



CRISE:

Centre for Research on Inequality,
Human Security and Ethnicity

IN BRIEF

Have post-conflict development policies addressed horizontal inequalities?

What kinds of economic and social policies will help to sustain a peace process and promote longer-term stability and reconciliation in deeply divided post-conflict societies? Have post-conflict policies designed by aid agencies and national governments been sensitive to the issue of horizontal inequalities (HIs) or group-based ethnic and regional differences in access to social and economic resources? What has been their impact?

New research by CRISE on this subject reveals important gaps and inconsistencies in post-conflict reconstruction policies on HIs. Based on in-depth studies of eight diverse post-conflict countries and four cross-cutting thematic studies, the findings provide a framework that helps to explain sources of success, and failure, and points to policy requirements and constraints in this area.

HIs improved overall in two of the eight countries examined, while the evidence is either mixed, unclear or negative in the other cases. In evaluating and explaining the sources of differences in outcomes, this *In Brief* identifies three key factors that explain success in tackling HIs:

- early recognition;
- sustained implementation;
- enabling factors—state capacity, resource constraints and elite commitment.

In addition, there is a fourth explanatory category of globalisation and market forces that in several cases reversed or limited the effectiveness of HI-reducing policies.

The results of the CRISE study suggest that the agenda of policymakers is slowly shifting away from the earlier almost exclusive focus on stabilisation and economic recovery in post-conflict environments to increasing (although not yet universal) recognition of HIs as an important issue. Greater attention is being paid to the institutional and policy requirements that this implies, especially among some national policymakers.

Economic and social dimensions of post-conflict reconstruction

Ethnic, religious and regional concerns are often addressed quite well within the political realm in the design of contemporary post-conflict power-sharing institutions, although less so if the more privileged group (often represented by the existing government) secures peace by crushing the opposition. Peace agreements such as Lebanon's Ta'if Accord (1989), Bosnia-Herzegovina's Dayton Agreement (1995) and Northern Ireland's Good Friday Agreement (1998), as well as the new constitutions in Afghanistan (2004) and Iraq (2005), were drafted to distribute calibrated amounts of representation and executive power to elites of all major ethnic or religious groups in order to reduce violence and resolve conflicts through institutionalised elite-inclusion.

However, commensurate attention has not been devoted to the equally important issue of economic power-sharing, as is evident from the fact that HIs appear to be worsening in some of the most high-profile post-conflict countries, such as Afghanistan, Bosnia-Herzegovina and Rwanda, which have received very high levels of aid. In a review of 38 peace agreements concluded between 1948 and 1998, Hartzell and Hoddie (2003) found that an explicit commitment to economic redistribution was the least common form of power-sharing, compared to the more commonly addressed issues of sharing central powers, regional devolution and military integration.

There are three main constraints to wider interest in economic forms of power-sharing:

- economic policy formulation is regarded as a largely technocratic subject, concerned predominantly with the standard goals and tools of stabilisation and growth—and it is often blind to distributional issues;
- there is an assumption that political power-sharing will automatically lead to positive economic consequences and address group-based economic deprivation; and

- HIs are frequently deep-rooted historically and require a sustained policy effort that extends well beyond a single electoral cycle or the donor funding horizon.

Studies and typology

CRISE's work on HIs and post-conflict reconstruction has focused on eight post-conflict country case studies that span Africa (Burundi, Rwanda and Uganda), Latin America (Guatemala and Peru), Asia (Afghanistan and Nepal), and Eastern Europe (Bosnia-Herzegovina), in addition, to cross-cutting studies of macro-adjustment policies, privatisation, PRSPs, and employment policies, drawing on the experience of a wider range of countries.

Post-conflict countries have many common elements: typically, they are very fragile in the short-to-medium term, with a high risk of a return to conflict, or its transformation into other forms of social violence, such as high levels of crime or domestic violence. But there are also important differences among such countries in terms of economic endowments, political heritage, bureaucratic capacities and the security situation. Policymakers are therefore confronted with a range of situations and cannot assume that a one-size-fits-all approach will work.

Evaluating experience in managing HIs

Key issues in evaluating post-conflict experience concern to what extent the need to redress HIs has been recognised; whether policies to this end have been introduced and implemented; and how effective the policies have been.

1. Recognition: have post-conflict countries and donor agencies recognised the role of HIs in conflict, and have they made any commitments to tackling them?

