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# CAPACITY BUILDING IN FRAGILE AND POST-CONFLICT STATES IN AFRICA<sup>1</sup>

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**Alemayehu Geda<sup>2</sup>**

Addis Ababa University, Ethiopia

**Abstract:** Capacity building in fragile and post-conflict situations is specially challenging for policy makers in that it represents a situation that needs to be carefully managed. Understanding the dynamic link between capacity building and conflict requires understanding the nature and determinants of conflicts, their duration, intensity and the modalities for their cessation and post-conflict reconstruction. This study attempted to do that from systemic or theoretical perspective. A major common theme that runs across the literature is that post-conflict recovery and sustainable development and the associated capacity building exercise in Africa need to have the following four features: (1) first a broad development planning framework with a fairly long-time horizon and an overarching objective of poverty reduction; (2) second, social policy-making in such countries is expected to be distinct from non-conflict countries. This signals the need to articulate country specific policies and (3) third, intervention in such states requires a high volume of aid flows and (4) fourth it needs to be preceded by deeper understanding of African societies by donors. This study by outlining such basic issues from a theoretical perspective resorted to an outline of three core areas of capacity building that are needed in post-conflict and fragile states: capacity building to address immediate needs of post-conflict states, capacity building to address the core economic and political causes of conflict, as well as, capacity building to address issues of finance and financial sector reconstruction. Each of these aspects is discussed in detail in the study. The study underscores the need to view and understand capacity building exercise as part and parcel of a broad developmental problem which requires broader developmental solutions.

**Keywords:** *Conflict, Post-conflict, Fragile States, Capacity building, Africa, Economic Policy*

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<sup>2</sup>Professor Alemayehu Geda, Department of Economics, Addis Ababa University, P.O. Box 10616, Addis Ababa, Ethiopia, E-mail: [ag@iaesafrica.com](mailto:ag@iaesafrica.com) and [ag112526@gmail.com](mailto:ag112526@gmail.com).

## **INTRODUCTION: FRAGILE STATES AND POST-CONFLICT STATES IN AFRICA**

### **INTRODUCTION**

Africa is a conflict prone continent and has had a history of the largest prevalence of civil wars and instabilities compared to any other region of the world. Addison (2001), for instance, noted that there were armed conflicts in 16 of Africa's 54 countries in 1999. Obwona and Guloba (2009) noted that the period 1990-2000 saw 19 major armed conflicts as well as cross-boundary civil wars. Although many of these conflicts are relatively short-lived, they have, nonetheless, proved to be among the bloodiest compared to similar occurrences elsewhere (Elbadawi and Sambanis 2000b). According to a compilation by Sambanis (2008), noted in Ali (2009), we currently have about 22 countries in Africa in post-conflict conditions. If countries with 10 or more years of post-conflict peace are regarded as having normalized and as such having emerged from the post-conflict phase to a development phase, the number of post-conflict countries will drop to 12 (see Ali, 2009, Table 1). The total population of the current post-conflict countries is

about 482 million representing about 66% of SSA total population in 2005. These economies are characterized by high level of poverty & inequality (about 48.5% below poverty line & an average Gini coefficient of 0.46 for those who have data in the mid-1990), low level of human development, predominantly rural (about 63%) and with 0.32 value of average risk of civil war (Ali, 2009: 27-32). The consequence of these conflicts has been devastating. Not only has it resulted in the loss of life and destruction of physical capital, with detrimental implication for growth and development, but have at times threatened the very existence of some of the polities.

State fragility related to post-conflict situations is specially challenging for policy makers in that it represents a situation that needs to be carefully managed. Capacity building in that context are rarely presented in the extant literature. This study helps bridge this gap by analyzing issues related to capacity building in post-conflict environments in general and presents a special case of ensuring financial sector reconstruction.

Understanding the dynamic link between capacity building

and conflict requires understanding the nature and determinants of conflicts, their duration, intensity and the modalities for their cessation and post-conflict reconstruction. Analysis of the impact of conflicts and post-conflict conditions is crucial to our understanding of the need for capacity building in post-conflict and fragile economies.

With the above broad objective, the rest of this study is organized as follows. In the next subsection an attempt to characterize and define fragile and post-conflict economies in Africa is made. In section two I will briefly review the growing literature on conflict (both its causes and consequences) and attempt to examine how it might shed light on the need to build capacity in post-conflict and fragile states. This will be followed by section three where I will identify major capacity building tenets that are central for post-conflict reconstruction (as well as fragile states) and laying the foundation for sustainable development in these economies. In this regard, the study outlines three core areas of capacity building that are needed in post-conflict and fragile states: capacity building to address immediate needs of post-conflict states, capacity building

to address the core economic and political causes of conflict, as well as, capacity building to address issues of finance and financial sector reconstruction. Concluding remarks are given in section four.

### **POST-CONFLICT STATES AS SPECIAL CASE OF FRAGILE STATES: A CHARACTERIZATION**

State fragility is a concept that emanates from a number of distinct but closely interrelated policy initiatives that have come to get wide currency in the past two decades. The term state “fragility” has come to replace a number of terms that were previously used such as difficult partners, difficult environments, fragile states, countries at risk of instability, Low Income Countries Under Stress (LICUS), poor or weak performers, failing and/or failed states, collapsed states. The literature is also replete with debates on conceptualization and operationalization of the term fragile states and the terms it has come to replace. In the end there seems yet no consensus on the basic definition and typologies of fragility. In spite of the conceptual fuzziness of fragility and empirical difficulties in measuring it, it has become a key factor that determines

approaches to development assistance strategies and other international interventions. Most rich donor countries and institutions have developed policy papers describing approaches towards state fragility and its consequences. This has brought the issue of whether or not there are sufficient similarities among states categorized as “fragile”, and sufficient distinctness from other countries, to warrant differential policy analysis and recommendations.

A number of organizations have contributed to the operationalization of the concept of fragility and its measurement. The UK's Department for International Development (DfID) and the Organization for Economic Cooperation and Development (OECD) have similar definitions of fragile states, which focus on service entitlements. DfID defines fragile states as occurring where ‘the government cannot or will not deliver core functions to the majority of its people, including the poor’, where core functions include service entitlements, justice and security (DFID 2005). The OECD definition is similar, but emphasizes the ‘lack of political commitment and insufficient capacity to develop and implement pro-poor policies’ (Morcos 2005, quoted

in Prest et al. 2005: 5). Canada's Country Indicators for Foreign Policy project (CIFP) definition of fragile states extends beyond service entitlements to include those states that ‘lack the functional authority to provide basic security within their borders, the institutional capacity to provide basic social needs for their populations, and/or the political legitimacy to effectively represent their citizens at home or abroad’ (CIFP 2006). The USAID approach is similar, but differentiates between states ‘in crisis’ and those that are ‘vulnerable’. ‘USAID uses the term fragile states to refer generally to a broad range of failed, failing and recovering states. Finally, the World Bank identifies fragile states with ‘low-income countries under stress’ (LICUS). ‘LICUS are fragile states characterized by a debilitating combination of weak governance, policies and institutions, indicated by ranking among the lowest (<3) on the country policies and institutional performance assessment (CPIA) index.

Stewart and Brown (2009) provide a definition close to CIFP, but extend the first *dimension* – capacity – to include lack of will by defining fragility as: loss of comprehensive service entitlements,

authority and legitimacy, whereby service entitlements may fail due to capacity or political will. Failure to deliver services is defined to include a failure to reduce monetary poverty as well as a failure to provide public services. If fragility is generally understood this way it is worth discussing the different categories and levels of fragility, and brings out post-conflict situations as a special case of fragility with special characteristics.

The Development Assistance Committee (DAC) identifies four types of fragile states: deteriorating; arrested development; early recovery; and post-conflict. Such a typology is useful in thinking through the different stages as well as in *understanding post-conflict economies as a special case of fragile states*. Overall, the post-conflict concept is blurred. The political and social situation may remain fragile for a long time, with a high degree of polarization among groups and communities because of past brutality. Post-conflict public authorities are usually weak, both in technical capacity and effective control of their territory. Consequently, the former conflict area may remain a “gray” area for a long time (Michailof, Kostner and Devictor 2002). Since they fall within

the broader definition of fragile states yet have a hope of durable peace, post-conflict states are basically a special case of fragile states. Having this characterization, one of the issues that need to be addressed is whether “post-conflict economic policies” [need to] be distinctive? ... [I]s there anything that is systematic about the post-conflict situation which implies that as a group post-conflict countries will tend to need policies and assistance that differ from those of countries that are identical other than not having had a recent conflict?, questions Collier (2009)” The answer, it appears, is in the affirmative. A very important characteristic of post-conflict societies is that there is a high(er) risk of reverting into conflict within a decade . The literature also indicates that economic performance has an important effect on this risk (Miguel et al 2004; Collier et al 2002b; Collier, 2009). Therefore, economic policy – for instance those policies that relate to employment creation or generally capacity building – in post-conflict countries has the *additional* potential of helping reduce the risk of reverting into conflict. This is especially important in view of the fact that other policies, such as democratization and increasing

security capacity do not seem to lead to reduce the risk, at least not in the short run. In such societies, capacity is relatively the most serious binding constraint and needs a major focus.

