

**POST-CONFLICT RECONSTRUCTION AND HORIZONTAL INEQUALITIES
A CRISE WORKSHOP**

**Makerere University, Kampala, Uganda
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Session 1

1. Are Post-Conflict Fiscal Policies Reducing Socio-Economic Inequalities in Burundi?

Janvier D. Nkurunziza

Abstract

Burundi is a war-torn country. Since its independence in 1962, it has experienced five episodes of civil war. Many analysts have portrayed Burundi's political turmoil as essentially the consequence of ethnic fights between the country's two main groups, Hutus and Tutsis, but this characterization is simplistic. A more serious analysis shows that civil wars in Burundi have been associated with deep-rooted grievances resulting from a divisive governance system. Until the 2005 elections, political and to a great extent economic power were controlled by the country's elite, mostly from the South of the country, who enjoyed the spoils of this power while keeping the rest of the population in misery. In 2005, after a protracted civil war, elections brought to power a new leadership which emerged from the traditionally underprivileged segment of society. Having been in power for three years, the new leaders have had ample time to signal the policy direction they want the country to take. We analyse their fiscal policies to determine the extent to which they intend to reduce socio-economic inequalities in the country. Our early analysis reveals three types of policies. First, key decisions have been made because they had a direct positive effect on the welfare of the new and old elites, with very little positive impact on the population. Second, analysis of budget allocations shows that they overly benefit the new elite. Third, some populist policies with a semblance of egalitarianism have been announced but poorly implemented either due to resource constraints or because they were not properly thought through. On the whole, despite the fact that most members of the current leadership were among the most affected by horizontal inequalities before their ascension to power, their post-conflict fiscal policies do not seem to tackle this serious issue.

Q1: How does regional capital imbalance work?

JDN: The budget is drawn up on a sectoral basis, but when it is added up, Bururi ends up getting a disproportionate share.

Q2: Is there no fiscal decentralisation?

JDN: There is no decentralisation in Burundi. If there was decentralisation, Bururi would lose out. They use control of central government to divert resources to Bururi.

Q3: Is education imbalance supply or demand driven? Some communities have no interest in education. Your inequality figures are not very convincing. What can the government do?

JDN: It is supply driven in the case of Burundi. In 2005 when the president said there would be free primary education, there was an 88% increase in demand expressed. In Burundi, you hear that it is a demand-side problem with reference to north – but this is not a valid argument. On the question of inequality, please read the paper. The government should recognise inequality as a problem. Most people know the Bururi problem. There is no reason why this province should receive such a disproportionate amount. There is a very good paper by Tony Jackson who found that 60% of aid money to education went to Bururi in the 1980s.

Q4: How is election system devised? How do democratised governments continue to fund regional imbalances?

JDN: It is a continuation of the status-quo. There is no recognition that inequality is a problem.

Q5: There are two factors, regional and Tutsi-Hutu. Your presentation focused on the regional factor. Wouldn't regional privilege disappear in the present government? Surely there have been changes – see Table 5 which looks at composition of political leadership. Back in 1967 you had 71% Tutsi, 47% Bururi; these proportions have come down by 2001. So, there has been this broadening. What is interesting is the army is 100% Tutsi, and mostly Bururi. Presumably the new government would have changed things.

JDN: See Table 3, the social pecking order. Bururi Tutsis are at the top. Non-Bururi Hutus at the bottom. Between the other two it is not very clear. A few Hutus from the south were also part of the elite. Data is very difficult to obtain, and I used what I got. I would have liked to have time series data. What is clear is that benefits to Bururi haven't disappeared but are being diluted. It will take time.

Q6: Who are the actors in the IC and what could they do?

JDN: I haven't researched this. Burundi is aid-dependent and it is impossible to imagine that donors did not understand what was going on. I described the example of Belgium, which asked questions about the Bururi school percentage, but as argued in another paper, inequality has not been on the agenda of the donor community.

Q7: Which of these regions was worst affected by the conflict? This could affect the differences you highlight? Is it possible to have basic measures of inequalities, such as Gini, to compare across regions, tribes, the rural/urban divide. If you did the same analysis in Uganda, you would find the central region benefited most, although the central region has not taken political leadership for long time.

JDN: it is not a rural-urban divide. Bururi is rural. The inequalities are constructed, not accidental. Bururi doesn't have the attributes of central Uganda. It is by design.