An important finding is that, in a number of cases, there is a significant degree of explicit recognition of and rhetorical commitment to policies that address HIs. In Guatemala, for example, this is illustrated by increased awareness of indigenous rights and accords/provisions on socio-economic issues and indigenous rights. Similarly, in Burundi, Nepal and Peru, the need to reduce group-based deprivation has been widely recognised; it is also increasingly present in the international policy discourse of PRSPs in post-conflict situations. While recognition is not comprehensive, this represents an important step forward. The debate on HIs has moved, in part, beyond recognition towards implementation and effectiveness.

2. Implementation: has the rhetoric of recognition been translated into the reality of policy design, and have these policies been adequately funded, implemented and mainstreamed?

In rare cases, such as Nepal, there has been significant progress in translating recognition of HIs into policy design

Box 1 Nepal's post-conflict policies on employment, income creation and infrastructure

Nepal's fierce civil war lasted about a decade, led by members of the Communist Party of Nepal (Maoist) who wanted constitutional reform leading to a republic. The war ended in 2006 and was followed by the election of a Maoist government. The government, academics and aid officials all recognised that HIs were among the primary factors behind the conflict (Do and Iyer, 2006; Murshed and Gates, 2005).

The newly constituted government recognised the need to redress this situation. It introduced a public employment programme entitled 'One household, one earner', providing 100 days of guaranteed employment per household in five districts 'severely impacted by the conflict and which currently suffer from a serious problem of isolation, unemployment and poverty' (World Bank, 2007, p. 1). The scheme was extended by the World Bank to 24 mountain districts—the poorest districts in Nepal and those where conflict was concentrated. The enhanced scheme, including employment generation and infrastructure, was estimated to cover about 1.5 million people, amounting to five per cent of Nepal's population. Another project gave matching grants to self-selected groups of the excluded poor for productive projects, using ethnicity, caste, gender and poverty as criteria; and a United States Agency for International Development scheme financed labour-intensive construction projects covered an estimated 2.5 million rural people (USAID, 2006).

The Nepal situation stands out from most other country experience for three reasons. First, because socioeconomic HIs were acknowledged as a fundamental source of the conflict by observers and donors. Second, because employment creation was regarded by both the government and donors as critically important in the immediate post-conflict era and large emergency employment schemes were put into effect. Third, because these schemes and other policies made a conscious effort to address HIs. However, they have not yet been evaluated.

(see Box 1), but in many other countries specific policies aimed at redressing economic HIs are rare. In general, important gaps remain in translating rhetoric into reality. For instance, two of the three post-conflict PRSPs reviewed did not address HIs, despite having accorded some amount of recognition to their existence and role.

One of the most important determinants of implementation is the nature of conflict termination. In Burundi and Nepal, after negotiated conclusions to the conflicts the rebel leaders gained power and this resulted in explicit policy attention aimed at reversing some of the ethnic and regional imbalances. In Peru and Rwanda, however, where the conflicts ended due to victory for one side, the commitment to reducing HIs has been weaker.

3. Effectiveness: once recognised and implemented, have these policies actually been effective in addressing HIs, and has this had an impact on violence and conflict?

Successful implementation of well-intentioned policies does not always translate into policy effectiveness. In Burundi, Guatemala and Peru, the impact of policies on ethnic and regional disparities was limited by factors such as elite buy-in, state capacity, resource constraints, and an absence of measures to enhance economic empowerment of deprived groups. In a few cases, privatisation policies led to an effective broadening of the ethnic base of entrepreneurship and business ownership—but the efficacy of these policies depends on strong transparent and development-oriented institutions of a kind that are rarely available in post-conflict situations.

Major causes of negative outcomes were inadequate recognition and commitment to HIs by states, the presence of countervailing policies, weaknesses in institutional design and state capacity, or the existence of sources of economic prosperity that directly or indirectly benefited some sections of society disproportionately. In cases where HIs have been reduced, this occurred in a somewhat haphazard manner, with patchy implementation, and doubts as to the sustainability of the improvements. In addition, clear evidence indicates that some improvements in HIs are being offset or rendered ineffective by new forms of group inequalities, linked to neo-liberal

reforms and global economic integration. The reduction in HIs due to enhanced state policy is often being silently undone by the market.