As mentioned before, the concept of “fragility” and its growing importance arises from the confluence of different sets of policy concerns and initiatives. These closely interrelated concerns emphasize different aspects of the problem of fragility. One general problem is that a fragile state, by definition, is not in a position to correct its own weaknesses fully – either because it lacks the authority to do so, or because the government does not want to correct particular weaknesses, such as social and political exclusion, or because the government has very limited human and financial resources and capacity, and cannot – however willing – correct all deficiencies on its own. Clearly, then the international community has an important role to play, but a difficult one. This also makes capacity building at the heart of such intervention.

Focusing on fragility and addressing such concerns is taken as important by analysts and international institutions because

it has implications, *inter alia*, for a success of the Millennium Development Goals (MDGs), aid effectiveness, as well as global and regional security and stability. (see for instance, Lake and Rothchild 1998; Iqbal and Starr 2008; Collier and Chauvet, 2008; IDA 2007; Carment et al, 2008; McGilivray 2007; Burnside and Dollar 2000; Dollar and Kraay 2001;).

### **THE ANALYTICS OF FRAGILE AND POST-CONFLICT ECONOMIES AND ITS IMPLICATION FOR CAPACITY BUILDING.**

#### **CAUSES OF CONFLICT: THEORY**

Understanding the causes of conflicts is critical to stopping and preventing war. The causes may be complex and country specific. Each situation demands a detailed and specific conflict analysis. This section outlines some of the common risks across the continent at general and theoretical level. Two principal categories of causes of conflict are cited in the literature. Collier and Hoeffler (2002b) dichotomized the motivations as greed (for power and resources) and grievance (such as pronounced inequality, lack of political right, ethnic or religious

repressions in the society). It has to be noted, however, that the addition of 'greed' in the literature is basically an extension of the 'motive' based argument. Collier (2009), however, noted that the 'feasibility hypothesis' or opportunity (opportunity, such as finance or natural resource rent, for building rebel organizations) is much more important (Collier, 2009). Collier and Hoeffler's (2002b) empirical investigation, led them to believe that opportunities provide more explanatory power than motives such as grievance as the cause of civil wars. Similar argument is also put forwarded by Fearon and Laitin (2003). Collier and Hoeffler (2002b) used three common sources that could give rise to opportunities for conflict: extortion of natural resources (primary commodity export as percentage of GDP is used as a proxy), remittances from the Diaspora (measured by the proportion of the Diasporas in the US as the share of the country's population) and subversion from hostile governments. They have also used indicators of the opportunity cost of the combatants (percapita income, secondary

school enrollment, growth rate of GDP), which are found to be statistically significant. Within this economic explanation, a particular risk factor and source of conflict is found to be dependent upon primary commodity export.<sup>3</sup> Similarly, the size of Diasporas is found to increase the risk of receding into conflict or the birth of new ones. The indicators used for grievance, proxies of ethnic and religious tensions are found to be unimportant. However, ethnic dominance, one ethnic group being between 45-90% of the total population, and lack of democracy are found to be important in increasing the risk of conflict. In general, the three-grievance models estimated in the analysis by Collier and Hoeffler (2002b) are found to have very low explanatory power. After testing the two competing models, of greed and grievance, they noted that 'while the opportunity model is superior, some elements of the grievance model are likely to add to its explanatory power'. The combined model rendered grievance variables as unimportant, however (Collier and Hoeffler (2002b), and Collier (2000b)),.

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<sup>3</sup>An interesting aspect of this 'resource curse' argument is what is called 'the poetical Dutch Disease' problem. The latter basically refers to the situation where the windfall gains from the booming sector (say oil or diamonds) allows state beneficiaries to misallocate resources and to ignore political challenges or the economic challenges that historically led to the formation of more democratically [or better] accountable state (see Cramer, 2006: 119-120).

Cramer (2001; 2006), argues that grievance indicators, such as inequality measures, used in such studies are not only badly measured but also taken as not embedded in the social, political, cultural and historical authenticity compared across contexts. If this is corrected, as Cramer (2001) did using the case of Angola and Rwanda, grievance indicators such as inequalities do matter in explaining civil conflict (see also Nafziger and Auvinen, 1997, Pastor, Manuel and Boyce, 1997, for a similar argument). Work done by DfID on horizontal inequalities further emphasize the importance of the findings by Cramer (2001; 2006). Findings from ten years of DfID-funded research on Governance and Fragile States 2001-2010 titled "The Politics of Poverty: Elites, Citizens and States" not only brings in dimensions of the role of citizens in addressing grievances and inequalities but also noted that to understand development we must understand the politics that shape it. The research argues that the political settlement is central to all development and that security is a precondition for development. The report further noted that in countries where cultural or ethnic groups feel there is economic, political and

social inequality, wars are more likely. Thus, emphasizing the importance of looking for solution in a broader political-economy context. (DIFID, 2010; Stewart, 2010).

Collier and Hoeffler (2002b) using a logit regression and comprehensive data of civil wars over the period 1960-99, arrived at concrete empirical findings about the risk of civil wars. The effect of primary commodity exports is found to be both considerable and highly significant. At its peak (primary export being 32% of GDP) the risk of civil war is about 22 %. Although she has used a different dataset and sample, and restricted her analysis to ethnic civil war (as opposed to revolutionary or ideological civil war where natural resource is found to be important), Reynal-Querol (2002) found primary commodity export to be unimportant, however. Collier and Hoeffler (2002b) also found the size of Diaspora to be a strong risk factor. If its size changes from smaller to larger in the sample, the risk of repeat in conflicts increases six-fold. Opportunity costs for those engaged in the civil war are also found to be important. A rise in secondary school enrollment by 10

percentage points reduces risk of civil war by 3 %. Another proxy for opportunity cost, an additional percentage point on the growth of the economy, reduces the risk of war by about one percentage point. Social fractionalization is found to reduce the risk of war: a maximally fractionalized society has a risk of conflict only one quarter of a homogenous society (Collier and Hoeffler, 2002b: 11-13). Reynal-Querol agrees with this finding about ethno-linguistic division. However, she found religious divisions as more important because religious identity is fixed and non-negotiable. In Collier and Hoeffler's (2002b) study only one of grievance indicators, ethnic dominance, was found to double the risk of civil war. However Sambins (2001) and Reynal-Querol (2002) found that civil wars are predominantly explained by political (socio-political) than economic grievance. In particular they found the level of political inclusiveness and level of democracy to be important.

Elbadawi and Sambains (2000b) examined the cause of civil war by focusing on African countries. Their findings are that the relatively high prevalence 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 resource. Africa's ethnic diversity, they argue, 'is a deterrent rather than a cause of civil war'. Their other findings are fundamentally similar with Collier and Hoeffler (2002b) finding that used a worldwide database, except for the ethno-linguistic fractionalization variable. Using a similar probit model, and focusing on Africa, Elbadawi and Sambanis (2000b) found that for a median African country the risk of civil war in any five-year period is relatively high (25%). This is found to be related to low level of economic development and lack of political rights, which could trigger a median African country's probability of being in war by 11 %. In particular, they found four important factors that trigger war in Africa: dependence on natural resource, level of per capita income, having an educated and poor young males and failure to develop strong democratic institutions (Elbadawi and Sambanis, 2000b: 9-10). The policy implication of their analysis is that African countries need to promote political freedom and mold a governance framework that accommodates Africa's social diversity. Moreover, ensuring high

standard of living and economic transformation and diversification of the economy to be less dependent on natural resources are also found to be important. As will be shown in section two this has direct implication for capacity building in fragile (and post-conflict) states.

Similar to the studies reviewed above – which could be referred to as the ‘neoclassical models of conflict’ - there is also a strand of the literature that could be referred to as ‘game-theoretic approach’ to civil wars. This approach fundamentally assumes the existence of two or more groups with the predicament of making decisions regarding engagement in production, fighting and looting. Agents are assumed to put to effect these decisions by anticipating their rival’s action in the context of a general equilibrium game-theoretic model (see for instance Azam 2001, Noh 1999, Grossman 1991 among others). Like that of the ‘neoclassical models of conflict’ reviewed above, rationality and methodological individualism are at the heart of these models.

In contrast to the ‘neoclassical approach’ there is also another strand of the literature which

could be referred as ‘the political-economy approach to conflict analysis’. In line with this tradition, Cramer (1999, 2006), on the other hand, argued that conflict directly expresses social, political and economic relations and that conflict study therefore requires analytical tools directly geared towards understanding these associations. Both the ‘grievance (difference)’ and ‘greed as well as opportunity arguments, for him, use concepts with an indirect grasp of relations at best. He argued that the former (sometimes referred to as ‘structuralist’) group base themselves on the presumption of differences as causes of conflict, while the latter is rooted on methodological individualism, and rational choice presumptions of neo-classical economics. Both are amenable for statistical analysis. However, Cramer argues, ‘both approaches airbrushed the significance of context and social (class) relations’. Thus, these analyses deprive their subjects of context. The exclusive focus on economic opportunities, Cramer argues, has the danger of being reductionist and ‘...simply replace one simplification – the tribal (sic) or cultural explanation with another –economics (Cramer, 1999: 12-16; 2006). The implication of this criticism is that

conflict analysis, as exhibited in the recent Collier type literature, need to accommodate the social features (see Cramer, 1999, 2000; 2006; Stewart 1998).

