

*Peace and Development:
Democratization, Poverty and Risk Mitigation in Fragile and Post-conflict States.*
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Final Technical Report

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¹ The Institute for the Study of International Development was formally created in December 2008. It absorbed the Centre for Developing-Area Studies, which was the project's initial organizational home at

Project Abstract

The social sciences literature and policymakers often take for granted that positive developmental outcomes, including poverty reduction, risk mitigation and democratization, are mutually reinforcing. Yet the empirical evidence is still ambiguous, particularly for post-conflict and fragile states. To help fill this void, the study addresses three sets of related issues: 1) Power sharing for Peacebuilding and Development; 2) Participatory Governance and Service Provision; and 3) The Economic Agenda for Post-Conflict Reconstruction. The project consists of two component parts: The first includes 5 papers exploring the three sets of issues, with a focus on their larger theoretical aspects and empirical trends. The second component of the project includes detailed case studies that also address the same sets of issues in seven cases: Bosnia, Colombia, Lebanon, Mozambique, Rwanda, Sri Lanka and Sudan. A multidisciplinary team consisting of an economist and a political scientist or sociologist wrote each case study. This overall structure is intended to help ensure that the case studies inform the development of macro-level theory, at the same time that the theory provides a strong foundation to maximize the coherence of the overall study and the comparability of findings from the seven case studies. The project has the particular strength of developing a new, multi-disciplinary, cross-regional research network that will have the additional benefit of using both sophisticated quantitative and rigorous qualitative research methodologies. The group of Southern and Northern researchers involved in the project also has considerable ties with the policy communities, both nationally and internationally, increasing the project's potential for generating policy change by helping to ensure that the project's findings are relevant to potential stakeholders and more politically viable in Southern countries. Ultimately, the project will serve as a model for developing effective North-South and South-South research collaboration.

Key Words: power sharing, democracy, economic development, post-conflict states, fragile states, decentralization, fiscal policy in post-conflict and fragile states, South-South and North-South Dialogue

The Research Problem

Both the social sciences literature and policymakers often take for granted that positive developmental outcomes, including poverty reduction, risk mitigation and democratization, are mutually reinforcing. This basic assumption (that “all good things come together”) was first challenged almost half a century ago (Huntington 1968), yet there has been no large-scale study that has systematically tested it comparatively. Instead, development policy and practice is often compartmentalized, with little regard to the how competing policy objectives may or may not be inter-related. Despite an unprecedented amount of aggregate empirical data and literally volumes of research focused on specific policy issues², including growing numbers of case studies on specific issues, there is still no major study that examines multiple policy goals in a systematic fashion that integrates available large-scale data analysis, policy-oriented theoretical research and rigorous multi-region case studies within a common research design (Oxhorn, 2009).

² For example, with regard to post-conflict recovery and development, a wide if not exhaustive survey of the literature and current thinking can be found in Boyce and O'Donnell (2007), Collier and Sambanis (2005); World Bank (2003) and the forthcoming report from the UNDP on post-conflict economic recovery previewed in Ohiorhenuan and Kumar (2005).

As a result, the empirical evidence is still quite ambiguous regarding possible trade-offs and complementarities among development goals. This is particularly true for post-conflict and fragile states, where the immediacy of specific problems and desires for “quick wins” have reinforced a general tendency to side-step larger issues relating to the spillover from development objectives, at the same time that the belief that particular reforms in one area will bring with them numerous positive externalities remains largely untested optimism. Because of the scope of these issues and the complex system that comprises a post-conflict environment it can be quite difficult to conduct a comprehensive analysis at all of the levels necessary to make assessments of good and bad policy. A typical example is a recent cross regional study of democratic decentralization (Oxhorn et al. 2004) that included six in-depth case studies from three regions (Africa, Asia and Latin America) done by 2-person Southern research teams. Sharing a common research design, the volume developed a number of insights based on the comparative experiences of the cases. But the research design and methodology were not explicitly designed to integrate large-N aggregate analysis or to compare the progress along one important dimension of development—democratic decentralization—with other equally important development goals that may or may not advance in parallel with advances in citizen participation at the local level. For example, it was beyond the scope of the study to explore how public demand-making was constrained by economic policies enacted at the local or other levels of government, just as the case studies did not focus on the implications of democratic decentralization for power sharing at higher levels of government.

There are at least two additional reasons why this kind of comprehensive study of the inter-relationship between multiple development goals is still lacking. First, such a comprehensive study would by its nature be interdisciplinary. In particular, it would need to emphasize both the economic and socio-political dimensions of the challenges involved. While more and more multi-disciplinary team research is being conducted, it is important to apply such research strategies to the study of how development goals interact with one another. Such a study would also combine sophisticated quantitative and rigorous qualitative research methodologies, yet few researchers who are skilled in one methodology are equally skilled in the other. Second, large studies generally are not deliberately designed to take advantage of the potential of North-South research collaboration based on the unique strengths or comparative advantages of each. In particular, Northern researchers generally have access to greater resources. This would better position them to provide more synthetic, comparative analyses that benefit from the plethora of data and studies dealing with development issues around the globe. Southern researchers, on the other hand, have incomparable access to local realities and dynamics. They also have a more immediate understanding of national priorities, of who the key actors are, and the consequences of development decisions on the ground. While this is to a certain extent an over simplification with many important individual exceptions, it highlights the way in which Northern and Southern researchers can complement one another, as well as some of the pitfalls in attempting to develop collaborative research projects. In terms of how they might complement on another, an effective North-South research team would weave together both breadth and depth. Detailed knowledge from case studies would inform theory and aggregate large-N analyses, just as the resultant theory and analysis would help provide an overall framework to maximize the potential comparative insights from the individual case studies. In this sense, both components of the study would evolve more or less in tandem. Often, however, the potential synergies are weakened (albeit unintentionally) by a tendency for Northern resources to position Northern

researchers at the center of the intellectual enterprise, limiting the scope for Southern input into pre-established theoretical frameworks that are developed with only minimal influence from Southern researchers.

