Post-Conflict Peace Building in Africa
The Challenges of Socio-Economic Recovery and Development
Africa Region Working Paper Series No. 73
October 2004

Abstract

The policy objectives in a typical post-war economy would be to restore and maintain peace, improve security, prevent the renewal of war, facilitate rapid socio-economic recovery, and start to build the institutional framework favorable to development and sustained poverty reduction. Socio-economic recovery and poverty reduction are important elements of building peace while improving peace and security reinforce economic growth. This paper seeks to address the challenges of socio-economic recovery and long-term development in post-civil war countries in Sub-Saharan Africa. The paper reviews the causes of civil wars, including from the perspective of the challenges of the socio-economic transitions in SSA, and assesses economic costs and consequences of these civil wars. It discusses the challenges of managing a post-war economy, and the processes and priorities of humanitarian and development assistance and post-war economic reforms for socio-economic recovery, reintegration and development. The paper examines the needs and mechanisms for the financing of the transition from emergency to development and the roles of international relief and development institutions and their instruments for promoting the process of peaceful change and development in a war ravaged country. Finally, the paper identifies and discusses some key institutional reforms to deal with the legacies of the war including frank and open national dialogue, reform of government and the security services, capacity building in the public sector, integration of ethnic dimensions into the economic and governance reforms, promotion of trade and employment creation, and forging strong partnership with external aid agencies, to facilitate the path to sustained long-term development.

The Africa Region Working Paper Series expedites dissemination of applied research and policy studies with potential for improving economic performance and social conditions in Sub-Saharan Africa. The Series publishes papers at preliminary stages to stimulate timely discussion within the Region and among client countries, donors, and the policy research community. The editorial board for the Series consists of representatives from professional families appointed by the Region’s Sector Directors. For additional information, please contact Momar Gueye, managing editor of the series, (82220), Email: Mgueye@worldbank.org or visit the Web site: http://www.worldbank.org/afr/wps/index.htm.

The findings, interpretations, and conclusions expressed in this paper are entirely those of the author(s), they do not necessarily represent the views of the World Bank Group, its Executive Directors, or the countries they represent and should not be attributed to them.
Post-Conflict Peace-Building in Africa
The Challenges of Socio-Economic Recovery and Development

Chukwuma Obidegwu
(cobidegwu@worldbank.org)
Lead Economist, World Bank, Washington DC

October 2004
Authors’ Affiliation and Sponsorship

Chukwuma Obidegwu
Lead Economist, World Bank,
Email: cobidegwu@worldbank.org

The views expressed in this paper are entirely those of the author. They do not necessarily represent the views of the World Bank, its Executive Directors, or the countries they represent.
# Post-Conflict Peace-Building in Africa

The Challenges of Socio-Economic Recovery and Development

## Table of Contents

1. **Introduction**
   
   1.1. *The Origins/Roots of Civil Wars in Africa*
   
   1.2. *War to Peace Transitions*

2. **Economic Roots and Costs of Civil Wars**

   2.1. *The Economic Roots of Civil Wars*
   
   2.2. *Economic Performance in Africa*
   
   2.3. *Some Economic Costs of Civil wars*

3. **Post-war Economic and Social Recovery**

   3.1. *Humanitarian Assistance and Development*
   
   3.2. *Reintegration*
   
   3.3. *Economic Rebound*
   
   3.4. *Challenges of Managing the Post-War Economy*
   
   3.5. *Priorities for Rapid Post-War Recovery*

4. **The Transition from War to Development**

   4.1. *Reconstruction of Physical Capital*
   
   4.2. *Rural Economic Recovery*
   
   4.3. *Reforming Economies in Post-War Transitions*
   
   4.4. *Risks of Reforms*

5. **Financing Economic and Social Recovery and the Transition**

   5.1. *Accelerating the Flows of International Assistance for Post-war Recovery*
   
   5.2. *Dealing with the Debt Burden*
   
   5.3. *Coordination of International Assistance*

6. **From War to Long-term Development: Addressing the Legacies of Civil Wars**

   6.1. *National Dialogue*
   
   6.2. *Reforming Governments*
   
   6.3. *Building Capacity*
   
   6.4. *Reforming the Security Services*
   
   6.5. *Dealing with the Ethnic Dimensions in Socio-economic Reforms*
   
   6.6. *Developing External Trade*
   
   6.7. *Reducing Unemployment*
   
   6.8. *Promoting Partnership in Development*

7. **Summary and Conclusions**
Post-Conflict Peace-Building in Africa
The Challenges of Socio-Economic Recovery and Development

1. INTRODUCTION

Of the 49 countries in Sub-Saharan Africa, at least 19 of them (excluding Namibia, South Africa, and Zimbabwe) have been involved in internal armed conflicts. Human losses and suffering from these unconventional wars have been staggering. Over 800,000 people were killed in the genocide in Rwanda in three months in 1994, and over 200,000 people killed in Burundi since violence erupted in 1993, in addition to the 200,000 people that lost their lives in what the United Nations described as “genocidal repression” in 1972 (Ngaruko and Nkurinziza (2000)). In Uganda, an estimated 800,000 people lost their lives over a 20-year period (1966-1986) of political autocracy, repression, and civil war (Museveni(1992)). Furthermore, neighboring Democratic Republic of the Congo (DRC), formerly Zaire, has witnessed the mother of all complex violent conflicts since the mid 1990s with an estimated 3.5 million lives lost in this continuing tragedy. Large numbers of people were lost in the brutalities of fighters of the Revolutionary United Front in the Sierra Leone, and in the protracted wars in Angola, Ethiopia/Eritrea, Sudan and Mozambique, to name a few. Population displacement has been enormous also. It is estimated in 2000 that about 14 million people have been uprooted from their homes by conflict in Africa.

In the post-cold war period, the wider media coverage, particularly the dramatic television scenes of horrors in Somalia, Rwanda and Sierra Leone, and the massive, relief and humanitarian operations by UN relief agencies and NGOs, brought the conflicts and civil wars in Africa on the spotlight.¹ The influence of television cameras, together with the emergence of deadly conflict in Europe, notably, the former Yugoslavia, led the United Nations and other international agencies to recognize the imperatives of strong international action for conflict prevention and to mitigate the human suffering due to conflicts. Development agencies that hitherto shut their operations at the first sign of violent conflict have learnt to do business in volatile conflict affected environments. The World Bank and the United Nations set up units dedicated to synthesizing experience in

¹ This could be regarded as the CNN effect. The savagery of the IDI Amin and the second Obote regimes in Uganda in the pre-CNN era hardly made the television news. The massacres of large numbers of non-combatants by the army of Obote regime, for example in the Luwero Triangle, came to the limelight only after the National Resistance Movement took power in 1986.
post-conflict reconstruction and recovery and assisting in the operational application of the lessons learned.²

1.1. The Origins/Roots of Civil Wars in Africa

Socio-Economic Transitions

The labels that have been used to characterize the internal conflicts in Africa – proxy wars, ethnic conflicts -- belie the complex and difficult institutional as well as socio-economic transitions underway in the countries in the continent. The real roots of these conflicts may lie with the unanticipated but inevitable frictions of these transitions and the failure to manage these challenging frictions adequately. Many SSA countries have had common socio-political and economic experiences that have created socio-political situations prone to violent conflict. The legacies of colonialism and the continued interference of the former colonial masters and other external powers and economic interests in the affairs of the countries, sowed the seeds of conflict. The economic stagnation starting in the 1970s, accentuated by persistent global economic shocks, made the transitions even more challenging. In the contexts of colonial legacies and economic stagnation, the efforts to forge national institutions from diverse religious and linguistic groups and disparate governance structures of the colonial and pre-colonial periods, requiring enormous social and political engineering, created inevitable conflicts. The inclination of the new political class to centralize authority in the context of challenging socio-economic transformation, contributed to conflict. Where the underlying conflicts were poorly managed, the result was civil war.

The transition from colonial rule to a united and functioning independent state faced serious institutional obstacles, with some inauspicious starts. For instance, Burundi and Rwanda are two countries with centuries of tradition of organized statehood in the form of oligarchies in which the king was accorded divine status. Neither the challenges of the transition from oligarchy to a democratic republican government nor the implications of the rigid ethnic structure introduced by the colonialists were factored into the design of new structures of governance at independence (Obidegwu (2003)). Uganda was another difficult case. Its independence constitution has to be the great compromise of 1962 if not for the decade. One writer described the constitution as “a composite one, consisting of elements of unitarism, federalism and semi-federalism, not

² See, for instance, the World Bank (1998), and the Operations Evaluation Department, the World Bank (1998). The Department for International Development (DFID) of the U.K, prepared a framework paper on the causes of conflict in Africa to highlight the need for focus on conflict prevention (DFID (2001)). The Africa Region of the World Bank prepared an agenda for action on post-conflict recovery in Africa (Michailof, Kostner, Devictor (2002)). In 2003, the World Bank published a research report on civil war and development policy (Collier et al (2003)).
the basis for successfully forging a peaceful and united nation”

There are countries where, at independence, there was very limited human and institutional capacity for good governance or for even for establishing a functional government, for instance, the Democratic Republic of the Congo (DRC).

**Recent research on conflicts and civil wars**

The greater attention to conflict affected countries by the international community has also engendered systematic research on the causes/roots/sources of civil wars, with a view to develop conflict prevention models that reflect the fundamental roots of conflict. These models, in addition to the accumulated operational experience in dealing with complex conflict issues, are yielding further practical insights and directions for policy actions for conflict prevention and management to facilitate peace-building and socio-economic recovery of countries/populations in or emerging from violent conflicts. This line of research has focused on quantitative analysis of the causes of civil wars using cross-sectional global data (not restricted to SSA). The results from the research therefore have all the caveats of the cross-sectional regression approach but also the problems with the quantification of complex social phenomena (for instance, ethnic diversity).

**Cross-country analyses:** Research by Collier, Elbadawi and others at the World Bank has investigated the socio-economic causes and consequences of civil wars in Africa. The results of this research were published in an exclusive edition of the *Journal of African Economies* (2000) and subsequently provided the basis for the recent research report of the World Bank (Collier et al (2003)).

Elbadawi and Sambanis (2000), in an econometric analysis of the incidence of civil wars, found that: (i) the lower the GDP per capita, the higher is the likelihood of civil wars; (ii) the higher the degree of openness of political institutions, the lower the probability of civil war; (iii) no linear relationship between ethnic diversity and civil war; after a certain threshold, an increase in ethnic diversity reduces the probability of war; and (iv) the dependence on natural resources (measured as primary exports as a percent of GDP) is non-linearly related to civil wars; but above 24 percent of GDP, increase in dependency increases the likelihood of civil wars. Elbadawi and Sambanis (2000) concluded, “the relatively higher incidence of war in Africa is not due to the ethno-linguistic fragmentation of its countries, but rather to high levels of poverty, failed political institutions and economic dependence on natural resources” (Elbadawi and Sambanis). However, ethnic dominance, defined as where an “ethnolinquistic group has

---

3 Samwiri Lwang–Lunyiigo, reported in Mutibwa (1992), page 25.

between 45 to 80 percent of the population”, has been found to increase the risk of conflict (Bigombe, Collier, and Sambanis (2000)).

The work of Paul Collier and others on greed and grievance as probable factors in igniting civil wars was a useful contribution to explaining the dynamics of civil wars and pointing to policy directions for conflict prevention (Collier and Hoeffler (2001)). Collier and Hoeffler hypothesized that rebellion and thus civil war may be due to severe grievances such as high inequality, lack of political rights, and ethnic and religious differences in the society. An alternative hypothesis was opportunities for building a rebel organization and fighting a civil war: access to finance, such as through extortion of natural resources, donations from the diasporas, the existence of mountains and forests, etc. They found that opportunities provided more explanatory power than grievances. This helps to explain why the presence of easily marketable natural resources such as diamonds tends to ignite and prolong civil wars (Angola, Sierra Leone, DRC). The profitable opportunities provided by these natural resources provide incentives for rebellion and civil war.

**Specific country analyses**: The analysis of roots and consequences of civil wars in specific countries also point to the importance of governance and poverty as the key underlying causes. Ngaruko and Nkirunzuza (2000) emphasized the disparities in access to economic opportunities between the inhabitants of north (the victimized) and the south (the privileged) as well as the ethnic factor as key causes of conflict in Burundi.  

Ndikumana (1998) attributes the perpetuation of conflict to the failure of institutions due to the privatization of the state by ethnic and regional interests. Countrywide consultations in Rwanda over a period of a year found that poverty, bad governance, leadership and justice, were the major factors in disunity and deadly conflict (Obidegwu(2003)).

There is likely to be high payoff to research and analysis of specific country situations, particularly in the countries with ongoing conflicts/civil wars. The analyses could contribute to the formulation and negotiation of peace-building and socio-economic recovery programs.

---

5 In a footnote to their paper, Ngaruko and Nkurinziza (2000) noted the difficulty of defining an ethnic group in Burundi as “Burundians speak one national language, Kirundi, share the same culture, are intertwined within the same geographical spaces and do not present any distinguishing physiological features.

6 The Peace Accord signed by the Rwandese belligerents in 1993 required the establishment of commission to organize national dialogue on national unity and reconciliation.

7 The Low Income Countries Under Stress (LICUS) framework under the auspices of the World Bank and UNDP puts emphasis on analytical work on those poor countries whose development have been derailed by civil conflicts/wars or other socio-political problems. Under LICUS, the donor community would remain engaged with various parties in the conflict through analytical work and dialogue. For details on the LICUS approach see World Bank (2002).
Management of conflicts

As noted earlier, the institutional and socioeconomic transformation required in SSA countries for national political and economic integration contained seeds of conflicts. A civil war is the evidence of the mismanagement of these conflicts. Whether the motivation of the leaders of the rebellion is political or economic, a civil war indicates severe grievances in the society that could have been addressed with non-violent approaches including open dialogue. Often these grievances fester for several years before being manifested by open rebellion. Poor management of these grievances ignites and prolongs civil wars. The economic crisis induced by global economic shocks from the second decade of independence, the rise in corruption and lack of accountability and transparency, the deterioration of public service delivery, high unemployment and poverty progressively eroded the legitimacy of the governments. This situation impaired the capacity of governments to negotiate and resolve conflicts with their opponents and provided fodder for rebellion.

Furthermore, the economic crisis eroded the capacity of the security agencies (army, police, customs and immigration and emigration agencies) and thus their potential to deter organized rebellion. The poor state of security services enabled the development of competing power centers, free flow of arms, and set the context prone to civil war. Political leaders tended to overestimate the capabilities of their military establishment as well as the strength of commitments of external military support. Military capacity was estimated in terms of the armaments and numbers of men and women in uniform, often not recognizing that highly motivated soldiers and sound logistical support are needed to wage a sustained and successful military campaign. Consequently, by not recognizing the weakness and erosion of their military strength and the fragility of promises of external support, the politicians were not inclined to make compromises for peace.

On the other hand, rebel movements, without the training, organization and resources to fight and sustain a conventional war, often resort to economic plunder and to terrorizing non-combatants. The rebellion, often initiated with noble objectives of fighting poor governance and injustice often degenerated into an instrument of economic plunder and for inflicting misery on ordinary people. As few governments and rebel movements have the organization and financial resources to win civil wars outright, once a civil war starts, it often drags on for a long time. To recruit fighters, politicians and rebel leaders invoke ethnic affiliations and, furthermore, condone economic plunder by the soldiers to attract and keep fighters. With the loss of unifying theme in the rebellion, rebel factions proliferate, for example in Liberia, DRC, Sudan and Burundi. This proliferation of rebel factions intensifies the economic plunder, hinders the process of reaching and implementing ceasefire and peace agreements and consequently prolongs the wars.
1.2. War to Peace Transitions

This paper seeks to address the challenges of post civil war economic and social recovery, drawing from direct operational experience in such situations. The evolution of conflict is in three stages: (i) a pre-war period of civic unrest, with episodes of widespread spontaneous violence, which may last for several years, for instance as in Rwanda where the conflict started in 1959 and culminated in civil war in 1990 and a genocide in 1994; (ii) a civil war in which groups with a political agenda engage in organized military actions against the government of the day; and (iii) a post-war period following a cease-fire and a peace treaty by two or more of the principal belligerents, the installation of government in accordance with the peace treaty, and the recognition of this government by the international community as the legitimate authority in the country. However, in this context, the war may officially end but the violent conflict or the threat of war may not be over. The paper is concerned with the actions in the third stage for making the transition to a sustainable peace and economic development.