Cramer noted that, the neo-classical-based empirical analysis of conflicts includes variables of the 'social' - manifest in the form of collective identity - but excluded them from the underlying assumptions of the model, which are neoclassical and methodological individualism. In addition, he noted that at times the proxies selected as variables in such analysis have a tenuous link with the theoretical concepts sought for explanation and invariably such model being half wrong in predicting civil wars- like 'tossing a coin', he noted (Cramer, 2006). Thus, for Cramer, what emerges is a combination of neo-classical utility maximization assumption with social concepts, e.g. ethnicity, stripped altogether of their history and context'. Cramer calls this 'the slash and burn approach to historical specificity and ... rape and pillage of the social...' (Cramer, 2001: 3, Cramer, 1999: 17). The alternative to such an approach is to abandon the analytical framework that begins with methodological individualism, non-social assumption that considers the economic and

the social as separable spheres. He argues for the adoption of a framework - a political economy approach - that presupposes economic relations, behaviors and performance as organically embedded in the social and the political context. From this perspective, scarcity, poverty and economic & environmental crises are themselves to be understood as social events (Cramer 1999: 17).

The sharp distinction noted between the neoclassical-based approach and the political-economy approach reviewed above is partly the reflection of the unit of analysis used. It is problematic, if not impossible; to treat the 'social' and historically specific features of the political economy approach when one is conducting a cross-country empirical analysis. Similarly, it will be quite mechanical to dwell-upon the quantifiable dimension of conflicts only when one is analyzing a specific country. The 'social' and the historic specificity of the country in question are invaluable to understand the dynamics of conflicts as well as their post-conflict reconstruction. In particular, since cross-country studies may not tell us much about causation, as opposed to association, political-economy based country studies are vital to redress this weakness. It is my

belief that the two methodologies can be creatively used to enhance our understanding of conflicts and post-conflict societies. The studies based on the neo-classical approach and underpinned by cross-country evidences, are helpful not only to identify factors that are strongly associated with societies in conflict but also to evaluate their relative importance. It is conceivable that researchers can use the political-economy approach and hence use the 'social' and historical specificity of a country to analyze the 'stylized' facts that emerge from the cross-country evidence. Such country level political-economy based analysis may also complement the neoclassical-based cross-country analysis by helping to identify other important factors that could be empirically examined. In fact it will be quite interesting to compare and contrast the two approaches so as to 'infer to the best explanation' (see Lipton 1991, Lawson 1989, Wuyts 1992 and Alemayehu 2002; 2004).

#### **THE CONSEQUENCE OF CONFLICTS: EMPIRICAL EVIDENCE<sup>4</sup>**

War and conflict have multi-dimensional consequences: social,

psychological, political and economic (Addison 2001). Conflict's most visible impact is on physical infrastructure—transport, energy, telecommunications, public buildings, and housing. Direct damage is often compounded by the lack of maintenance during years of war. Because of long-lasting conflicts, such vast regions as southern Sudan and Chad have almost no viable road network left. The Democratic Republic of the Congo and Angola, where land transport has almost collapsed, must rely on air transport. During the war, and at times immediately after, as was the case in Rwanda, Ethiopia and Uganda, the rebel forces tend to target physical infrastructure as part of their strategy (ACBF 2004, Ratumamu and Gbla 2003, UNDP 2010, World Bank 2005). Apart from infrastructure other economic bases of a functioning state are also affected. Collier et al. (2003:14-16) have noted that less than a fifth of the 1980 cattle stock in Mozambique remained by 1992. About 40 percent of Mozambican immobile capital in agriculture, communications and administration sectors was destroyed. The pre-war transport

<sup>4</sup>Readers interested on specific examples on the theoretical and general empirical literature in African are referred to the references cited at the end of this document.

system had been one of the largest foreign exchange earners, as goods were transported from and to the neighboring landlocked states of Malawi, Swaziland and Zimbabwe (Bruck, 2001). Thus, the structure of the economy is usually deeply affected. Agriculture and trade, crucial for most people's survival, decline rapidly with the onset of conflict: access to both land and markets is hampered by insecurity, the collapse of infrastructure and, in some cases, land mines. Therefore, markets may become highly fragmented and inefficient, and a large part of those who remain in rural areas turn to a subsistence economy (Michailof, Kostner and Devictor 2002, Mlambo et al. 2009). In addition, institutions often collapse. In many cases, the civil service ceases to function, and social services can no longer be delivered effectively—a failure that has short-term and long-term consequences. The lack of educational opportunities jeopardizes a generation's prospects and lays the ground for further instability. The incidence of diseases and epidemics increases while social indicators deteriorate (Michailof, Kostner and Devictor 2002, Châtaigner and Gaulme 2005, IDA 2007). Thus, because of their very nature, African

conflicts have become a development issue. They severely damage many countries' development prospects, holding them long in backwardness (Alemayehu 2004, Michailof, Kostner and Devictor 2002, Collier and Hoeffler 2007).

Addressing the economic consequence of civil wars more specifically, Collier (1999) noted that economic consequence could be either a *peace dividend* or *war overhang*. These outcomes depend on the composition of stock of factors of production, which have different degrees of vulnerability to war (Collier 1999). He outlined five ways in which civil war damages the economy: through *destruction* of some resource, *disruption* with, often concomitant, social disorder, *diversion* of public expenditure, *dis-saving* and *portfolio substitution*. He noted that following restoration of peace, destruction, disruption, diversion and dis-saving effects are all ameliorated; while the portfolio substitution effect depends on private sector choice of portfolio. He evaluated the implication of these on the post-conflict economic performance using a standard Cobb-Douglas production function harnessed to provide the differential return for using resources abroad or at home. In this framework

disruption and diversion effects are taken to reduce productivity (and hence lowering the rate of return on factors endogenous to war) while the destruction effect is taken as equivalent to depreciation (Collier, 1999:2-4). Using this framework he advanced four propositions that he latter empirically investigated. These are: (a) civil wars gradually reduce the stock of endogenous factors, negatively impacting on the growth rate of GDP, (b) because adjustment of the endogenous factors may have been incomplete by the time war ends, peace may not result in the immediate reversal of GDP growth, (c) because peace may reverse the exodus of endogenous factors there is a potential for accelerated growth – peace dividend and (d) the longer has been the war the more likely is there to be a peace dividend rather than a war overhang (Collier, 1999: 5-6). In the empirical analysis he found strong ‘convergence effect’ interpreted as peace dividend, since destruction of resources by war is similar to being reduced to a poor country status. In general, the empirical analysis shows that during civil war the annual growth rate is reduced by 2.2 percent; a fifteen year long civil war thus reduce percapita GDP by about 30 percent of what it could have been.

Apart from this aggregate growth effect, he also found that the impact of civil war affects different sectors differently (Collier, 1999: 9). This has direct implication for the type of capacity building required in post-conflict economies as discussed at length in section three below.

### **CAPACITY BUILDING IN FRAGILE AND POST-CONFLICT STATES IN AFRICA**

Mlambo et al (2009) noted three areas proven essential for post-conflict stabilisation, recovery and development: (i) rebuilding the state and its key institutions, (ii) reviving war-ravaged economies, and (iii) and rehabilitating, reconstructing and re-integrating communities and addressing their urgent needs. Although the specific challenges in each of these areas will differ by country, experience shows that they have to be addressed simultaneously (IMF, 2002, cited in Mlambo et al, 2009). Thus, at a specific level rebuilding the state requires simultaneous action in a number of areas, including the re-establishment of the state’s control over security forces (disarmament, demobilisation and re-integration), re-establishing the state’s fiscal capacity, restoring

macroeconomic management capacity and developing a functioning judiciary and an effective penal system to re-establish the rule of law as conditions for security and economic restart (Mlambo et al, 2009: 61). The major constraint in this endeavour is lack of capacity – and hence the need for capacity building. The efforts at capacity building need to take three fundamental pillars: (i) addressing the immediate needs of post-conflict societies, (ii) addressing core political economic issues and (iii) addressing issues of finance and financial sector reconstruction. After a brief discussion of the basics of capacity building in the rest of this sub-section, each of these pillars is discussed in detail in the rest of the section.

