, I believe the topic has lost none of its importance. But it needs to be introduced to a new generation of researchers and applied to the realities of today.

This lecture is an attempt to do precisely that. First, I will present the argument for economic exits from violent conflict: If economic factors are a key conflict driver, they need to be a more central part of the peacemaking process.

I will then turn to the conceptual foundations of the political economy of violent conflict and peacemaking, and reflect on the lessons from my practical work over the past five years. This includes the incubation of the Peace Dividend Initiative; and the development of transitional economic justice mechanisms to transform illicit economies in Colombia, in collaboration with the Centre for Humanitarian Dialogue.

The political economy of peacemaking remains a field of practice of untapped potential, and I conclude by pointing to Geneva as an important location to unlock this potential.

1. The argument

To start with, let me present the argument in more detail.

When thinking about exits from violent conflict, we might distinguish two ways of thinking.

¹ There are small deviations from the delivery of the lecture and this document. For all citations, please refer to this document as Achim Wennmann, *Money Matters: Negotiating Economic Exits from Violent Conflict*, Nagulendran Chair Annual Lecture (Geneva: Geneva Graduate Institute, 2026).

² Achim Wennmann, *Money Matters: Economic Dimensions of Peace Mediation*, PSIS Occasional Paper 4/2007 (Geneva: Programme for Strategic and International Security Studies, Graduate Institute of International Studies, 2007).

The first is about military or power-based solutions: defeat the adversaries, deter them, contain them, or impose sufficient costs on them to make continued violence unattractive.

If victory is elusive, a mutually hurting stalemate³ might open the path towards political or interest-based solutions: multi-party negotiations, power-sharing, constitutional reforms, elections, or other forms of political settlement.

These approaches are, of course, not mutually exclusive, and both have a long practical track record.

What I propose is a third way of thinking, about economic or profit-based exits from violent conflict: off-ramps built out of the very economic agendas that sustain the violence.

This focus on economic agendas matters, given how many violent conflicts revolve around economic factors such as control over natural resources. Think of Sudan, the Democratic Republic of Congo (DRC), Myanmar, the Sahel, or Colombia, or on the importance of economic chokepoints of the Strait of Hormuz and Bab el-Mandab.

A key issue of these conflicts is that insecurity and violence become part of an economic system, a "rational kind of madness," as David Keen described it in 1997.⁴ Chris Cramer's book *Civil War Is Not a Stupid Thing* underlined that civil war is not simply irrational destruction or a breakdown of order.⁵ It can be a rational ordering strategy for actors who stand to gain from the opportunities violence creates.

In contrast to Bill Zartman's mutually hurting stalemate, I have coined the term "mutually profitable stalemate" in my book *The Political Economy of Peacemaking*.⁶ It describes a situation where the parties to a conflict are deadlocked, but each profits more from keeping the conflict alive than from ending it. The conflict has become an enabling environment for profiteering, and the parties have no real incentive to end it. And they know their trade given often decades of experience in violent political entrepreneurship.

For peacemaking, the problem with these economic circumstances is a mismatch. Peacemakers tend to approach the parties with a political mindset for negotiating off-ramps, while the parties approach the conflict as a business, even if they engage behind a political façade. Peacemakers therefore do not always get the commitment to peace they expect, because for the parties, ending the conflict means first and foremost a loss of profits and status. So, ceasefires and peace are a hard sell.

The challenge for peace diplomacy is therefore not simply to bring the parties to the negotiating table, but to change the underlying incentive structure: to make the economic and political returns from peace more attractive than those generated by continued violent conflict.

This argument requires three caveats.

First, conflict is not an economic problem alone. Violent conflict is what sociologists call a "total social fact":⁷ it involves politics, economics, institutions, identities, emotions, history and

³ I. William Zartman, "Ripeness: The Hurting Stalemate and Beyond," in *International Conflict Resolution after the Cold War*, ed. Paul C. Stern and Daniel Druckman (Washington, DC: National Academy Press, 2000), 225–50.

⁴ David Keen, "A Rational Kind of Madness," *Oxford Development Studies* 25, no. 1 (1997): 67–75.

⁵ Christopher Cramer, *Civil War Is Not a Stupid Thing: Accounting for Violence in Developing Countries* (London: Hurst, 2006).