The transition from war to peace is a transition within a larger, no less challenging transition from a colony to a nation. It is often a fragile phenomenon, consisting two related and potentially mutually reinforcing transition processes. A post-war political transition would involve efforts to persuade all the belligerents to abandon violence as the means to achieving their objectives and instead embrace a new inclusive and legitimate political dispensation. The pace of the socio-economic transition depends on the length of the war and the damage to socio-economic infrastructure and institutions, the progress in restoring security, the institutional efficacy of the political transition process, and the support from the international community. The success of the socio-economic transition reinforces the political transition.

Objectives of the paper

This paper focuses on the microeconomic, macroeconomic and institutional responses to the challenges of socio-economic recovery, and a transition to development in conflict-affected countries. As a background, section 2 examines the economic roots and the financial, social, economic and institutional costs and consequences of civil wars. Section 3 examines the process of socio-economic recovery in the early post-war emergency conditions. It discusses the role of humanitarian assistance and the process of reintegration, the challenges of managing a post-war poor economy, including dealing with the external assistance community, setting priorities for public actions, and undertaking some immediate economic reforms. Section 4 examines the process of transition from war to development, focusing the sectoral priorities and the economic and institutional reforms. Section 5 examines the issues of financing the socio-economic recovery and the transition to development, particularly the roles of the international development agencies, the international community in general and the instruments for supporting war to peace transitions. Section 6 looks at the implications of the civil war
and the experience in the transition for long-term sustainable economic growth and poverty reduction. Section 7 presents some concluding remarks.

2. ECONOMIC ROOTS AND COSTS OF CIVIL WARS

2.1. The Economic Roots of Civil Wars

Economic stagnation and conflicts

SSA countries were unprepared to deal with the global economic shocks of the 1970 and 1980s and did not fully buy into the solutions prescribed by external advisers. These global shocks set into motion severe socio-economic crisis from which the continent has yet to recover. However, the ruling elites continued to maintain and even raise their living standards, often at levels comparable with upper middle class in industrialized societies, at the expense of the vast majority of the people. In particular, in the context of economic stagnation and a decline in income opportunities in the government and formal private sector for aspiring and excluded elites, the perceptions of increasing inequality of access to incomes, created conflict among the elites.

The “curse” of the abundance of natural resources

Even in the countries that benefited from the global economic shocks – the oil producing countries for instance – the poor management of these resources fueled economic and political crisis and created conflicts in the society. The struggle for Africa over the last two centuries has centered on its natural resources. This struggle did not end with independence. Foreign interests intensified efforts to preserve or gain control over natural resource extraction and marketing, a process that was well-served by government and centralized control over these natural resources. The combination of often unduly high and unfulfilled expectations of the population of benefits from the natural resources and the mismanagement of the resources engendered broad disenchantment in the society and conflict between presumed winners and losers.

Conflict among the elite is the foundation for violent conflict in SSA and perceptions of inequality of access to resources among the elite is a major factor in conflict. Windfalls from natural resources and government control of these resources as well as the pattern of these flows aggravate the perceptions of inequality among the elite. The windfalls from natural resources would highlight the inequalities of incomes and exposes the unequal access to opportunities. The concentration of management of these endowments on inexperienced governments with weak institutions engender policy institutional distortions and create environments for rent seeking, corruption and often, poor public and private investments. As a result, the real economy would stagnate after a few years of natural resource–led growth. The lack of transparency in the use of the gains from natural resources and perceived inequalities in access to economic opportunities tends to aggravate the divisions -- ethnic, geographic (north and south), and political -- in the society. Where the social fabric is not strong, as is the case in
societies in institutional transition, this could lead to serious conflicts. At the same time, the private benefits from natural resource windfalls to those in power constitute strong incentives for them to hold on to power. Finally, large natural resources endowments provide the financing for both the governments and rebels to wage the struggle for power and access to wealth.

The pattern of resource flows from natural resources is a phenomenon that could create the conditions for conflicts. In SSA, the natural resource extraction sector usually operates as an enclave of foreign companies. Thus the sector makes only marginal contributions to the development of the real economy, in terms of creating employment and sustainable wealth. While the sector is at the stage of expansion, it contributes significantly to the growth of real gross domestic product, consumption and public investments. However, as the industry matures, with production approaching a plateau, the sector ceases to be a direct source of growth for the economy. At the same time, the earnings of the government from the industry will increasingly fall short of what is required to satisfy the appetite for consumption and wealth of a growing elite. Government expenditures often have to be cut back, with adverse consequences for public services and related employment. The conflict over the control of natural resources highlights the fundamental challenge faced by African economies – the need for transformation into diversified and growing economies that would generate new economic opportunities for the elites and the growing entrants into the labor force.

### 2.2. Economic Performance in Africa

Economic performance in Africa during the last 30 years has been poor, in a period of unprecedented global economic expansion. Table 1 in the Annex shows the historic and projected growth of real per capita incomes in different geographical regions, with SSA comparing very unfavorably with other groups of countries. Per capita income growth in SSA was slightly positive in 1971-80 but negative in 1981-90 and 1991-2000. In contrast, the other regions of the world experienced, for the most part, positive real growth of per capita incomes. Not only did the continent lose ground economically in comparison to other regions during the last 30 years, it is absolutely poorer than in the 1960s. This reflected in stagnating social indicators after a period of impressive increases in the 1960s and 1970s. Life expectancy on average has declined, and primary school enrollment has stagnated and even declined in some countries.

About half of the countries in SSA, including the those with the largest populations and the most naturally endowed economies (Nigeria, Congo, Angola, Ethiopia, Sudan, South Africa, Zimbabwe) have experienced major internal conflicts in the last 40 years. This incidence of conflict and war in the potentially large economies has undoubtedly slowed overall economic and social progress in the continent. Furthermore, as will be argued later, a civil war in one country has adverse effects on the economic performance of neighboring countries.
Civil wars adversely reduce foreign trade activities, both with countries in the region of conflict as well as with those outside the region. The share of SSA in world merchandise exports has declined significantly from 1.9 percent in the 1990 to 1.45 percent in the late 2000 and continues decline. While recent evidence indicates that share of the exports of SSA countries to other SSA countries has progressively been increasing in recent years (World Bank (2004)), presumably due to the increasing trade between South Africa and the rest of the continent, however, conflict and political instability may have hindered the development of strong and efficient formal institutions for trade between African countries, thus much of the trade remains informal and often unrecorded. In particular, civil conflicts and war and the associated political and institutional instability have hindered trade development in some of the other potentially strong poles for intercontinental trade (Nigeria, DRC, Ethiopia). The deterioration of trade institutions and facilities due to civil wars is an obstacle to medium-term trade expansion.

2.3. Some Economic Costs of Civil wars

Civil wars have several direct and indirect economic costs. The destruction of human and physical capital and the interruption of economic activities by the war, the losses of stocks and related income flows are obvious direct costs. Direct costs also include the enormous amounts spent by the belligerents on military activities, effectively to destroy the countries human and physical capital. The large amounts spent on relief and eventual rehabilitation efforts by the government and the donor community essentially crowd out development spending. The damage to social capital, the weakening of the institutional infrastructure, and damage to the environment have adverse impact on long-term economic growth and poverty reduction. Finally, civil war in one country can have severe adverse effects on the economies of neighboring countries.

The Costs of Emergency Relief and Humanitarian Assistance

Emergency relief and reconstruction assistance help to mitigate the human suffering and economic deprivation due to the war. However, the rapidly growing amounts of resources for these activities in the last 20 years have cut into resources for conventional development. The expansion of activities of the United Nations High Commission for Refugees (UNHCR), the main UN agency for the care of international refugees reflects the increasing need for humanitarian assistance stemming from violent

---

8 From the World Bank (2002a)

9 Collier (1999), using global data, estimated that during civil wars, the GDP per capita declined at an annual rate of 2.2 percent relative to its counterfactual (what it might have been without the war).
conflicts. The number of persons of concern (POCs) to UNHCR, mostly refugees from wars, grew from 2.8 millions in 1975 to nearly 15 million by the end of the 1980s to 27.4 million in 1995. Spending by UNHCR rose from US$76 million in 1975 to US$580 in 1985 and US$801 million in 2000. About 35 percent of the 2000 expenditure was spent on SSA countries.\(^\text{10}\)

In 1993 alone, the estimate of expenditures worldwide on emergency relief alone totaled US$6 billion. (Heather McHugh (2001)). This compares with 56 billion of development assistance from DAC countries, the major sources of assistance (from the World Bank (2000)). McHugh (2001) also noted that US$1 billion was spent on emergency relief in Rwanda between April 1994 and August 1995 and the US$500 million committed by the United States to help refugees after the genocide was more that double the entire amount of development aid that the US had given to Rwanda in three decades since its independence. Stremlau (1998) indicated that two years of emergency work in Rwanda cost the United States US$750 million dollars, roughly equal to the entire annual US development aid to SSA. This same source has an estimate of cost of the failed Somalia operation: up to US$3 billion in relief supplies.

This increased requirements for humanitarian assistance was in an environment of declining propensity to spend on external aid by the member countries of the Organization for Economic Cooperation and Development (OECD), who finance most of the external assistance. The 2000 World Development Indicators (WDI) of the World Bank shows a decline of 8.7 percent in official development assistance (ODA) between 1993 and 1998.\(^\text{11}\) The flows of external assistance to SSA countries declined by almost 19 percent, and its share of global external assistance declined from 28 percent to 24 percent. Although the data does no permit an estimate of the share of humanitarian assistance in the declining envelope, it is likely that an increasing portion of ODA to Africa was to fund humanitarian assistance. This increased demand for humanitarian assistance for refugees and IDPs has reduced the resources for development.

For conflict affected countries, the ODA is mostly used to fund relief, physical reconstruction and social reintegration, in effect to restore the capital destroyed by the war. Programs such as demobilization and reintegration of ex-combatants are \textit{sine qua non} for countries coming out of conflict. These are high risk and expensive exercises which use up resources that could be put to invest in productive and human capacity but are absolutely necessary to buy peace. Demining activities have been costly in countries

\(^\text{10}\) See UNHCR (2001) and UNHCR (2000).

\(^\text{11}\) In the WDI, ODA consists of aid provided for economic development and welfare on concessional terms by official government bodies. It includes funding for capital projects, food aid, technical cooperation, emergency relief and peace-keeping. It excludes military aid and non-concessional flows from official bodies.
such as Angola and Mozambique but the presence of mines in these countries robs them the access to prime agricultural land.

**Social costs of civil wars**

Civil war and conflict destroys human and physical capital for which there is often ample physical evidence and statistics. Above all, civil war damages social capital including the trust between individuals and the legitimacy of social institutions. As noted in the growing literature, social capital is a critical ingredient for economic development and, while it is easy to destroy, it takes time to rebuild and there are no obvious actions that can be taken to build social capital. (Grootaert and Bastelaer (2002), Collier (2002), Colletta and Cullen (2002)). By engendering impunity and thus condoning serious crimes (murder, banditry, rape), civil war corrupts the fabric of the society, with the overall effect of lowering of ethical standards, creating an environment that breeds crime and corruption.

With the violence, destruction of resources, displacement of the population, the brain drain and other socio-economic and political shocks, civil wars arbitrarily change the distribution of and returns from private economic endowments, the configuration of communities, the social hierarchies, and community leadership. Communities loose their young and able persons to the war, who, if they return, are profoundly changed by the experience of the unconventional war. These arbitrary and abrupt changes weaken social networks, cohesion, solidarity and the quality of community leadership. Social capital is an important element of coping with poverty in poor countries; its diminution increases the bite of poverty. The poor in dire need can no longer expect assistance from their weakened social networks.

**Criminal Activity:** In the war environment, the respect of human rights, the tolerance for different points of view, and the enforcement of laws and regulations deteriorate. Underground economic transactions flourish, this detracts from the legitimacy of the government and its institutions. The incidence of criminal activity increases as a result of the breakdown of social institutions, the tolerance of impunity by the warring factions, the ease of availability of deadly weapons, poor enforcement of the laws by the weak often corrupt government agencies, and the rise in unemployment particularly among young people. The civil war creates a cadre of young people experienced in the use of deadly weapons and who, in the process of unconventional terrorizing war, develop a ‘mercenary mentality’ that would underpin criminality and readiness to participate in future armed rebellion. These criminal tendencies will not be easily reversed in the post-war period.

---

Environmental degradation

Civil wars cause severe environmental degradation the land, forests, water resources and livestock that support the agricultural economy. In the war environment, with a weakened government and demoralized civil service, environmental regulations if any are hardly enforced, the population is in desperate search for food and income, and exploit protected forests and wild animals to meet their needs. Forests are the domestic safe heavens for rebel armies as they provide these armies cover and sustenance. As a result, military operations take place in or around forests. This tends to denude these forests and force the destruction or migration of associated wildlife.

In addition, the movement of undisciplined armies, refugees and displaced people leads to deforestation, the destruction of wildlife and the stock of domestic animals, and the degradation of water quality in streams, rivers and lakes. Furthermore, in long civil conflicts, the abandonment and neglect of maintenance of farms and roads and the destruction of livestock lead to accelerated degradation of the land and loss in fertility through the erosion of the soil and the loss of organic fertilizer from livestock. This has adverse consequences for long-term agricultural yields, poverty and food security. The loss of forests, wildlife and biodiversity also damages the prospects for tourism and related foreign exchange potential of country.

Institutional degradation

As noted earlier, African countries have been undergoing a difficult socio-economic transition. Institutions have been fragile and the process of institutional formation is prone with set-backs. Civil wars severely damage national social and economic institutional transformation in areas of public governance, trade and commerce, and social interactions, human rights and crime and its enforcement. The damages have long-lasting impact on economic performance and social welfare. For instance, Nigeria has continued to suffer from the damage of its public institutions by its civil war in the late 1960s.

Before this war, Nigeria had a civil service and related institutions that were seen to be relatively effective. However, with many experienced civil servants forced to leave the service during the civil war, the functioning of the service was disrupted and subsequently, the standards of entry into the service were lowered to quickly fill the vacancies, with negative consequences for quality and performance. Together with the military takeover of government that fostered the concentration power and decision-making among relatively inexperienced military officers, institutional performance deteriorated rapidly. Nigeria was therefore very ill prepared to effectively manage the resource windfalls from the oil boom of the early 1970s.

Public institutions and decision-making: Civil war, a challenge of the authority of the regime in power, erodes the legitimacy of the institution of government, damages public facilities and weakens the provision of public services. Forced and voluntary
migration of key and experienced civil servants out of the country at the onset of violent conflict disrupts the functioning of the public administration. Positions in public administration are politicized, often to reward political support. Institutional memory is lost due to high turnover of staff and the replacement of qualified and experienced staff with inexperienced political appointees. High military expenditures and falling revenues depress civil service wage bill, consequently, the civil servants that remain are inadequately compensated and are unlikely to be highly motivated and committed to the program of the government.

Furthermore, as the decision-making authority shifts from the top civil servants to the politicians and political appointees, the authority of the state tends to be increasingly centralized in the office of the head of state. To survive, the top civil servants have to be subservient to the inexperienced ministers and other political appointees, and need to find alternative legal and illegal means to maintain their standards of living and ranks in the society. These civil servants are unlikely to be highly committed to the programs the high authorities have imposed on them and the country. The result is poor and distorted decision-making and weak implementation and the creation of an environment prone to corruption. The exigencies of a war and the centralization of the exercise of power engender the deterioration of fiscal discipline and monetary, budgetary and financial management. Revenue collection, particularly customs, the respect for the budget, service delivery and the implementation of government regulations suffer from corruption and the poor capacity. Service delivery deteriorates, damaging the legitimacy of the government, weakening its ability to mobilize popular support for the war effort.

**Social Services Delivery:** The combination of civil unrest, war and economic decline and accompanying social and economic disintegration undermine the provision of social services, for instance regular immunizations of children, creates an environment for rapid spread of communicable diseases due to displacement of population, disrupts the food supply and increases malnutrition. With the disruption of educational programs, the normal intellectual development of school age children is disrupted. This could create pools of idle semi-illiterate and frustrated adolescents that can be attracted or forced into war or criminal activities. The consequences are the decline in health conditions of people, the retardation of the physical and mental development of children and the fall in educational achievement, with adverse implications for long-term socio-economic development.

When governments cease to function, for instance in the course of protracted civil wars, alternative institutions develop as communities often attempt to take over the provision of public services. In the DRC, government provision of social services has never been significant but religious organizations and community-based NGOs have provided such services during periods of peace and war. The data show that life expectancy increased marginally in the DRC from 49 in 1980 to 51 in 1998 while it decreased in Tanzania, Zambia, and Malawi. Surprisingly, the social indicators in many
of the conflict-affected countries did not deteriorate significantly, relative to similar
countries that have not experienced violent conflict.