2. Post-Conflict Reconstruction and Economic Horizontal Inequalities in Uganda

Arnim Langer

Abstract

In January 1986, the National Resistance Movement (NRM) under the leadership of Yoweri Museveni removed the Milton Obote regime from power in Uganda and initiated a period of relative political stability. The enormous reconstruction efforts needed to

rebuild and develop Uganda's economy left the NRM/Museveni regime little choice but to ask for support from the international donor community. The generous aid flows resulted in a strong economic recovery with GDP and GDP per capita growing on average respectively 7 per cent and 3.5 per cent a year between 1988 and 1995. From the mid-1990s until the present day, Uganda has been able to maintain its strong economic record and is currently growing at over 5 per cent a year. While Uganda's relatively successful economic reconstruction process has been widely analysed, an important issue that has been largely ignored in this respect focuses on how post-conflict economic policies have affected prevailing socio-economic horizontal inequalities (i.e. inequalities between culturally defined groups). The current paper aims to fill this void.

Q1: District level spending data would be more helpful than regional aggregation. Central is a bunch of very poor districts and one richer district. Household surveys can tell us how poverty has changed.

Q2: Both this and previous have used regions instead of groups. In Rwanda you are not allowed to ask about ethnicity in surveys. Would Ugandan survey data allow you to find groups?

Q3: Is it possible to decompose the inflation variable to food, health, etc?

Q4: This is about the time horizon. Your analysis is focused on 1986-early 1990s. Maybe things changed after PRSP and 2003. PRSP is more egalitarian. After 2003 this phase may have diminished.

Q5: On rent-seeking. The fact that people from a certain region have more access corrupts the process. We need some discussion of how rent-seeking has changed over time. Now people from south-western Uganda have more access to steal resources. I would have thought privatization would turn out negative for the north. You have equal access to jobs in this basket, and the north had more access to those public sector jobs. We need more analysis of privatisation.

Q6: The conclusions mention ethnic groups. He didn't see much discussion of ethnic groups. Ethnicity is more clear-cut than Burundi.

AL: He broadly agrees. He couldn't find data – he used DHS data, where ethnicity is only in 1998. Inflation is a work in progress. It makes sense to decompose.

Q6: Civil service reform was appreciated by donors and helped to increase aid by donors. Public employees have increased since mid-1990s with the creation of semi-autonomous agencies, increase in districts and increase in army. These things affect civil service reform in the late-1990s, especially from 2003, district numbers have increased, demanding a huge public sector increase. These political dimensions need to be addressed.

Q7: Asks about the extent to which conflict in the northern part has influenced economic performance. How has that driven inequalities? What are some of the suggestions of reforms required?

AL: Northern conflict has increased military expenditure but he cannot quantify amount.

Q8: The information in the paper needs updating: a lot has taken place in recent years in Uganda. The data in the paper should be updated to reflect this. For example, VAT has changed to 18 per cent.

Session 2

1. Inequality and Conflict in Rwanda

Sebastian Silva Leander

Abstract

The explosion of inequalities in Rwanda in the late 1980s contributed to straining the country's already fragile social capital, thus fuelling the climate of violence and mistrust in the years leading up to the genocide. After the war, income inequality has continued to grow faster than in almost any other developing country, even though the most severe forms of horizontal inequality, such as geographic and ethnic discrimination, have been somewhat contained. At the same time we notice that the rural/ urban divide, as measured by the ratio of urban to rural poverty rates, has skyrocketed to the top of world rankings. Due to the historical association of urban/ rural dwelling with Tutsi/ Hutu ethnic identities, this trend could potentially have a politically and socially polarising effect. In this paper, we argue that neither the war, nor the post-war government's policies, are sufficient to explain the scale of the changes in the distribution of incomes observed in Rwanda. Instead, we suggest that Rwanda's invasion of the Democratic Republic of Congo may have contributed to significantly and permanently skewing the country's income distribution by injecting up to 20 per cent of GDP annually of illicit revenue into the economy.

Q1: Can you link your paper more to shadow economy literature? Rich people don't participate in household surveys. At what point is it worth talking about an ethnic group, versus an elite not necessarily defined by ethnicity.

Q2: You talk of pre-war discrimination as constituting the prevalent HI. There are layers of inequality. I thought Tutsis were relatively better off. Is it a matter of perception of discrimination by Hutus against Tutsi? Could you develop recommended policies?