⁶ Achim Wennmann, *The Political Economy of Peacemaking* (London: Routledge, 2011), 22–24.

⁷ Marcel Mauss, "Essai sur le don: Forme et raison de l'échange dans les sociétés archaïques," *L'Année sociologique*, n.s., 1 (1923–24): 30–186.

power. I think a political economy lens is a particularly useful instrument for capturing this multi-dimensionality.

Second, I used the word "solutions" a moment ago, but I am reluctant to use it too easily, given the suffering that violence produces. At best, we may achieve reduced or regulated violence or security, managed co-existence, and the possibility for people to recover a sense of normality in their lives. These could be considered the outcomes of a pragmatic brand of peacemaking, one that takes the actual realities on the ground as the starting point for transformation processes.⁸

Third, this is not an argument for rewarding violence. How to change incentives without legitimising predation is precisely the reasons why we need to think of economic transitions in peacebuilding terms as I will further develop when speaking about transitional economic justice.

With these caveats set, let's revisit some of the conceptual foundations upon which this argument rests.

2. The political economy of conflict

In the late 1990s, scholars and policymakers developed a much stronger interest in what became known as the political economy of civil war. One reason was that the end of the Cold War and globalisation had changed the way wars could be financed.⁹

Conflict diamonds linked the bloody civil wars of Sierra Leone and Liberia to the high streets of London and New York, and so did other natural resources such as gold, coltan and drugs.¹⁰ The Hollywood movies "Lords of war" and "Blood diamonds" did a relatively good job depicting these dynamics.

Violent conflict became an alternative system of profit, power and protection. They were no longer understood simply as political contests between two sides. Inverting Clausewitz, David Keen described war as "the continuation of economics by other means."¹¹

Some conflicts became self-financing through natural resources. In cases like Sierra Leone, Liberia or Colombia, the means of financing the war turned into profit-making machines.

In this underbelly of globalisation, conflict-affected areas turned out to offer a series of comparative advantages for profitmaking: They had weak or corruptible state institutions, held valuable commodities that could be extracted with little oversight, offered cheap and easy routes to global markets, through permeable borders, ports and transport networks, and they offered large pools of cheap labour for dangerous or difficult work.¹²

⁸ Finn Stepputat, "Pragmatic Peace in Emerging Governscapes," *International Affairs* 94, no. 2 (2018): 399–416.

⁹ Mark Duffield, *Global Governance and the New Wars: The Merging of Development and Security* (London: Zed Books, 2001). Jakkie Cilliers and Christian Dietrich, eds., *Angola's War Economy: The Role of Oil and Diamonds* (Pretoria: Institute for Security Studies, 2000).

¹⁰ Ian Smillie, Lansana Gberie, and Ralph Hazleton, *The Heart of the Matter: Sierra Leone, Diamonds and Human Security* (Ottawa: Partnership Africa Canada, 2000). Lansana Gberie, *A Dirty War in West Africa: The RUF and the Destruction of Sierra Leone* (London: Hurst, 2005).

¹¹ David Keen, *The Economic Functions of Violence in Civil Wars*, Adelphi Paper 320 (Oxford: Oxford University Press for the International Institute for Strategic Studies, 1998), 11.

¹² See Carolyn Nordstrom, *Shadows of War: Violence, Power, and International Profiteering in the Twenty-First Century* (Berkeley: University of California Press, 2004). Moisés Naím, *Illicit: How Smugglers, Traffickers, and Copycats Are Hijacking the Global Economy* (New York: Doubleday, 2005). Misha Glenny, *McMafia: A Journey through the Global Criminal Underworld* (New York: Knopf, 2008).

Put these factors together, and something rather uncomfortable emerges: A conflict zone can sometimes become an exceptional place for doing business. Not "good" business in the conventional sense, of course. But a highly profitable business environment for actors capable of operating the upstream end of global value chains outside formal constraints.

This is why a political economy lens became so important. Companies and regulators needed it to keep conflict out of their supply chains, as the Kimberley Process tried to do for diamonds then. And peacemakers needed to understand what sustained civil wars.¹³

The UK's then Department for International Development described political economy analysis as a way to look "beneath the formal structures to reveal the underlying interests, incentives and institutions that enable or frustrate change."¹⁴ This includes the formal and informal norms that shape political and economic competition.