More specifically, regarding the three issues addressed in the case studies:

- 1) **Power sharing for Peacebuilding and Development:** It is vital to the peace and prosperity of states that their monopoly on violence is ensured, but this raises the danger that the power of “strong” states will be abused. To better understand these potentially countervailing effects, the study will center on how peace agreements, intervention strategies, demobilization strategies, and arrangements for post-conflict justice contribute to securing the peace and economic development. What are the trade-offs in peace and development associated with peace agreements that increase fiscal decentralization and political federalism? How can reforms of the military and security apparatus contribute to poverty reduction and when does it reduce the risk of new or resurgent conflict? What security sector reforms are possible in the post-conflict environment and are there hard limits to the extent of these reforms? In essence, does security always trump development?
- 2) **Participatory Governance and Service Provision:** The available literature suggests that some form of participatory system is a prerequisite for a sustained peace; however, it is not clear that an ensuing democratic or participatory system has any advantage in the provision of public goods. Similarly, some literature suggests that while more participatory systems in socially fractionalized societies with strong identity politics may confer the legitimacy necessary for peace, such systems might sacrifice accountability if they create new opportunities for patronage and clientelism. Finally, while there is good evidence that suggests established democracies are better able to provide voice to the aggrieved, reducing the likelihood of civil conflict and securing civil peace, democratization is not a panacea against civil conflict, particularly if post-conflict elections may simply move the risk of conflict to a future date. This suggests a possible trade-off: When should efforts be made to democratize and reduce the risk of civil conflict and when should existing systems of government be maintained and even reinforced with bureaucracy to help ensure stability and efficiently provide public goods? How can participatory systems be effective as an instrument for the delivery of public goods and services specifically for post-conflict and fragile states? What are the options for public/private ownership in post-conflict reconstruction and what is the role of the international community in advising economic reforms for these types of states?
- 3) **The Economic Agenda for Post-Conflict Reconstruction:** Previous research produced theoretical and empirical evidence that countries emerging out of conflicts experience certain structural shifts that affect aid effectiveness and fiscal policy, as well as exchange rate and monetary policy. This study will build on this research by addressing the following question: How can these disparate effects be integrated into a coherent macroeconomic policy agenda for fragile and post-conflict states, based on a thoroughly developed theoretical framework? Questions that remain include, for example: Can expansionary monetary policy be used to pump-prime development or should post-

conflict inflation be avoided at any cost? When do sovereignty issues associated with national currencies become liabilities to a fragile state? If budget support and public good provision subsidize government expenditure in post-conflict states, when does international aid support coherent macroeconomic strategy and when might it threaten to undermine one?

Given the centrality of goals such as poverty reduction, risk mitigation and democratization for development assistance policy, not to mention for the post-conflict and fragile states themselves, it is important that this lacuna be filled. In particular, cross-regional comparative studies that maximize the potential synergies of genuine North-South research collaboration and that might shed important new insights into the underlying dynamics of these processes are lacking. To this end, this project will build a particular kind of research capacity that will likely have a significant long term impact.

Objectives

General Objective: Develop policy-relevant expertise for understanding the relationship between key development goals, including poverty reduction, conflict resolution and participatory governance, based on a multi-disciplinary, cross-regional research project integrating case studies and large-scale aggregate studies.

Specific Objectives:

- 1) Develop a novel research design that is multi-disciplinary (Economics and Political Sociology), cross-regional (Africa, Latin America and South Asia) and based on both large N-aggregate studies in combination with in-depth case studies.
- 2) Produce seven high quality case studies addressing the above three sets of issues and five more theoretical, large N-aggregate thematic studies, all addressing the same issues in a integrated fashion, with different methodological perspectives based on distinct types of data.
- 3) Develop an inventory of the kinds of policies that work best in different contexts, as well as the kinds of policies that are likely to fall short of achieving their intended goals. This will be circulated among interested policymakers, the international donor community and academic researchers. The backgrounds of the team of researchers we have assembled for each case country will allow for more effective and rapid government follow-through on policy recommendations in those countries, as well as elsewhere.
- 4) Identify both theoretically and empirically in all of the studies produced for both components of the project the gendered effects of policies, as well as other socio-political and economic dynamics associated with the three issue-areas being studied.³
- 5) Develop an effective modality for North-South and South-South collaboration through the active involvement of the both Northern and Southern researchers in all aspects of the design and elaboration of the overall project, particularly through their participation in the two workshops and in communication with project team members.
- 6) Develop new international research networks linking ISID, the World Bank, IDRC and the numerous researchers involved in both components of the project. This will be particularly important for building research capacity in participating Southern countries for conducting large-scale comparative research.

³ As explained in last section of this report, this objective could not be met.

- 7) Publication of the seven case studies, the five thematic papers and a chapter summarizing the principal findings of the project in a single volume that will be useful for policymakers as well as researchers and students in the fields of conflict and development.⁴

Methodology

The project is formally divided into two component parts. This division reflects the relative strengths of Northern and Southern networks and is designed to maximize potential synergies between them. This structure will also ensure a higher level of generalization for the findings from the six case studies by developing a common theoretical framework.

The project began with draft papers written internationally recognized experts from all over the world dealing with the three sets of issues we have identified. This component of the project was under the direction of the Development Economics Research Group of the World Bank. The papers were based on available data sets and focused on the larger theoretical issues and empirical trends raised by the three issue-areas identified above. The authors were asked to revise their drafts given feedback from the Southern scholars responsible for the case studies.

It is important to underscore that the research in this component was only a starting point for helping to ensure a minimum level of coherence across the seven case studies. This is essential to maximize the comparability of findings. But the component is not a roadmap or an attempt to impose any single vision (Northern or otherwise) on the project as a whole. It should be viewed as a first step in opening a dialogue between Southern and Northern perspectives in which the Southern lens will be brought to bear in a critical way that actually challenges the usefulness of these kinds of studies when done in isolation from actual experiences on the ground in conflict and postconflict settings. In other words, it will build a new capacity for applying a Southern lens to these kinds of analyses that, in the proposed study, should lead to better research in both the North and the South.

The second component of the project was based at ISID and consisted of seven detailed case studies addressing the same sets of issues as the other component. Building on the general findings from the papers in the first component part of the project, the case studies will develop an in-depth understanding of the processes and trade-offs relating to the issues examined in the project. Each case study team included an economist or someone with considerable experience in economic policy analysis. That person took the lead on sustainable fiscal policies issue. The case studies will also address the other two issue-areas identified in the proposal, power sharing and participatory governance, with a sociologist or political scientist having taken the lead.