Capacity building is often an inherent part of all international interventions in peace building and development (Fukuda-Parr 2002 cited in Huang and Harris, 2006). According to its ‘generic definition’, capacity building is ‘the process by which individuals, organizations and societies develop abilities to perform functions, solve problems and set and achieve goals’ (UNDP 2002:1-2). The UNDP definition identifies three dimensions of capacity building – the individual, institutional

and societal. It also highlights at least 10 kinds of national capacity attached to every goal, namely the capacity to: 1) set objectives; 2) develop strategies; 3) draw up action plans; 4) develop and implement appropriate policies; 5) develop regulatory and legal frameworks; 6) build and manage partnerships; 7) foster an enabling environment for civil society; 8) mobilize and manage resources; 9) implement action plans; and 10) monitor progress (UNDP 2002:4, 6). In short, as noted by Huang and Harris (2006), capacity is a requisite intermediate objective toward the goal of intervention in Post-conflict economies so as to set the country on a path to durable peace, stability and development. Policy makers hence aim capacity in post-conflict and fragile states at equipping and enabling the state to fulfill its own functions effectively and fairly and with requisite oversight by its citizens. The capacity building interventions could vary depending on the category (such as resource, skill, organization, politics and power as well as incentives) and how targets are set in the first place (see Table 1)

Capacity building in fragile states shares several similarities with interventions in countries where fragility is not a problem,

Table 1. Capacity Building Targets and Illustrative Interventions

If Capacity Building targets are defined in terms of...	Then interventions focus on...
Resources	Material and equipment
	Micro-credit
	Food aid
	Budget support
	Dedicated funding (e.g. trust funds, and social funds)
Skills and knowledge	Training
	Study tours
	Technical assistance
	Technology transfer
Organisation	Management systems development
	Organisation twinning
	Restructuring
	Civil service reform
	Decentralisation
Politics and power	Community empowerment
	Civil society advocacy development
	Legislative strengthening
	Political party development
	Discouraging ethnic-based politics
Incentives	Sectoral policy reforms (e.g. trade and investment, pro-poor social safety nets, monetary and fiscal policy, private sector friendly regulation, health, education, etc.)
	Encouraging civic dialogue, social compacts, and consensus building
	Democratic elections
	Strengthened accountability structures and procedures
	Improved rule of law

Source: (UNDP 2002:4, 6).

as Table 2 summarises. This table reveals that much of what is considered desirable for effective capacity building in general applies to fragile states as well. The differences are, in some cases,

matters of degree and at times the environment of operation (Brinkerhoff 2010). It also appears that lack of unified decision-making, and hence, turf battles and bureaucratic infighting

Table 2. Comparison of Capacity Building in fragile and non-fragile states

Similarities	Differences
<ul style="list-style-type: none"> <li>• Need to consider sustainability and reinforcement of endogenous capacity</li> <li>• Long timeframe</li> </ul>	<ul style="list-style-type: none"> <li>• Pressure to restore services and security quickly</li> <li>• Short timeframe</li> </ul>
<ul style="list-style-type: none"> <li>• Change agents and champions, political will and ownership</li> <li>• Importance of adaptation of intervention templates</li> </ul>	<ul style="list-style-type: none"> <li>• Limited capacity to build on</li> <li>• Often not simply rebuilding, but creating new capacities</li> </ul>
<ul style="list-style-type: none"> <li>• Systems perspective to capture complexity and interconnections</li> </ul>	<ul style="list-style-type: none"> <li>• Little 'margin of error' (e.g. lack of: trust and social capital, institutional resilience, etc.)</li> <li>• Hyper-politicised environment</li> </ul>

Source: Brinkerhoff (2010).

are recognised features of post-conflict reconstruction efforts, including capacity building (Brinkerhoff 2010, Keating and Knight 2004, ACBF 2004).<sup>5</sup> The narrow 'margin of error' factor is qualitatively different from non-fragile situations: in societies that have been fragmented by deteriorating or conflict conditions, people's trust and tolerance levels tend to be lower and their suspicion levels are heightened. They are less likely to be willing to cooperate across societal groups or to give others the 'benefit of the doubt'. Thus, capacity building efforts that fail to yield quick results or

that deliver benefits to one societal group and not another risk being perceived as intentionally unfair or demonstrating favouritism leading countries to slide to a conflict situation (Briscoe 2008, Brinkerhoff 2010).

As Table 2 shows, the differences in capacity building in fragile and non-fragile states suggest lessons for the capacity building targets specified in Table 1. First, whichever capacity deficits are targeted there is a need to think about how choices can positively or negatively influence stability and reconstruction operations

<sup>5</sup>Hence the frequent calls for donor coordination. See, for example, ODI (2005) and OECD (2006b).

and post-conflict assistance. Second, because of the limited capacity available in fragile states, donors should choose targets selectively and sequence capacity building assistance (World Bank, 2006, Brinkerhoff 2010, UNDP 2010).. Third, because the timeline for results is short and levels of trust and tolerance are low, it is important to focus on restoring critical and visible services. Finally, since there is little margin for error and implementation takes place in hyper-politicized environments, it is important to embed highly consultative and participatory approaches where dialogue and communication are given high priority.

We have outlined, in detail, some of the most important features (pillars) of capacity building endeavours noted above.

### **CAPACITY BUILDING TO ADDRESS THE IMMEDIATE CONCERNS OF POST-CONFLICT SOCIETIES**

Although the capacity building efforts need to focus on addressing the core causes of conflict so as to attain durable peace, this can't be done without addressing the immediate needs of post-conflict societies first. This task may

begin by building the capacity to provide humanitarian assistance. Such humanitarian assistance is very complex, and includes conflict-related emergency relief as well as related social services. This should be based on a development framework that would facilitate a rapid transition from emergency to development, however (Obidegwu, 2004:21). 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 (Obidegwu, 2004:21). Meeting humanitarian needs (resettlement, demobilizing combatants and other survival needs) is a prerequisite for the ultimate economic recovery of vulnerable households. 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 (Obidegwu, 2004). 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 with the objective of reintegration. Thus, reintegration is the bridge between emergency relief and development. Such reintegration activities should be progressively integrated into the government's development program, with an explicit strategy for community development programs to strengthen social capital (Obidegwu, 2004:21-22; Ali, 2009). There is acute shortage of capacity in these areas, however, owing to the effect of conflict. This underscores the importance of capacity building to redress them.

Despite the importance of meeting all immediate needs of post-conflict societies, a limited capacity is available in fragile states. Thus; donors should choose targets selectively and sequence capacity development assistance. Which agency or agencies to target, and within those organisations, which target(s) to prioritise are questions that need to be answered. The international community lacks definitive answers to these questions (World Bank, 2006). However, in many cases clear answers will remain elusive given the complex

trade-offs involved and country specificity of the issues involved (Brinkerhoff 2010). This is why consultative approaches that solicit priorities from communities affected by conflict and seek to balance provision of services across different groups identified in contextual and historical analyses are so important. Equally important are flexible instruments that can adjust to shifting priorities on the ground and emerging champions.

In addition to fulfilling relief and social needs noted above, there is also an immediate need to thwart the possibility of relapse to conflict both for the post-conflict state and its neighbors. Recent research shows that on average there is a 0.55 probability that a country neighboring a conflict will also slide into war. Often, a large number of refugees in an area puts pressure on local natural resources, heightens social tensions, and creates instability in host communities. In addition, refugee camps may become havens for rebel movements, from where they launch attacks against government forces in their own country, the situation in the Great Lakes region being a case in point. This in turn may bring incursions of foreign troops into

the host country, initiating a cycle of border incidents and fighting (Iqbal and Starr 2008). Capacity building effort needs to focus on addressing these problems following the onset of peace. Related to this, since the end of the Cold War, small arms have become easily available at low cost from both regular army stocks and from the international market as the evidence in the horn of Africa region shows. This has dramatically increased the lethality of conflicts. According to Michailof, Kostner and Devictor (2002) addressing this issue would require that the international community act forcefully in three main areas: First, access to armaments by non-conventional forces and oppressive or expansionist states should be restricted. Suppliers can often be identified, and the feasibility of applying diplomatic and economic sanctions should be explored. Second, the donor community should monitor the military expenditures of African states and interrupt sub regional arms races through diplomatic and economic pressure as has been attempted during the 1998 Ethio-Eritrea conflict. Third, the self-financing capacity of warring factions should be checked by controlling their trade of key commodities (e.g., oil, diamonds)

(Keating and Knight 2004). This again requires capacity in the part of donors since post-conflict states invariably do not have that capacity.

Finally, for conflict affected countries, aid is mostly used to fund relief, physical reconstruction and social reintegration, in effect to restore the capital destroyed by the war. Programs such as demining, demobilization and reintegration of ex-combatants are *sine qua non* for countries coming out of conflict and are usually costly. 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. However, the amount spent on emergency (see Table 3) relief varies across countries depending on the intensity of conflict (Obidegwu, 2004:11-12). Given the acute shortage of skill at this stage and given the detrimental impact of the size of diasporas in aggravating conflicts, noted in section two above, it might be wise to design a capacity building plan that may use the Diaspora with the twin objective of embracing them in post-conflict peace building effort as well as bridging the huge skill gap.