Q3: Can you include some historical overview of politics in Rwanda. The background of Hutus/Tutsis, etc. Who are in power in Rwanda? What are their incentives? Some of the explanations, e.g. why you have large inequalities, require political economy analysis of this kind.

Q4: You say real incomes of the top and bottom deciles move in opposite directions. Movement in the top deciles is explained by looting from DRC, but not downward movement of the bottom deciles.

SSL: I agree on ethnic/regional issue. The way it works is mostly clan based. The ones in power now are Ugandan returnees. There has been long-term decline in agricultural productivity. Rural masses have become poorer for 30 years. In war, 3 million went into exile in Zaire and became very poor at that time.

Q5: Is there Dutch disease from illicit money flowing into the country that changed exchange rates and depressed poor agricultural exports?

Q6: What is the international community's approach? You say 50 per cent of aid is in budget support. Who does this go to?

Q7: Historical description is necessary to deal with ethnicity. Returnee Tutsis from Uganda tend to settle in the east, where there is more land, and shared land with Tutsis. In the south, the population is already dense, so there are not so many new Tutsis settling in the south. New Tutsis are thus making regional tendencies in ethnic composition. Many people point out that ethnicity and region are related. If some new trend with respect to regional distribution is taking place, this is very useful information.

Session 3

1. Addressing Root Causes, State-Building and the 'Sovereignty Gap' in Post-Conflict Societies: the Case of Nepal

Graham Brown and Yuba Raj Khatiwader

Q1: You focus on groups, but most people more concerned about regions, especially the Terai. What are donors doing?

GB: Knowledge about Terai is not extensive. PAF – not in Terai much, mostly in hill areas. They will look at this issue more. Regional development strategy is not very effective. There has been a slight decline since 1991 in regional inequality.

2. The Making of Sri Lanka's post-conflict economic package and the failure of the 2001-2004 peace process

Rajesh Venugopal

Abstract

This paper explores the role of domestic actors and the international donor community in the evolution of Sri Lanka's post-conflict economic package of 2001-2004. It argues that the inappropriateness of this economic package was a critical element that contributed to the overall failure of the peace process. Due to the heavy influence of corporate interest groups and international donors, the peace agenda, and the country's post-conflict PRSP, was effectively tethered to an aggressive programme of market reforms. Although the government felt that the market reform agenda would spur rapid economic growth and buy support for the peace process, it ended up doing the very reverse. Consequently, the relatively narrow constituency of opposition to the peace process swelled in size and benefited from the support gained from those who opposed the government's economic policies. The market-reform laden economic agenda enjoyed very narrow social support and indeed, generated considerable opposition and hostility. In addition, the government's simultaneous pursuit of fiscal austerity to secure desperately needed concessionary financing from the IMF meant that not only was there very little in the way of a peace dividend to distribute, there were instead cutbacks on subsidies and employment opportunities that disproportionately affected the rural Sinhalese poor. The inherent unpopularity of this economic agenda was compounded by the absence of broad consultation in its formulation, despite the fact that this was required as part of the PRSP process.

Q1: Shouldn't overstate importance of PRSPs. Absurdity of the World Bank stating that 'War is an obstacle to economic growth'. What does this imply for countries where war isn't an obstacle, like Congo?

Q2: How does business view growth and peace and reforms?

Q3: Have written a paper on the role of the private sector in peace; it is similar in Israel with the same consequences, and a similar version in Northern Ireland. Would like to have seen comparison. Real problem is that donors only giving aid to Sinhalese.

Q4: How does the peace process evolve in political terms as reforms unfold? Why did the government act as it did? Governments act to survive. Why did they do it?

RV: agrees that PRSP has little ownership; in Sri Lanka came across PRSP late. Always had strong development agenda. Real economic blueprint of the government's own which was pasted into PRSP. War is recognised in Sri Lanka as an obstacle to economic growth: the peace process was born out of a development imperative, business interests were being hurt. Quite a lot of literature is in this spirit. How did business envisage the contradiction between peace and reforms? The PM saw the problem as being too early election. Policies would have succeeded. But business people agree that it was stupid in retrospect (though they supported it); should have done peace first, then reforms. The business community is composed of various minority groups, like Christians and Tamils – never really invested in war. Didn't prefer war to peace. Genuinely wanted peace. Donors' distribution against Tamils – partly view is put forward by LTTE – because wanted to control aid. Problems for international donors in handing over money to rebel group.