The seven cases were selected in order to provide a full range of experiences: Bosnia, Colombia, Lebanon, Mozambique, Rwanda, Sri Lanka, and Sudan. All have experienced (or continue to experience) periods of prolonged violence tantamount to civil war, although the levels of violence vary. This violence was driven largely by ethnic and/or religious strife in four of the

⁴ The initial project envisioned six thematic essays and six case studies. A researcher for Pakistan had agreed to write a thematic paper, but he later dropped out of the project after having missed the first workshop. We were unable to replace him and no funds from IDRC were spent in relation to that person's participation. Unanticipated savings in travel for the first workshop (due to lower than anticipated airfares and the inability of several project members to attend) allowed us to add a seventh case study, Mozambique.

cases (Bosnia, Lebanon, Rwanda, Sri Lanka and Sudan), while Cold War ideology and class conflict predominated in the other (Colombia and Mozambique). External influences were important in each case. All six vary considerably in terms of the power sharing and economic outcomes central to this study and fall into three broad categories:

- 1) **Relatively Stable Power sharing Arrangement with Positive Economic Outcomes:** Bosnia and Mozambique fall into this category.
- 2) **Prolonged Lack of Stable Power sharing with Negative Economic Outcomes:** Sri Lanka⁵ and Sudan.
- 3) **Indeterminate Power sharing Arrangements:** The remaining three cases are distinguished by the fact that they lack stable power arrangements, with different consequences. Rwanda stands out because it has realized considerable economic success despite the lack of any power sharing arrangement between the two dominant ethnic groups. In contrast, Colombia stands out because it enjoys the dubious distinction of having both the longest civil war in Latin America and one of the longest periods of uninterrupted political democracy in the region in terms of regular elections. Recent events suggest that the civil war is now in its last phases and may be entering a phase in which new power sharing arrangements will be forged. Lebanon may be backsliding in terms of power sharing as recent political instability (including a short term military incursion by Israel) may have undermined the relatively successful power sharing arrangements that brought an end to a prolonged period of civil war. Partly as a consequence of these still indeterminate power-sharing arrangements, all three cases have experienced less than positive economic outcomes.

Finally, in terms of case selection, little is currently available on the extent of participatory governance and service provision in the cases and they are likely to vary in still indeterminate ways. This reflects the fact that such local arrangements are largely independent of the nature of national power sharing arrangements and can serve to buttress even authoritarian regimes (Moreno-Jaimes 2007).

Project Activities

In November 2008, the first workshop was held at McGill University. At that workshop, draft thematic papers were presented and discussed by the project team in order to lay a firm foundation for the case studies. As a result of unanticipated cost savings, a seventh case, Mozambique, was added. Based on the workshop discussion, detailed guidelines were prepared for the case study authors (See Appendix 2).

The second workshop, in which the seven case study draft papers were presented and discussed, took place in Kigali, Rwanda, in May 2009. In addition to the discussion that took place at the workshop, the authors of each case study were given comments on the papers, along with instructions to help ensure that the case studies follow a general template.

⁵ Sri Lanka's conflict ended with the military defeat of the Tamil guerrillas mid-through the project.

At the Kigali conference we also discussed the potential for publishing the studies as a book. Subsequent discussions have been held with the IDRC press and a major US university press. Editors have expressed a high level of interest in the project.

The draft papers were generally of high quality and were revised for presentation at a public conference at World Bank headquarters in Washington DC in December 2009. The papers were subsequently reviewed for publication in a book, along with a chapter that would synthesize the principal findings, written by P. Oxhorn. The latter review process led to another round of revisions. A team of professional copyeditors was contracted to help further refine the case studies.

Research Findings

We have produced 7 draft case studies—one more than anticipated in the original proposal—that are currently being finalized. A summary of their principle findings and policy implications is provided in Appendix 1.

In addition to the specific research findings presented in each case study and summarized in Appendix 1, several more general findings stand out:

- International factors and influences are generally decisive regarding the possibility for conflict resolution and the form it takes. While this often due to the central role that international factors played in the initial conflict, their impact on conflict resolution is a reflection of economic resources, political influence and, in some cases, military intervention. This implies a high level of responsibility on the part of key international actors in setting the criteria and modalities for conflict resolution. In particular:
 - International actors tend to determine which actors participate in conflict resolution negotiations. While this inevitably reflects a certain balance of power among key combatants, it has tended to exclude civil society actors and smaller (armed and/or unarmed) political actors. This inevitably gives such processes a conservative bias that recognizes the importance of violence for winning a seat at the negotiations and creates barriers to new entrants in the future;
 - International aid generally plays a central role, creating dangers of aid dependency and the challenge of contributing more effectively to sustainable economic development;
 - In some cases, international actors, particularly through post-conflict development assistance, this can also serve as a target for nondemocratic actors who allege excessive external influence, particularly in terms of NGO funding.

- The Need to Guard Against an Excessive Institutional Rigidity in Post-Conflict

- One of the biggest post-conflict challenges is to provide sufficient institutional flexibility in order to adapt to changing circumstances and address issues not addressed in the peace process;
 - Institutional inflexibility creates three challenges in particular that run the risk of creating a vicious cycle leading to future violence:
 - Power balances among key actors at the time peace is restored are reflected in the state institutions in a way that prevents adaptation to changes in those power balances due to demographics, economic change and the emergence of new actors;
 - Actors adapt to this institutional rigidity by creating a variety of informal institutions that over time undermine state capacity and legitimacy in fundamental ways, feeding processes of rent-seeking, corruption and clientelism;
 - Restrictions on democratic processes that were perceived as necessary for achieving peace are increasingly difficult to reverse.
- State Decentralization has generally not contributed to long term peace, development and democracy
- Decentralization policies frequently raise fears of national fragmentation, if not disintegration;
 - Decentralization has often been a source of power for nondemocratic actors, compounding problems of corruption, weak state institutions and clientelism;
 - The exception among the cases studied is Rwanda, where decentralization policies were explicitly adapted to the national historical and cultural context, and coordinated by a national long term development plan
 - As a result, decentralization may also have helped democratize autocratic tendencies come from the Office of the President.
- Political Democracy and Achieving Peace
- If a consensus can be reached among key actors that political democracy is the appropriate post-conflict form of government, it offers important advantages
 - Electoral mechanisms can overcome problems of excessive institutional rigidity associated with achieving peace;
 - This provides the best avenue for ensuring civil society's inclusion and minimizing elitism;

- It offers a potentially ideal channel for international assistance into building credible electoral institutions and strengthening political parties
 - It is politically neutral in that all political positions should be favored equally;
 - It can contribute to the strengthening of mechanisms for setting national priorities and future conflict mitigation;
 - It is an area where international donors generally have expertise
 - But international donors need to respect national and local histories, as well as timelines for realizing political democracy.