This perspective should not be confused with the simple "greed and grievance" thesis for the explanation of civil war that became influential around the same time.¹⁵ The point is not that rebels fight for loot rather than grievances. It is that violence performs economic and political functions, and that these functions shape how conflicts evolve and why they persist.

David Keen grounded the political economy of conflict in exactly this functional understanding of violence, focusing on the organisational level of non-state armed groups.¹⁶

Building on his work, political economy analysis can also be framed by a catalogue of questions:

- How are belligerents financed? From what source and for what purpose?
- What is their degree of control over territory, people and markets?
- What functions does violence perform? Into what strategies is it integrated?
- Who benefits from violence? Who loses?
- What happens to their interests if peace arrives?
- What would make peace economically more attractive than continued conflict?

Over the past two decades, the literature on civil war has also expanded to study the governance in conflict-affected areas. It produced concepts such as Volker Boege and colleagues' hybrid political orders,¹⁷ Alex de Waal's political marketplace,¹⁸ William Reno's

¹³ Virginia Haufler, "The Kimberley Process Certification Scheme: An Innovation in Global Governance and Conflict Prevention," *Journal of Business Ethics* 89, suppl. 4 (2009): 403–16. See also OECD, *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*, 3rd ed. (Paris: OECD, 2016).

¹⁴ Department for International Development (DFID), *Political Economy Analysis: How To Note*, DFID Practice Paper (London: DFID, July 2009), 1.

¹⁵ Paul Collier and Anke Hoeffler, "Greed and Grievance in Civil War," *Oxford Economic Papers* 56, no. 4 (2004): 563–95. See also Karen Ballentine and Jake Sherman, eds., *The Political Economy of Armed Conflict: Beyond Greed and Grievance* (Boulder, CO: Lynne Rienner, 2003).

¹⁶ David Keen, "Incentives and Disincentives for Violence," in *Greed and Grievance: Economic Agendas in Civil Wars*, ed. Mats Berdal and David M. Malone (Boulder, CO: Lynne Rienner, 2000), 19–41.

¹⁷ Volker Boege, Anne Brown, Kevin Clements, and Anna Nolan, "On Hybrid Political Orders and Emerging States: State Formation in the Context of 'Fragility,'" Berghof Handbook Dialogue Series 8 (Berlin: Berghof Research Center for Constructive Conflict Management, 2008).

¹⁸ Alex de Waal, *The Real Politics of the Horn of Africa: Money, War and the Business of Power* (Cambridge: Polity, 2015).

warlord politics,¹⁹ Ken Menkhaus's mediated state, Thomas Risse and colleagues' limited statehood,²⁰ and the growing field of rebel governance.²¹

What made these concepts so valuable was that they emerged from the sense making of decades of field research. They described the de facto forms of governance that existed where the state was absent, or that operated in symbiosis or competition with it. There is therefore an intense 'realism' to these concepts connecting to the study of International Political Economy, and that stand in contrast to the more normative tenets of post-conflict peacebuilding or the state-centric assumptions of Realist Theory in International Relations.

The concepts were also operationally valuable. In our book on business and conflict in fragile states, Brian Ganson and I cite a mining sector manager working in Mongolia. He said: "While a legal framework must be negotiated with the national government, it is important not to confuse that with the agreement required from directly affected communities and their leaders. You should assume that customary law takes over 15 kilometres outside the capital and act accordingly."²²

To recap: A political economy perspective helps us map who actually controls territory, people and markets, whatever the formal narrative says. It also helps us look beyond a Westphalian understanding of order, built on sovereignty. In many contexts around the world, order breaks down into islands of de facto control, and it is these that shape an economic and political order of their own. For outsiders, these orders are often difficult to understand.

And this brings us back to the main theme of this lecture of economic or profit-based exits from violent conflict. How can we build off-ramps out of the very economic conditions that sustain the violence?

My response is that we need to locate these offramps within the existing political economy itself. We need to understand how the belligerent parties finance their activities and how ceasefires or peace processes affected belligerents' finance systems.