Table 4: The Share of Emergency Aid in Total Net ODA for Selected Post-Conflict Countries

	Year of end of conflict	1995	2000	2005	Total 2000–05
Burundi	2000	5.2	19.81	25.78	24.44
CAR	1996	0.02	0	3.85	2.02
Chad	1997	0.08	0.57	18.24	9.36
DRC (Congo)	2000	4.63	14.44	12.72	5.63
Congo Republic	1998	0.01	7.61	0.95	2.4
Ethiopia	1991	3.31	10.67	19.44	15.71
Guinea-Bissau	1999	0.06	2.93	13.33	3.73
Mali	1995	0.2	0.33	2.31	0.75
Mozambique	1992	1.34	7.18	0.52	2.08
Rwanda	1994	15.94	3.58	4.62	3.83
Sierra-Leone	2001	5.13	12.48	7.76	14.37
Sudan	2002	19.8	20.34	37.89	35.46
Uganda	1992	0.29	0.43	9.49	5.64

Source Mlambo et al (2009) which is calculated from OECD DAC reporting system division.

### **CAPACITY BUILDING TO ADDRESS CORE POLITICAL AND ECONOMIC CAUSES OF CONFLICT AND BUILDING AGENCIES OF RESTRAINT**

Once conflicts occur, the next question is how to address them. Hirschman (1995) noted that ‘social conflict is inevitable, every change throws up new conflicts, and the mark of successful societies is their management of conflicts rather than the lack of them’. Thus, the most important issue is to identify policies that help to manage conflicts and minimize their duration and damage where they breakout. Policies for conflict and post-conflict societies are

multifaceted (Addison 2001). In general they should be designed first to address the root cause of the conflict focusing both in political and economic aspects of it. As Cramer (2006) note, post-conflict reconstruction and peace building exercise are not simply technical projects but are sharply political. These aspects of capacity building should be dealt with, if possible, simultaneously. If that is not possible one may begin with the most pressing one in a particular country context (which invariably is the political one, however). Then, it is important to build agency of restraint (regional economic and political organization, say the African Union (AU),

as well as influential partners of the post-conflict state and international agency of restraint – say – the UN) to help the state transit to durable peace.

Addressing the core political and economic problems of fragile states in general and post-conflict economies in particular needs to be framed in a general development framework that builds on policy practice in developing countries. In this respect, the most relevant framework for Africa's post-conflict economies needs to be based on a broader framework and definition of development as a process of expanding the real freedom that people enjoy (Ajaikaiye et al, 2009; Ali, 2009). As argued by Ajaikaiye et al (2009) a relevant framework for transiting from post-conflict recovery to sustained development can plausibly be formulated on the basis of the Millennium Development Goals (MDGs). Four dimensions that have immediate policy implications of the proposed framework are: a planning framework based on the over arching objective of development, wealth sharing, pro-poor growth and aid requirements. In this broad policy framework a focus on governance, peaceful conflict resolution and security

and infrastructural reconstruction may require special attention (Ajaikaiye et al, 2009; Ali, 2009; Obwona and Guloba, 2009). This cannot be done however without deeper understanding of African post-conflict economies, in particular by development partners and international agencies – which unfortunately is not usually the case.

According to the excellent work by Englebert and Tull (2007) there is a substantial disconnect between scholarly work on African statehood and the reconstruction policies applied in the continent. Scholars have linked African state failure to leadership failure, the structure of African states, the dynamics of democratization in polarized societies, or the vagaries of aid dependency. Yet, reconstruction exercises typically consist in bringing all violent actors together in power-sharing agreements (including the very people, who previously demonstrated failed leadership), re-asserting the integrity of the failed state, organizing elections, and showering the country with aid (Englebert and Tull, 2007: 16). Moreover, African elites adopt policies that maximize their power and material interests, the typical reconstruction

agenda assumes instead their altruism and desire to maximize the welfare of the country as a whole. Given the poor record of state reconstruction in Africa, this disconnect and its implications deserve particular scrutiny (Englebert and Tull, 2007:17). Englebert and Tull (2007) further argued that Africa is unique in the extent to which its states were already dysfunctional prior to violent collapse and failure. Thus, most African states have never had very effective institutions, relying instead on the personalized networks of patronage. They have never generated sustainable growth or managed to absorb their youth economically. Factionalism has always been politically prevalent, and states have more often been instruments of private predation and extraction rather than tools for the pursuit of public goods (Englebert and Tull, 2007: 17). For Englebert and Tull (2007), in Africa, state failure is less an objective condition than a permanent mode of political operation. Recognition of the past deficiencies of African states sheds doubt on the goals that reconstruction can plausibly attain and on the value of the exercise itself. Such an exercise needs to be country specific, however.

In an attempt to address these shortcomings, Englebert and Tull, (2007) suggest to look into the following particular flaws which underpin African reconstruction (capacity development) challenges (Englebert and Tull, 2007; Cramer, 2006):

- First they question the idea implicit in nation building that what are essentially Western state institutions can be successfully transferred to Africa. They noted there is overwhelming evidence that most of Africa's collapsed states at no point in history resembled the ideal-type of the modern Western polity with rule of law or rational Weberian bureaucracy. They argue then "what has collapsed is more the vision (or dream) of the progressive, developmental state than any real existing state". The historical "deviation" of the African state from the Western prototype has major implications for the strategies of contemporary state-builders, they noted. Terms like re-building, or re-establishing are misleading in so far as they imply the prior existence of effective public institutions waiting to be born again. For Englebert and Tull (2007) given the historical dysfunctions of the African state, the

reconstruction agenda amounts to re-creating the structures that caused failure in the first place and expecting a different outcome. For these authors, therefore, Africa's failed states are that their institutions need to be re-built and reformed at the same time at best. At worst, and this may more often be the case, the task at hand is to establish effective state institutions for the very first time (Englebert and Tull, 2007: 5-7; Cramer, 2006: 257). This makes capacity building a daunting task and further emphasizes the need for prioritization and focus on activities that yield short term gains at the beginning to build trust in nascent or weak state institutions.

- Second, Englebert and Tull (2007) questioned the extent to which reconstruction exercises are based on logic of cooperation between donors and African leaders, which presumes a shared understanding of failure and reconstruction. They argued instead Donors typically see failure as systemic breakdown and reconstruction as some new form of social contracting. African elites are more likely to maximize the political opportunities
- Third, Englebert and Tull (2007) noted, state reconstruction also frequently finds itself at odds with institutional resilience in and of failed states. In addition, state failure is often accompanied by the creation or growth of parallel local institutions, which provide substitutes for the provision of public goods. Reconstruction efforts often neglect these grass-root institutions, despite their demonstrated ability to cope with state weakness and

afforded by both failure and reconstruction, including external assistance. They may see the state reconstruction exercise as the continuation of war and political competition for resources by new means. This casts doubts on the notion of local ownership. (Englebert and Tull, 2007: 5-7). Such an observation further emphasizes the need for consultation and inclusion, to break previous patterns of rent-seeking and establish a basis for better addressing of horizontal inequalities that may have been the cause of conflict in the first place or could be reasons for falling back into conflict as suggested in the literature reviewed in previous sections..

failure (Englebert and Tull, 2007: 5-7).

- Finally, Englebert and Tull (2007) highlight the internal inconsistency of the rebuilding agenda of donors. Their data about resources allocated to Africa's failed states suggest a lack of political will to embark on the long-term and cost-intensive efforts that would be consistent with the lofty goals of state reconstruction. In addition, they noted, mixed agendas among donors can compound the deficiencies of their material commitment to undermine the legitimacy of their state building efforts in the eyes of African war-torn societies (Englebert and Tull, 2007: 5-7). The concept of ownership and home-grown approaches with the communities and societies in post-conflict leadership is critical in devising response strategies in this regard. The need to identify early champions and to work and support them is also important.

Thus, both the political and economic reconstruction and associated capacity building efforts need to be informed by this African reality noted above, as well as greater acknowledgement of indigenous rebuilding efforts, which

understandably may vary across countries. With this understanding, the capacity building effort may proceed to address core political and economic reconstruction efforts. According to Obidegwu (2004), the transition from war to peace is a transition, no less challenging transition from a colony to a nation. It is often a fragile phenomenon, consisting of two related and potentially mutually reinforcing transition processes: *A post-war political transition* that involves 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 and, second, *a socio-economic transition* that 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 latter reinforces the political transition (Obidegwu, 2004).

#### **CAPACITY BUILDING TO ADDRESS THE ECONOMIC CAUSES AND CONSEQUENCES OF CONFLICT**

In post-conflict economies, in addition to the distorted policy and

institutional environment, there is often a lack of experience in and information (data, facts, and statistics) for managing the economy in a rational participatory way. There is also lack of experience in dealing with external relief and development agencies (Obidegwu 2004: 24-25). 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 funding for capacity building, are often not matched with the necessary capacity on the donor side for prompt and effective delivery of the resources either (Obidegwu 2004: 24-25). Regarding the latter basically Donor coordination has also been lacking, with grave consequences for state building where myriad actors claim to have a role (Englebert and Tull, 2007). For instance in Cameroon, according to Englebert and Tull's (2007) account, various donor agencies were implementing 1,184 different projects in 2005. These were evaluated by 400-500 annual missions, with each donor agency

having its own modalities and reporting requirements, thus putting a huge strain on already weak state administration capacity (Englebert and Tull, 2007:13). Thus, the first and foremost issue in addressing the economic causes and consequence of conflict is not to put undue pressure on the government and indigenous institutions and hence the need to coordinate interventions by external agencies.