➤ The Importance of Informal Institutions

- Informal Institutions Play Pivotal a Role in all Cases
- Their contribution to peace, development and democracy is ambiguous
 - In general, informal institutions seem to have exacerbated the negative longer term consequences for achieving development and democracy associated with peace settlements;
 - When bounded by a commitment to political democracy on the part of key actors, they can contribute to a positive relationship between peace, development and democratization.

Project outputs and dissemination

A manuscript is being prepared for publication that will include the 7 case studies, the World Banks-funded theoretical papers, and a chapter synthesizing the project’s major findings (See Appendix 1). This will be forwarded IDRC shortly.

Impact

As anticipated, the impact to date has been limited to the public discussions at the workshops. We expect to have a much larger impact with release of the various studies. Given the political prominence of a number of the case study authors in their home countries, we expect project findings will be known within relevant policymaking circles.

Overall Assessment and Recommendations

The Peace and Development Project was a truly immense undertaking. It involved seven multidisciplinary teams of researchers, one from each of the seven countries included in the study (Bosnia-Herzegovina, Colombia, Lebanon, Mozambique, Rwanda, Sri Lanka and Sudan).

The complexities included promoting a genuine South-South dialogue, as well as a dialogue between different disciplines, in which English was the common language, even though it was rarely the participants' first language. There was necessarily a steep learning curve, made more challenging because we were working with accomplished individuals with heavy responsibilities independent of our project.

As part of this learning curve, we soon realized that our original Objective 4, “Identify both theoretically and empirically in all of the studies produced for both components of the project the gendered effects of policies, as well as other socio-political and economic dynamics associated with the three issue-areas being studied,” could not be adequately addressed within the manageable scope of the project. This in no way reflects the lack of importance given to issues of gender and gender equality by the researchers involved in the project. For example, three of the case study teams included women (Bosnia and Herzegovina, Lebanon and Rwanda). Given the ever apparent complexity of the three basic research questions guiding the research, the importance of the topic meant that any useful treatment of it would entail far more work than could be accommodated within the project's time constraints and the need to keep each case study to an acceptable length. In all the cases, gender inequality—particularly during conflict periods, for which considerable research exists—was a significant challenge that rarely was dealt with adequately.⁶ At the same time, it was felt that greater levels of gender equality could not be achieved unless the issues raised in the three questions that frame the study were addressed in a democratic and inclusive fashion. This is because the limits of power sharing, decentralization and post-conflict economic agenda tended to reinforce underlying gender inequalities.

The end result was a rich series of studies reflecting seven unique experiences in dealing with conflict. From this array of realities the lead editors, Philip Oxhorn from McGill and Gary Milante from the World Bank, were able to discern important, often unexpected lessons that will undoubtedly contribute to better approaches for dealing with conflict and postconflict situations wherever they might emerge.⁷

The project has been delayed for a variety of reasons. First, the co-author of one of the case studies left the project halfway through and it took an unexpectedly long time to find a suitable replacement. While this is a good testament to the need to build research capacity in many Southern countries, it also underscores the challenges of assembling qualified research teams on the ground.⁸ This was a principal reason for much of the delay, since we could not close the project's account until that person received a (well deserved) stipend, which in turn required waiting for an acceptable final study.

A second problem we confronted was reflected the fact that many researcher's first language was not English, compounded by a range of research cultures that were reflected in how the case studies were actually presented. Although the research was first-rate, the challenge of molding it

⁶ Some of the exceptions were noted briefly in several studies, particularly the Rwanda study.

⁷ A volume containing the seven case studies, along with a synthetic chapter highlighting key findings is under preparation and will be forwarded separately.

⁸ An important objective of many research projects like ours and of IDRC more generally is capacity building in terms of Southern country research capacity. The flipside of this is that there are often relatively few qualified researchers in the field, particularly in states experiencing and/or emerging from conflict. As a result, such people are in high demand, particularly by their own governments.

into a cohesive set of case studies—despite the fact that all authors were given clear guidelines (see Appendix 2)—was something we did not initially appreciate. Fortunately, our actual budget allowed us to engage the assistance of a pair of professional copyeditors.

With hindsight, we realize that a preliminary workshop, before the actual presentations of the first set of draft papers,⁹ would have been helpful. This would have helped us to iron out a common approach and refine the case study guidelines more effectively. It would have likely helped us establish greater rapport early on, thereby facilitating the writing of the case studies later.

Overall, this has been a tremendous learning experience—both in terms of the project’s concrete findings and also in how to manage large, multidisciplinary research teams from around the world.

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⁹ The IDRC-funded studies were complemented by a series of more theoretical papers funded by the World Bank. Drafts of these were presented in the first meeting in lieu of a less formal workshop that would have discussed the project’s overall initial design. These theoretical papers will be included with the case studies to be forwarded separately.

Appendix 1

List of Thematic and Case Studies

Case Studies

1. *Case Study: Bosnia and Herzegovina*, by Fikret Causevic (University of Sarajevo) and Merima Zupcevic (Independent Consultant, Sarajevo)
2. *The Colombian Case: Peacemaking and Power Sharing: The National Front (1958–1974) and New Constitution (1991–2002) Experiences*, by Francisco Gutiérrez Sanín (Instituto de Estudios Políticos y Relaciones Internacionales, Bogotá) and Juan Carlos Guataquí (Universidad del Rosario, Bogotá)
3. *Case Study: Lebanon*, by Samer Frangie (American University Beirut) and Nisreen Salti (American University of Beirut)
4. *Mozambique Peace and Post Conflict Development: Managing Political and Macroeconomic Risks during the Transition*, by Calton Cadeado (Independent consultant, Maputo) and Roberto Tibana (Analítica-RJT, Maputo)
5. *A Case Study of Post Genocide Rwanda*, by Herman Musahara (National University of Rwanda) and Euthalie Nyirabega (Chamber of Deputies, Rwanda)
6. *Political and Economic Policy Priorities in Supporting Post-Conflict Peace and Development in Sri Lanka*, by Deshal de Mel (Institute of Policy Studies of Sri Lanka) and Shakya Lahiru Pathmalal (Institute of Policy Studies of Sri Lanka)
7. *Sudan Multiple Transitions 2005-2011: Analyzing the Dynamics of Post-Conflict Impasse*, by Ibrahim Ahmed Elbadawi (Dubai Economic Council) and Atta El-Battahani (University of Khartoum)

Thematic Papers

1. *Exchange Rate and Monetary Policy for Sustainable Post-Conflict Transition*, by Ibrahim El Badawi (Dubai Economic Council) and Raimondo Soto (Universidad Católica de Chile)
2. *Foreign Assistance and the Political Economy of Post-Conflict Countries*, by Phil Keefer (World Bank)
3. *Powersharing under the Threat of Conflict*, by Gary Milante (World Bank) and Stergios Skaperdas (University of California, Irvine)