There are a number of possible reasons for this phenomenon: the wars may not have been as fierce as the communiqués of the combatants would indicate; the continued presence of relief agencies providing services to war-torn communities and, perhaps the most important, the resilience of the African communities in dealing with economic and social shocks. While civil war often leads to institutional decay in the society, out of the ashes, new leadership could emerge, for instance religious groups and local grassroots NGOs, that engenders the resurgence of local initiative that was suppressed by the centralization in the colonial and post-colonial administrations. Nevertheless, the destruction of social capital would remain a major challenge for post-war socio-economic development. The resilience of the society, if factored into designing post-war socio-political institutions, can facilitate post-war recovery.

**External Trade and Commerce:** Institutions designed to foster trade and other economic relations with other countries break down during a civil war. Effective foreign trade depends on the institutional linkages that traverse through two or more countries, with complex but predictable relationships between economic agents and institutions in different countries. A civil war changes the nature and risks of these relationships and in particular destroys the confidence that external agents have on the country’s ability to deliver, with adverse impact on the trade of the country at war. Export and import operations are particularly adversely affected, with the disruption of the institutional networks that make these operations possible and effective and the rise in the transactions costs and risks related to delivery, quality assurance, transportation, and financing. When these costs and risks rise, importers in foreign countries look for other reliable and less expensive sources of imports. These risks also increase the costs of importation into the country at war.

Neighboring countries could also respond to civil war by tightening customs and immigration regulations with the country at war that could undermine trade agreements and regional integration efforts. The protracted civil war in Uganda contributed to the demise of the East African Community (EAC) and the conflicts in Burundi, Rwanda and the DRC rendered the Commission Economic des Pays du Grand Lacs (CEGPL) dormant and impaired the performance of a jointly owned power company (SENLEEC), an important source of electric power to the three countries. The bulk of the trade transacted between the countries was taking place underground and was unrecorded.

Some national institutions such as those for the budget, central banking, revenue management, and even public administration, can be rebuilt quickly after a civil war, with strong government commitment. Trade institutions on the other hand, will take time to develop as they involve perceptions of many different agents and institutions outside the country. Government commitment is often not enough to change the perceptions of political instability and high operational risk by foreigners that often have
choices as to whom to do business with. It is not surprising that external trade, particularly exports, recover very slowly in post-war SSA countries, if at all.

**Microeconomic impacts**

The immediate victims of war are employment and related private investment in human and physical capital. Thus, not surprisingly, a war economy is characterized by high unemployment, brain drain and capital flight, and the fall in private investment and savings. War exposes human and physical capital to higher risks of loss through destruction or expropriation by warring parties. It increases the risks associated with the disruption of the markets for goods and services, and the displacement of labor and potential clients and suppliers by military and criminal operations. Raids from fighters for the government and rebels and other private militias, as well as consumption and sale by the households for necessities, deplete household holdings of livestock. The control of export commodities is critical for funding a civil war in Africa. Government and rebel groups often muscle in on the export commodities and take control of marketing. The interventions of the government and rebels force down producer prices, marginalize experienced private operators and disrupts of normal trade patterns. The result is disinvestments by the private sector and ultimately a decline in exportation.

War damages both the formal and informal financial system. Political instability and high and unstable inflation that often mark conflict-affected situations erode the confidence in the currency and related formal financial instruments. Government accumulation of arrears of payments to state enterprises and the private sector compounds the problem of non-performing loans of the commercial banks. State enterprises become the conduit for government borrowing from state banks, with these borrowing to deal with the non-payment for goods and services provided to the government and its high officials. This institutionally destructive process of indirect financing is sustained by putting corruptible/pliable allies in key positions in the banks and other state enterprises, and controlled interest rates, with low lending rates available to the government, its officials and their cronies. The loans to the government and its officials ultimately become non-performing, adding to burden of the physical destruction of assets by the war. Even in situations where private banks dominate, with high operational risks and price instability and political uncertainty, banks lend very cautiously and for short-term and high interest rate spreads.

The informal financial system works by a combination of trust, implicit or explicit collateral by extended family systems and the possibility of arbitrage by social institutions. Thus this system would suffer from the decline in trust in the society and the weakening of extended family systems. The high interest rates that lenders have to charge in response to the higher risks in the environment would discourage potential borrowers. A civil conflict/war would engender a contraction of the financial sector,
slowing or reversing pre-war trends in the monetization of transactions in the economy. The ratio of M2 (money and quasi-money in circulation\footnote{Currency in circulation plus amounts held in the banks in checking and savings accounts.}) to GDP was 40 percent in Kenya in 1999, 19 percent in Tanzania but only 11 percent in Uganda, three economies with similar initial conditions in the 1960s. Other factors contribute to differences between the three countries but impact of the protracted civil strife has probably contributed monetization in Uganda. This reversal hinders the use of financial and the other macroeconomic policy instruments to change the structure of production.

The disruptions of the domestic and external goods markets (high costs of marketing), the high costs of marketed goods relative to incomes, and the high costs of formal and informal financing promote a reversion to household autarchy and in particular, reinforce the subsistence nature of agricultural production. The weakening of social networks and institutions (see \textit{Social Effects of Civil Wars}, above), the decline in ethical standards, and rampant corruption and criminal activity would increase the costs of economic transactions, with adverse consequences for economic competitiveness and growth. The non-existence or lack of access to formal systems for contracting and enforcement increases the costs of transactions, particularly for the poor. The decline in ethical standards increases the risk of non-performance of non-formal contracts that are predominant in economic transactions and increases the incidence of corruption.

\textit{Macroeconomic impacts}

Countries in civil conflict and/or severe socio-economic tensions are also characterized by macroeconomic instability, with high inflation, active parallel exchange markets, with large gap between the official and parallel exchange markets. The higher fiscal deficits due to falling government revenues in the context of a strong demand for public expenditure to support a military buildup, leads to increasing resort to domestic bank and non-bank financing and, where it is still possible, external borrowing. These would fuel inflation and raise the public debt and the accumulation, by the government, of arrears of payments to domestic suppliers and foreign and domestic creditors. The inflationary pressures together with falling export revenues and the diminished and uncertain flows of donor assistance put unrelenting pressure of the exchange rates. Governments also cut budget allocations to social sectors and economic services. The social and economic infrastructures suffer from neglect as well as destruction by the war.

The microeconomic behavior induced by civil conflict and war (see above, \textit{Microeconomic Effects}) changes the composition of aggregate production, reducing the growth of overall production, and the relative weight of industrial, manufacturing and export production. Collier (1999) examined the pre-war and post-war composition of the national accounts of Uganda and found a marked shift between what he classified as transaction and asset intensive sectors (manufacturing, construction, trade,
transportation) to low transaction and asset intensive sectors (arable subsistence agriculture). In an analysis of the effect of conflict on production in Burundi during 1994-98, a period when the country experienced violent conflict, van Acker and Marysse (2000) found that the share of food crops production in GDP rose from 41.5 percent in 1994 to 49.9 percent in 1998. The share of agricultural commodity export sectors (coffee, cotton) fell from 6.2 percent to 3.5 percent during the same period. The shares of industrial, manufacturing and commerce sectors also declined during the period.

With long and protracted civil conflict and wars, external debt burdens often increase culminating in the loss of access to external official and private borrowing. Substantial external borrowing occurs in the socially unstable period preceding the outbreak of all-out civil war, a period when the borrowing could not be used most productively. As the conflict proceeds and debt-servicing capacity deteriorates, the country would become delinquent in servicing the external debt (Sudan, DRC, Liberia), even to the Bretton Woods institutions. This would make the country ineligible for further borrowing, including for post-war reconstruction until the outstanding arrears are cleared. Thus the heavy external debt burden would be a drag on post-war economic recovery, as it would constrain access to even official development grants, concessional loans and technical assistance.

**Impact on neighboring countries**

The economic and social costs of a civil war to neighboring countries can be very substantial. Rebel groups seek for safe havens in a neighboring country that serve as launching pads for attacks on their home countries, with or without the support of the government of the neighbor. The result is the deterioration of the relationship between the governments in the two countries and the disruption in diplomatic and economic relationships that could widen and prolong the war. This phenomenon has been at the root of the protracted conflicts in the countries in the Great Lakes region. The use the Democratic Republic of the Congo (DRC) as the launching pad by different rebel groups for attacks on Uganda, Burundi and Rwanda ultimately led to the military involvement of these countries in the DRC and the shift of the center of the war to the DRC. The Horn

---

14 Collier (1999) characterized the asset and transactions intensive sectors as war vulnerable and the low asset and transaction intensive sectors and war invulnerable.

15 In Uganda the stock of external debt more than doubled during the second Obote regime (79 to 85), following the ouster of Idi Amin. It doubled again by 1990 and then began to slow down somewhat as grants from donors increased (1999 stock of debt was about less than twice the stock in 1990).
of Africa, Central Africa (Chad and Central Africa Republic), and West Africa have also experienced widened hostilities arising from a civil war that started in one country.\footnote{See Gershoni (1997), for an account of the linkages between the wars in Liberia and Sierra Leone. The relations between the countries in the Horn of Africa (Eritrea, Ethiopia, Somalia and Sudan) are poor and the protracted civil conflicts in these countries have impeded the improvement of relations and any efforts on regional cooperation.}

The disruption of economic relations between neighbors undermines legitimate trade and related institutions, diverting trade to highly risky, illegal and inefficient channels and promoting smuggling of goods and currencies across borders. The most severe adverse economic impact is on those countries that depend on the country at war for access to the sea-lanes. These countries must quickly find alternative outlets for their goods. The foreign trades of Zambia and Malawi suffered immensely from the Rhodesian crisis in the 1970s as the rail line passing through what was then Rhodesia to the seaport of Beira, Mozambique, was no more secure. This crisis, occurring during a period of buoyant copper prices, adversely affected Zambia’s copper industry and the use of the resources from copper to build a foundation for Zambia’s overall development. It forced Zambia to invest in a new railway line through Tanzania. More recently, petroleum supplies to the Central Africa Republic (CAR) were disrupted seriously by the war in the Democratic Republic of Congo. The loss of government revenues from petroleum worsened the existing government salary arrears crisis, which may have contributed to aggravation of the social crisis and the outbreak of civil war in end 2002\footnote{The civil was led to the ouster of the elected government in March 2003 and the installation of a transition government led by the victorious forces.}.

The flow of refugees from the war-torn country into its neighbors engenders severe social and economic costs. It puts severe pressures on the fragile security services such as immigration, police, and army, and often worsens the corruption in these services. As already noted, the rapid inflows of large masses of people upset the ecological balance, denuding forests and increasing pressure on and contaminating water supplies. Large and sudden inflows of people also upset the social balance and peace in a neighboring country. The inflows of Hutu refugees from Rwanda into the DRC in 1994 was at the genesis of the complex civil war that erupted in the DRC in 1996 that has cost millions of lives. These refugees included the bulk of the defeated army in Rwanda with their weapons and military equipments. These soldiers undoubtedly traded some of these arms for the necessities of life, reinforcing the market for illicit arms. The refugees also imported Rwanda’s ethnic difficulties into eastern DRC, generating conflict among the Congolese of Rwandan origin. The conflict spread to other ethnic groups in eastern DRC, igniting massive violence, the displacement of the
population, and ultimately a broad civil war. Rwanda, Uganda and Burundi and a number of other African countries were eventually drawn into this civil war.

Finally, spending on relief in one country could reduce the development assistance not only to the conflict affected country but also to neighboring countries as donors are likely to have some regional basis for allocating their external aid budget. In a global sense, the cost of a civil war is spread among all the donors and recipients of external assistance. The high cost of the Bosnian crisis (up to US$15 billion) must have reduced the external aid to developing countries in general.

3. POST-WAR ECONOMIC AND SOCIAL RECOVERY

A cease-fire, followed by a peace accord and a new and widely recognized government often provides the climate for the resumption of economic activity and efforts at socio-economic recovery. Whichever party/faction has emerged from the war as the principal recognized authority (the new government) would face the daunting tasks of building a new economy and society from the ruins of the old ones. The multiplicity of rebel groups during the war often leads to a fragmentation of political formations in the post-war period. As the transition government is often a coalition of the dominant winning forces and several disparate new and old political formations, some with no experience in government, governance is a challenge in this arrangement.

The new transition government would also have to work hard to establish its legitimacy in a context where its authority is further eroded by the presence and activities of a multitude of humanitarian and relief agencies, UN political and human rights agencies, large, small, new and old international NGOs, independent human rights organizations, international financial institutions and bilateral development agencies. While most of these organizations have legitimate mandates and can contribute productively to the reconstruction effort, the capacity for comprehensive coordination does not exist and this lack of coordination could hamper the recovery efforts and perhaps undermine long-term planning and development. Coordination mechanisms exist for UN agencies, international financial institutions and bilateral donor agencies, but there is often no system for the coordination of the growing number of NGOs involved in these activities.\(^{18}\) Even among the UN relief and development agencies, inter-agency rivalry often undermines the effectiveness of the recovery efforts.

The typical sequence of activities after the installation of the transition government is stepped up relief and humanitarian assistance, economic reconstruction, social and economic reintegration, economic reforms, and political reforms leading to

---

\(^{18}\) Following the 1994 genocide in Rwanda, as many as 180 international NGOs were working there in 1995.
elections and the installation of an elected government. In recent years, there has been a tendency to compress the political transition period, with plans for elections and transfer of power to an elected government in two years or less following the installation of the transition government. While the Bretton Woods institutions largely coordinate international support for economic recovery, no such systematic mechanisms exist for the support to political reform, with the risks of a delayed and/or flawed transition process.

3.1. Humanitarian Assistance and Development

The effective and timely delivery of humanitarian assistance is critical to social and economic recovery. In conflict-affected situations, particularly in small countries where the conflict has paralyzed economic activity and development throughout the country, humanitarian assistance should go beyond the provision of survival assistance (food, temporary shelter) typically provided in emergencies resulting from natural disasters. Rather, humanitarian assistance, which in complex conflict-related emergencies would include some social services, should be based on a development framework that would facilitate a rapid transition from emergency to development, support the building of the foundation for sustainable development and help to reduce the risk of further conflict. Relief and social services should be targeted at vulnerable households and their communities to support social integration. While in the early stages of post-war recovery, a development framework is unlikely to exist, the government should be assisted to elaborate strategies for key sectors such as education, health, agriculture and housing and resettlement, to provide the framework for the extension of humanitarian assistance into needed socio-economic reintegration support.

3.2. Reintegration

Reintegration is the bridge between emergency relief and development. Meeting humanitarian needs (resettlement and other survival needs) is a prerequisite for the ultimate economic recovery of vulnerable households (refugees, IDPs, and other victims of the war). But it is often not enough. Survival assistance alone risks keeping these vulnerable households in prolonged periods of dependence and thus impairing their capacity for rapid social and economic recovery and independence. Reintegration assistance to vulnerable groups and their communities would typically involve permanent housing and the provision of social services such as education, health, water and sanitation services to the community. It should also cover support for the engagement in income generation activities, with access to land, seeds and farm implements for rural settlers, and market space and credit for urban dwellers. The promotion of community dialogue with mutually beneficial projects to rebuild community solidarity is also essential. Without reintegration assistance, there is a risk that marginal households could become destitute after humanitarian assistance ends and therefore unable to participate in development activities, and could evolve into a
permanent under-class, a development that could jeopardize the efforts on socio-economic recovery and national reconciliation.

Reintegration also requires that the vulnerable households settling in new communities be socially acceptable in these communities and be free and able to participate in community activities. It is therefore important that humanitarian assistance does not further isolate them with benefits that are not available to the rest of the community. Such isolation could hinder the building of community solidarity. In this context, the involvement of civil society groups in the community in the planning and provision of social services such as schooling, health care and water supplies that tend to bring people together would be important for social capital formation.

Reintegration is essentially a new area in post-conflict assistance. Support for reintegration activities has however been between the cracks in the mandates to international relief and development agencies. Development agencies have the resources, albeit in the forms of concessional loans, but the slow operational procedures of these agencies preclude the rapid response needed for effective resettlement and reintegration processes. The development agencies also do not have the flexibility to mount the field presence required to work on post-emergency reintegration operations. On the other hand, relief agencies that depend on periodic contributions from donor agencies often do not have the immediate access to financial resources to append large reintegration activities to the relief operations once the emergency is deemed to be over. The growing involvement of international NGOs in reintegration activities complex emergencies is an important development but NGOs also depend on bilateral donors and the European Union for financing. Meanwhile, reintegration activities should be progressively integrated into the government’s development program, with an explicit strategy for community development programs to strengthen social capital.

