

The Economic Costs of Conflict

Evidence on violence, livelihoods, and resilience in Nigeria's Middle Belt

Constant stress from inter-communal conflict impacts the economic and social well-being of complex development environments across Sub-Saharan Africa. However, these ongoing violent conflicts, often between farmers and pastoralists, rarely garner sufficient media and donor attention. Observers have long understood that such violence devastates local and national economies, but before this research we didn't know the scope of the economic costs.

In [our new reports](#) focused on Nigeria, Mercy Corps undertook three studies to quantify and explain the economic losses of ongoing farmer-pastoralist conflict at national and state levels, as well as at community and household levels. In Nigeria's ethnically and religiously diverse Middle Belt, violent conflicts arise from disputes over the use of natural resources such as farmland, grazing areas and routes, and water points for animals and households. These findings indicate that multi-sector resilience-building interventions focused on reducing conflict and improving livelihoods can yield returns on investment that exceed program costs and lay a strong foundation for sustainable development.

Key findings

- **Nigeria stands to gain up to \$13.7 billion (₦2.3 trillion) annually in total macroeconomic progress in a scenario of peace between farmers and pastoralists** in the four states of Benue, Kaduna, Nasarawa, and Plateau alone. These gains represent up to 2.79% of Nigeria's officially reported Gross Domestic Product (GDP), or 0.8% of the "total economic product" of Nigeria, including the informal economy.¹
- State revenues suffered significant losses due to farmer-pastoralist conflict, particularly after intense and sustained bouts of violence. **The four study states have lost 22-47% of their potential revenue collection**, or roughly \$719,000 to \$2.3 million (₦109-347 million) due to the conflict. In Plateau State—marked by particularly high levels of inter-religious violence—the state government lost up to 75% of potential revenue, demonstrating the imperative of addressing conflict in order to effectively meet other social and economic needs.
- **The average household affected by farmer-pastoralist conflict would experience at least a 64%--and potentially 210% or higher—increase in income**, if these conflicts were reduced to near zero.
- **Existing coping strategies of communities experiencing farmer-pastoralist conflict can be counter-productive to long-term growth.** Pastoralists tend to cope with conflict by altering their movement patterns, which can reduce their ability to earn a living. For example, pastoralist communities reported moving through grazing routes more quickly to avoid conflict with neighboring farmers, adversely effecting animal health and their ability to sell their cattle.
- **Some livelihoods improvement strategies may fuel conflict.** Income diversification efforts often require increased settlements for pastoralists so they can incorporate farming and other livelihood approaches into their lives. In some cases this may increase their social bonds with neighboring groups, but in other instances can leave them more vulnerable to attack due to land conflict.

¹ Ogbuabor and Malaolu (2013) estimate the informal economy of Nigeria is 3.5 times the size of official GDP.

Methodology

To explore the costs of farmer-pastoralist conflict and potential benefits of peace on state revenues and national economic progress, we constructed a violence dataset for the states of Benue, Kaduna, Nasarawa, and Plateau. With that dataset, we analyzed official revenue and tax data to create a hypothetical scenario in which no farmer-pastoralist violence had occurred and compared it to the actual performance in each study state. We then used household survey data to model how the Nigerian economy would perform given increased production and spending.² To explore effects on households, we analyzed household survey data on income and proximity to violence.³ Finally, our qualitative study on existing capacities of communities to respond to conflict and economic losses relied on interviews and focus group discussions.⁴

Recommendations

Mercy Corps is working with Nigerian government institutions and policymakers, business leaders, community-based organizations, and thought leaders to advocate for the following priority actions: establish and fund grazing reserves and routes; strengthen conflict management mechanisms; improve security and justice systems; and support agricultural and livestock production. To support Nigerians to promote more peaceful communities—as well leverage these findings in other contexts – the international community should:

1. Urgently increase investments to prevent and resolve inter-communal conflicts between farmers and pastoralists. Strategies may include:
 - a. Strengthening conflict management mechanisms at the community and government levels;
 - b. Supporting cooperation between conflicting communities around economic and natural resource management initiatives, which both address drivers of conflict and promote shared economic growth; and
 - c. Working with governments to find long-term policy solutions that increase political access across diverse groups, improve systems for resource management, and connect communities to their governments to find collaborative ways to prevent violent conflict.
2. Ensure livelihood strategies and conflict management strategies positively reinforce each other. Multi-sectoral, multi-year programming structures offer the best opportunity to address interrelated conflict and livelihood issues simultaneously.
3. Strengthen conflict management program success metrics to include resilience and well-being outcomes, such as household income, that may result from increased peace. Improved measurement will increase our understanding of the multi-pronged benefits of conflict programming and the specific models that work well.

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² We culled farmer-pastoralist violent incidents from the UCDP Georeferenced Event Dataset (GED) and the Armed Conflict Location and Event Dataset (ACLED) for Nigeria for all available years. Official data on revenue and tax was collected from the Central Bank of Nigeria. To look at effects on GDP, we conducted an original survey of 1600 randomly selected households in the four study states and, using data from carefully selected predictor states less affected by violence, performed an Input-Output analysis to determine the effects of changes in supply or demand in a particular industry on the overall economy.

³ We first ran a 2-stage instrumental variable (IV) model and then used a population attributable fraction (PAF) calculation to estimate the effect of a hypothetical reduction in violence to near-zero levels on rural income for the entire study region.

⁴ Over 500 community members participated in focus group discussions, and over 90 key informants were interviewed.