4. *Clientelism or Empowerment: the Dilemma of State Decentralization for Securing Peace and Development*, by Philip Oxhorn (Institute for the Study of International Development)
5. *Producing Peace in Post-Conflict Countries*, by Jean-Paul Azam (University of Toulouse)

Summary of Main Issues and Policy Implications from the Seven Case Studies

Bosnia

Principal Challenges and Possible Solutions

Power Sharing

Overwhelming international presence and leadership in the peace-building process have ensured sustainable peace but led to introduction of democracy without domestic institutions to support it. This can be considered the major flaw of the peace model in BiH. Current developments include prolonged ethnic politics, Dayton-imposed and –institutionalized ethnic divisions in the society and fulfillment of the power vacuum by international institutions, mainly the High Representative.

While there is no remedy for past developments except the benefit of hindsight for other post-conflict societies, major lessons have been learned and should be used to improve the current situation. Ethnically-motivated thinking and voting needs to be overcome and focus placed on the needs of citizens, their individual wellbeing and development of the country as a whole. International presence needs to be gradually scaled down but only after domestic institutions have proved to be capable of sustainable and development-oriented actions. International presence should be taken advantage of to ensure European Union accession and overall direction of society towards the EU integration and embracing of European values.

Participatory Governance

While millions of dollars have been invested in development projects by the IC, no coordination efforts can be spoken of. This has led to duplication and omission of important issues. Simultaneously, there is no political consensus on constitutional and EU-related questions, which has impeded progress in the Public Administration Reform. Reasons for this can be found in the neglect of war root causes during the peace-building process and lack of comprehensive societal reconciliation. Citizens, on their side, have placed no significant pressure for reform. This can be attributed to low expectations but also lack of belief in domestic institutions (due to the overwhelming IC role) and absence of reconciliation which has led to prolonged ethnic tensions. The civil society sector is also weak, dependent on international funding and incapable of initiating serious societal movements.

Dependence on IC and its funding should be overcome through a comprehensive educational reform, targeted capacity building and empowerment of existing local experts. Stable economic development would also reduce the need for international assistance and thus contribute to strengthening state institutions and the country as a whole. EU accession is another important tool for peace-building due to its potential for overcoming ethnic identity and merging BiH identity with the European. The civil society on its part needs to become independent and a driving force of change. For this, support by governmental institutions is crucial to create an environment in which the civil society is given a respectable role.

Macroeconomic Policy

Post-war economic situation is characterized by conflicting goals that have particularly affected economic growth and labor market equilibrium. An extremely complex fiscal structure has disabled the state from collecting sufficient public revenue. However, defense, indirect taxation and border control reforms have significantly increased the state budget and the development of commercial banking has boosted investment and development. Patterns of trade demonstrate

unwillingness to promote manufacturing and dominance of elite economic groups in conducting ethnically-motivated trade with neighboring and some other countries. FDI has been important for post-war development, but related legislation is not favorable to local producers. The privatization process has also resulted in ethnically-motivated sales.

Ongoing reforms have and will lead to more efficient use of public funds to use for pension, healthcare and unemployment benefits as well as education reform and generation of new jobs. It is crucial to build on existing and develop new human capital as this is the major chance for long-term development given the lack of manufacturing, unfavorable trade trends and political obstacles to economic growth. The political situation is inextricably linked to the economic one as only stable political institutions will enable sustainable economic growth, and vice versa.

Colombia

The Colombian Case: Peacemaking and Power Sharing The National Front (1958–1974) and New Constitution (1991–2002) Experiences	
<p>Main Issues:</p> <p>During the 1958-2008 period, Colombia experienced a unique combination of competitive politics, peacemaking attempts and conflict.</p> <p>Colombia demonstrates that economic development is not sufficient for ensuring peacemaking: while the country has not lagged behind its neighbors in terms of development indicators, this has not proven to be enough to prevent violence.</p> <p>The study challenges the most well-known explanations for the Colombian paradox, in order to suggest a different approach for understanding the country's inability to simultaneously achieve the objectives of development, a transition to democracy and peace.</p> <p>More specifically, it compares two periods in Colombia's history: the National Front (1958-1974) and the Post-1991 Constitution Reform. For both of them we consider the political context in terms of power sharing and peacemaking initiatives. We also extend this political context to the issues of economic/social development.</p>	<p>Policy Implications:</p> <p>The prevalence of unresolved structural factors of state consolidation cannot be ignored.</p> <p>There has been a negative feedback between well-intentioned policies simultaneously implemented to address specific problems.</p> <p>Power-sharing coalitions striving to achieve peace require mechanisms to preserve themselves: i.e. programatic and cohesive political parties as actors promoting change.</p> <p>Finally, the diverse interaction of actors, objectives and means has meant that Colombia has not enjoyed a set of international factors conducive to simultaneously achieving peace, democracy and development.</p>

Lebanon

Adopt a stagist approach, with each stages having different goals and requirements			
Governance	Include the relevant social players in the peace process and integrate the social groups that might be dependent on war activities in the state	Ensure a balance between political and social inclusion and the efficiency of the decision-making process, even if this might involve some inefficiencies	Set up mechanisms for transcending the initial conditions of conflict by enacting policies that might create or strengthen alternative political groups
Economic Policies	Launch a reconstruction project in addition to social policies that might alleviate the economic roots of conflict	Tolerate a certain level of corruption and inefficiencies, conditional on the use of this 'grace period' for setting up the basis of a sustainable and socially inclusive development	Avoid neo-liberal policies that might create social costs that cannot be supported by a weak polity
External Enforcer	Initial need for an external enforcer that might alleviate the absence of strong institutions	Tolerate a certain loss of sovereignty, conditional on the development of strong institutions	Gradually replace the external enforcer by domestic institutions

Mozambique

Policy Implications

1) On the political dimensions

- Power-sharing can be crucial to peaceful transition from war to a lasting peace founded on democratic principles and inclusiveness. Its immediate focus should be on building trust and confidence amongst belligerents for them to commit and effectively engage in building peace. The experience of Mozambique shows the need to avoid the pitfalls of trust and confidence building mechanisms that border on sacrificing democratic principles.
- Structuring the mechanisms of power-sharing is a delicate process requiring careful balancing of the immediate focus on trust building to achieve the cessation of hostilities with the long term goals of a lasting peace and democracy. The experience of the two transitions from war to peace in Mozambique shows that successful power-sharing in this sense need not, and indeed should not focus uniquely and strictly on sharing ministerial positions. The specific power-sharing mechanisms that will emerge from the peace process will depend on the specific nature and history of the conflict and the dynamics of the peace process.
- To avoid building into the new political dispensation the institutional distortions involved in them, power-sharing arrangements should be time bound and have built in exit strategies that will ensure the emergence and flourishing of independent democratic institutions imbued with integrity to safeguard transparent and inclusive political processes. In Mozambique this was partly achieved through a process of constitutional reform/amendments to enshrine democratic principles agreed during the peace negotiations. The country's democracy is however still saddled with remnants of less inclusive arrangements that were part of necessary transitional compromises that crept into the way the post-civil war political institutions and practices evolved, with potential risks to political harmony, lasting peace and development.