3.3. Economic Rebound

With a return of peace, even a fragile and incomplete one, the establishment of a recognized government, and the engagement of relief agencies and development agencies in humanitarian and reconstruction activities respectively, a post-war economy usually experiences a strong rebound. In 1994, Rwanda’s economy declined by an estimated 50 percent but rebounded by 35 percent in 1995 and over 10 percent the next 3 years. Uganda experienced a strong rebound in the late 80s and early 90s, poor government policies and an unstable macroeconomic environment notwithstanding.\(^{19}\)

The rebound is often due to several sources. There is the peace dividend as the return of peace allows economic agents to re-engage in economic activities using existing

\(^{19}\) In Uganda, GDP grew by 6.7 percent per annum in 1987-90 while inflation was 258 percent in 1986-87 but down to 57.5 percent in 1989-90 (Museveni(1992), page 103)
capacity not destroyed by the civil war. There is also the repairing the damage due to the war, that is, reconstruction, often financed by the generosity of other countries through external assistance. Relief agencies and international NGOs bring in foreign exchange and use these resources to rehabilitate social infrastructure and supply services. On the demand side, these agencies spend to buy domestic goods and services, including employment of local people. In particular, the rehabilitation of social infrastructure—schools, health centers, and the resumption of their activities, creates employment and stimulates economic activity.

The foreign exchange finances imports that help to revive domestic industrial production and commerce. The infusion of foreign exchange funds into the local economy stimulates imports, transportation, banking and general commerce. Rural productive activities, particularly subsistence agriculture is often a major source of growth, as the rural population, feeling more secure, re-engage in agriculture for subsistence, with any surplus offered for sale. In some cases, NGOs and relief and development agencies provide seeds and farm implements to returning displaced persons and thus help to jump-start agricultural activities.

The rebound is led by economic sectors that require minimal new investment to restart. This would include agricultural activities, small-scale commerce and transport, housing rehabilitation, and banking. State owned industrial enterprises are slow to reopen, as the government would not have the resources to make even the minimal rehabilitation investments. This often delays the revival of exports such as coffee, tea and cotton, where the state owns the processing facilities. However industrial activities related to entertainment goods – beer, soft drinks, cigarettes, often are revived quickly due to the high demand for these goods, in part due to the influx of relief agencies and NGOs but also due to the rise in demand by the local population.

The lack of capital and the high operational and political risks limit new private activities to areas where investment requirements are low, returns are high and the payback period is short, such as in transportation, export and import operations, trading in foreign exchange and trading in and distribution of agricultural merchandise. Manufacturing and other large-scale industrial activities are slow to restart. External development funding from donors and development agencies are often slow to disburse; the role in early stimulus is limited. However, as government capacity is built and the reconstruction effort gathers steam, and construction and government services financed by these funds provide the stimulus to sustain economic recovery beyond the emergency period.

The rebound, rapid as it may be, often does not change the fundamental structural weakness of a post-war economy as relates to productivity, change in patterns of investments, sustainable change in technology, and capacity to absorb shocks. The structural change in production towards the primary and informal sectors during the pre-war and war periods is not quickly reversed. The strength and duration of the
rebound depends the amounts and evolution of humanitarian and development assistance, and progress in implementing policy and institutional reforms and rehabilitating infrastructures. Economic agents recognize the strong rebound as a temporary phenomenon, and sooner or later, the adjustment to lower levels of growth would have to be made. The challenge to the post-war government is to sustain this level of growth but this is difficult, in part due to the legacies of the conflict.

3.4. Challenges of Managing the Post-War Economy

As discussed above, war changes the fundamental social, micro and macroeconomic institutions that complicate post-war economic management. Even a short war can destroy basic social institutions, which would take time to rebuild, and where the conflict had been a long one, in addition to the distorted policy and institutional environment, there is often a lack of experience in and information (statistics) for managing the economy in a rational participatory way, and a lack of experience in dealing with external relief and development agencies. Furthermore, where radical armed groups have won power, they often bring with them and idealistic development approaches of radical change. This often would collide with the market-oriented approach normally advocated by the donor community, the practical and flexible approaches needed to mend lives and revive economic activities and perhaps with the desire of the majority of the population to be freed of government controls. On the other hand, where a government manages to retain power after a civil war, there is a tendency for “business as usual” and measures and reform policies and institutions to rebuild social institutions, diffuse social tensions and address the issues of conflict often do not receive commensurate attention.20

The key challenges faced by post-war governments are to the restoration and maintenance of peace (pacification) throughout the country, the resettlement of refugees and displaced people where applicable, the revival of the economy and the restoration of social services. The capacities of key government economic agencies—the core economic ministry and the central bank, the key line ministries such as agriculture and infrastructure, education, health, and the security agencies such as the police, are often very weak and have to be rebuilt. Development agencies’ good intentions and financial pledges to assist the conflict-affected country, including for capacity building, are often not matched with the necessary capacity on the donor side to for prompt and effective

---
20 An example of inadequate attention to underlying social tensions is in the Central African Republic under the Pattase regime (1993-2003). Despite frequent challenges by attempted coup d’etats and army mutinies, the Government did not work to forcefully address the underlying flash points of the conflicts behind the attempts to overthrow it. The Government was eventually overthrown by a rebel group in March 2003. The Mobutu regime in the Congo is another example.
delivery of the resources. Yet, the donor community and international NGOs often subject government actions to critical scrutiny.

In the face of these challenges, however, the government’s pre-occupation is often to consolidate its power, and improve security often through further military and/or political victories. These preoccupations and approaches to dealing with them would often be at odds with the priorities and preferred approaches of the donor community and affect the flows of assistance. Nevertheless, cooperation of the donor community and effective post-war economic recovery depend largely on the government’s ability to set some priorities that are shared by the donors and focus on them, work transparently and produce results. Furthermore, with the centralization of decision-making authority in the head of state during the war and pre-war period, strong leadership and engagement on the issues by the head of state is critical to ensuring that the credibility of the government’s program to outside stakeholders. Unless the head of state is visionary, dynamic and engaging with the donor community, donor support for post-war socio-economic recovery is likely to be weak irrespective of the competences of the ministers and other high officials.

3.5. Priorities for Rapid Post-War Recovery

Economic revival is a major instrument for building peace and enhancing social recovery. If the restoration of peace is a priority as is often the case, the initial efforts should be targeted on meeting the needs of people. The priority for most people would be the reengagement in income generating activities to support their families and restore their living standards. Social services are essential but access cannot be sustained without households’ earned income. The priorities objectives and actions towards rapid economic recovery would differ from one conflict affected situation to another. However, with similarities in economic structures, the manner of the execution of wars and the effect on the destruction of social and physical capital, and the modalities of peace agreements, there are common features and challenges, although the scope of each will remain specific. The resettlement of refugees and displaced people and the provision of survival assistance to vulnerable groups are always crucial to rapid socio-economic recovery. The UN relief agencies take the lead in the delivery of survival and resettlement assistance but the governments concerned need to be involved in the planning and policy aspects and ensure the process is consistent with its own global vision for the development of the country.

It is essential that economic policies emphasize measures that benefit most of the population and assist the most vulnerable groups in all regions of the country in order to enhance both economic and social recovery. Thus, key priorities objectives include the stabilization of prices, the revival private sector activities particularly small-scale commerce and agriculture, and the rehabilitation of social infrastructure and revival of services. Attention would need to be paid to the economic prospects for potential “foot-soldiers” of the civil conflict, which include ex-fighters and demobilized soldiers from
the civil war, and semi-illiterate and unemployed youth. Recent advances in post-conflict recovery management have often included the disarmament, demobilization and reintegration assistance to ex-combatants. Serious and persistent efforts to address the economic challenges of farmers, small entrepreneurs, and informal sector actors is important to absorb these potential foot-soldiers into economic activities as well giving a boost to the economy.

**Stabilization of the economy**

Typically a war-torn economy experiences volatile and rising prices of goods and services. Price stability has high utility in an otherwise the volatile socio-economic environment. Stabilizing prices requires the restoration of a functioning capacity for monetary, fiscal and budget management in the central bank and the ministry of finance. Liberalizing and facilitating imports, particularly from neighboring countries, is also important to reduce inflationary pressures, a step that will also require the liberalization of the foreign exchange regime. Sustained price stability would require the revival of domestic production of consumption goods, particularly food, which is dominant in the consumption basket.

**Reviving agriculture and small-scale private sector activities**

These provide quick and high returns, with minimal investment and provide incomes and services to large numbers of people. It builds the base for endogenous growth rather than one that relies largely on external stimulus. For farmers, a priority is to provide farming implements and seeds, assistance in restocking large and small livestock, and the infrastructure to enable trade in inputs and products. Reconstructing market places should have higher priority over football stadiums and government offices. Market places in urban and peri-urban areas enable farmers in surrounding regions to sell their products, provide the small merchants the place to start their activities and allow urban dwellers access to fresh food and other household products within walking distance. Often these actions require little initial investment by the central government or local authority where there is one. The government should also open up the economy to both small and large investors from outside the country. Small foreign investors in particular often provide skills and services and related financing that are lacking in the country, and in aggregate could provide a quick economic stimulus.

**Restoring social services**

The rehabilitation and opening of schools and health facilities brings economic and social benefits, particularly to rural areas. Schools and operational health facilities are important community assets and meeting points and can contribute to rebuilding community social capital. The rehabilitation of facilities and the employment of teachers and health workers around the country and that wage payments provide a flow of funds from outside the community that helps to jump-start rural markets and economies. Fortunately, relief agencies, NGOs and bilateral donors focus on the social sectors, particularly in health, in the emergency phase of post-war recovery.
Coordination is essential for the effectiveness and the sustainability of these interventions, to reduce the risks (i) that these diverse interventions might not be addressing the priorities in effective ways; (ii) of unnecessary rivalry and inadequate coverage of the country; and (iii) that the services might not be sustainable. In particular, there are risks that governments might open schools and health facilities, employ teachers and health staff, but faced with severe financial constraints, would not be able to provide the equipment and materials, the operational funding, and regular salaries for staff. This forces very poor communities to attempt to finance these services themselves. The result is poor quality services and despair in the community and the workers concerned, which undermines socio-economic recovery and the confidence in the new government.

**Economic reforms and actions**

Economic reforms in the immediate post-war period stimulate and sustain economic recovery. Reforms should therefore concentrate on measures that liberate human and physical capital from the shackles of government conflict-related controls and reduce the associated operational risks. The controls on economic activities that may have been imposed during or before the war, for instance price controls, import licensing and controls on the distribution of goods and service, should be quickly dismantled. To that effect, the liberalization of the trade and exchange regimes, agricultural pricing and distribution, the simplification of taxes and business licensing, are important reforms. In addition, the clarification of the tax regime, the tax rates and collection responsibilities is important, so that tax collection activities can be carried out with some transparency.

Furthermore, it is essential for the government to take good housekeeping measures in the public sector, ensure control and rationalize the activities of public enterprises, assert control of the size of the civil service establishment and the payroll and take measures to control entry and exit of staff into the public sector and ensure that only legitimate staffs are in the payroll. It is important to develop a medium-term action framework, useful instrument for fostering policy dialogue and coordinating reforms in a post-war environment.

4. **The Transition from War to Development**

The winding down of the immediate post-war humanitarian emergency, with the reduction in the flows of refugees and displaced persons, and the establishment of a functional process of resettlement signals the beginning of the phase of transition from emergency to development. In this transition, a combination of humanitarian and reintegration assistance, medium-to long term investment in human and physical capital, and pro-long term development policy and institutional reforms would be appropriate to strengthen social capital and national reconciliation, ensure that the rebound of the economy leads to sustained economic recovery, and lay the basis for long-term reform actions for growth and poverty reduction.
4.1. Reconstruction of Physical Capital

Reconstruction of physical infrastructure damaged by the war has been the dominant theme of post-war recovery processes. Reconstruction projects create jobs, contribute to the recovery of the economy and enhance the prospects for sustaining the economic growth. However, the tendency to reconstruct everything damaged, including those that should not have been built in the first place, has to be avoided. Reconstruction, as a development process, needs to be selective and should initially be directed at social services and productive activities that provide benefits to the greatest number of people, such as health facilities, schools and rural roads for agricultural recovery. As jobs are important for social and economic recovery, reconstruction also should emphasize job creation, such as labor-intensive main and feeder road works and rehabilitation of social infrastructure, rather than the rehabilitation of government offices, and the large capital-intensive projects often favored by governments and donors. Public works programs financed by donors and the government could be designed to support labor-intensive infrastructure rehabilitation in urban and rural areas.

4.2. Rural Economic Recovery

The social and economic recovery of rural areas deserves priority. Rural communities are often the hardest hit, socially and economically, by civil wars. The strengths of a rural community are often its people and the social solidarity in the community. However, in a civil war, through migration into the cities for security, and conscription into the fighting forces, it loses its ablest people and those that leave often do not return and remain in the cities. Those that return are changed by the experience in the fighting forces and refugee camps.

The rural economy, dominated by agriculture although in more developed rural areas, non-farm economic activity can be significant. This flourishes where the agriculture is productive and market-based, with strong rural urban linkages. The economy can recover rapidly because of the sheer resilience of the population but this endogenous recovery is constrained by the isolation of rural communities from markets due to the deterioration of main and feeder road and lack of transport vehicles in the economy. Increased production does not often lead to higher incomes as high transport costs and food-aid depress producer prices. It is common in rural areas for recipients of food aid to sell some of the supplies for the cash to purchase other necessities. High transport costs also constrain the use of productivity enhancing inputs and the diversification of rural production, including the revival of non-farm activities.

The main source of cash incomes – export crops, usually face low prices and slow recovery due to government control of prices and its monopoly of processing facilities, inadequacy of processing facilities and high transportation costs. While liberalization of processing and marketing of export commodities help rural farmers, high transportation costs reduce producer prices. Restocking of small domestic livestock of households
should also be treated as a priority as this is an important source of cash incomes and improved nutrition for rural dwellers. Apart from relief related services, rural social services do not receive the attention of the policy-makers and donors.

The massive destruction of the natural environment – the vegetation, forests, livestock and erosion control systems hampers the recovery and long-term sustainable growth of the agricultural sector. While agricultural sector recovers quickly in the immediate post-war period, mostly on account of the resilience of the rural population, the these adverse effects of the conflict undermine the its longer-term prospects. Thus, it is essential to provide explicit assistance for reforestation, tree planning, erosion control restocking of livestock and maintenance and protection of remaining forests and trees, to repair the damage.

4.3. Reforming Economies in Post-War Transitions

The key medium-term challenges in a post war transition are broadly nation building, involving peace and national reconciliation, and socio-economic recovery requiring physical reconstruction and social and economic reform. Poverty is often endemic in post-war situations, and broad-based economic revival, as well as the provision of economic and social services (productive infrastructure, extension services, education, health care), is essential to alleviate the poverty. The post war situation requires a comprehensive but prioritized approach to development and poverty reduction, including the integration of socio-political concerns into economic policy-making, embodying as policy objectives, not only changes in individual/household incomes but also access to social services, and in a reform process that promotes the empowerment of individuals in determining the direction of their lives.21 As poverty and deprivation have been linked to civil conflicts and wars, the improvement of living standards should contribute to reducing the risk of renewed conflict.

Good governance is an overarching requirement for rapid socio-economic development. It cuts across economic, social and political institutions and embodies principles of participation and empowerment, decentralization, justice, respect for human rights, transparency and accountability. Economic reforms in the transition need to integrate the principles of governance in the policy and institutional objectives and the process of formulation and implementation of reforms. Maintaining the fragile post-war peace and ensuring participation and fostering national reconciliation and security may

21 Nobel Laureate Amartya Sen has advocated a comprehensive, many-sided approach to development. Professor Sen suggests an “integrated and multifaceted approach” to development, “with the object of making simultaneous progress on different fronts, including different institutions, which reinforce each other.” See Sen (1999). In the book, Prof. Sen rejected the “compartmentalized view of the process of development (for example, just going for liberalization or some other single overarching process)” (page 126).
entail policy choices that may not be consistent with optimum economic efficiency as well as more flexibility in the pace and sequence of reforms.

Policies adopted before and during the war are unlikely to correspond with those needed in the post-war environment with peace, reconciliation, reconstruction and rapid economic recovery as the main priorities. The institutions in place may not be consistent with the political peace accord that often involves elements of power sharing, decentralization and participation. In a protracted conflict, the existing policies and institutions could be totally inconsistent with new country and global realities. As discussed in section 2, civil war not only destroys human and physical capital, it engenders policy and institutional distortions and governance weaknesses. Economic growth in the post-war transition requires private investments, particularly to rehabilitate and upgrade existing capital and bring it back to production. The post-war administration would need to clarify and harmonize its policy directions to encourage economic agents to take risks to revive production and create jobs.

Economic reforms in the transition are not likely to generate immediate strong response for new capital formation due the high political risks that deter new investment. However, a strong and credible track record of reforms is essential for establishing the country as a potential investment destination once perceptions of risk begin to change, to attract development assistance from donors that often fund critical public investments and to begin to build the institutional foundation for sustained long-term development. Indeed, a credible track record of reforms is often a factor in changing the perceptions of risk by private investors and donors. Furthermore, as a practical matter, countries often need to adopt economic and socio-political strategies and policies acceptable to the donor community to qualify for assistance.