Once such coordination is achieved, 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. Capacity building effort needs to focus on these important issues. State owned industrial enterprises are slow to reopen, as the government would not have the resources to make even the minimal rehabilitation investments (Obidegwu 2004). 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 (Obidegwu 2004: 23),

Collier and Hoeffler (1998) identified policy related as well as structural risks factors such as population size and geographic concentration that may threaten post-conflict reconstruction. The policy related risks are, in the order of their importance, the extent of dependence on rent extracted from natural resources, lack of alternative economic opportunities, especially for young men, and existence of ethnic dominance: (Collier and Hoffler, 2000, Collier 2000a). Collier (2000a) noted that, given a post-conflict society that has a particular composition of pre-conflict risk factors noted above, it may need not only to reexamine the risk composition but also to focus on natural resource rent, the size of diasporas and the growth of economic opportunities as these are found to be very important (Collier 2000a: 6; Collier and Hoffler, 2002a; 2002b; Collier, 2009). Similarly, Obidegwu (2004) noted a civil war changes the nature and risks of trade and international relationships. In particular it destroys the confidence that external agents have on the country's ability to deliver exports, with adverse impact on the trade of the country at war and in post-conflict state. Export and import operations (including

tourism) are particularly adversely affected (Obidegwu, 2004: 15). This calls for capacity building so as to create enabling conditions to revitalize economic activities in general and international trade in particular. Once this is done, the next step in capacity building exercise is to lay the foundation for structural transformation of the country: This in particular refers to infrastructure and social development, a move away from resource rent income through diversification and provision of jobs for youth and the unemployed, among others.

#### **CAPACITY BUILDING TO ADDRESS THE POLITICAL CAUSES AND CONSEQUENCES OF CONFLICT**

As noted in section two there are fundamental economic and political causes of African conflicts. The political cause of conflict relates to power sharing struggles among the political elite on the one hand and the state-society relation on the other hand. This is compounded by intervention of external agents. Various factors such as grievance (perceived or otherwise) and greed as well as opportunity, in addition to history and institutions, are noted as important in these conflicts. Thus,

capacity building to address the root political causes of conflict in post-conflict countries in Africa need to begin by a comprehensive understanding of state building in Africa. As aptly remarked by Englebert and Tull (2007), the essence of state building in Africa is not to construct state structures *per se*, but to foster state formation, that is, interaction and bargaining processes between government and society. Doing so would be a key element in the promotion of local ownership and the construction of a viable political order in post-conflict countries. In this respect, support for businesses and their associations might be productive, as they have a vested interest in political order, Englebert and Tull (2007) noted. Businesses capacity to pay taxes is in turn crucial to building states and to rolling back aid dependency. Given the propensity of democratic institutions to only emerge in later phases of state building, assisting groups such as local media, conflict resolution bodies or human rights watchdogs, would contribute to promoting state accountability. This involves a balancing act of at once supporting local actors and leaving them enough political space to develop their own institutional solutions. Capacity building to address the

political causes of conflict needs to focus on these activities in the first phase of its activity (Englebert and Tull, 2007:48).

Conflicts that are motivated by political interests of one kind or the other are difficult to resolve amicably. Seldom do leaders die peacefully while in office in Africa, the usual practice being decided in war. Attempts at peaceful resolution of issues are difficult under such circumstances. Modality of resolving one set of conflicts usually leads to the beginning of planting the seed for another round of (future) conflict- i.e. those elites left-out from the power arena begin to castigate the incumbent government. This is aggravated by the fact that the incumbents do normally accumulate wealth using state machinery. This triggers both greed (at the elite level) and grievance (at the ordinary citizen level) and serves as a catalyst for the next round of conflict. An intriguing question, which is relevant to inform capacity building efforts, is why there is a failure to design peaceful power sharing mechanisms among the political elites in Africa. The historical and social specificity of a particular country helps to answer this. A broader answer is

greed for power; the negligible opportunity costs of pursuing conflict to those excluded from power; the role of external intervention and the fear of reprisals for past wrongs when the incumbent plans (if at all) to peacefully transfer power as well as the feasibility of rebellion. This is accentuated by the existence of institutions that are shaped by the historically militaristic and undemocratic nature of the conflict-prone state. Unless capacity building efforts are designed to ameliorate these challenges in the short run and tackle them in the medium to long run, it will be a futile exercise. This is basically tantamount to saying that capacity building needs to be part and parcel of a broader development plan of a post-conflict economy.

Another important area where capacity building to address the root political problem of post-conflict states should focus relates to the role of local institutions. First, donors have paid scant attention to the coexistence in Africa of informal political institutions with formal bureaucratic procedures and structures of the state (Timilsina 2007, Birdsall 2007, Keating and Knight 2004, Englebert and Tull 2007). Behind

the rational-legal statehood, informal decision-making processes, which are strongly determined by personal relations, dominate politics in Africa. Englebert and Tull (2007) noted, based on reciprocity, these relations constitute patronage-based clientele networks, which vertically connect the political center, and its elites to groups in society. Political allegiance to the patron is exchanged for services and goods received by the clients. Englebert and Tull (2007), further noted, from the outside, this form of politics may be regarded as engendering corruption, misrule and bad governance; however, for those involved in it is eminently rational, facilitating accommodation processes among elites that lend an often astonishing stability to otherwise weak institutional state structures (Englebert and Tull, 2007:15-16). Furthermore, as noted by Obidegwu (2004), the decision-making authority during post-conflict period 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, according to Obidegwu (2004), poor and distorted decision-making and weak implementation and the creation of an environment prone to corruption. Service delivery deteriorates, damaging the legitimacy of the government. In addition to this, the destruction of social capital would remain a major challenge for post-war socio-economic development (Obidegwu (2004). Understanding this political process and designing capacity building efforts to encourage or discourage such institutional set-ups depending on their positive and negative effect on durable peace and development is vital for agencies concerned with capacity building. As noted by Obidegwu (2004) and Englebert and Tull (2007,) the resilience of the society, if factored into designing post-war socio-political institutions, can facilitate post-war recovery.

Finally, whichever capacity deficits are targeted in fragile states, from insufficient resources to inadequate policy frameworks and incentives, the political ramifications of these choices must be recognised. There is a need to think about how choices, including capacity building efforts, can positively or negatively influence stability and reconstruction operations and post-conflict assistance. Political sensitivity will be increased by: (a) first, learning enough about the country's socio-cultural and political context to assess with some degree of confidence what those ramifications might be. Factoring that analysis into capacity building programming and ideally enabling capacity building programmes to target root causes of fragility, and not just symptoms are important; and (b) second, communicating actively with country actors regarding capacity building plans and programmes to avoid contributing to misunderstandings, and engage country partners in a two-way exchange of ideas regarding capacity issues is also important (Brinkerhoff 2010).<sup>6</sup>

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<sup>6</sup>Vandemoortele (2007) notes that donor-country consultations too often tend to be asymmetric, one-way discussions of conditionalities and compliance, where governments have little opportunity to engage in discussion or debate.

### **AGENCIES OF RESTRAINT FOR DURABLE PEACE AND DEVELOPMENT IN POST- CONFLICT SOCIETIES**

An important dimension of conflict relevant to policy, and more particularly with regard to the international community, relates to understanding the nature and effect of external forces on the duration and intensity of civil wars and post-conflict recovery. Collier, Hoeffler and Soderborn (2001) argued that the duration of civil war is positively (though non-monotonically) related to the level of ethnic fractionalization of the warring society. They also noted that economic and political variables identified in the literature for initiation/incidence of civil war seem to have no important impact on the duration of wars. As noted by Elbadwi (1999) and Elbadawi and Sambanis (2000a) the duration model of Collier *et al* (1999) failed to take into account the impact of external interventions. This is a very important dimension for most civil wars as well as post-conflict states in Africa where the role of external intervention was very important. For instance Elbadawi and Sambanis (2000) noted that out of 138 intra-state conflicts since 1944, 89

attracted external intervention at least by one of the warring parties. Such interventions make the median duration of civil wars nine years, compared to 1.5 years for the non-intervention scenario (Elbadawi and Sambanis, 2000a: 10). Building on the earlier work of Elbadwi (1999), Elbadawi and Sambanis (2000a) built and estimated a probit model aimed at exploring this issue. The model showed that external intervention is more likely to make wars bloodier, while it is less likely to occur in ethnic wars and when the state involved in the civil war has strong military. Moreover, they found that ethnic wars are longer and harder to resolve than others, external intervention having strong and positive effect on the duration of the war. Autocratic regimes have a negative effect on war duration while external intervention under such regimes, however, increases the duration (Elbadawi and Sambanis, 2000a: 12-16). If external interventions could make war longer, they surely could also have the capacity to shorten it too. Such power could also be used to ensure durable peace in post-conflict situations. Related to this, international trade linkages are also important measures of restraint for conflict. The effects

of trade and globalization on conflict remain ambiguous; Barbieri and Schneider (1999) find that trade has no pacifying effect on interstate conflict, though Russett and Oneal (1999) dispute those findings and reiterate support for the liberal thesis first articulated by Kant ([1795] (1991). Goldstone et al. (2005) maintain that openness to trade is a primary determinant of state stability.