2) On the economics of transition and post conflict development

- **The principal economic task at the onset of peace is to undertake** two types of inter-related reconstruction: **a) physical reconstruction** of economic infrastructure to facilitate the resumption of growth, trade, exports and employment; and **b) monetary reconstruction** to minimize inflationary risks that would hurt the poor and impede rapid resumption of investment and growth.
- **Success in this two pronged economic reconstruction requires well-coordinated and sequenced monetary, fiscal, and exchange rate policies with focus on growth.** Because the post-conflict fiscal space is likely to be limited external aid will play a critical role in both reconstruction processes. Particular attention should also be given to monitoring contingent fiscal abilities that tend to develop during the war and transition and to devising solutions to avoid that they exhaust limited future fiscal resources needed for reconstruction and development expenditure.
- **Depending on the specific country circumstances in terms of economic regime at the onset of peace the following would be advisable:** **a) avoid orthodox stabilization** measures likely to be pushed by International Financial Institutions, which would have the effect of undermining consumption and investment demand needed to facilitate growth; **b) Seek to boost revenue** to sustain increased expenditure while avoiding increased borrowing which is likely to be excessively expensive as lenders factor in conflict risk and pray on a weak government debt management capability; **c) spend and absorb aid;** the appropriate fiscal-monetary-exchange rate

policy mix underlying the effective use of aid in the post-conflict setting will most likely entail the domestic sale of aid dollars as a means of simultaneously boosting absorption while addressing potential inflationary pressures; **and d) avoid exchange rate depreciation** partly to minimize imported cost push inflation, and also because it would tend to build revaluation assets and liabilities with negative effects on the conduct of monetary and fiscal policies.

Rwanda

Lessons for Peace and Development

a. Power-sharing models may not deliver before a conflict as expected, but they can still be useful in post-conflict transitions.

The Arusha Agreement has been used as a Power-sharing Model of Rwanda. The agreement broke down, and what ensued was a human catastrophe unprecedented in the last century. The Rwanda genocide presents a case where standard power-sharing mechanisms have not worked. Power sharing in Rwanda through the Arusha Accord was subject to endogenous and exogenous factors. While the principal players were the government of Rwanda and the RPF, the power-sharing process was influenced by regional leaders and the international community. The birth of many parties and the development of radical groups put immense pressure on the leaders who were tasked with implementing the agreement. The breakdown of the peace process could hardly be attributed to the two parties alone. During the transition, the elements of the power-sharing model in the agreement were used. The principles enshrined in the Arusha Peace Accord were used in the transitional Broad-Based Government between 1994 and 2003. The Forum followed principles enshrined in the Arusha Accord though in a different post-conflict context. It should also be noted that the Arusha Accord called not only for rule of law and democratization but also for accountability and good governance, tenets that have been high on the post-conflict reform process of Rwanda.

b. Post-conflict efforts should not focus only on emergencies and rehabilitation.

Development goals with risk-mitigating policies need to be kept in sight. The idea that a country that has experienced conflict is likely to fall into conflict again is a fair judgment. That's why mitigation is important. Rwanda has shown that however large its emergency and rehabilitation needs were and continue to be, leaders and citizens also need to stay focused on the longer term, the larger picture of development. This is possible if those providing aid support are also attuned to the same policy goals. The conclusion is clear from the discussions of policy reforms that were taken by the government of Rwanda as early as 1996.

c. Aid can be made less harmful to the post-conflict economy if fiscal and monetary policy measures are taken early at the beginning of the transition. The discussion on narrow versus expansionary monetary policies in Rwanda corroborates this conclusion.

Aid is good for post-conflict transition. It can be harmful if it is used to aid violence. It can also be harmful if it crowds out domestic resource mobilization. It was noted how Rwanda has enhanced aid by putting in place institutions for fiscal austerity.

d. Poverty reduction should also be given priority as risk mitigation.

The link between poverty and conflict may not be clear in the context of this paper but it is a stylized fact that countries with lower per capita incomes have been more vulnerable to conflict. It is important that poverty reduction be given a front seat in the post-conflict transition. Rwanda has gone through a rigorous poverty reduction strategy through PRSP and EDPRS with related policy reforms. Poverty reduction efforts should include more pro-poor policies and should take into account the need to reduce inequality as economic gains are recorded and in the case of

Rwanda we noted that poverty could have declined by a bigger rate given the considerable growth of the economy.

e. Economic and political strategies must be linked in order to undo a possible recurrences of conflict related to poverty and economic stagnation.

The Rwanda case has shown how conflict is a function of politics as well as economics. Good governance, decentralization, and economic policy must be robust and well balanced. Rwanda presents such an attempt.

f. Innovations in managing post-conflict transitions are possible.

Rwanda has tried homegrown practices to face the most intricate post-conflict economic, political, legal, and social challenges: *Ubudehe* has been used for poverty reduction and creating social capital; *Gacaca* for encouraging free speech and participation in genocide courts; and *Ingando* to bring about reconciliation, social recapitalization, and active citizenship. Although these practices look Rwandan in content, they are, in fact, a blend of traditional and modern methods and practices quite familiar to the Rwandan citizenship.