Q5: Excuse is sovereignty issue, which is often used. Conceptual breakthrough was to accept Tamils as partners. Doesn't explain why donors did something that was blatantly anti-peace.

RV: Difference between aid for peace and Tsunami. Pre-Tsunami, some aid went through Tamils, but big problem was post-Tsunami where no aid after immediate relief went through LTTE. Sinhalese extremists opposed this.

3. Post-War Reconstruction and Horizontal Inequalities in Bosnia

Susan Woodward

Abstract

The Bosnian case presents an anomaly for the theory of conflict driven by horizontal inequalities because the causal arrow runs the wrong way: it was its war of secession/independence that created the group identities that underlie the HI concept, and it was reaction against government anti-discrimination policies (taxes for economic redistribution, proportionality in public employment) that was one of the primary drivers of the initial political conflict and drives for national independence. Nationalist rhetoric claimed HI – that the unemployment, inflation, and collapsed welfare generated by IMF stabilization policies and structural adjustment in the 1980s was the result of one group "exploiting" another – but that was factually untrue. Those who favoured individual economic opportunity and choice (those retaining socialist values of equality and non-ethnic groups such as urban professionals) lost the war. Moreover, the scholarship on

international peacebuilding, post-conflict policy in Bosnia (the national division of the state and public employment and multiethnic cooperation as the primary aid principle) demonstrates clearly that its effects have been to reinforce group identities, institutionalize group differences, and worsen feelings of exploitation by the “other” and need for group protection in ways that may be very difficult to reverse by any government policy.

This paper will examine economic policies, choosing one macroeconomic policy (most probably trade) and one microeconomic policy (most probably employment), to see whether their effects have also reinforced these differences and created or worsened group inequality or, instead, have counteracted or meliorated those effects of the war and international policy.

Q1: What is data basis for statements about pre-war horizontal equality? What would you recommend re policies?

Q2: As people move to more homogeneous areas: in decentralised structure in homogeneous areas is conversation different?

Q3: How do Washington Consensus policies affect group distribution?

SW: Pre-war equality view relates to norms, gender equality, and territorial fiscal redistribution. On ethnicity people were much more mixed. She will look at it. In terms of recommendations, she doesn't know another situation that is more discouraging in terms of lack of possibility for change. Lots of structural obstacles to change. Other cases are more hopeful, greater possibility of change. She doesn't see that in Bosnia. Unlike most postwar countries which have to adopt IMF orthodoxy, Dutch paid upfront all Bosnian debt, so there weren't those budgetary constraints. WB reconstruction programme was \$5.5 billion, and almost all was delivered by donors. They had incredible amounts compared to others. Privatisation policy – highly corrupt. But hasn't happened; is being resisted. She doesn't have any idea what to recommend.

She would like national development strategy, industrial policy, strategic trade policy, exploit natural resources.

Regarding decentralisation: decentralised levels have no money and therefore there is no debate. Cantons are homogeneous, rural constituencies, very conservative. Urban areas are more mixed and progressive. US and EU are pushing constitutional reform and this dampens local debate. They should have left them alone with some troops for security. There is no conversation. There are no resources at the local level. In RS, decisions are fairly competent and there is capacity. In the Federation, it is broken down into cantons that are ethnic majority with a dominant capital city. Dominant parties in cantons use nationalism.

Policies affect groups differently because of residential segregation; those who haven't moved are immobile (old). Most trading areas are in Croat areas and trade with Croatia. Central Serbian areas have less potential. External border with Serbia, but Serbia is subject to sanctions, and that part of Bosnia has always been poor. Production profiles are being reinforced.

On why Dayton did what it did: after years of war, there were UN humanitarian efforts, but agreement was rejected by Clinton; US had been waging secret war supporting Serbs, but EU pressure made them stop. Dayton accord recognises this impasse situation. Could have continued war. Classic power sharing, on consociationalist principles, as per Lijphart. Constitution written by US lawyers in state department. Model reproduced elsewhere. WB representative at negotiations knew nothing about Yugoslavia – admitted later that thought that Yugoslavia had been centralised and needed decentralising. But in fact opposite is true.