All these have implications for post-conflict peace duration as the pre-conflict warring factions' relation with external agencies might continue or radically change depending on the outcome of the war for the incumbent. When external forces have cordial relations and a certain degree of influence on the incumbent, they can theoretically use that power to ensure the duration of peace by acting as agents of restraint. They can also be a catalyst of conflict, however. That is, the role of both domestic and external agents as 'agencies of restraint' (Collier 1991) to bring about durable peace in a post-conflict scenario or as catalysts of civil war (Elbadawi and Sambanis 2000a) is documented in the literature. Which way the external forces react depends on

their long-term national interests and international pressure on them. In the African set up these external agencies could be regional or international institutions such as the AU and UN or could be an influential partner country of the post-conflict state in question. It might also be a strong indigenous institution. In relation to the latter, as has been noted by Englebert and Tull (2007), state reconstruction as we know it today tends to neglect local agencies and indigenous capacities for institution building; however outsiders are not necessarily more proficient than locals at building political and related institutions, no matter how many experts and resources they may send into a failed state. Thus, noted Englebert and Tull (2007), local context - including social relations, institutional history, specific actors and interests - will largely determine the odds of state resurgence or continued failure (Englebert and Tull, 2007:43-48). Capacity building exercises in fragile states thus can focus on building the capacity of these external and domestic entities and involve them in the reconstruction project so as to use them as 'agents of restraint' to ensure durable peace and bring about sustainable development.

**FINANCING AND FINANCIAL  
SECTOR RE-CONSTRUCTION  
IN POST-CONFLICT  
ECONOMIES – THE  
IMPLICATION FOR CAPACITY  
BUILDING**

There are two important issues regarding finance and the financial sector in post-conflict economies. The first one relates to the construction of the financial sector itself without which relapse to conflict is a real possibility. The second one relates to the issue of financing the post-conflict reconstruction by international financial agencies and donors.

Financial sectors are usually the most vulnerable of the sectors during conflict. So are financial institutions that regulate and manage the sector. They not only lose their tangible and intangible assets but also lose their vital human capital underpinning the importance of capacity building. To begin with, as Obidegwu (2004) noted, 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 (Obidegwu, 2004).

Reconstruction of the financial sector is one of the top priority

areas – perhaps equally important to reconstruction of infrastructure – in African post-conflict situations, according to Obidegwu (2004). In Africa, capital flight has been a first-order phenomenon. Collier et al. (2001) estimate that as of 1990, around 38% of Africa's private wealth was held abroad. Macindoe (2007; cited in Collier, 2009) has updated this figure for 2004 to be around 36%. The onset and reversal of capital flight is related to conflict conditions. In addition to onset of capital flight conflict has also a detrimental impact on the informal financial sector, which is important in many African countries. 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. Conflict would engender a contraction of the financial sector (Obidegwu, 2004: 17).

The relationship between an economy's financial sector and

the occurrence and resolution of conflict may at first sight appear tenuous. Banking systems, financial regulation and currency arrangements do not appear to be relevant in understanding why nations collapse or why people kill each other. However, the linkages between the financial sector and issues of conflict are very close (Addison, le Billon and Murshed 2001). Thus, reconstructing the financial system in countries affected by violent conflict is crucial to successful and broad-based recovery. (Addison et al, 2005; Obidegwu, 2004).

In addition to direct disruption and destruction, conflict has two important indirect effects on the financial system. First, conflict alters preferences for different types of assets – as between precious metals and deposit accounts for instance – and for domestic versus foreign currency (the longer and more intense the conflict, the greater the incentive to substitute into real stores of value and into foreign currency). Second, conflict affects the governance of financial institutions, including the behaviour of their managers as well as those who regulate them. Stealing from banks by insiders and elites is one manifestation of the more general

breakdown in governance that characterises the slide into civil war. Again, countries show considerable variation in outcomes with policy responses being an important determinant of how badly the financial sector is affected. Some states may resort to the printing press to finance war and post-conflict reconstruction and they may be unable to prevent the breakdown of the banking system and its regulation – or unwilling if state actors themselves steal from banks (the case of Mobutu's Zaire in the 1990s) – while other states may manage the wartime economy reasonably well thereby retaining the public's confidence in the currency and the financial system as a whole (largely the case in both Eritrea and Ethiopia during their 1998–2000 war). (Addison et al, 2005). !

The capacity building exercises in post-conflict financial reconstruction need to focus on the following three areas: (a) currency reform and the reconstruction (or creation) of a central bank, both important tasks in providing the monetary framework for reconstruction; (b) the revitalisation of the banking system, including its recapitalisation and (c) addressing problems that would be encountered in strengthening

prudential financial regulation and supervision in post-conflict countries. This is important because if it is not properly done it can destabilise economies in recovery from war, and the fiscal burden of bank crises limits development and poverty spending – thereby threatening ‘post-conflict’ recovery itself (see Addison et al, 2005; Mlambo et al, 2009),

As has been well summarized by Addison et al (2005) ‘post-conflict’ countries will need to rebuild and to reform the financial system as they seek to achieve a recovery from conflict that is ‘broad-based’ – benefiting the majority of people, particularly the poor. Those working on the financial sector in conflict countries therefore need to be aware of how conflict affects policy reform as well as its chances of success and how problems that beset all financial systems can be especially severe in conflict countries. Similarly those working on the financial sector in what appear to be ‘non-conflict’ countries need to be aware that such problems as fraud and cronyism in bank lending may be one step on a downward slope into eventual violent conflict, and that ‘technical solutions’ – such as legislating for better financial regulation – may

be undermined by deeper political forces. And those concerned with creating the conditions for peace should be aware that the financial system is a crucial factor in achieving broad-based recovery from war. (Addison et al, 2005). In short, capacity building exercises need to be guided by the effort to emphasise the importance of avoiding bank crises to post-conflict recovery, as well as the importance of taking a conflict perspective on financial-sector policy.

The second important issue with regard to financial sector reconstruction in post-conflict economies relates to issue of financing. In short this refers to the effectiveness of aid and any post-conflict financing efforts. In the African context, the resumption or increase in foreign aid for post-conflict transitions represents a direct and indubitable rent to holders of state power, as it subsidizes governments and state agencies where corruption remains rampant, noted Englebert and Tull (2007). In fact, donors eager for peace and stability may well be more lenient towards corruption in post-conflict states. Reconstruction promotes thus new aid inflows with laxer conditionality so it should come as no surprise,

therefore, that African transition elites try to prolong these transitions for as long as possible (Englebert and Tull, 2007: 25-26).

Collier and Hoeffler's (2004) study on the issue suggests that aid is more growth effective in countries just emerging from a conflict than in the rest of the countries. They thus conclude that post-conflict countries should receive considerably larger aid. However, they argue that it is important that this surge in aid volumes is well timed and should be combined with good policies. However, the trend of aid flows aid to post-conflict economies in Africa shows (see Table 4) slow response. This is, however, partly due to the weak absorptive capacity of most conflict states (Mlambo et al, 2009: 62-64). In this context capacity building could focus on building the absorptive capacity in the long run and bridging the absorption gap in the short-run. For multilateral development agencies, such as the African Development Bank and the World Bank, this problem is compounded by the existence of arrears, which makes it difficult to intervene when assistance is most needed (Mlambo et al, 2009: 64). One way to address this is to reschedule arrears or come up with a new financial

product for such economies as is done by the AfDB's Fragile States Facility and the World Bank. Another way is for these agencies to partner with organizations that have the capacity to intervene at early stages of post-conflict and without constraints of arrears—such as the United Nations Development Program (UNDP) and the African Capacity Building Foundation (ACBF).

Mlambo et al (2009) noted that countries in civil conflict and those emerging from it are also characterized by macroeconomic instability, with high inflation, active parallel exchange markets, with large gaps between the official and parallel market exchange rate as well as the propensity to be indebted.. This would generally make the country ineligible for further borrowing, including for post-war reconstruction until the outstanding arrears are cleared (Obidegwu, 2004: 17-18).