Reform Framework and Priorities

The Conceptual Framework: While reforms are necessary and unavoidable in a post-war transition, the key question for debate should focus on the type of reforms that would best address the predicament of the country. Differences in vision and economic systems between the governments, international development agencies, the donor community and the NGOs have significantly narrowed in recent years. The decentralized market-based private enterprise (MBPE) economic system, the orthodoxy favored by the international development agencies, is now often embraced by governments in conflict-affected countries. However, the ready acceptance of this approach is often a pragmatic concession for obtaining external development assistance. This in a way could compromise the effectiveness of the associated reforms, if the result is weak commitment to the implementation.

There is a strong case for the market-based approach for dealing with the complex combination of economic and governance issues that are at the roots of poor economic performance and conflict. The alternative to a market-based approach is a government
led and controlled economic approach. This would be too risky since, in most cases, it was the poor governance and socio-economic mismanagement by the government that plunged the country into conflict in the first place. Besides, it would be impractical as in post-war situations, as the poor institutional and human capacity and the severe financial constraints would limit the scope for and effectiveness of public sector interventions in productive activities. On the other the MBPE approach has the potential to energize economic production by private domestic and foreign firms and households throughout the country. As noted earlier, in post-war situations, private enterprises have taken up the challenge of reviving economic activities despite the difficult situations. Furthermore, on governance, the MBPE approach would require the dismantling of the centralized system of economic decisions of the pre-war and war era that engendered conflicts of interest and both socio-political and economic exclusiveness.

The Process: The reform process involves fundamental structural changes and institutional restructurings with socio-political ramifications. Thus the nature of process and the pace of reforms are important. The weak institutional base requires a process that is open and predictable, thus the participation of the stakeholders in the society and the respect for the institutions of the transition are crucial ingredients in designing and implementing reforms. For instance, in a power sharing government, it is important to build a consensus on specific reform measures among all the members of the coalition. Once adopted, the reform policies should be made public immediately in accessible media, for instance radio, and then published in an official document that is available to the public. It would also be useful to monitor the impact of various reforms and announce the results. The Poverty Reduction Strategy Process (PRSP), introduced by the Bretton Woods institutions in 1999 and now widely adopted by the poor countries, represents a coherent approach for citizen involvement in the formulation of national development strategies and policies. This would be useful framework in the transition for conflict-affected countries.

Reform Priorities: The post-war context provides the opportunity to change policy directions and undertake economic reforms for economic recovery as well as for building the foundation for expanding economic opportunities and an inclusive and sustainable economic growth. In environments that are rife with policy and institutional shortcomings, there is a tendency to attempt to solve all problems at once. Since there are also technical capacity limitations, prioritization of reform efforts is essential and in this context, the sequencing of reform actions should be integrated into medium-term policy

---

22 When Uganda emerged from civil war in 1986, the ruling National Resistance Movement adopted a “socialist” or “mixed economy” approach in 1986-1991, with government involvement in all stages of productive activities (see Museveni (1992), page 248). As illustrated in Museveni’s book, the downfall of this approach was the weak public sector capacity and financial constraints of the government. After 1991, Uganda quietly changed course to a market-based private enterprise approach.
framework. Typically in the context of a market-based approach in a conflict-affected country, the reforms should focus on (i) consolidating the liberalization of the trade and exchange regime; (ii) facilitating private sector entry into economic activities, reducing the costs of economic transactions, reforming the incentive framework to promote private sector economic activities; (iii) rationalizing the tax regime and strengthening tax administration; and (iv) strengthening the institutions of the budget, initiating reforms of the public administration, and strengthening the capacity of the government to provide services in key social and economic sectors.

Facilitating the recovery and development of the private sector, defined broadly to include large and small businesses, is critical for sustaining economic recovery. As already noted, micro-enterprise start-ups often mushroom in the immediate post-war period, and government policies and infrastructure services should aim to help these enterprises to get established and expand their productive activities. This often requires the coordination between central and local governments as well as within central government ministries. Trade, exchange and tax policies must be oriented to facilitate small and large private sector transactions. Price controls, if any, should be abolished. Simplification of the requirements for business licensing, and for import and export transactions, including customs processing, would reduce transactions costs for business start-ups. Trade with neighboring countries should be facilitated.

New private banks should be licensed and made operational while the central bank should lead the effort to restructure existing and invariably insolvent state banks and prepare these banks for privatization. Foreign exchange should be accessible at market prices and the licensing of small private foreign exchange bureaus and the simplification of related paperwork would improve the flows of foreign exchange to small-scale businesses. Commercial banks should be allowed to hold deposits in foreign currencies in order to reduce transactions costs for enterprises and NGOs and help stem the outflow of capital. These steps would also help to attract foreign exchange remittances from many citizens of the country living and working abroad and reduce underground financial transactions. The private sector needs its savings to grow, thus taxes should be rationalized and a reduction of the tax rates should be considered.

Post-war governments are required to put emphasis on raising revenues, including by increasing taxes, a policy that could impede the economic recovery process.23 While the state has a crucial role to play in post-war recovery, the ultimate engine of that recovery and in subsequent development process has to be the private sector. Higher taxes translate to lower private investments, the expenditures that are

23 The focus on raising revenue is sometimes in response to pressure from development agencies. This pressure for enhanced domestic resource mobilization by the government goes back to a period when the public sector was regarded as the engine of growth. It has continued to thrive although the public sector growth paradigm has been replaced with a private sector led growth.
needed to revive economic activities. High taxes also discourage small enterprises from evolving into medium and large-scale firms in order to avoid the scrutiny of the tax collector. On the other hand, the governments often lack the capacity and institutional pressures to use domestically derived government revenues effectively. In many cases, these are used to maintain a bloated and ineffective bureaucracy and enhance the perks for ministers and other political appointees. Besides, the governments often benefit from official development assistance while the private sector has to rely on its own internal resources for investment. Tax reform is essential and should focus on rationalizing and simplifying the tax system, broadening its base, strengthening administration and reducing fraud and corruption. With a good tax system and compliance, revenues will rise as economic activities and incomes expand.

Initial efforts on public administration reform should focus on (i) reforming the budget system to reorient it towards participation, transparency and accountability, revive the institutions of the budget and building capacity and restoring a credible budget process, (ii) concentrate on eliminating systemic distortions and opportunities for abuses in public administration by clarifying functions, regaining control of the numbers in the establishment, eliminating ghost employees, reforming the systems for managing the payroll, linking employment in the civil service to the budget process, and introducing transparent systems for recruitment, retrenchment and deployment and (iii) building capacity to deliver services to the population in key priority areas such as social and economic services.

In the latter phase of the transition and in line with the reforms for the political transition, preparations should be made for fundamental institutional governance-related changes including for the decentralization of political and economic decision-making, and the development of the strategic framework for reforming public administration and the budget. Further key actions in this phase include preparatory actions to disengage the state from microeconomic activities, the establishment of the regulatory framework to promote private enterprises, particularly the growth of small-scale enterprises, enhance access to new technologies, and improve private sector governance.

4.4. Risks of Reforms

Economic and institutional reforms based on the principles of the market economy have yet to be fully embraced in SSA as the building block to confront the problems of economic stagnation and poverty. Economic reforms are given various interpretations -- a vehicle to redistribute resources in favor of some social groups or foreign interests, reduce public sector employment and benefits, and to attract donor assistance.\textsuperscript{24} The government’s commitment is often in question and there is limited

\textsuperscript{24} Reforms based on market-liberalization do favor well-endowed individuals and groups.
understanding of, and public support for the reform program. Ethnic divisions and perceived inequalities to economic opportunities and the fragmentation political institutions hinder constructive discussion and consensus building for reforms. Overall the socio-political conditions would not be propitious for reforms and there would be risks that reforms could ignite political dissension, put a strain on the fragile coalition government or exacerbating social tensions. This could undermine the efforts for peace and national reconciliation. Furthermore, the lack of human and institutional capacity would slow the implementation of reforms and undermine their effectiveness and sustainability and thus weaken the broad support for the reform program.

The effective implementation of reforms often requires financial resources to build institutional capacities, increase public spending in priority areas, make complementary public investments, and offset temporary or permanent revenue losses that may result from the reforms, for instance by the removal of export taxes. Additional resources may also be needed to ensure that the reforms do not exacerbate the volatility of fundamental economic variables such as interest and exchange rates that might adversely affect the desired economic stability and positive supply response. The liberalization of foreign exchange regime could lead to a rapid and excessive depreciation of the exchange rate that could fuel inflation. The availability of adequate foreign exchange reserves would mitigate such outcomes. Financing from bilateral donors is often fragile, and when it does not materialize, hinders the implementation of the reform program and undermines the positive outcomes.

Risk mitigation in the reform process requires broad and persistent dialogue at all levels, within the government (the cabinet, the civil service, and the legislature) and between the government, the civil society and the donor community, to improve understanding of the reforms and build support for the reform process and measures. Reliable financing and technical assistance by the donors and strong and demonstrated government commitment to reforms, with actions to reduce the political risks, for instance a credible political transition program with concrete progress in implementation, are important for the success of the reform program. Implementing reforms that have a discernable, positive impact on the lives of people, for instance, the removal of taxes and other measures that raise the producer prices of commodities produced and traded by large numbers of economic agents, and expenditure reallocations to increase access to educational and health services, help to build support for reforms. Complementary infrastructure and human capacity investments would be needed to support the functioning of markets and facilitate internal and external trade, and consequently enhance supply response and reform outcomes.

There needs to be flexibility in implementing reform measures. An recognition and concern for the social conditions, with a readiness to deal with the adverse social consequences is essential to mitigate the risks and enhance the success in policy and institutional reforms in post-war environments. Policies that pose difficulties such as reform proposals that are strongly opposed by one or more of the coalition partners in
the government, or give rise to social problems in the short-run, for instance retrenchment associated with public administration reforms, could be deferred while actions are taken to prepare the ground for their implementation in the medium-term. Such preparation could be in the form of analytical work on the subject to further dialogue to discuss options and strengthen consensus or to prepare concrete plans to address the social costs of the proposed reforms.

5. FINANCING ECONOMIC AND SOCIAL RECOVERY AND THE TRANSITION

Post-war countries need large and quick infusion of financial assistance for the rapid socio-economic recovery to reduce the risk of renewed conflict. However, besides humanitarian assistance for which the funds provided by the donors are managed by relief agencies and international NGOs, external financial aid to governments in complex post-war emergencies disburse slowly. The large amounts of financing in press releases of international donor financing conferences often reflect a mix of existing and new financial commitments, and often include amounts for humanitarian operations. The poor capacity of the government, its lack of familiarity with donors and their procedures, and the inadequate staff capacity assigned by donors to work on the post-war country are among the principal causes of delays in disbursements. Furthermore, donor procedures and their application appear to be relatively stiffer in conflict affected countries, presumably due to the higher risks in these countries.

The multilateral development banks (MDBs), notably the World Bank and the African Development Bank (AfDB) have been the major sources of financing in many post-war situations in Africa. The European Union (EU) has become a major financier of both humanitarian and development assistance and is playing increasingly key roles in early post-war transitions, particularly where its work on political transitions and human rights complements the support provided by the Bretton Woods institutions and the AfDB). However, where there are arrears of debt service to the MDBs, as is often the case, the countries do not have access to these sources of concessional financing. In response to this problems the MDBs have developed processes to clear arrears of conflict-affected countries and accelerate the process of multilateral debt relief to these countries through the Enhanced Heavily Indebted Poor Countries (eHIPC) initiative. In recent years both the Republic of Congo (Brazzaville) and the Democratic Republic of the Congo (DRC, Kinshasa) have benefited from arrears clearance processes, making them

Concessional credits are loans with very low interest/charges, often less than one percent per annum, and very long grace periods and long maturity period. The credits of the International Development Association (IDA), an affiliate of the World Bank, typically have 0.75 percent interest, 10 years of grace and 30 years maturity period. Non-concessional loans such as those from IBRD (another affiliate of the World Bank) are at market rates (some points above LIBOR), and shorter maturities. The African Development Fund (ADF) and the African Development Bank (ADB) of the AfDB have similar terms to IDA and IBRD respectively.
eligible for new concessional credit and debt relief from the MDBs. However, the process of arrears clearance still takes time to be fully put in place, which may delay the adoption and implementation of a recovery program.

The MDBs as well as the IMF and the UNDP provide needed support for capacity and institution building and reforms in post-war situations. Less constrained by the political and strategic considerations that bilateral donors face, and in the absence of strong objections from the major shareholders or arrears in debt service, these agencies can often engage early in the recovery and reconstruction process and provide timely assistance to governments for restoring the capacity of key economic management institutions such as the central bank, the ministries of finance and planning, the budget process, and the statistical and information systems. The engagement of these agencies is often a pre-requisite for bilateral donors to engage in and provide financial support to a post-war country.

5.1. Accelerating the Flows of International Assistance for Post-war Recovery

Donors respond quite rapidly to humanitarian assistance in complex emergencies partly because relief agencies have a credible framework for seeking assistance and using the resources. On the other hand, support to the government for socio-economy recovery and political reform is slow to materialize due to the lack of a track record by the government and various risk-related concerns donors may have including the political legitimacy of the government, the probability that fighting might intensify/restart, and the donors’ reading of the absorptive capacity and accountability of the government.

Where few donors have a strategic interest or strong historical connections to the conflict affected country, for example, the Central Africa Republic (CAR) donor response for assistance to the government would often be very weak. On the other hand, countries that are well endowed with natural resources, such as the Democratic Republic of the Congo (DRC) attract substantial donor interest. Furthermore, to initiate engagement in a post-war country, a donor agency would need political support at home and build up its technical capacity to manage and monitor its program. These factors may deter early engagement, particularly for donors with no prior involvement in the country, and in any case, it would take time to build adequate capacity to manage a significant program.

Delays in Disbursements of Donor Funds

As noted above, post-war governments in post-war situations often lack experience in negotiating with donors and in navigating their procedures for assistance. Moreover, the donors often lack field presence and are inadequately staffed at technical levels to provide immediate and concrete assistance in a post-war economy. Even after donors have committed funds, these capacity constraints delay the disbursement of the funds. In post-war, donors are naturally reluctant to provide untied support to the budget support due in part to the lack of a credible budget process and the weakness or
even absence of systems for financial accountability\textsuperscript{26}. With donor funded investment projects, the committed funds remain undisbursed pending the preparation of the projects, a process that involves technical project evaluation and legal negotiations. Project preparation can be time consuming particularly with relatively limited capacity of both the government and the donors. In a post-war situation, just putting together project preparation teams can be a significant source of delay.

\textit{Mechanisms to raise funds and accelerate disbursements}

Some useful mechanisms have been developed to deal with these funding issues. The most common approach is the concept of a lead donor/development agency that assists the government in its relations with the donors and in mobilizing resources from the donor community. The job often falls to the World Bank or the UNDP and in rare occasions to a bilateral donor. The lead agency organizes donor conferences to raise funds, and assists the government in preparing its presentations at the conference and in preparing projects for donor financing. To be effective, lead agency needs to have strong capacity dedicated to the country and credibility with the donors, is able to commit substantial own resources to the process of donor coordination, and be a major contributor of development assistance. However, a lead agency is not selected by the government or even by the donor community. It is rather based on a historical division of this labor between the World Bank and the UNDP.\textsuperscript{27} While the lead agency approach is usually been an effective mechanism for raising commitments of funding, it does not work as well in helping to accelerate disbursements from committed funds.

\textbf{Trust Funds:} These facilities, funded with contributions from bilateral donors, and often administered by the World Bank or the UNDP, can facilitate the disbursements of donor funds. Trust Funds are designed to finance specific, agreed activities in the budget of the government, for instance demobilization and reintegration of ex-combatants, clearance of external debt arrears and servicing of current obligations to multilateral development banks (MDBs), capacity building and even expenditures like teachers salaries. The administration of these funds is facilitated when World Bank or UNDP have staffs on the ground that would ensure that (i) the necessary preparations for the funds to begin to flow, (ii) the funds are used for the agreed activities; and (iii) the full accounting of the use of the funds.