Session 4

1. State Weakness, Globalization, and Horizontal Inequalities in a Small Country: The Case of Guatemala

Diego Sanchez-Ancochea and Corinne Caumartin

Abstract

Guatemala is not only one of the most unequal countries in the world, but one in which indigenous peoples (most from Mayan origin) have been historically marginalized. Until the second half of the twentieth century, they lived in semi-slave conditions in the rural sector and even today have little influence in the process of economic and political decision making. Indigenous peoples also suffered disproportionately from the civil war that afflicted the country for more than three decades; according to some estimations, more than eighty percent of the victims of violence were indigenous.

The Peace Accords that were signed in 1996 under United Nations supervision included an Agreement on Identity and Rights of Indigenous Peoples (“Acuerdo de Identidad y Derechos de la Población Indígena”). This agreement promoted the creation of a multicultural and multilingual country and created new institutional spaces for dialogue between different groups. Other components of the Accords (such as the commitment to expand tax revenues) aimed to facilitate the expansion of social spending and reduce social inequalities. Yet implementation of the Accords has been slow and contradictory. After describing the main characteristics of Guatemala’s development model from a historical perspective, this paper reviews the potential contribution of the Peace Accords to the reduction of HI. It also explores the extent to which the agreements have been implemented in practice and explores the impact of changes in economic policies (particularly with regard to fiscal, social and trade policy) in the evolution of inequality.

The paper argues that, despite partial success in some areas (such as the process of decentralization), public policy has been ultimately ineffective in reducing HI due to the weakness of state institutions and the government’s commitment to neoliberal policies.

Q1: How can we differentiate between failure due to intention and failure due to state weakness?

DS-A: It is largely state weakness – state can’t confront business groups, legal or illegal. To remember it sometimes is matter of rebuilding the state.

Q2: This seems like a positive case – I see a lot of improvement. The question is how much to expect. There is a remarkable increase in tax revenue. This is also a matter for state capacity – shows there is state capacity. Maybe a matter of degree.

DS-A: Of course it is a matter of degree and who you compare with. Guatemala's story is good compared with some parts of Africa. Any process is easier with higher incomes. On market opportunities – there is a non-creation of jobs.

Q3: Is there link between weak state capacity and organised crime? To whom can we address the question about changing the nature of the state?

Q4: With decentralisation - why can't local authorities raise revenues?

DS-A: There are significant constraints on tax potential at local level. First, they don't have capacity and they are also constrained on the kinds of taxes they can raise.

There is a link between drugs and weak government, via undermining independent bureaucracy; other actors have comparative advantage re organised crime.

On question of who should we talk to – who are drivers of change. Look at under-the-table drivers of change. Optimistic: Trade union rights around trade agreements – new business groups linked with globalisation, defending competitiveness. This will shift political economy

Q5: What are channels of influence of outsiders if don't implement good things about accord? Why is there such weak improvement in infant and child mortality? How can one combine class and ethnicity? Should policy emphasis be ethnic or class? Need more discussion on how one changes economic models.

Q6: The social indicators are like those of some countries with much lower incomes. What is going on? Are conflicts still going on? HIs haven't all been addressed or resolved, on access to land, evictions, access to justice.

DS-A: Changing political structure, starting to affect things – mobility improving. Rigid structures starting to break down. Criminalisation left over from war, part of problems of state, also preventing reforms of HIs.

Accords were not imposed from outside, but resulting from coalition between insiders and outsiders but not agreed by those who would implement them. At the table were government, and guerrilla movement plus social movements including indigenous ones. Not present were business groups. Referendum result reflects opposition of business groups.

Contradiction between political desires and economic – politically multiculturalism has to be at heart of development. Creates possibility of alliance between business and poor whites which is at heart of issue.

About employment and social expenditure. Who will be actors? New actors might be from middle class, and education and training; new business groups have incentive to invest in training and funding. Need to identify processes and trends that can open new world.

2. Post-Conflict Policy and Horizontal Inequalities in Peru

Jose Carlos Orihuela

Abstract

From the late 1970s to the early 1990s, Peru experienced a civil war that took the lives of 70,000 people. Even though the relative significance of ethnic exclusion in the conflict is a matter of debate, scholars agree that inter-group inequalities are fundamental for an understanding of the origins, rise and consequences of the Shining Path-led struggle. Post-conflict development policy in Peru, nonetheless, largely dismisses HI. This paper explains why state policies do not tackle inter-group inequalities in post-conflict Peru, assesses the impact of the Truth Commission's recommendations on HI, and explores how the neglect of HI in development policy may be nurturing new forms of political conflict.