Ultimately, this boils down to understanding violent conflict as an organised activity; understood as the deliberate coordination and management of inputs, actors and resources to generate outputs.

3. The political economy of peacemaking: The example of the ELN

The historian Charles Tilly captured this in his famous phrase "war made the state, and the state made war," describing the process through which states evolved in Europe.²³ In the context of rebellion in DRC, Laurent-Désiré Kabila, the rebel leader who later became

¹⁹ William Reno, *Warlord Politics and African States* (Boulder, CO: Lynne Rienner, 1998).

²⁰ Thomas Risse, Tanja A. Börzel, and Anke Draude, eds., *The Oxford Handbook of Governance and Limited Statehood* (Oxford: Oxford University Press, 2018).

²¹ Ana Arjona, Nelson Kasfir, and Zachariah Mampilly, eds., *Rebel Governance in Civil War* (Cambridge: Cambridge University Press, 2015).

²² Brian Ganson and Achim Wennmann, *Business and Conflict in Fragile States: The Case for Pragmatic Solutions*, Adelphi 457–458 (Abingdon: Routledge for the International Institute for Strategic Studies, 2016), 155.

²³ Charles Tilly, "Reflections on the History of European State-Making," in *The Formation of National States in Western Europe*, ed. Charles Tilly (Princeton, NJ: Princeton University Press, 1975), 42.

president, is said to have remarked that all you need to start a rebellion is ten thousand dollars and a satellite phone.²⁴

We know, of course, that wars are a bit more complicated to organise. It takes real entrepreneurship to solve fundamental management problems: getting individuals to join despite the risks, preventing free-riding, coordinating people with different views, making promises to members credible, and managing the principal–agent problem between leaders and followers.²⁵ Understanding these organisational dynamics is therefore essential if we want to understand how armed groups sustain themselves, make decisions, finance their activities and, ultimately, negotiate an exit from war.

So, what happens to these organisational structures when a conflict moves towards a ceasefire or a peace accord?

Here, the work of Véronique Dudouet and Janel Galvanek on financing armed groups during ceasefires is insightful.²⁶ Drawing on a range of case studies, they show that a ceasefire is not economically neutral. An armed group still has to feed, pay and hold together its members, even when it stops fighting.

Let us look at Colombia's negotiations with the Ejército de Liberación Nacional (ELN), in 2022–2024, to see what this means in practice. For the ELN, kidnapping, extortion, taxation and control over illicit economies are not simply criminal activities alongside a political organisation. They are part of the economic infrastructure that sustains its fighters, commanders and territorial presence.

So when, in early 2024, the ELN agreed to suspend kidnapping, the question was not only whether it would comply. The deeper question was: what replaces the economic function that kidnapping performed?

The talks gave a revealing answer. The parties had created a multi-donor fund to finance activities under the peace agenda. The government insisted that it was not compensation for ending kidnapping. But when the fund failed to take off, the ELN announced within months that it would resume kidnappings, citing government non-compliance.²⁷

This points to an important lesson for ceasefire design. Giving up a source of revenue cannot simply be treated as one more obligation for the armed group. It has to be part of a broader economic transition. Otherwise, the bargain is asymmetric: the armed group gives up an immediate and concrete source of income, while the benefits of peace remain distant and uncertain.

The objective is to make peace economically viable, and ultimately more attractive than the war economy. A sustainable ceasefire or peace accord cannot only suspend violence. It has

²⁴ See Paul Collier, *The Bottom Billion: Why the Poorest Countries Are Failing and What Can Be Done About It* (Oxford: Oxford University Press, 2007), 21.

²⁵ Peter G. Thompson, *Armed Groups: The 21st Century Threat* (Lanham, MD: Rowman & Littlefield, 2014).

²⁶ Véronique Dudouet and Janel B. Galvanek, *Financing Armed Groups during Ceasefires* (Oslo: Norwegian Centre for Conflict Resolution [NOREF], January 2018).

²⁷ The fund was set up under Acuerdo No. 26 of the government–ELN talks. That agreement said the fund would be running within three months of signing. See also “Colombian ELN Rebels Lift Suspension on Kidnapping,” Reuters, May 6, 2024.

to begin transforming the economic system in which violence and insecurity are part of doing business.