\textsuperscript{26} Funds that are not tied to specific projects/activities and could finance both capital and recurrent items in the government’s budget

\textsuperscript{27} Each poor country belongs either to the “Round Table” group or the “Consultative” group. Round Table Conferences and Consultative Group Meetings of donors are organized by the UNDP and the World Bank respectively for each country as needed to raise funds for development.
Trust funds were used quite extensively in post-war Bosnia and to some extent in Rwanda, Burundi, the DRC, and Uganda. Donors also contribute to a Post-Conflict Fund administered by the World Bank for supporting socio-economic activities in conflict-affected countries. A trust fund facility would make it possible for donors not directly engaged in a conflict-affected country to contribute to its recovery efforts. However, some bilateral donors are reluctant to contribute to trust funds in Africa, preferring to exercise full control over their funds, and increasingly using their national and other international NGOs to design and implement relief and development projects. While these international NGOs often get services to intended beneficiaries in a timely fashion, the high overhead costs that often cut deeply into the assistance.

**Balance of payments support:** As noted above, bilateral donors are reluctant to provide quick disbursing assistance/payments (BOP) support to countries in post-war situations. However, the MDBs and the EU often take the risk and provide this kind of support. This would enable the government to revive its operations and, in particular to begin to restore basic social and economic services. In addition, quick disbursing BOP support provides foreign exchange that would help to boost private sector activity and thus provide considerable stimulus to economic recovery. As BOP support is flexible, the government could use the proceeds to finance capital and operational expenditures. The proceeds could be used to rehabilitate a health center, buy the necessary supplies and pay the staff, thus enhancing socio-economic recovery.

To their credit, some donors have used creative and innovative ways to provide budget support in post-war situations, for instance by financing or refinancing concrete activities/items in the budget such as teachers’ salaries, purchase of books and supplies for schools, debt service, etc. In this way the donor knows how the funds are used and has concrete evidence to back up the payments. A trust fund is another mechanism for budget support to finance specific one-off and recurrent activities such as demobilization of soldiers, debt service, etc. The financing of these activities by donor funds enables the government to finance other priority activities.

5.2. **Dealing with the Debt Burden**

Many conflict-affected countries have heavy debt external and internal debt burdens and arrears of payments for these onerous debts. The arrears often delay their access to both grant and concessional and commercial debt financing in the post-war period. The inability to regularly service the domestic debt impedes the recovery of the domestic private and financial sectors. Various mechanisms have been developed over the years to provide debt relief to poor countries with unsustainable debt burdens. This includes the Paris Club for official bilateral debt, the London Club for commercial debt, and the Heavily Indebted Poor Countries (HIPC) initiative for multilateral debt. Many bilateral creditors from industrial countries have written-off of certain debts of very poor countries, often in the context of a Paris Club agreement.
However, access to these facilities involves rigorous and demanding preconditions that can delay the flow of assistance. A reconciliation of external debts is necessary but post-war countries often lack reliable records of their external debts stocks and transactions. Thus, the reconciliation exercise would often require the services of expensive external financial advisors and a willing donor would have to be found to finance these advisors. Furthermore, an IMF macroeconomic program and a track record of good performance under the program are pre-requisites for external debt relief. While the IMF often engages early in a post-war situation, it could take as much as two years to establish the required track record. Political and strategic considerations on the part of the governments of the bilateral creditors often influence the decisions of the Paris Club on debt relief but the benchmarks for progress are often not clearly stipulated. For instance, some donors require progress on a political transition program before providing debt relief. The negotiations towards meeting these debt-relief requirements impose substantial transactions costs on the governments and the lack of capacity and experience on these matters slows progress.

The HIPC initiative, introduced in 1996, has provided relief on the debt owed to the IMF and MDBs such as the World Bank, the AfDB, and the International Fund for Agricultural Development (IFAD), OPEC Fund and BADEA. In addition, the HIPC process paves the way for the maximum relief on existing bilateral debt and thus is a comprehensive and coordinated approach to dealing with the debt burden. The Enhanced HIPC, introduced in 1999 has expanded eligibility and access, increased HIPC debt relief and introduced more flexibility in the process. For instance, in the original HIPC, the period from the start of the process to the “completion point”, when the debt relief becomes permanent, was fixed at a minimum of six years but the Enhanced HIPC has a floating completion point, thus the period could be much less, and would largely depend on the progress the country makes in its reform program. The Enhanced HIPC also requires a track record of performance on an IMF program, the completion of a PRSP, an agreement with the Paris Club for maximum debt relief under the Paris Club rules, and a vision of how the government will prioritize its expenditures including the debt relief provided by the HIPC.

A number of conflict-affected countries in Africa--Uganda, Mozambique, Rwanda, Chad, and Ethiopia--have already benefited from HIPC relief. The HIPC process has been criticized as being an insufficient response to the debt burden and poverty reduction, particularly by some international NGOs that have been proposing complete write-offs of external debt of the poor countries. Nevertheless, the Enhanced HIPC, which has expanded eligibility and the size of the debt relief, is a major step in the right direction and every eligible country should work to have access to it.

5.3. Coordination of International Assistance

The main activities in a recovery and transition process could be broadly classified into three related areas (i) resettlement and reintegration; (ii) economic
reconstruction, recovery and development; and (iii) political reform and development. The first and second themes correspond to the areas of lead responsibility by the UN and its relief agencies, and the Bretton Woods institutions respectively. International NGOs, funded by bilateral donors, now play significant roles in resettlement and reintegration. There is often less clarity on the lead role for providing assistance and coordination on political reform and development. While this formal division of labor among is necessary, it is often blurred by the complex socio-economic challenges in conflict-affected countries. The dividing line between relief and development is thin and the relative inexperience of government with this division of labor lead to conflicts, misunderstandings and frustration. The coordination between agencies is particularly critical for the effective delivery of assistance.

The governments in post-war situations lack the experience and credibility to lead donor coordination efforts and have to rely on the assistance of the UNDP or the World Bank in this task. In cases, an informal lead donor, usually a bilateral with a significant program, prior significant involvement or strategic interest in the country, plays works closely with the formal lead agency and the government in donor coordination. The informal leader can often bring strong commitment, passion and resources to the socio-economic recovery and development of the country, earning the government’s trust and confidence and acquiring some leverage. However, effectiveness of donor coordination in complex post-war situations depends for the most part on the personalities of the head of missions of the key donors and the political support from superiors at headquarters. Experienced, flexible and team-oriented mission heads are likely to be successful with both the government and the other donors in advancing donor coordination. However, donors often do not send their best to these challenging positions. Finally, the support of the government’s program by the Bretton Woods institutions is essential for donors to provide support and the activities of the World Bank and the IMF provide a strategic framework for donor coordination and support.

28 Usually the World Bank takes the lead in donor coordination for the Consultative Group countries while the UNDP does the same for the Round Table Countries (See Footnote 27). This somewhat rigid system is becoming more flexible. Under the leadership of developing country governments, bilateral donors and the EU are taking stronger roles in donor coordination and fund-raising. However, for the most part, conflict affected countries often have to rely on the World Bank and the UNDP.

29 This leadership is sometimes tied to a personality in the donor agency. Jan Pronk, while the head of the Netherlands development cooperation, played a lead role in the emergency/transition to development process in Rwanda after the genocide. Once he left the post of minister, the role of the Netherlands in the process diminished considerably. Claire Short, the UK Minister for International Development played a catalytic role in external support to Sierra Leone and Rwanda.
Formal mechanisms for the coordination of the activities of NGOs are rare, and while many of the international NGOs are committed to and experienced in emergency assistance and development, the proliferation of NGOs in post-war situations can result in duplication of effort and sub-standard services. Governments should be encouraged to establish coordination mechanisms for NGOs early in the recovery process, and to select a recognized international NGO with capacity on the ground, or a UN relief agency to assist in this process.

6. FROM WAR TO LONG-TERM DEVELOPMENT: ADDRESSING THE LEGACIES OF CIVIL WARS

War makes long-term economic growth much more challenging, with its destruction of human, social and physical capital. Physical public and private capital, often the focus of reconstruction efforts, can be rapidly rebuilt and economic activity revived. The rebuilding of the social fabric, human capital and credible socio-political and economic institutions would be more challenging, will take time, is fraught with uncertain outcomes and require specific and continuous efforts.

In the process of moving from war to development, there are a number of key over-arching priorities. A pivotal aspect of the change process for sustaining peace, economic growth and rapid poverty reduction is national and community dialogue, essential to build social capital. The reform of the institution of government so that it becomes an effective instrument of development is also pivotal. In parallel with the reform of government is an effort to build public sector capacity, which would have beneficial spillover effects on the development of private sector capacity and institutions. Ethnicity is a feature of governance in multi-ethnic societies that takes greater significance after civil wars. It can be ignored only at the risk of renewed conflict. Its significance for perceptions of public policies and actions has to be reflected in public policy dialogue, institutions and actions. An environment of security is essential for fostering private investments in human and physical capital and containing the transactions costs in trade and commerce. Thus a reform of the security forces to maintain peace and enforce the laws while respecting individual rights is critical.

Collier (2000) identified three factors, namely the mismanagement of natural resource rents, the potential for ethnic dominance, and the unemployment and illiteracy of the youth as major risks of renewal of conflicts. The first two factors are matters of governance discussed above. Unemployment, particularly among the youth, has become chronic in SSA. Unless the youth, particularly the literate ones, can find employment, they would not have a stake in the development process and would be willing to entertain short-cut solutions to a better life through a regime change. The development of external trade is important for maintaining the growth momentum of the economy, the creation of employment and, for the long-term, the reduction of external aide dependency. Finally, the transition from relatively easy post-war economic recovery to
sustainable long-term growth would require continued public investments and increases in private human and physical capital. This would require continued donor assistance as well as the incentives and opportunities that permit increases in private investments. Maintaining strong partnership with the donor community is essential for the continuity and predictability of donor assistance.

In recent years, a number of conflict-affected countries have made successful transitions from war to development. The economies of Uganda and Mozambique, two countries that experienced many years of civil war and conflict, have been among the best performers in SSA. Following the transition period, their economies continued to show strong performance relative to other countries. The lessons from the experience of Uganda and Mozambique include the willingness to change policy directions and adopt the market-based reforms, consistent and predictable policy environment, fiscal responsibility, strong partnerships with the donor community, greater openness and transparency in the government and society, and an active, diverse and engaged civil society.


The tragedy of a civil war and the need to prevent further violent conflicts require that national and community dialogue to reflect on the roots of the conflicts, the legacies of the civil war, and the strategies to foster socio-economic institutions that are not prone to conflict. While it would be important to reflect on and understand the causes of the civil war, however, national dialogue should focus more on the synthesis of the legacies of the war and its implications for meeting the aspirations of the new generation. In recent years, it has become common for conflict-affected countries, encouraged by the donors, to institute processes of dialogue for national reconciliation and unity (Rwanda, Burundi, Sierra Leone, Central Africa Republic).

However, some national dialogue processes have been one-off affairs, not been comprehensive, have focused on the past rather than the future, and have been dominated by the dysfunctional elite that may have been part of the problem. Moreover, the results of the process have not been appropriately fed into national policies and institutions. Furthermore, a process of national dialogue should not cease with the elections, a new government and legislative bodies. The national dialogue process should not supersede the supreme role of the legislatures but as a diverse national consultative body, it can enhance inclusion in the society by continuing to provide voice for those who may feel inadequately represented in the government and legislatures, and contribute to reinforcing the institutions of governance and socio-economic management.
6.2. Reforming Governments

The institution of government in SSA has not been a facilitator of development. The ineffectiveness of the state as well as overall poor governance have been factors in the violent conflicts, civil wars, and the numerous coup d’etats. The institution of government needs to be reformed in order to sustain peace and stability and make the government an effective instrument for development. The fundamental reform of the government is challenging primarily because it is the government that has to reform itself. It is easy for the vested interests in the government to block reforms that are not in their interest.

Reforms of government are even more challenging in post-war societies. A civil war tends to impair the legitimacy of government as an institution, as well as the cohesion of the civil society to put pressure for and contribute to governance reforms. Civil war tends to centralize state authority around the head of state and weaken the ability and capacity of the public administration to make and implement policies. A powerful presidency might be the center of opposition and thus an obstacle to fundamental change, such as decentralization and transparent election processes.\textsuperscript{30} The power sharing arrangements in post-war transition could impede change as the various parties strive to protect their own positions.\textsuperscript{31} Nevertheless the power-sharing paradigm can be a vehicle for motivating and institutionalizing decentralization and broad participation in permanent constitutional and other governance arrangements.

Transparent, free and fair elections are fundamental to good governance and the legitimacy of the government and its effectiveness. Flawed elections are the rule not the exception in the countries in SSA. The post-war countries are often unable to finance their own elections and have to depend on donors for financing, which is an indication of the low priority the authorities place on elections. Furthermore, the issue of the transparency of elections does not appear to receive emphasis in discussions of governance, national unity and reconciliation. It is often speculated that the authorities and the elite are not keen on transparent election processes, which might close the window of their driving the process to their own benefit. Developing and implementing

\textsuperscript{30} The concept of decentralization used here is not the usual creation of local governments and transferring authority and responsibility from the center to them. Rather it is the more micro level concept of shared responsibility for decision-making and accountability. For instance, a minister should have authority for decisions in his/her domain while being accountable to more than the president.

\textsuperscript{31} The power sharing paradigms often used in immediate post-war governments are compromises for ending the war. These arrangements are often fragile and not effective for development. The risks of breakdowns and a return to violent conflict are high.
transparent election processes represent a major challenge to improving governance and the effectiveness of the state, and consequently sustained poverty reduction.

Technical reforms of government (organizational, roles and responsibilities of different agencies, staffing issues) should take place in the context of a relevant political process that clarifies the role and responsibilities of the state and its fundamental structures and organizational modalities. These political institutional issues are often touched upon in peace talks and agreements but these should be followed by wider consultations on the governance issues that underpin the political institutions.

6.3. Building Capacity

As noted earlier (Institutional Effects) civil war and associated poor governance destroys public institutions and weakens the capacity for public administration. A government requires a capable civil service to provide the results to the population that will make and keep it legitimate. Change, economic growth and poverty reduction require experienced public servants that understand the dynamics of the society and economy, are committed to change and have the respect of the political establishment and the civil society. In conflict-affected countries, with the politicization of the civil service, the lack of trust in the society, and the poor compensation in the civil service, these characteristics are rare. Where reforms and other public actions have produced results and positive impact on the population during the transition, some trust would have been restored.

The response to poor technical capacity has usually been to use external technical assistance funded by donors, and to tie external financial assistance to the government’s willingness to embark on public administration reforms. A reliance on external technical assistance runs the risk of enclaving the reform process, where the external advisers interact among themselves and with a few top officials of the government, and based on such limited interaction, design of the reform programs. This would run the risky that the program may be textbook style, not be sufficiently nuanced to reflect the socio-political and capacity realities in the country, and thus both impractical and unsustainable. This kind of process would be unlikely to contribute to the process of capacity building. Greater use of local consultants and national experts living abroad, especially recent émigrés, should be encouraged. Funding is often a problem as the donors are more inclined to fund external non-national experts at substantial costs than national experts, even at much lower costs. Financial incentives are often needed to ensure that the key civil servants on the reform and reconstruction programs stay on the job and remain committed to the reform program. However such incentive programs are limited by the reluctance of donors to fund them.

The strategic reorientation of public service should be underpinned by national dialogue and ideally, this should take place in the context of the discussions during the transition on the political institutions of the country that would determine the role of the
state and the modalities for implementing its functions. While the reform of public administration is essential for capacity building, this process can only make a significant impact on capacity in the long run. A phased approach that builds on the performance of preceding phases, recognizes the fragility of the social fabric and coalitions, and provides the scope for actions to mitigate adverse impacts, would be appropriate. Training should be linked to the reform program, be coordinated and programmed for the medium-term, should be undertaken by local institutions, that need not be government training institutes, but could be private and public universities and local training and consulting firms. In this way, the capacity for training will also be built and training programs would more likely be sustained.

6.4. Reforming the Security Services

Security is often a high priority to the citizens of a post-war country, thus the reform of security services (police, army, customs and immigration, presidential guards, intelligence and illicit drug control agencies) to protect the citizens should be a priority. The weaknesses, divisions, and corruption in the security services, the lack of respect by security for due process, the infliction of misery on the populations they are supposed to protect, and the misuse of security forces for unconstitutional and violent efforts to maintain power aggravate and prolong conflict. The reform of security services is therefore essential for conflict prevention. In any event, security forces and other combatants that have participated and have been corrupted in the unconventional and often brutal civil wars are unlikely to be suited for the promotion of justice, human rights and the rule-based governance needed in the post-war period. These however form the bulk of the post-war security services and would need to be reoriented to focus on the challenges of building and sustaining a democratic society.

Demobilization of ex-combatants and their integration into civilian life has been a common feature of post-war reconstruction. It has been justified on budgetary grounds, that is, the reduction of the military budget. Demobilization is usually accompanied by an effort to reintegrate the demobilized soldiers and other ex-combatants into productive civilian life. However, the reintegration component is often underfunded, with limited resources to enable a sustained medium-term reintegration effort. This creates the risk that unemployed demobilized persons could be lured into armed rebellion or criminal activities. Furthermore, an explicit reform of the security services is a logical next step to a demobilization and reintegration program, to prepare and equip the security forces to carry out their security duties in accordance with the constitution and laws of the country. This reform may involve additional budgetary costs due to higher pay, training and equipment needed to support and effective security system.