In order to address such peculiar situations of Post-conflict societies Mlambo et al (2009), recommended for the establishment of a common vision or strategic framework based on agreed principles and strategies, and a common agenda for the post-conflict financing by development

partners. This umbrella framework should articulate the rationale for acting fast and establishing general policy guidelines for a comprehensive and coordinated financial response within which donors can exercise their own interests and preferences. Mlambo et al (2009) further noted, the process should be structured in a way that minimises procedural differences that often exist between Multilateral Financial Institutions (e.g., procurement and disbursement) and enhance procedural complementarities. The authors' also suggested the significance of jointly undertaking a needs assessment, transitional support frameworks or poverty reduction programmes, which should form the basis for effective design of intervention strategies and programmes at country level (Mlambo et al, 2009: 67). Forman and Salomons (1998), cited in Mlambo et al (2009), also noted that such an action plan should entail scenario planning with mechanisms for flexibility, which is often required for adjustments to changing circumstances. This flexibility should also allow for partners to choose to fund/implement activities for which they have a comparative advantage and special interest. Stipulated benchmarks, specific milestones,

measurable objectives, monitoring mechanisms and a timetable for periodic evaluations of progress are crucial issues that should not be neglected in this process (see Mlambo et al, 2009).

In the context of capacity building in the financial sector there is a need to focus on three important principles of engagement outlined by the OECD (2005). This list includes: *Do no harm*: International actors should seek to avoid activities that undermine national institution-building such as bypassing national budget processes or setting high salaries, etc.; (b) *Mix and sequence aid instruments to fit the context*: Mix of instruments is necessary like long-term support to health, education and other basic services as needed in a country; and finally (c) *Act fast*: Assistance to fragile states needs to be fast so as to respond to changing conditions on the ground (OECD, 2005). In addition to these principles noted above, there is also a need to handle possible tradeoffs say when there is a need for a large influx of aid and the possibility that this might lead to Dutch disease as well as absorption problems; there could also be a competing need either to prioritize on rehabilitation of structures

(which may ensure quick recovery) or spending on social sectors and reduction of poverty (which may ensure political stability). Noting these challenges, Mlambo et al (2009) stated 'How the tradeoffs are decided requires a high level of expertise, which is not always readily available'. This is the challenge of capacity building in post-conflict economies. Lastly, the International Financial Institutions (IFIs) analytical and funding frameworks often neglect the peculiar needs of post-conflict societies, thus risking the re-emergence of the problems that triggered the conflict. There is therefore need to fund institutions that will ensure that the old problems do not recur' (see Mlambo et al, 2009 for detail).

Coming to specific instruments for financing, multilateral development banks use the CPIA as a performance measurement tool, which however, tends to penalise countries emerging from a post-conflict situation (Mlambo et al, 2009). In the application of such performance-based formula in post-conflict societies, great importance is attached to governance. This underscores the need to compute a post-conflict enhancement factor for CPIA or related measure as is done by AfDB

(see Mlambo, et al, 2009:71 for detail). In fact IFIs have developed such instruments (such as emergency assistance, budget lines, post-conflict facilities, trust funds, cost-sharing arrangements, a facility to clear arrears which allows normal international bank operation and financing windows to mobilise flexible, fast-disbursing funds) that could well serve post-conflict recovery in an effective manner (see Mlambo, et al, 2009:72-74 for details). As capacity to handle such financial dealings with IFIs is lacking in these societies capacity building will be important.

## CONCLUSIONS

Countries that were in conflicts experience high rates of economic revival in post-conflict years. Economic growth normally picks up and life becomes more orderly. Such is the case in most post-conflict economies in Africa. Years of conflict show either low or negative growth rates or where they are high they are the wrong type relative to one that is capable of reducing poverty. An attempt to characterize such conflicts and their economic ramifications has been made in this study. Analysis of conflict and post-conflict conditions in Africa underscored

the class nature of major conflicts and the significance of the political economy approach to offer adequate explanation. In most post-conflict economies the major cause of conflict is grounded in the political economy of the country, underscored by competition for power. History, institutions, the path-dependent nature of state formation and external intervention are important in this process. In general governments of these economies have never been accountable to the people. This created a fertile ground for insurrection and offered opportunities for people to express their grievances or greed only through violence, often at negligible opportunity cost to the opposition leaders (the elites) but relatively high cost to the ordinary population. Inevitably, the incumbent's attempt to defend and maintain its position led to increased militarism and related repressive institutions, which are invariably bad for development and durable peace.

With such conflict profiles, a major common theme that runs across the literature is that post-conflict recovery and sustainable development and the associated capacity building exercise in Africa need to have the following four features (see Ajakaiye and

Ali, 2009):(1) first a planning framework with a fairly long-time horizon and an overarching objective of poverty reduction ; (2) second, social policy-making in such countries is expected to be distinct from that usually undertaken in non-conflict countries. This signals the need for each country, given its circumstances, to articulate policy benchmarks that may, or may not, overlap with those proposed by IFIs and other donors; and (3) third, this requires a high volume of aid flows, a controversial issue in the specialised literature on the effectiveness of aid and the well known problem of absorptive capacity and capacity deficiency in such economies(Ajakaiye and Ali, 2009); and (4) interventions need to be preceded by deeper understanding of African societies by donors. This study by outlining such basic issues from a systemic (or theoretical) perspective resorted to an outline of three core areas of capacity building that are needed in post-conflict and fragile states: capacity building to address immediate needs of post-conflict states, capacity building to address the core economic and political causes of conflict (including building agencies of restraint), as well as, capacity building to address issues

of finance and financial sector reconstruction.

The study noted that the first and foremost task is to build the capacity that focused on addressing the immediate needs of post-conflict societies. This task may begin by building the capacity to provide humanitarian assistance. Humanitarian assistance, which is very complex, includes conflict-related emergencies relief as well as related social services. This should be based on a wider development framework that would facilitate a rapid transition from emergency to development. This ought to be followed by capacity building to address the root political and economic cause of the conflict without which bringing about durable peace is impossible.

In this aspect of capacity building the first and foremost issue is not to put undue pressure on the government and indigenous institutions by coordinating interventions by external agencies. Once such coordination is done the rebound of the economy will be 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.

Capacity building effort needs to focus on these important sectors. As the government would not have the resources to make even the minimal rehabilitation investments, 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. Thus, the issue of building capacity that leads to the transformation of the economy as well as engaging in economic activities with higher propensity to create job for the young and the unemployed, who is vulnerable for recruitment by political entrepreneurs, will be important. Addressing capacity building in this area also means building institutions that ensure a peaceful power sharing mechanism among interest groups (usually the elites). This political aspect of post-conflict construction is strictly linked with the economic reconstruction noted and need to be tackled simultaneously. A related important capacity building task that is required to bring durable peace, noted in the study, relates to the need to build 'agencies of restraint' that hold fragile states from relapsing to conflict. These agencies could be either domestic or regional and

international institutions with the capacity and willingness to act as agents of restraint. When such institutions are weak or not properly functioning, building such capacity is important to ensure durable peace.

Finally, the study also examined the challenge of capacity building for addressing issues of financial sector reconstruction and financing. Two important issues regarding this issue in post-conflict economies with their implication for capacity building are examined. The first one relates to the construction of the financial sector itself without which relapse to conflict is a real possibility. The second one relates to the issue of financing the post-conflict reconstruction by international financial agencies and donors. Particularly important tasks include: currency reform, rebuilding (or creating) central banks, revitalising the banking sector, and strengthening prudential supervision and regulation. Bank crises can destabilise economies in recovery from war, and their fiscal burden takes resources away from development and poverty spending – thereby threatening ‘post-conflict’ reconstruction itself. These call for capacity building in each of these areas by prioritizing

different aspects of the reconstruction exercise depending on context of the post-conflict economy in question. With regard to financing post-conflict reconstruction, the study noted that the peculiar needs of post conflict economies requires flexible and fast disbursing flows, which is in contrast to the accepted approach of IFIs. Thus, the study noted, the importance of establishing a common vision or strategic framework based on agreed principles and strategies, and a common agenda for the post-conflict financing by development partners. This framework, as has been already done by some IFIs such as the World Bank and AfDB, will ensure that the special conditions of post-conflict states are taken on board. IFIs need to work with other partners who are better able to respond to situations on the ground due to their knowledge of local situations or their track record of success in post-conflict situations.

### **BIOGRAPHY**

**Alemayehu Geda** is Professor of Economics at the Department of Economics, Addis Ababa University. He is also a research associate of the University of London (SOAS, CDPR, London), the UN Economic Commission for

Africa (ECA, Addis Ababa), African Economic Research Consortium (Nairobi), The Kenyan Institute for Public Policy Research and Analysis (KIPPRA, Nairobi), Central Bank of Kenya and Economic Policy Research Center (EPRC, Kampala). He has worked as a consultant for a number of international organizations including the UN ECA, The UNDP, the World Bank, SIDA, DFID as well as the governments of Ethiopia, Kenya, Uganda, Tanzania, and Zambia. He has taught Macroeconomics, Macroeconometric Modelling and International Economics at the University of London, Addis Ababa University, Haremaya University and the African Economic Research Consortium. He has widely published on African and Ethiopian Economy in major international journals including a book by Macmillan (2002) and a forthcoming book on International Trade for Developing Countries (2011) by Pallgrave-Macmillan and Applied Time Series Econometrics for Africa, University of Nairobi Press (2011) and Reading on Ethiopian Economy, 2011, Addis Ababa University press.

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