Now, a quick reality check. This is not easy, because these economic systems are powerful. Revenues from drugs, gold, human trafficking, counterfeiting, cybercrime and other criminal markets are enormous, but precise estimates are impossible.²⁸ At the top, the image of a rebel group may well give way to that of a multinational corporation; at the unit level, we may find something closer to small and medium-sized enterprises.²⁹

So, it is hard. But it is possible to begin. And in Geneva, we have started.

4. Facilitating economic exits from violent conflict: The example of PDI

The Peace Dividend Initiative (PDI) is a Geneva-based foundation established in 2021. I was part of its founding team until 2024, when I shifted my focus to the Nagulendran Chair.

PDI starts from a simple premise: peace dividends do not materialize automatically once an agreement is signed. They have to be built – and built early, within the very economic conditions that shape the transition from conflict to peace. PDI works alongside peace mediators to identify entrepreneurs in conflict-affected areas, incubate their businesses, and connect them with investors.

In Colombia, PDI helped nearly one hundred former FARC combatants in Meta and Tumaco launch Manigua de Paz, a chocolate brand made from cacao they grow themselves. As one of them put it: “The hands of the ex-guerrillas are not only made to use weapons.” Another initiative sought to transform the FARC’s long-standing production of uniforms and rucksacks into a small business, building on the market for military-style clothing and battle-tested rucksacks.

These early years brought considerable learning, but also setbacks. Many initiatives could not be sustained. Yet this experience has given us a clearer understanding of what it takes to build businesses during the transition from war to peace.

Five lessons stand out.³⁰

First, conflict-affected areas are full of entrepreneurial talent. This is true both within armed groups and in the wider community. But entrepreneurial talent alone does not produce an investable enterprise. Building the necessary business capabilities is essential.

Second, local entrepreneurs understand their markets but might need help turning that knowledge into marketable products. This means developing viable business models, accessing investors, and connecting with higher-value markets.

²⁸ See R. T. Naylor, *Wages of Crime: Black Markets, Illegal Finance, and the Underworld Economy*, rev. ed. (Ithaca, NY: Cornell University Press, 2004).

²⁹ Achim Wennmann, “Economic Dimensions of Armed Groups: Profiling the Financing, Costs, and Agendas and Their Implications for Mediated Engagements,” *International Review of the Red Cross* 93, no. 882 (2011): 333–52. Steven D. Levitt and Sudhir Alladi Venkatesh, “An Economic Analysis of a Drug-Selling Gang’s Finances,” *Quarterly Journal of Economics* 115, no. 3 (2000): 755–89.

³⁰ I thank PDI’s Liam Foran and Gabriel Gomes Couto in the elaboration of these lessons.

Third, peace-positive investment requires a shared understanding across very different worlds. Diplomats, investors, businesses, traders, local entrepreneurs and mediators often operate with different mindsets, incentives and expectations. Peace emerges over decades; but investors need quarterly reports. Building a common literacy of each other is essential if we are to align these actors and unlock the potential of entrepreneurship and private-sector development in hard-to-reach markets.

Fourth, a mechanism like PDI is needed to bring economic ideas and actors into peace processes. In theory, mediators and the private sector could engage directly. In practice, mediators fear appearing to serve particular companies, while businesses fear political backlash that could threaten their market access. Both, however, will engage through an intermediary like PDI. This matters because a stable peace agreement depends on economic issues and actors being part of negotiations from the outset, not added as an afterthought.

Finally, there was virtually no dedicated investment capital for these markets. When PDI started, neither public nor private capital markets offered an adequate way to channel investment into these “beyond-the-frontier” markets. Capital was too risk-averse, while mediators were concerned that engaging directly with economic activities could compromise their impartiality or create conflicts of interest. A dedicated investment vehicle was needed to bridge this gap.

That is why last week’s launch of the Climate and Peace Investment Fund (CPIF) is significant.³¹ PDI has joined forces with the Nordic Development Fund, the Swiss Agency for Development and Cooperation, Incofin Investment Management and the United Nations Development Programme to establish an instrument designed to help mobilize investment in these markets.