A strong and professional army is a deterrent to the proliferation of mercenary warlords that provoke and prolong violent civil conflicts. To be effective, a security sector reform program would have to be in the context of constitutional rule with strong and credible reform efforts towards good governance, and civilian control and oversight.
over the security apparatus. Fortunately, there is increasing interest in security sector reform and the Department for International Development (DFID) of the United Kingdom has recognized its importance and taken the lead in its promotion. It has supported a number of analytical works to explore the issue and provide guidelines for action (See DFID (2002)). These guidelines stress that security is vital to the poor, that providing security will make a real contribution to poverty reduction and that corrupt and greedy security services undermine these benefits.

6.5. Dealing with the Ethnic Dimensions in Socio-economic Reforms

The conventional wisdom is that civil wars in Africa are typically ethnic wars, the research found an absence of a linear relationship between ethnic diversity and civil war. Nevertheless, the history of Africa is replete with the use of ethnicity in divide-and-rule tactics for gaining and maintaining power in both the colonial and post-independent period, a phenomenon that has tended to retard the process of national integration. Civil wars raise ethnic consciousness, as the belligerents are inclined to use ethnicity to recruit fighters and rally material support for their sides. While ethnicity may not be the fundamental cause of conflicts, civil wars tend to reinforce subnational/ethnic identification and solidarity.

Ethnicity is often directly or indirectly taken into account in peace agreements through political power-sharing arrangements. However, this does not ensure that development policies reflect the ethnic dimensions. Market based liberal economic reforms tend to favor social groups with competitive and liberal orientation, relatively rich in financial and human capital, and strong entrepreneurial streaks, in contrast to poor, autocratic and conservative groups with hierarchical structures of governance. These latter groups could oppose liberal economic reforms and if they are implemented, could worsen ethnic schism. Where the latter group is politically powerful, it would successfully delay or water down important reforms, to the detriment of economic development.

The integration of ethnic dimensions into reform programs is difficult. The conceptual underpinnings of economic and institutional reform provide little direct guidance for this. Governments are inclined to not explicitly discussing ethnic issues. Related policy advice from foreigners is not appreciated. Nevertheless, open and national dialogue on the challenges of ethnicity is essential for identifying possible ways to deal with ethnicity in reforms and other development problems. Where ethnic groups are identified with distinct geographical areas, some of the concerns of ethnic groups can be addressed through regional programs and political and economic decentralization. In these situations, the budget might be an instrument for systematically addressing ethnic and regional economic inequities and access to new economic opportunities. But in post-war situations where budgets are extremely tight, their potential contribution in addressing perceptions of ethnic inequalities and injustice is likely to be limited.
Developed and developing countries have attempted country-specific approaches to address economic inequalities and post-war countries can learn from this experience. Among developing countries, Malaysia, following a violent confrontation between the largely poor indigenous and majority Malays and the more prosperous immigrant Chinese population in May 1969, put in place explicit institutional mechanisms to ensure that the Malays benefit from the growth of an economy hitherto dominated by the Chinese (Crouch (2001)). The Malays have made significant socio-economic progress and Malaysia has since avoided further violent inter ethnic conflict. However, as it has also experienced strong national economic performance, growing prosperity, and democratic governance, the credit for peace has many other claimants. In Africa, Nigeria has some “federal character” provisions for ethnic/regional balancing that focuses largely on sharing federal and other national appointments. In practice this essentially amounts to ‘sharing the cake’ among the elites of the main ethnic groups. However, ethnic and communal conflict appears to have intensified since 2000, perhaps due to continuing poor economic performance, economic inequities and lack of new opportunities.

Affirmative actions for ethnic balance in the context of weak and non-transparent public institutions are likely to exacerbate inefficiencies and perceptions of nepotism. These affirmative actions could undermine the adoption of transparent and competitive mechanisms for public actions such as those related to employment and promotions in public agencies, government procurement, the privatization of state-owned enterprises, and entrance into tertiary institutions. Moreover, ethnic balancing can be used to justify discriminatory and non-transparent actions. In pre-genocide Rwanda, ethnic quotas, ostensibly for redressing the imbalance in education between the Hutus and Tutsis, were generally perceived by Tutsis as another tool to further the government’s policies of marginalizing the Tutsis. Affirmative actions may also undermine efforts to de-emphasize ethnicity and build national consciousness. Policies for ethnic balancing should consider the trade-offs between ethnic equality and economic growth as measures to achieve the former may distort the policy environment and incentives for individual economic agents. The Malaysia example shows that affirmative action would work best in a growing economy that expands economic opportunities for all.

6.6. Developing External Trade

For post-war economies, external trade and related internal transactions represent the principal avenues for increases in government revenues, employment creation and private savings and investment. Growth in external trade would promote overall

---

32 The Malays control the political power while the Chinese remain dominant in the economy. However, through the affirmative actions to economically empower the Malays, their participation in the formal education and economy has been improving. For instance in 1970 Malays made up only 4 percent of doctors and 3 percent of dentists but by 1990, these proportions had risen to 28 percent and 24 percent respectively (Crouch (2001)).
economic growth without increasing the external debt burden and aid dependence. As noted earlier, civil war damages trade and trade institutions. It increases the costs of trade and serious external suppliers and buyers turn their attention elsewhere. High transport costs and tariff and non-tariff trade barriers, including corruption at customs and arbitrary and time-consuming security checks undermine formal external trade. Poor political and commercial relations with neighboring countries hampers formal trade relations and increases the costs for the flows of goods and services across the borders. Informal and unrecorded trade, including smuggling often flourish.

Post-war countries should therefore put immediate emphasis on improving trade policies and institutions, enhancing related infrastructure, facilitating trade and related domestic transactions and strengthening peace and cooperation with neighboring countries. The liberalization of trade and the foreign exchange regime, the elimination of anti-export bias in trade and commercial policies, the promotion of the private sector, the liberalization of the financial sector, the improvement in tax and customs services, the establishment of good commercial relations with neighboring countries, and the revival of regional trade institutions, are key medium-term policy directions for rapid trade recovery and expansion. Longer-term trade development would have to involve private sector investments, policies and public sector investments to enhance the productivity and competitiveness of the economy including the fostering of technology, appropriate investments in human resources, and the enhancement of productive infrastructure.

6.7. Reducing Unemployment

Unemployment and underemployment, particularly among the youth have become endemic problems in countries in SSA. Unemployment among the youths is recognized as one of the causes of violent conflicts. It can fuel violent rebellion against the order of the day or increase criminal activity. In either case, it is a threat to the security of the country. Yet, the problem of unemployment hardly features in policy discussions on SSA. Although the problem is huge and is worsening, few governments collect data and/or undertake policy analysis on unemployment and underemployment. Creating employment is not treated as a priority.

Reducing unemployment in poor countries is a daunting challenge. It would require a high and sustained rate of labor-intensive economic growth, difficult in a world inexorably moving towards laborsaving technologies and globalization of production. Domestic labor market rigidities, due in part to laws and regulations ostensibly designed to protect the workers, hamper economic growth and employment creation. In a post-war situation, these rigidities may be exacerbated by war-induced ethnic and regional animosities, poor infrastructure and concerns about security that restrict labor mobility. The underdevelopment of land markets restricts access to and effective use of land.

The opportunities for employment creation lie in progressive growth of small and medium-scale enterprises, a greater focus on exportable goods including the production
and transformation of traditional and non-traditional commodities. This would require appropriate education and capacity building, incentives for the small and medium-scale firms to adopt new technologies and management tools and to regularly upgrade these, the provision of related infrastructure, and policies to open up the land, labor and goods markets.

6.8. Promoting Partnership in Development

The support of donors and external development agencies for the emergency and the transition to development should culminate in a partnership for long-term sustainable economic growth and poverty reduction, for example as in Uganda and Mozambique. However, in an era of shrinking development aid, with each bilateral donor preferring to focus its assistance on a few countries, the participation in financing post-war emergency does not necessarily lead to continued or enhanced support for development. Increasingly, good governance, performance in economic reform, and the setting, monitoring and meeting development targets, have become crucial factors determining the flow of development aid.\textsuperscript{33} Good and improving performance encourage donors to make a long-term commitment to support the development of the country, with positive effect on the volume, quality and predictability of external assistance, as well as the dialogue between the government and the donor.

Effective donor coordination, with a strong leadership role by the government and its lead donor(s), and the number of donors that are committed to the long run, are crucial for the emergence of a development partnership. Government’s readiness for regular and frank dialogue with the donors, its commitment and performance on poverty reduction, transparency and accountability in the use of resources are important factors for sustaining donor partnerships. The PRSP process has provided the vehicle for the poor countries to determine their development priorities in a transparent and participatory manner. The donors have committed to respect the process and the outcomes and respecting this commitment is crucial for the effectiveness of the new approach. In that context, the PRSP process would be an important instrument for donor coordination and development partnership, helping to get the donors to buy into the country’s development priorities. Possible outcomes from government/donor partnership include the harmonization of donor assistance procedures and the improvement in the predictability and flexibility of external assistance flows. The latter is particularly important for post-war economies that need the assistance but do not have the capacity to navigate the different and complex procedures and conditionalities of donors.

\textsuperscript{33} In this process, there is a bias in favor of large countries, due to greater strategic interests by donor countries in the large states, and possibly for efficiency reasons.
7. Summary and Conclusions

African countries are in the midst of complex political and socio-economic transition to unite disparate ethnic, religious and governance institutions into new political and economic dispensations. This transition has been, for most countries, in a context of unfavorable economic position and negative external shocks that battered the fragile economies in SSA, in contrast to accelerated economic advances in most other regions in the world. The result in SSA has been increasing poverty and unmet aspirations of prosperity, in a world with visibly increasing prosperity elsewhere. The rampant civil wars have further undermined economic development, widened the development gap between SSA countries and the rest of the world and sustained the cycle of poverty and violence. The roots of the civil wars are complex but the evidence from research is that poor governance and poverty are among the main factors that create the conditions for conflict and provoke civil wars. Civil wars not only interrupt the larger socioeconomic transition, they make an already difficult development process more daunting, including the weakening of the institutional infrastructure, the degradation of the environment, and the destruction of social capital, now widely believed to be an essential ingredient of socio-economic development. However, civil wars provide the impetus to look at the development process in a more comprehensive manner.

In post-war situations, inclusive and sustained economic growth process is critical to breaking the cycle of violence and preventing future conflicts. This requires a comprehensive approach, with bold and innovative actions; the solutions to the complex socio-economic challenges of post-war recovery and sustained development are not yet in the textbooks. Consequently, post-war countries and the communities within them need to search for solutions through study, reflection and open dialogue. This dialogue and the actions that emanate from them should be comprehensive and take into account the flashpoints of conflict – poverty, governance, and the risks to national integration from religious differences, ethnicity and regionalism, and the distribution of wealth and economic opportunities. Participatory dialogue is not only necessary for finding solutions to immediate problems; it is also essential for rebuilding the stock of social capital.

The many daunting challenges in a post-war economy cannot effectively be addressed at once. The key to success – rapid socio-economic recovery – is to prioritize by looking for opportunities to take actions with potential positive and concrete results, not to dwell on the problems. Comprehensiveness and prioritization may seem to be in conflict but they need not be. The approach to post-war recovery should be comprehensive in the sense that actions towards recovery and development are required in relief and humanitarian assistance, reintegration, social, economic and political arenas. The actions in one area need to take account of the impact of these actions on the other processes as well as on the overall longer-term development prospects, requiring coordinated activities. With regard to prioritizations, the actions in each area should be
focused on priorities, with emphasis on those actions with prospects for concrete positive impact on the population. Effective prioritization requires consultations with the many players that are involved in post-war recovery – international donors, relief and development agencies, international and local NGOs and the civil society. A transitional policy framework, with a matrix of actions, developed through the consultations, is the appropriate instrument for prioritization, monitoring and guidance on the way forward.

Post-war economies experience strong immediate economic rebound. This rebound can be turned into a sustained social and economic recovery with comprehensive humanitarian assistance encompassing the usual survival assistance, rapid and permanent settlement of displaced persons, and efforts to reintegrate vulnerable individuals and communities. The latter would involve the provision of permanent shelter; accessible social services; assistance for reengagement in income generating activities, and opportunities for community dialogue. Emphasis on agriculture in the early phases of post-war reconstruction, with the provision of farm implements and seeds, restocking of livestock, and rehabilitation of feeder roads and social services in rural areas, will enhance socio-economic recovery. Small-scale enterprises benefit from the liberalization of the trade and exchange regime, the simplification of business licensing, and access for foreign exchange and banking services. The focus on agriculture, rural areas and small-scale enterprises help to broaden the economic expansion and jump-start poverty reduction.

Policy and institutional reforms and related capacity building; external assistance for development; and well-targeted public investments, are essential to sustain the initial economic rebound, and begin to build the foundation for sustained economic growth. Priorities for reform during the transition from emergency to development include the stabilization of the economy, liberalization of the trade and exchange regimes; the disengagement of the state from microeconomic activities; the promotion of private enterprises, particularly small-scale enterprises, the liberalization of agricultural pricing and distribution; the strengthening of the budget process and capacity building in public administration. Post-war countries need to put emphasis on broad-based external trade growth, to stimulate employment creation, raise incomes and reduce term external aide dependency. Furthermore, governments should put emphasis on unemployment, in particular, with efforts to improve the functioning of labor markets and facilitating the operations and growth of small and medium-scale enterprises. Some of the reforms have both implementation and social risks but the risks of delays in undertaking them, in terms of the adverse impact on governance and economic recovery and poverty reduction, are likely to be higher.

Durable peace, sustained longer-term economic growth and poverty reduction following civil conflict and war requires the reform of government to promote good governance and the technical efficiency in its operations. Reforms of political institutions leading to an elected would provide the basis for comprehensive governance reforms in the post-transition period. These reforms would focus on the management of public
finances, public administration, public enterprise privatization, justice and law enforcement and the security services. Decentralization of economic decision making, and increasing the transparency, accountability and effectiveness of public actions and the use of public resources are key parameters for good governance and the development of the private sector. Reforms of the national security in the apparatus in the context of the constitution of the country are essential to maintain peace and sustain good governance.

Timely flows of external financial assistance and debt relief to a post war economy engenders a strong recovery while it reinforces the confidence and trust between the donors and the government, improves the prospects for socio-economic and political reforms, and provides a strong base for longer-term development partnership between the government and the donors. Close collaboration between agencies with different mandates is essential to achieve the goals of peace, resettlement and reintegration, socio-political stability, and economic recovery and poverty reduction. The government requires assistance of formal and informal lead donors to coordinate the assistance of development and humanitarian agencies as well as international NGOs. Sustained development requires long-term commitment and sustained assistance by the donors.

Finally, the insights gained in economic and social reconstruction in the conflict-affected countries, are reshaping the overall development paradigm for Africa. Good governance, and poverty reduction, the importance of social capital formation have now become the pillars of the development paradigm of the 21st century. Thus social inclusion; participation; a broad sharing of the gains from economic growth; emphasis on social services and social protection; institution building; decentralization; and partnerships between the governments, the civil society and the international donor community, are fundamental elements of the emerging new development paradigm. Some “post-conflicts” countries in SSA have become trailblazers in the adoption of the new paradigm.
References


Azam, Jean-Paul; Bevan, David; Collier, Paul; Dercon, Stefan; Gunning, Jan; and Pradhan, Sanjay (199x), Some Economic Consequences of the Transition from Civil War to Peace; The World Bank, Policy Research Working Paper No xx


Colletta, Nat and Cullen, Michelle (2002), Social Capital and Social Cohesion: Case Studies from Cambodia and Rwanda; in Grootaert and Bastelaer (2002)

Collier, Paul (1999), On the Economic Consequences of Civil War; Oxford Economic Papers 51

Collier, Paul (2002), Social Capital and Poverty: A Microeconomic Perspective, in Grootaert and Bastelaer (2002);


Collier, Paul; Elliot, V.L; Hegre, Havard; Hoeffler, Anke; Reynal- Querol, Marta; Sambanis, Nicholas (2003); Breaking the Conflict Trap, Civil War and Development Policy; The World Bank and Oxford University Press.

Crouch, Harold (2001); Managing Ethnic Tensions through Affirmative Actions; in Social Cohesion and Conflict Prevention in Asia, Managing Diversity through Development; edited by Nat J. Colletta, Teck Ghee Lim, and Anita Kelles-Viitanen; The World Bank, Washington DC.