Sri Lanka

Issues Raised	Policy Implications
<p>The official war between the LTTE and the GoSL ended on 19th May 2009. The end of the war does not guarantee sustainable peace in the country since the war was a violent manifestation of deeper political tensions between the two major ethnic groups – the Sinhalese and the Tamils.</p>	<p>Therefore the need for a broader political solution to the ethnic issue in Sri Lanka remains. The need for a ‘Political Solution’ to the ethnic problem. There is an understanding that this ‘solution’ has to be home grown, given the past failures of externally driven solutions.</p>
<p>The major causes of the conflict in Sri Lanka can be seen in the post independence policies that were enacted by successive governments. These policies had majoritarian tendencies, which undermined minority interests (citizenship act, language and higher education), if not always in practice, in terms of perceptions. These policies were the result of short term political expediency.</p>	<p>In the last 30 years laws that were deemed majoritarian have been either repealed or amended to address minority issues. However, in some cases practical problems remain, particularly with regard to language, as many government officials are not bi-lingual, thereby undermining the official bi-lingual policy of the state. Recent steps have been taken to address this as public officers require command of both national languages for career progression.</p>
<p>Sri Lanka through the 1960’s and 1970’s followed a closed economic policy. Economic policy failure helped create an environment conducive to armed conflict with a high degree of youth unemployment and economic stagnation.</p>	<p>The importance of economic development to lock in peace is emphasized by this. This has particular ramifications for post conflict economic policy in the conflict affected provinces of the North and East – specially with regard to employment creation in the short term and long run.</p>
<p>Failures of previous attempts at power sharing and peace negotiations. The Indo-Lanka Accord and the failure of an externally driven power sharing mechanism (the Provincial Council (PC) system- under the 13th amendment to the constitution) that had little domestic political support and was not based on socio-economic realities in Sri Lanka.</p>	<p>There is an important argument that in order to address the grievances of the minorities there has to be system of power sharing between the center and the provinces. However broad based political support is essential to ensure the sustainability of such an effort. Therefore it is important that the economic and governance benefits of devolution are reaped through an effective policy structure in this regard.</p>
<p>The lack of effective Tamil political</p>	<p>There will be little progress in the area of a</p>

<p>representation to articulate the political aspirations of the Tamil polity. The Tamil polity is highly fragmented and thus there has been no coherent articulation of political aspirations.</p>	<p>political solution unless the Tamil polity can come together on a common platform. This of course could take time given the more urgent needs of reconstructing economic, social and then political infrastructure.</p>
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Sudan

The Comprehensive Peace Agreement (CPA) of 2005 between NCP and SPLM caters for three considerations of immense importance to the two adversaries: (i) power and wealth-sharing arrangement that allows the two parties almost exclusive (and divisible) control over power and wealth, most notably oil wealth, during the six years of the interim period, (ii) a commitment technology through the maintenance of the two separate armies, which allowed both parties to retain their coercive powers and (iii) a potential exit strategy for the South through the self-determination referendum.

Three lessons came out from the study of Sudan case:

(1) assumptions informing liberal peace building efforts by international community (pacifying effects of open markets and open societies) were not fully adhered to in the case of Sudan's CPA. From the beginning, peace talks and peace building process were not inclusive whereby effective political forces and civil society organizations were excluded. Confining negotiations to the two warring armies (government army and guerrilla force) not only sent wrong signals to other rebel groups in the country to take up arms if they want to be heard i.e. Darfur, but also meant that peace process was externally propelled and driven and a result not recognized and owned by local and national constituencies as theirs.

(2) the interconnection and relative weight of both democracy and stability in the prerequisites of peace building and post-conflict reconstruction poses a dilemma as to whether one should be subordinated to the other. Many observers believe that in the case of the CPA, international actors had prioritized security and stability over democracy; and that foreign policy agenda of Western powers had the upper hand over dynamics of internal democratic transformation in Sudan. Attention was directed to NCP in the North and SPLM in the South because it was felt that both had effective "military" strength to deliver security and peace in a security-fragile region. Hence, there are vivid disparities between the ideals and the reality of the liberal peace project, as seen by external peacebuilders and domestic actors alike.

(3) Short term perspectives of national and international actors shaped crafting modalities of implementation of CPA. Too much work went into detailed matrixes, timetable for implementation of the transition period from 2005 to 2011; but very little went into post-transition period and risks that may ensue. With hindsight, no serious efforts went into anticipating South voting for secession and pending issues that ought to be resolved: debts, borders, national assets, Abeyi, Oil, ..etc.

Appendix 2

Case Study Guidelines

These guidelines are intended to help the case study authors develop their papers and give the studies greater cohesion for comparative purposes. They are general and some will apply more to certain cases than others. It is also important that this be considered part of a dialogue. The overall objective is to bring different perspectives together so that we can help identify trends, best practices in genuinely multidisciplinary way that captures both Southern and Northern perspectives.

There are several important goals behind the case studies. These include:

- We ultimately hope to link the findings and hypotheses of the thematic papers to the individual cases to determine if they are relevant and if there are other factors which are left out.
 - For some case studies, the questions will be more speculative so that the issue is whether these factors are *likely* to influence future prospects for peace. We encourage the authors to speculate on these peace prospects in so far as this speculation is grounded on the thematic papers.
 - The timeframe for each case study will depend on the history and dynamics of the case. For this reason, it will be up to the authors to determine the most appropriate timeframe for their case.
- Understanding trade-offs and competing priorities. Do peace-building and development go together?
- Implications for foreign assistance: How should aid be allocated between peacebuilding (e.g., demobilization of combatants, reconciliation, post-conflict justice and reconstruction), and activities designed to increase development and the well-being of citizens?
- Attempting to understand the social, political and economic dimensions of conflict and post-conflict peace-building. This goes to the heart of the project's multi-disciplinary perspective
 - While the powersharing theme is more in the area of expertise of political science and sociology, and the macroeconomic agenda is more in the area of expertise of economics, it is important that those parts of the case study reflect the unique insights of the other disciplines to capture possible trade-offs and cross-cutting issues.
 - Participatory Governance and service delivery, on the other hand, ideally needs to be understood from a perspective that combines economics and political sociology, even though the literature often compartmentalizes research in this area into one discipline or the other.
- Helping to identify best practices and policy recommendations reflecting the needs and priorities of people living in societies prone to violent conflict.

We have chosen the three issue areas of powersharing, democratization and the macroeconomic agenda¹⁰ because of their importance for understanding the relationship between peacebuilding and development. Yet the distinctions will inevitably become less sharp as the case studies are written and that is to be expected. In fact, we hope that the case studies will highlight the inter-relations between the three issue-areas, as well as other cross-cutting issues. One cross-cutting issue, in particular, stands out:

- The role of outside actors, both internationally and regionally
 - How do exogenous shocks affect peace-building?
 - How relevant are regional dynamics?