Post-conflict policy in Peru is poor in ideas and resources. The state response has been limited to fulfilment of the Truth Commission's recommendations (2003), a set of reparation measures ranging from the issuing of national identity cards to the provision of material and symbolic compensation. Reparation policies were initiated by outsiders from the human rights movement, signalling a lack of political interest and basic technocratic awareness from the Ministry of Finance and leading development agencies.

Moreover, policy decisions affecting excluded groups in general – from Free Trade Agreements to rights over land and natural resources to coca eradication – have been taken without any apparent attempt to address their further impacts on HI and conflict.

Q1: How did nature of end of conflict influence policies, since conflict ended by defeat not by negotiations?

JCO: There was no social movement opposing Fujimori, no-one to argue that the policies were wrong.

Q2: Does it matter if policies are not thought of as 'post-conflict'. Notes that violence is caused by local issues, and only develops into a civil war when national level captures local issues. Ethnicity is a meta-narrative to unit nationally.

JCO: There are different levels of violence. Truth Commission was not supported by any political party; was not meant to solve problems.

Session 5

1. A Dangerous Peace: Drugs, Inequality and Post-Conflict Peacebuilding in Afghanistan

Christian Dennys and Jonathan Goodhand

Abstract

This paper examines the political economy of 'post'-conflict peacebuilding in Afghanistan. In the context of a fragile and contested war-to-peace transition it focuses

on the effects of the opium economy and counter-narcotics policies on horizontal inequalities. It is argued that the war years contributed to a rebalancing of power relationships by empowering borderland regions and groups. The illicit economy, whilst frequently seen as predatory and anti-developmental, played an important social protection role and had developmental outcomes. Conversely, 'peace' brought in the wake of the US invasion has been characterized by growing power asymmetries and intensified inequalities. International development and counter-narcotics policies have inadvertently contributed to this state of affairs. The paper provides a case study at the subnational level to explore core-periphery dynamics and the emerging nexus between drugs, borderlands and central state actors. It finishes by exploring how international policies in the development and counter-narcotics sphere might be better attuned to horizontal (particularly spatial) inequalities.

Q1: Can you prioritise what you would do?

CD: Focus on things that concern Afghan lives, particularly ability to get local disputes sorted out. These underlying issues aggravate regional issues. Focus less on alternative livelihoods, and more on trade and local security.

Q2: Christian Dennys argues that drugs have a dampening effect on conflict. But she is not convinced; you need to factor in the funding of Taliban from drugs. It is appealing to do things in sequence. But where it has worked, things have improved where things have been done in parallel.

CD: Funding to Taliban is \$100m a year, but drug industry is worth \$2b. What we're saying is not that drugs cause conflict or don't cause conflict, but there are a multiplicity of relationships. It is too simplistic to say drugs fuel conflict.

Q3: It might be interesting to show changes in aid, and look at these dynamics, i.e not just look at the post-conflict period as a snapshot. Can the aid be disaggregated? What is that aid? What is social development component of it? Can you give examples of what works?

CD: On disaggregated aid, primary investment is infrastructure, then counter-narcotics, which might be more than infrastructure. Aid in south consists of alternative livelihoods, etc.

2. Conflict and Inequality

Cagatay Bircan, Tilman Bruck, and Marc Vothknecht

Abstract

This paper analyzes the distributive impacts of violent conflicts. We use cross-country panel data for the time period 1960-2004 to estimate war-related changes in income inequality. Our results indicate rising levels of inequality during war and especially in the early period of post-war reconstruction. Lagged distributive effects of conflict, for example through the impact of war on human capital formation and public health, as well as subsequent adjustments of redistributive policies in the period of post-war reconstruction seem to be valid explanations for these patterns of inequality in the course of war. A series of alternative specifications confirms the main findings of the analysis.

Q1: Gudrun's study finds no relationship between horizontal and vertical inequalities, nor does Mancini. When you think about it, you could have homogenous society which had vertical inequality, or a divided society which has low vertical but high horizontal. Why do you define state as definer of property rights? Your U-shaped curve on inequality seems to reflect the pattern of aid flows: might this be the cause?

TB: I don't have a view on vertical/horizontal relationship. Property rights issue is not central to this paper, but many people do define the state in this way. Aid effect might help explain curve

Q2: Looking at your definition of conflict and the dataset you use, your definition is much larger than the data set. The Uppsala dataset focuses only on conflicts where governments are involved. How does this affect the results? You say increasing inequality effect is due to postwar entrepreneurs. Your results are underestimating inequality because postwar entrepreneurs hide capital abroad.

