

No Development without Peace

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COUNTRIES RECOVERING from conflict face unique challenges to development. They frequently have pressing humanitarian concerns. Infrastructure has often been destroyed or at least neglected during the conflict. Countries can face changes in demographics due to migration and displacement. Also, citizens of post-conflict countries may face a legacy of conflict in the form of landmines or unexploded ordnance, high crime rates, interrupted education or continuing negative health effects. In many ways, the years lost to conflict amount to a period in which human or economic development is suspended or, in some cases, even reversed.

For governments of post-conflict countries, these multiple challenges mean there may be trade-offs between addressing specific urgent problems that can result in quick wins and focusing on the longer-term policies needed to put the country on a path to sustainable development. When peace finally is secured, the post-conflict country must address all of the challenges outlined above with limited resources, in corrupt environments, with weak capacity and institutions, and possibly amid a climate of distrust or fear. At the same time, donors and the international community often rush in to these environments when the peace is secured, overwhelming the recovering country with pledges of aid, a plethora of development projects and a lot of advice. In this chaotic situation, it is no wonder that the international community and the people of these countries are often disappointed or frustrated when little changes or conflict resumes.

Ultimately, all this suggests that there still is much we don't understand about



A memorial service for the victims of the massacre of Srebrenica, Bosnia, twelve years after the war ended with the Dayton peace agreement.

post-conflict development, described loosely as the nexus of development, defense and diplomacy (the “3Ds” of working in fragile and conflict-affected countries). Much of this uncertainty is driven by the inherent trade-offs that governments, donors and citizens face in these countries. Should humanitarian relief be provided quickly at the expense of government capacity? Should the international community emphasize security or service delivery? Should governments democratize or build up their bureaucracy and institutions? Does state security always coincide with human security? Should donors help to build the capacity of the state to provide public goods or should they provide them outside the state apparatus? These critical questions must often be answered quickly. To help fill this lacuna, the World Bank launched a Peace and Development research project with partners at the Institute for the Study of International Development at McGill University, focusing on what were identified as three pivotal components of post-conflict development: Democracy and the provision of public goods, power-sharing and sustainable peace, and macroeconomic policy.

Democracy and public goods

PARTICIPATORY SYSTEMS like democracy can often lend legitimacy to post-conflict countries and may be a prerequisite for a long and lasting peace. Yet, it is not altogether clear that democratic or participatory systems have any natural advantage in the delivery of public goods. There may be an efficiency trade-off in moving from autocratic to more democratic governance due to switching costs associated with institutional reform – there is evidence that established autocracies with developed bureaucratic institutions are just as capable if not more capable than fledgling democracies in the provision of public goods. Also, some literature suggests that while more participatory systems in socially fractionalized societies with strong identity politics may confer legitimacy necessary for peace, such systems might sacrifice accountability as

they increase patronage and clientelism (as in Papua New Guinea or Nigeria, or perhaps even the new peace in Somalia).

Meanwhile, there is good reason to believe that established democracies are better able to provide voice to the aggrieved, thus reducing the likelihood of civil conflict and securing the civil peace. Still democratization is not a panacea against civil conflict if post-conflict elections simply move the risk of conflict to a future date. Indeed, research in this project suggests that any sustainable development that follows may have as much to do with the quality of the government as the type. New democracies are unlikely to have collectively organized politicians with the incentive and ability to provide public goods. Leader-centric autocracies may exhibit similar tendencies, suggesting that it is not the type of government, but the quality.

These effects suggest a trade-off for the post-conflict or fragile state, most of which are autocratic. Democracy and participatory governance might help to secure the peace (if elections are properly timed and executed), but even fledgling democracies are likely to be clientelist. Our research seeks to identify when countries should make the effort to democratize, as an investment in a peaceful future, and when they should maintain and even reinforce existing systems of government, autocratic as they might be to provide stability and efficiently provide public goods.