There is, of course, considerable scope to build on this experience. PDI has focused primarily on developing individual businesses. But many of the lessons could also be applied at the level of economic clusters, supporting peace-positive private-sector development across entire conflict-affected areas.

There is also room to think more deeply about corporate models that go beyond profit maximization. One example is the benefit corporation, a corporate form designed to embed social and environmental objectives alongside financial returns.³² It provides a legal framework in which directors are expected to pursue both profit and a material positive impact on society and the environment, with public reporting on that impact. By protecting the company’s mission alongside its financial objectives, this model can help entrepreneurs and investors align business success with the delivery of a public good.

There is much more to explore. But let me turn to another example of building off-ramps out of the very economic conditions that sustain the violence.

³¹ See <https://www.developmentaid.org/news-stream/post/211228/ndf-commits-eur-500000-to-climate-and-peace-investment-initiative>.

³² On the benefit corporation, see Janine S. Hiller, “The Benefit Corporation and Corporate Social Responsibility,” *Journal of Business Ethics* 118, no. 2 (2013): 287–301; and Dana Brakman Reiser, “Benefit Corporations—A Sustainable Form of Organization?,” *Wake Forest Law Review* 46 (2011): 591–625.

5. Transforming illicit economies: Towards transitional economic justice in Medellín

Over the last two years, I have collaborated together with the Centre for Humanitarian dialogue to explore pathways to transform illicit economies in Colombia.

What we have developed is a mechanism for transitional economic justice. Its central question is simple: how can the wealth generated by illicit economies become a source of reparation and opportunity for the communities that have suffered from them?

Let me zoom into the exploratory work we did in Medellín over the last two years, and start with the negotiating constellations.

5.1 Negotiation constellations and three-way compact

In 2023, the Colombian government authorised socio-legal dialogue spaces in three cities: Medellín, Buenaventura and Quibdó. They enable exchanges between government delegations and the so called 'criminal structures' of each city, as part of the wider Paz Total policy.

Criminal governance in Medellín is organised as a pyramid. At the top are "invisible" power holders. Below them are the so-called Estructuras, the major crime groups, whose leaders are almost all held in the maximum-security prison of Itagüí, at least until the last election. Then come some fifteen to seventeen bandas, uniting around 350 local gangs. At the base is a social constituency of twelve to fourteen thousand people.

When I visited in late 2024, four sets of interests met around this socio-legal dialogue process.

- The government delegation had a short window before the end of the Petro administration and was looking for results and new ideas.
- The Estructuras were interested in the dialogue, partly because several leaders were approaching the end of their sentences and preparing for civilian roles, and partly to keep control over neighbourhoods where they enjoy social capital.
- Civil society in Medellín was remarkably mature, the product of decades of work on violence reduction and urban upgrading. It wanted a voice in the process, funding for existing initiatives, and an end to extortion.
- And the private sector was suspicious of the government's peace policy but shared one interest: extortion. In Medellín, as one study put it, *todos pagan*: everyone pays, and so did the private sector.³³

So, every party at the table were a stakeholder in the local economy. And the city's existing political settlement, which has kept violence relatively low, slowly coming out of balance as extortion becomes normalised and ever more excessive.

What we found was the proposition of a three-way compact:

- Communities receive investment, economic opportunity and better public services, as a form of collective reparation, and a voice in local governance issues.
- State authorities commit to tackling corruption and improving service delivery.

³³ Ben Miller and Angelika Rettberg, "'Todos pagan': Las PYME y la violencia urbana en Medellín, Colombia," Documentos CEDE (Bogotá: Universidad de los Andes, 2023). See also Santiago Tobón, "Medellín: una ciudad extorsionada," *El Colombiano*, 2024, <https://www.elcolombiano.com/opinion/columnistas/santiago-tobon-medellin-una-ciudad-extorsionada-MC24154923>.

- And actors in illicit economies commit to an irreversible exit, receive a structured pathway out of illicit activity, and give back a significant part of their past profits that is reinvested into entrepreneurship, public service delivery and infrastructure investments.

The point of this compact is that the burden of change does not fall on criminal actors alone. In Colombia, corruption and state neglect have also harmed many communities to a significant extent. A deal that asks only one side to change is asymmetric and unlikely to work.