TB: We can also look at limitations of Uppsala data set. But by going down to 25 battle deaths you capture low-intensity conflict.

Q3: How do you explain return to old inequality as before?

TB: Could be policy success, so that structural changes overcome other tendencies. Postwar aid starts slowly, rolls out from government-held areas, spreads slowly to rebel-held areas.

Q4: I would be more cautious than you were with results. Data is difficult. Comparability is difficult. Woolridge estimator is data intensive. Your results might depend on small number of observations.

Q5: UNU Wider dataset consists of a collection of country Ginis. Branko Milanovic published a book on war and inequality based on household surveys. Is it possible to aggregate those household datasets to have inter-regional comparisons. Milanovic did it for China and India, but I am not sure of feasibility? What do you think?

Q6: You give some hypotheses about why inequality goes up in first five years. Is that related to high incidence of return to war in first five years? You say there is lack of dataset about policy. Why not look at how war ends? If it ends at negotiating table, it leads to policy table, it leads to changes. If it ends through one side winning, it doesn't. How about cold war versus post-cold war countries?

TB: Yes, we do have selection problem over time. Yes, we need systematic data on how war ends. That might explain policy. We did look at conflict versus post-conflict; doesn't make difference if you control for duration.

Q7: Why does duration of war turn out to be an important result? For example in Uganda the 1979 war was very short, but caused huge damage. In Rwanda, genocide was brief, but damage was huge. Can you control for intensity of war in addition to duration?

TB: That does relate to property rights point. Short sharp war causes destruction, but doesn't create insecurity. Physical damage is not as important as uncertainty caused by long-term wars, and cause higher long-term costs. We tried intensity of war variable and was not as important.

Q8: For example, secessionist conflicts that are geographically limited.

TB: We do control for that a little bit by looking at regional Ginis. But if we had data on types of war we could do it more systematically.

Session 6

1. Privatisation, State-Capital Relations and the Ethnicity of Capital in Post-Conflict Societies

Rajesh Venugopal

Q1: Janvier: need to look at who gained from public corporations as well as from privatisation.

Q2: Should compare developments with non-conflict socialist states

Q3: Should differentiate between privatisation and FDI. In Mozambique strip out large scale FDIs. This is part of how elite enriches itself. Need to define what is a 'domestic entrepreneur'. Many are fronts for foreigners.

Q4: Consider the nature of conflict and its ending– if HIs play a role, a negotiated agreement might lead to different situation.

Q5: Should look at group distribution, e.g in Mozambique almost certainly assets all went to ruling groups.

Q6: Noted that in Yugoslavia move towards privatisation was part of policies moving to war: and this may have been the situation in Mozambique. What is the dependent variable? Should compare with literature on E Europe: how does this differ from conflict countries. What type of private sector is there? Is it a state controlled private sector? In the Bosnia case: pre-war property structure largely controlled by Slavs and one Jew. Post-war privatisations – they continued to control.

RV: He needs to look at state and settlement. And who controls public corporations pre-conflict. Comparison with non-conflict is not part of mandate. He wants to look at whole relationship between state and capital, not just privatisation. It is not a bounded policy change. He agrees that what is domestic entrepreneur is not always clear.

2. Employment Policies and Horizontal Inequalities in Post-Conflict Situations

Frances Stewart

Abstract

This paper will argue that the creation of employment is a prime need in post-conflict societies in order to absorb those previously fighting and to give people, especially young men, alternative opportunities which may reduce their incentive to resume arms. The paper will review the experience of seven post-conflict countries: i.e. Bosnia, El Salvador, Kosovo, Nepal, Mozambique, Sierra Leone and Uganda. A particular focus in this respect is the extent to which horizontal inequality-considerations were taken into account in the employment-creating policies and programmes. On the basis of this analysis, the paper will make some policy recommendations.

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Q1: The early versions of PRSPs made little mention of employment creation. We surveyed 22 PRSPs and just one of them made employment creation a priority. Stability of post-conflict employment creation. Lastly, about employment and aid – we know that there is an immediate post-conflict influx of aid which creates employment. It would be interesting to look at the sustainability of post-conflict employment.