Powersharing for sustainable peace

CONVENTIONAL WISDOM holds that a modern state enjoys the monopoly on violence within its borders; however, post-conflict countries, by definition, have had this monopoly challenged by active rebel and criminal groups. Even if the post-conflict state manages to secure a monopoly or near monopoly on the use of force, they may not be able to credibly commit to using that monopoly responsibly, making peace tenuous at best.

It is vital that the state’s monopoly on violence be ensured and not

abused if peace is to be sustainable. In the immediate post-conflict period, the state must build up the capacity to enforce the rule of law, however, it often must build up legitimacy with its citizens to demonstrate that it can be trusted with this capacity. This suggests that there are again two possibly countervailing effects, a trade-off between strength and credibility, which must be balanced for sustainable development and a lasting peace in fragile and post-conflict states. In our research we focus this discussion on how peace agreements, intervention strategies, demobilization strategies and post-conflict justice can contribute to both securing the peace and economic development.

Post-conflict economic policy

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. Papers from the Post-Conflict Transitions research project suggested



Children watch as peacekeeping soldiers of the hybrid United Nations African Union Mission in Darfur (UNAMID) stand guard at a camp for internally displaced persons in the Nyala area of South Darfur.

that the post-conflict cycles tend to affect aid absorptive capacity and aid tends to be most effective two to four years after the end of conflicts (though, currently, most aid is rushed in immediately after conflict and drops precipitously in the third and fourth years).

Other research on macroeconomic policy suggests that exchange rates must be competitive for aid effectiveness. In turn, exchange rate competitiveness is likely to be influenced by the extent to which monetary policy and the exchange rate regimes accommodate the structural shifts in the transaction demand for money associated with the end of conflicts, suggesting that our usual prescriptions for monetary policy do not apply for post-conflict states. Indeed research suggests that demand for money in post-conflict can justify post-conflict aid as an agent for “monetary reconstruction,” by pushing the economy toward a “good” equilibrium of stable inflation as countries rebuild.

These results imply that post-conflict countries face another important trade-off between austerity (often prescribed by international financial institutions due to the weak monetary policy that prevailed during conflict) and expansionary monetary policy that might stoke economic recovery during rapid post-conflict growth. Additionally, donors face a trade-off in their decision between channeling aid through the government of the recovering country which may often lack the capacity to properly manage the resources or sidestepping the country, reducing the resources and incentives for government to reform and develop the institutions for proper governance.



Rwandan women celebrate the return of soldiers, in February 2009, in Gisenyi, on the border between Rwanda and the Democratic Republic of Congo.

THE ECONOMICS OF CIVIL WAR PROJECT

The influential **ECONOMICS OF CIVIL WAR** project at the World Bank brought much-needed attention to the unique development challenges faced by conflict-affected countries. Although “one size does not fit all” and the challenges in each conflict country are unique, *Breaking the Conflict Trap* by Collier and Sambanis was a first “textbook” that has influenced much thinking on development in conflict-affected countries. In the World Bank’s Development Economics Research Group we continued this research agenda by convening a large team of scholars to contribute to our **POST-CONFLICT TRANSITIONS** research project, resulting in 30 working papers on issues relevant to post-conflict development, including the risk of conflict relapse, the quality of peace agreements and peacekeepers, and the importance of sound and informed economic policy in these environments. Many of these papers were published in two special editions of the *World Bank Economic Review* and the *Journal of Peace Research* in 2008. Today, we continue to push the frontier of economic thinking on conflict and development through our **PEACE AND DEVELOPMENT** research project.

<http://econ.worldbank.org/programs/conflict>

Research approach

OUR RESEARCH APPROACH is multi-disciplinary and draws upon expertise in the North and South. The research team consists of economists, political scientists and other social scientists to provide strong theoretical underpinnings for the research. In addition, we have commissioned research teams from seven countries—Bosnia, Colombia, Lebanon, Mozambique, Rwanda, Sri Lanka and Sudan—to challenge the theory papers and test them through case studies based on each of these post-conflict countries. These country case studies provide a variety by region and peace outcome for testing the models developed in our research papers. As a result we hope to produce a final product that is sustained by both qualitative and quantitative methodologies, informed by viewpoints from the South and the North and integrated across disciplines.

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