5.2. Instruments for transitional economic justice

We also found that to make this compact work, it is necessary to invent new instruments to advance a transitional economic justice mechanism.³⁴

The first is an **endowment**. This is a concept, universities know well. They fund scholarships or chairs in perpetuity. The idea is to do the same with capital from criminal markets: an endowment for a specific area, city or community, that is neither state- nor crime-controlled, managed by finance professionals and overseen by independent guarantors, like states those who know how to look after money – Switzerland, Norway or the Vatican.

As a thought experiment, a \$100 million endowment yielding 3–5% would generate \$3–5 million annually for generations – a real ‘peace dividend’ and a substantial sum at street level in Medellín. Interlocutors stressed that sustained access to smaller amounts would do more to scale local development than a large, one-off injection, and that the long term dimension of an endowment offered a mechanism for i transitional economic justice with future generations.

This endowment would not start out of nothing. Colombia's 2014 asset forfeiture law already allows assets of illicit origin to be administered by the state and used for social purposes. It is an institutionalised process under the *Sociedad de Activos Especiales* (SAE). Internationally, there is also the practice of asset *recovery* to consider but adding a much deeper reflection on asset *re-use*.

In the case of Medellín, the key issue to solve for the endowment is trust. The state has no baseline for how much criminal wealth really exists. And criminal actors have no confidence in the *Sociedad de Activos Especiales*. The endowment would require a new structure under existing or adapted laws, with independent guarantors, designed precisely to bridge this trust gap.

The second new instrument is a **fund**. If the endowment generates the dividend, then another instrument needs to spend the dividend. And a first target for investments could be entrepreneurship and small business development in the neighbourhoods.

And here lies the trade at the heart of the scheme: businesses receive support only if the local gangs agree not to extort them. They become “extortion-free” enterprises and are labelled as such. In return, they pay a transparent community tax. The logic shifts from a flat rent economy based on extortion to a growing local economy: from dividing the pie to making it bigger, and to develop a transparent tax base.

³⁴ See deeper foundations for the transformation of organized crime: Achim Wennmann, “Negotiated Exits from Organized Crime? Building Peace in Conflict and Crime-Affected Contexts,” *Negotiation Journal* 30, no. 3 (2014): 255–73. Igor V. Dubinsky, “How Bad Boys Turn Good: The Role of Law in Transforming Criminal Organizations into Legitimate Entities by Making Rehabilitation an Economic Necessity,” *DePaul Business & Commercial Law Journal* 5, no. 2 (2007): 379. David C. Brotherton and Rafael Gude, “Social Control and the Gang: Lessons from the Legalization of Street Gangs in Ecuador,” *Critical Criminology* 29 (2021): 931–55.

The third instrument is **local governance committees** that receive this community tax and invest it in public services. They would build on the civic capacity that already exists in Medellín's neighbourhoods, and the city could license them for this role. This is where the hybrid political orders and the mediated state I described earlier become operational.

The fourth is **community finance**. *Corporación Fomentamos* runs *Círculos Solidarios*, in which eight to ten local entrepreneurs guarantee each other's loans instead of relying on bank collateral. With some 25,000 members and an average loan of about 200 dollars, they rebuild social fabric and break the grip of predatory street lenders. This is a tested model that works that can be scaled and integrated in a transitional economic justice mechanism.

Around these four instruments, the compact needs **rules**: irreversible commitments to exit illicit economies by *Los Estructuras* and to exit from corruption by the state, law enforcement against spoilers, independent monitoring, and crisis management. In other words, this mechanism needs to be accompanied much like a peace agreement.

To be clear, this has not been done or tested. It was a proposition for a process towards an urban political settlement that would extract violence and extortion from Medellín's local economy with the aim to stimulate economic activity, weave social fabric, and enhance public service delivery.

There are of course also many open questions on legal, economic and political issues. And the approach has to be translated to specific local contexts and owned by local actors.

And it is also clear, that such a process would not be able to withdraw 100% criminality from Medellín's economy because of the issues of intent: There are individuals and groups that are intentionally criminal for the profits and power it brings. So, there is need for a deep reflection about how to engage such groups so they – or the law enforcement responses to their behaviour – do not undermine the urban political settlement.