Q2: Are you looking at formal or informal sector. In the context of post-conflict, it is important to have portfolio of activities, formal, farming, entrepreneurial, etc. It should be possible to turn McLeod graph into some empirical data.

Q3: On aid and use of procurement for employment generation. There are some forms of employment such as procuring school desks. Local versus imported desks can help sustain employment locally. He questions sustainability of jobs- for-cash programmes over time. This must be unsustainable. There must also be decent employment. Re-farming employment, public investments can crowd in employment by providing access to irrigation.

Q4: I urge you to put detail into what kinds of short-term employment schemes work. We need small studies on what works, and concrete ideas. There is a constraint on people in peacebuilding missions with capacity to develop public works. Macedonia and Bosnia are interesting cases. Both accords have requirements for proportionality on public sector employment. IC requires them to do this, but they don't have revenues.

Q5: If you link three components of employment (Sen) – jobs, incomes, recognition – with sort of employment creating risks of conflict, do public works programmes reduce risk – does it give respect of kind that would mitigate risk factors? Are you really talking about formal sector jobs or are you talking about employment in larger sense? Public policies that affect infrastructure may be more sustainable than short-term jobs.

Q6: What is the role of conflict in whole analysis? Why not mention financial crisis?

Q7: Tradeoffs between short-term versus longer term growth.

FS: Public works create infrastructure, not wasteful. They had productive public works in Mozambique. ILO says you need to start planning early and have blueprints. They should be brought in. Many countries dependent on aid for a long time. People are too sceptical about public works. Production and recognition go together. Demobilisation schemes seem to work, probably should be expanded to broader set of people.

3. Poverty Reduction Strategies and Horizontal Inequalities in Post-Conflict Reconstruction and Development: Review of Guatemala, Haiti, Liberia, Nepal

Sakiko Fukuda-Parr

Abstract

As Frances Stewart has persistently argued, policies that reduce horizontal inequalities such as those that correct unfair access to assets and incomes, social services and political participation, can be important in building stability in ethnically divided societies. However, as she also notes, such policies 'rarely form an explicit part of the post-conflict development agenda' (CRISE Working Paper No. 3: Development and Security, p.2). This paper examines the policy priorities that are being/have been implemented in Guatemala, Haiti, Liberia and Nepal. The paper considers both content and process of economic policy formulation and implementation. It argues that in post-conflict societies, correcting horizontal inequalities is part of a strategy for restoring the social contract between the state and the citizen. It identifies some policies that are central to this process such as food security, taxation, and the management of external aid.

Q1: Your findings confirm the conclusions of earlier research in UNCTAD Africa report 2006. PRSPs and the way they are negotiated looks like bargaining, especially in aid-dependent country. Some countries even manipulate data to show that it is going in direction wanted by IMF.

Q2: Paper focuses on external factors that contribute to neglect of HIs. Domestic dimension is assumption that addressing poverty addresses HI. You can address HI at policy design level, financing level. Budgets are largely sectoral. How do you target within sectors. Budget as sector needs to be fine tuned. Third element is monitoring and evaluation – to ensure that neglected areas get redirected funds. In Ghana, poor areas were targeted, it became apparent that extra funds were going down to all districts at same time.

Q3: We have found more interesting ideas for addressing HIs from national governments. They are in a better position to appreciate them and take action than aid donors. You could expect donors to contribute, but in practice they often oppose HI-sensitive policies.

Q4: What would your recommendations be in terms of aid instruments needed to address inequality? In conflict, humanitarian assistance plays a big role. But I wonder if direct budget support, technical assistance, etc. are effective in reduction of inequalities. In Uganda the weakness of local governments means they do not recognise local realities.

Q5 There is a trade-off between food production and cash crops. PRSPs exclude HI for political reasons. Data collection is important and needed. In PRSPs, the HI is excluded but HI is always quite politically sensitive. Data collection and presenting objective HI data on regions would be important.

SFP: Recognises that PRSPs supposed to be government document. But as it is about aid, should be properly negotiated with donor community, as there has to be negotiation because about channelling donor resources. Has to be collective, jointly agreed document; and there is a need to have a shadow budget for donor resources to align them with national priorities. Agrees with domestic constraints and need for monitoring

and evaluation. Structure of budget accounting. Aim of paper is to understand political economic factors behind processes of PRSPs, and why HI policies are so difficult to negotiate. Would add pro-poor growth as required. Macro-economic paradigm needs to be challenged. Need to support poor actively.