General Guidelines

Case studies should be 60-80 pages (double-spaced) in length. The primary focus should be on the three issue areas, so limit the background discussion of each case to 3-5 pages. For references, please provide in-text citations (author, year of publication, page numbers) with a list of references cited at the end. Footnotes rather than endnotes should be used. We would like to have a general prospectus for each case study by March 1 in order to facilitate feedback from the project's advisory committee. The draft papers should be ready no later than May 15 to allow people to read them before the workshop at the end of May.

A number of questions stem from thematic papers. At this stage, there are several issues we would like each case to address for each theme:

Theme 1: Powersharing:

In the post-conflict period, it is important to know who shared power, what groups they represented and the basis of representation (e.g., how were the officeholders chosen by the groups). Will powersharing arrangements provide the basis for an enduring peace, or do domestic and/or regional factors threaten to undermine them? How representative were the groups of the population as a whole, if at all. Does the population perceive that the government is representative? What veto gates did the different power-sharers control, particularly veto gates related to raising funds and spending them? Did the powersharing groups remain armed and organized, or not?

For countries not yet “post-conflict,” the questions would revolve around what groups are most influential and need to be included and why? What, if any, mechanisms for powersharing are being considered by the principal actors? What are the prospects for disarming powersharing groups? Are there particular domestic or regional factors that need to be addressed to ensure enduring peace?

For all the cases, how are all the key actors organized? If so, how—as political parties, social movements, armed groups or as small elite groups with little mass following? In particular, are

¹⁰ The descriptions of these themes and the rationale for organizing of our research can be found in the original proposal IDRC at the end of this document

politicians organized into cohesive political parties, or as parties that are simply a loose collection of candidates? If cohesive, what was the basis of cohesion: a programmatic stance seen by all the voters, military organization inherited from the conflict times, something else? What have been the principal consequences of this for each case?

To what extent will sustainable peace likely depend on redistributive policies? If so, what kinds of redistributive policies have been suggested and what are the prospects that they will be implemented?

Theme 2: Participatory Governance and Service Delivery:

From the perspective of international assistance: Given the experience in your case, should assistance privilege development over peacebuilding, or is not possible to draw conclusions in this regard? Was or is the donor focus on reconstruction, development or sustainable peace? Is there even a useful distinction that can be drawn between aid for reconstruction, development or sustainable peace? What are a few examples of the most prominent development projects that were or are being implemented? What reconstruction projects? What was the priority attached to service delivery? Were donor subsidies funneled through the government, through NGOs and other non-governmental providers, or did donors deliver services directly?

From the perspective of citizens: Were services a priority for citizens, or were they more concerned about other things (such as violence)? Who seemed to be delivering services: government, NGOs, donors, others? Do citizens and/or government officials perceive that donors are in the country for the long haul, or was there a high expectation that aid would drop sharply at any time? Has this perception had any discernable consequences on citizen and/or government behavior?

Have reforms intended to decentralize state decision-making, particularly in the area of service delivery, been discussed and/or implemented? Have actors taken a position in favor or against such reforms? If such reforms have been implemented or are on the agenda, do they include mechanisms for citizen participation?

Did political actors/citizens perceive a high threat of renewed violence? Why? Does the level of political capacity (understood as the ability of governing elites to elaborate and implement effective policies) affect incentives to resort to violence? Do citizens have information about government policy making and its effects on their welfare? Is there any evidence that this information improves government incentives regarding development/service delivery?

Theme 3: Macroeconomic Agenda for Peaceful Post-conflict:

What have been the broad patterns for fiscal, exchange rate and monetary policies for the time period covered in each case study? How can fiscal, monetary and exchange rate policies contribute to the credibility of peace? How do fiscal, monetary and exchange rate policies make countries more or less investor friendly? What are the most effective ways for coordinating fiscal and monetary policies? What should be the priority goal(s) of monetary policy in support of conflict resolution and peace? Are “optimal” (i.e., the policies that would be appropriate for

countries that are not experiencing conflict or in a post-conflict stage) exchange rate and monetary policies applicable to postconflict situations?

Appendix: Issue Area Descriptions from the Original IDRC Proposal

1) **Participatory Governance and Service Provision:** The available literature suggests that some form of participatory system is a prerequisite for a sustained peace; however, it is not clear that an ensuing democratic or participatory system has any advantage in the provision of public goods. Similarly, some literature suggests that while more participatory systems in socially fractionalized societies with strong identity politics may confer the legitimacy necessary for peace, such systems might sacrifice accountability if they create new opportunities for patronage and clientelism. Finally, while there is good evidence that suggests established democracies are better able to provide voice to the aggrieved, reducing the likelihood of civil conflict and securing civil peace, democratization is not a panacea against civil conflict, particularly if post-conflict elections may simply move the risk of conflict to a future date. This suggests a possible trade-off: When should efforts be made to democratize and reduce the risk of civil conflict and when should existing systems of government be maintained and even reinforced with bureaucracy to help ensure stability and efficiently provide public goods? How can participatory systems be effective as an instrument for the delivery of public goods and services specifically for post-conflict and fragile states? What are the options for public/private ownership in post-conflict reconstruction and what is the role of the international community in advising economic reforms for these types of states?

2) **Powersharing for Peacebuilding and Development:** It is vital to the peace and prosperity of states that their monopoly on violence is ensured, but this raises the danger that the power of “strong” states will be abused. To better understand these potentially countervailing effects, the study will center on how peace agreements, intervention strategies, demobilization strategies, and arrangements for post-conflict justice contribute to securing the peace and economic development. What are the trade-offs in peace and development associated with peace agreements that increase fiscal decentralization and political federalism? How can reforms of the military and security apparatus contribute to poverty reduction and when does it reduce the risk of new or resurgent conflict? What security sector reforms are possible in the post-conflict environment and are there hard limits to the extent of these reforms? In essence, does security always trump development?

3) **The Economic Agenda for Post-Conflict Reconstruction:** Previous research produced theoretical and empirical evidence that countries emerging out of conflicts experience certain structural shifts that affect aid effectiveness and fiscal policy, as well as exchange rate and monetary policy. This study will build on this research by addressing the following question: How can these disparate effects be integrated into a coherent macroeconomic policy agenda for fragile and post-conflict states, based on a thoroughly developed theoretical framework? Questions that remain include, for example: Can expansionary monetary policy be used to pump-prime development or should post-conflict inflation be avoided at any cost? When do sovereignty issues associated with national currencies become liabilities to a fragile state? If budget support and public good provision subsidize government expenditure in post-conflict states, when does international aid support coherent macroeconomic strategy and when might it threaten to undermine one?