Given the size and systemic power of criminal markets – in Colombia and globally – it may be unrealistic to expect them to be eliminated completely. Here, a comparison with humanitarian action is instructive. Humanitarian and relief work does not aim to end wars; it seeks to alleviate human suffering and to protect civilians from the effects of fighting. The same logic can apply to criminal markets: instruments and initiatives can aim to reduce the suffering and civilian harm caused by organised crime, even where the markets themselves persist.

Since the election of a new President in August, much has changed in Colombia's politics. Yet economic revival and jobs remain a priority and a mechanism for the transformation of illicit economies might still have practical utility.

Conclusion

Ladies and gentlemen, let me conclude. This lecture has explored economic, or profit-based, exits from violent conflict: off-ramps built from the very economic agendas that sustain the violence.

We have examined the foundations for this approach in the political economy of conflict, a functional understanding of violence, and the organisational logics of armed groups.

Ceasefires become unsustainable when armed groups are expected to abandon their revenue streams without viable economic alternatives. The challenge is to build new sources of income and opportunity into transitional arrangements, transforming the economic systems that

sustain violence and insecurity. The operational examples from the Peace Dividend Initiative and my work with Centre for Humanitarian Dialogue in Medellín show that there are a set of key lessons and a lot more work to be done in many other places.

The bottom line is this: political instruments such as dialogue and negotiation have a role to play in transforming illicit economies. And economic, or profit-based, off-ramps from violent conflict deserve greater attention in war to peace transitions.

There is also a message for Geneva: I believe this city is uniquely positioned to develop practical instruments for addressing the economic dimensions of peace mediation. The launch of the Peace Dividend Initiative and the work of the Centre for Humanitarian Dialogue have shown that the key actors are all here: diplomats, international officials, investors, traders, mediators and academics. And they are all, in one way or another, connected to conflict-affected contexts around the world, and to the practices, places and people that matter.

As a world-leading hub for mediation support, Geneva has a real opportunity to take this agenda further and advance the economic dimensions of peace mediation.

As a last word, after a long lecture, the message may be surprisingly simple: money matters — even when it comes to negotiating offramps from violent conflict.

About the Nagulendran Chair in Peace Mediation

The [Nagulendran Philanthropy Alliance](#), a Swiss-based private philanthropic fund founded by Singaporeans Dorothy and John Nagulendran, is funding the Nagulendran Chair in Peace Mediation as the first-ever chair in peace mediation in Switzerland to promote a more peaceful world.

The chair seeks to promote peace by stimulating, in the words of Marie-Laure Salles, Director of the Geneva Graduate Institute, “reflection and practice about how the conflict resolution and peace mediation field can offer responses and new approaches to re-establish dialogue and negotiations as the primary avenue for preventing and resolving violent conflicts and building new futures.”

Achim Wennmann holds the Chair with effect from 1 April 2024 for a term of five years, in his capacity as Professor of Practice in the Institute’s Interdisciplinary Programme. He is author of several books and over 100 publications on the political economy of violent conflict, peace processes and political transitions. Professor Wennmann currently also serves as the Editor of the Geneva Policy Outlook, as a Member of the Board of Trustees of the Swiss Alliance for Global Research Partnerships (GRP-Alliance), and as Member of the Advisory Board of the Geneva Water Hub. Key previous roles included service as Executive Advisor of the Peace Dividend Initiative (2021-2024) and as independent mediation advisor for the European Union’s External Action Service on the economic dimensions of the conflict in Yemen (2020-2022). Between 2011 and 2021, Achim was the Executive Coordinator of the Geneva Peacebuilding Platform, a network of peace professionals, in the capacity of which he co-founded Geneva Peace Week (now Geneva Peace Forum) and the Peace Talks Initiative, and contributed to the creation of the Geneva Cities Hub (now Global Cities Hub). Current research interest include the adaptation of peace mediation, conflict prevention and peacebuilding practice to changing global, regional and local orders; opportunities and constraints of post-conflict economic development in the nexus of state sovereignty and hybrid political orders; and global governance in times of radical uncertainty especially focused on Geneva as a global hub. In addition to the Chair, Achim is also the Institute’s Director for Strategic Partnerships.