Museveni, Yoweri K (1992), What is Africa’s Problem? Volume 1 of Speeches and Writings, NRM Publications, Kampala

Mutibwa, Phares (1992): Uganda since Independence, A Story of Unfulfilled Hopes; Fountain Publishers Ltd, Kampala, Uganda

Ndikumana, Leonce (1998), Institutional Failure and Ethnic Conflicts in Burundi, African Studies Review, Volume 41, Number 1, April 1998,

Ngaruko, Floribert and Nkurunziza, Janvier D. (2000); An Economic Interpretation of the Conflict in Burundi, Journal of African Economies, Volume 9, Number 3, pp. 370-409


The World Bank (2000a), World Development Indicators 2000.


The World Bank (1998), Post-Conflict Reconstruction, The Role of the World Bank


Table 1: Growth of Real Per Capita GDP in Developing and High Income Countries
(Average annual percent change of real per capita GDP 1971-2015)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>5297</td>
<td>1.8</td>
<td>1.3</td>
<td>1.2</td>
<td>0.7</td>
<td>1.8</td>
</tr>
<tr>
<td>Low and middle-income economies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>1194</td>
<td>2.9</td>
<td>0.7</td>
<td>1.7</td>
<td>1.7</td>
<td>3.4</td>
</tr>
<tr>
<td>East Asia and Pacific</td>
<td>460</td>
<td>0.7</td>
<td>-1.1</td>
<td>-0.4</td>
<td>0.5</td>
<td>1.6</td>
</tr>
<tr>
<td>South Asia</td>
<td>956</td>
<td>4.6</td>
<td>5.6</td>
<td>6.4</td>
<td>5.8</td>
<td>5.4</td>
</tr>
<tr>
<td>Latin America and Caribbean</td>
<td>461</td>
<td>0.7</td>
<td>3.7</td>
<td>3.3</td>
<td>2.5</td>
<td>4.1</td>
</tr>
<tr>
<td>Europe and Central Asia</td>
<td>3149</td>
<td>3.3</td>
<td>-0.9</td>
<td>1.7</td>
<td>-2.3</td>
<td>2.5</td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>3374</td>
<td>2.9</td>
<td>0.6</td>
<td>-1.8</td>
<td>4.5</td>
<td>3.3</td>
</tr>
<tr>
<td>High Income Economies</td>
<td>1917</td>
<td>4.0</td>
<td>-0.6</td>
<td>1.2</td>
<td>1.1</td>
<td>2.5</td>
</tr>
<tr>
<td>Industrial Economies</td>
<td>27185</td>
<td>2.6</td>
<td>2.5</td>
<td>1.8</td>
<td>1.2</td>
<td>2.5</td>
</tr>
<tr>
<td>Other High Income</td>
<td>27710</td>
<td>2.6</td>
<td>2.5</td>
<td>1.8</td>
<td>1.2</td>
<td>2.4</td>
</tr>
<tr>
<td></td>
<td>16577</td>
<td>5.0</td>
<td>3.1</td>
<td>3.8</td>
<td>1.1</td>
<td>4.2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Series #</th>
<th>Title</th>
<th>Date</th>
<th>Author</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARWPS 1</td>
<td>Progress in Public Expenditure Management in Africa: Evidence from World Bank Surveys</td>
<td>January 1999</td>
<td>C. Kostopoulos</td>
</tr>
<tr>
<td>ARWPS 2</td>
<td>Toward Inclusive and Sustainable Development in the Democratic Republic of the Congo</td>
<td>March 1999</td>
<td>Markus Kostner</td>
</tr>
<tr>
<td>ARWPS 3</td>
<td>Business Taxation in a Low-Revenue Economy: A Study on Uganda in Comparison with Neighboring Countries</td>
<td>June 1999</td>
<td>Ritva Reinikka, Duanjie Chen</td>
</tr>
<tr>
<td>ARWPS 5</td>
<td>Forest Taxes, Government Revenues and the Sustainable Exploitation of Tropical Forests</td>
<td>January 2000</td>
<td>Luca Barbone, Juan Zalduendo</td>
</tr>
<tr>
<td>ARWPS 6</td>
<td>The Cost of Doing Business: Firms’ Experience with Corruption in Uganda</td>
<td>June 2000</td>
<td>Jacob Svensson</td>
</tr>
<tr>
<td>ARWPS 7</td>
<td>On the Recent Trade Performance of Sub-Saharan African Countries: Cause for Hope or More of the Same</td>
<td>August 2000</td>
<td>Francis Ng, Alexander J. Yeats</td>
</tr>
<tr>
<td>ARWPS 8</td>
<td>Foreign Direct Investment in Africa: Old Tales and New Evidence</td>
<td>November 2000</td>
<td>Miria Pigato</td>
</tr>
<tr>
<td>ARWPS 9</td>
<td>The Macro Implications of HIV/AIDS in South Africa: A Preliminary Assessment</td>
<td>November 2000</td>
<td>Channing Arndt, Jeffrey D. Lewis</td>
</tr>
<tr>
<td>ARWPS 11</td>
<td>Spending on Safety Nets for the Poor: How Much, for How Many? The Case of Malawi</td>
<td>January 2001</td>
<td>William J. Smith</td>
</tr>
<tr>
<td>ARWPS 12</td>
<td>Tourism in Africa</td>
<td>February 2001</td>
<td>Iain T. Christie, D. E. Crompton</td>
</tr>
<tr>
<td>ARWPS 13</td>
<td>Conflict Diamonds</td>
<td>February 2001</td>
<td>Louis Goreux</td>
</tr>
<tr>
<td>ARWPS 14</td>
<td>Reform and Opportunity: The Changing Role and Patterns of Trade in South Africa and SADC</td>
<td>March 2001</td>
<td>Jeffrey D. Lewis</td>
</tr>
<tr>
<td>ARWPS 15</td>
<td>The Foreign Direct Investment Environment in Africa</td>
<td>March 2001</td>
<td>Miria Pigato</td>
</tr>
<tr>
<td>Series #</td>
<td>Title</td>
<td>Date</td>
<td>Author</td>
</tr>
<tr>
<td>---------</td>
<td>------------------------------------------------------------------------</td>
<td>------------</td>
<td>---------------------------------------------</td>
</tr>
<tr>
<td>ARWPS 16</td>
<td>Choice of Exchange Rate Regimes for Developing Countries</td>
<td>April 2001</td>
<td>Fahrettin Yagci</td>
</tr>
<tr>
<td>ARWPS 18</td>
<td>Rural Infrastructure in Africa: Policy Directions</td>
<td>June 2001</td>
<td>Robert Fishbein</td>
</tr>
<tr>
<td>ARWPS 20</td>
<td>Information and Communication Technology, Poverty, and Development</td>
<td>August 2001</td>
<td>Miria Pigato</td>
</tr>
<tr>
<td>ARWPS 21</td>
<td>Handling Hierarchy in Decentralized Settings: Governance Underpinnings of School Performance in Tikur Inchini, West Shewa Zone, Oromia Region</td>
<td>September 2001</td>
<td>Navin Girishankar A. Alemayehu, Yusuf Ahmad</td>
</tr>
<tr>
<td>ARWPS 23</td>
<td>Child Soldiers: Preventing, Demobilizing and Reintegrating</td>
<td>November 2001</td>
<td>Beth Verhey</td>
</tr>
<tr>
<td>ARWPS 24</td>
<td>The Budget and Medium-Term Expenditure Framework in Uganda</td>
<td>December 2001</td>
<td>David L. Bevan</td>
</tr>
<tr>
<td>ARWPS 26</td>
<td>What Can Africa Expect From Its Traditional Exports?</td>
<td>February 2002</td>
<td>Francis Ng, Alexander Yeats</td>
</tr>
<tr>
<td>ARWPS 27</td>
<td>Free Trade Agreements and the SADC Economies</td>
<td>February 2002</td>
<td>Jeffrey D. Lewis, Sherman Robinson, Karen Thierfelder</td>
</tr>
<tr>
<td>ARWPS 28</td>
<td>Medium Term Expenditure Frameworks: From Concept to Practice. Preliminary Lessons from Africa</td>
<td>February 2002</td>
<td>P. Le Houerou Robert Taliercio</td>
</tr>
<tr>
<td>ARWPS 29</td>
<td>The Changing Distribution of Public Education Expenditure in Malawi</td>
<td>February 2002</td>
<td>Samer Al-Samarrai, Hassan Zaman</td>
</tr>
<tr>
<td>Series #</td>
<td>Title</td>
<td>Date</td>
<td>Author</td>
</tr>
<tr>
<td>---------</td>
<td>----------------------------------------------------------------------</td>
<td>--------------</td>
<td>------------------------------------------------------------------------</td>
</tr>
<tr>
<td>ARWPS 30</td>
<td>Post-Conflict Recovery in Africa: An Agenda for the Africa Region</td>
<td>April 2002</td>
<td>Serge Michailof, Markus Kostner, Xavier Devictor</td>
</tr>
<tr>
<td>ARWPS 31</td>
<td>Efficiency of Public Expenditure Distribution and Beyond: A report on Ghana’s 2000 Public Expenditure Tracking Survey in the Sectors of Primary Health and Education</td>
<td>May 2002</td>
<td>Xiao Ye, S. Canagaraja</td>
</tr>
<tr>
<td>ARWPS 33</td>
<td>Addressing Gender Issues in Demobilization and Reintegration Programs</td>
<td>August 2002</td>
<td>N. de Watteville</td>
</tr>
<tr>
<td>ARWPS 34</td>
<td>Putting Welfare on the Map in Madagascar</td>
<td>August 2002</td>
<td>Johan A. Mistiaen, Berk Soler, T. Razafimananeta, J. Razafindravonona</td>
</tr>
<tr>
<td>ARWPS 35</td>
<td>A Review of the Rural Firewood Market Strategy in West Africa</td>
<td>August 2002</td>
<td>Gerald Foley, Paul Kerkhof, Djibrilla Madougou</td>
</tr>
<tr>
<td>ARWPS 36</td>
<td>Patterns of Governance in Africa</td>
<td>September 2002</td>
<td>Brian D. Levy</td>
</tr>
<tr>
<td>ARWPS 37</td>
<td>Obstacles and Opportunities for Senegal’s International Competitiveness: Case Studies of the Peanut Oil, Fishing and Textile Industries</td>
<td>September 2002</td>
<td>Stephen Golub, Ahmadou Aly Mbaye</td>
</tr>
<tr>
<td>ARWPS 38</td>
<td>A Macroeconomic Framework for Poverty Reduction Strategy Papers: With an Application to Zambia</td>
<td>October 2002</td>
<td>S. Devarajan, Delfin S. Go</td>
</tr>
<tr>
<td>ARWPS 41</td>
<td>An Industry Level Analysis of Manufacturing Productivity in Senegal</td>
<td>December 2002</td>
<td>Professor A. Mbaye</td>
</tr>
<tr>
<td>ARWPS 42</td>
<td>Tanzania’s Cotton Sector: Constraints and Challenges in a Global Environment</td>
<td>December 2002</td>
<td>John Baffes</td>
</tr>
<tr>
<td>ARWPS 43</td>
<td>Analyzing Financial and Private Sector Linkages in Africa</td>
<td>January 2003</td>
<td>Abayomi Alawode</td>
</tr>
<tr>
<td>ARWPS 44</td>
<td>Modernizing Africa’s Agro-Food System: Analytical Framework and Implications for Operations</td>
<td>February 2003</td>
<td>Steven Jaffee, Ron Kopicki, Patrick Labaste, Iain Christie</td>
</tr>
<tr>
<td>Series #</td>
<td>Title</td>
<td>Date</td>
<td>Author</td>
</tr>
<tr>
<td>---------</td>
<td>----------------------------------------------------------------------</td>
<td>----------</td>
<td>---------------------------------------------</td>
</tr>
<tr>
<td>ARWPS 45</td>
<td>Public Expenditure Performance in Rwanda</td>
<td>March 2003</td>
<td>Hippolyte Fofack Chukwuma. Obidegwu Robert Ngong</td>
</tr>
<tr>
<td>ARWPS 46</td>
<td>Senegal Tourism Sector Study</td>
<td>March 2003</td>
<td>Elizabeth Crompton Iain T. Christie</td>
</tr>
<tr>
<td>ARWPS 47</td>
<td>Reforming the Cotton Sector in SSA</td>
<td>March 2003</td>
<td>Louis Goreux John Macrae</td>
</tr>
<tr>
<td>ARWPS 52</td>
<td>Regional Integration in Central Africa: Key Issues</td>
<td>June 2003</td>
<td>Ali Zafar Keiko Kubota</td>
</tr>
<tr>
<td>ARWPS 53</td>
<td>Evaluating Banking Supervision in Africa</td>
<td>June 2003</td>
<td>Abayomi Alawode</td>
</tr>
<tr>
<td>ARWPS 54</td>
<td>Microfinance Institutions’ Response in Conflict Environments: Eritrea- Savings and Micro Credit Program; West Bank and Gaza – Palestine for Credit and Development; Haiti – Micro Credit National, S.A.</td>
<td>June 2003</td>
<td>Marilyn S. Manalo</td>
</tr>
<tr>
<td>AWPS 55</td>
<td>Malawi’s Tobacco Sector: Standing on One Strong leg is Better than on None</td>
<td>June 2003</td>
<td>Steven Jaffee</td>
</tr>
<tr>
<td>AWPS 56</td>
<td>Tanzania’s Coffee Sector: Constraints and Challenges in a Global Environment</td>
<td>June 2003</td>
<td>John Baffes</td>
</tr>
<tr>
<td>AWPS 57</td>
<td>The New Southern AfricanCustoms Union Agreement</td>
<td>June 2003</td>
<td>Robert Kirk Matthew Stern</td>
</tr>
<tr>
<td>Series #</td>
<td>Title</td>
<td>Date</td>
<td>Author</td>
</tr>
<tr>
<td>---------</td>
<td>----------------------------------------------------------------------</td>
<td>------------</td>
<td>---------------------------------------</td>
</tr>
<tr>
<td>AWPS 60</td>
<td>Linking Farmers to Markets: <em>Exporting Malian Mangoes to Europe</em></td>
<td>October 2003</td>
<td>Morgane Danielou, Patrick Labaste, J-M. Voisard</td>
</tr>
<tr>
<td>AWPS 61</td>
<td>Evolution of Poverty and Welfare in Ghana in the 1990s: Achievements and Challenges</td>
<td>October 2003</td>
<td>S. Canagarajah, Claus C. Pörtner</td>
</tr>
<tr>
<td>AWPS 64</td>
<td>Migrant Labor Remittances in Africa: Reducing Obstacles to Development Contributions</td>
<td>Novembre 2003</td>
<td>Cerstin Sander, Samuel M. Maimbo</td>
</tr>
<tr>
<td>AWPS 66</td>
<td>How will we know Development Results when we see them? <em>Building a Results-Based Monitoring and Evaluation System to Give us the Answer</em></td>
<td>June 2004</td>
<td>Jody Zall Kusek, Ray C. Rist, Elizabeth M. White</td>
</tr>
<tr>
<td>AWPS 67</td>
<td>An Analysis of the Trade Regime in Senegal (2001) and UEMOA’s Common External Trade Policies</td>
<td>June 2004</td>
<td>Alberto Herrou-Arago, Keiko Kubota</td>
</tr>
<tr>
<td>AWPS 68</td>
<td>Bottom-Up Administrative Reform: <em>Designing Indicators for a Local Governance Scorecard in Nigeria</em></td>
<td>June 2004</td>
<td>Talib Esmail, Nick Manning, Jana Orac, Galia Schechter</td>
</tr>
<tr>
<td>AWPS 69</td>
<td>Tanzania’s Tea Sector: <em>Constraints and Challenges</em></td>
<td>June 2004</td>
<td>John Baffes</td>
</tr>
<tr>
<td>AWPS 70</td>
<td>Tanzania’s Cashew Sector: <em>Constraints and Challenges in a Global Environment</em></td>
<td>June 2004</td>
<td>Donald Mitchell</td>
</tr>
<tr>
<td>AWPS 71</td>
<td>An Analysis of Chile’s Trade Regime in 1998 and</td>
<td>July 2004</td>
<td>Francesca Castellani</td>
</tr>
<tr>
<td>Series #</td>
<td>Title</td>
<td>Date</td>
<td>Author</td>
</tr>
<tr>
<td>---------</td>
<td>----------------------------------------------------------------------</td>
<td>------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>AWPS 72</td>
<td>Regional Trade Integration in East Africa: <em>Trade and Revenue impacts of the Planned East African Community Customs Union</em></td>
<td>August 2004</td>
<td>Lucio Castro, Christiane Kraus, Manuel de la Rocha</td>
</tr>
</tbody>
</table>