Conclusions

HIs need to be taken into account in post-conflict policies in order to reduce the risk of conflict recurrence and to build just and inclusive societies. The evidence from CRISE's review of post-conflict policies is that, in many post-conflict situations, HIs *are* recognised as an important root cause of the conflict. Yet, in the main, policies to address HIs have been very limited, usually confined to actions focused on the social sectors and a few development projects in poorer regions, with almost nothing done to improve employment opportunities and economic activities of deprived groups more generally.

International donors sometimes acknowledge HIs as being of importance, but they do not give priority to HI considerations in actual policy recommendations. Instead, they privilege more conventional (macro and other) policies that can actually lead to a worsening of HIs.

HIs have worsened and policies have been ineffective in cases where only partial policies were introduced, with weak implementation and budgetary constraints. Another key reason for worsening of HIs has been accentuation of inequalities by market forces, which have generally favoured groups and regions already relatively rich.

Box 2 Economic Policies towards HIs in post-conflict situations

- Macroeconomic policies should take into account the impact on HIs, supplemented by policies and programmes which help deprived groups to participate fully in the economy. Appropriate policies include:
 - The monitoring of government expenditure and aid to ensure that they are fairly distributed across groups, with benefits going more to deprived groups and regions than to richer ones.
 - Policies that support increases in revenue which will allow expenditure to rise to provide services for deprived groups.
 - Both taxation and expenditure can be designed so that taxes fall more heavily on richer groups; and expenditure benefits deprived groups and regions most.
 - Market reforms should be complemented by special schemes, in the areas of education, training and credit, to enable deprived groups and regions to exploit the new opportunities.
- Especial attention should be paid to group distribution of employment and education:
 - Government employment often accounts for a large majority of formal sector jobs: HIs in this area are particularly provocative and need to be avoided. This also applies to employment schemes that are typically needed in post-conflict situations to help with reconstruction and to create jobs for youth. In addition, the private sector should be monitored to ensure that jobs are allocated fairly. Anti-discrimination employment legislation is highly desirable.
 - Access to education is a key resource that determines life chances. Reducing HIs in this area is, therefore, especially significant.
- Privatisation offers the potential to spread entrepreneurship and assets. Ensuring that it does so in a way that reduces HIs is an important aspect of privatisation policy, but one that is rarely taken into account.
- The need to monitor and reduce HIs should routinely form part of the PRSP process.
- Data collection and analysis of HIs should be promoted. This may involve making fuller use of existing data sources, adding ethnic and regional questions to household surveys and censuses, and conducting surveys of perceptions and attitudes.

These conclusions echo the findings of the Organisation for Economic Co-operation and Development's *Fragile States Principles Monitoring Survey*. This global report found that, despite doing well on Principle 6 ('promote non-discrimination as a basis for inclusive and stable societies'), actual performance in relation to Principle 10 ('Avoid pockets of exclusion') was weak (OECD, 2010).

Key recommendations

- HI considerations should be taken more seriously both by national governments and the international donor community.
- Policies to reduce HIs may be direct, indirect or integrationist. Direct policies target particular groups explicitly to improve their access to particular resources; indirect policies are universally applicable policies designed to have the effect of reducing HIs; and integrationist policies aim to bring groups together, reducing group identities and enhancing national ones. In a post-conflict context, all three can play a role, but indirect policies and integrationist ones are particularly appropriate as direct policies can arouse severe tensions, at a time when it is especially important to encourage inter-group reconciliation and cooperation. Ideally, the market should be restructured in such a way that it contributes to a decrease in inequalities or at least it does not exacerbate them. Policies, including those on infrastructure, industrial promotion and training, should seek to reduce both regional and ethnic inequalities in market opportunities (see Box 2). However, in implementing policies to reduce HIs one must take note of some caveats:
 - First, there is no one-size-fits-all approach to HIs. Some *aspects* of HIs and their consequences are context-specific, and thus the policies that aim to address them should reflect this. Understanding the nature and extent of HIs is essential for designing appropriate and effective policies. This necessitates gathering and analysing data on HIs.
 - Second, in the policy environment of countries emerging from conflict are likely to be problems due to limited capacity to formulate and implement

policies as well as political tensions surrounding the introduction of these redistributive policies.

- Third, these are not the only policies needed, of course. Policies to correct HIs should, wherever possible, complement other development policies on reconstruction, growth, employment and poverty reduction; sometimes there may be trade-offs, and then priorities will need to be determined.
- Fourth, it is important that policymakers are conscious of and sensitive to the tensions and controversies that might arise following the implementation of policies aimed at redistributing resources across groups. The policies can generate resentment and opposition among losing groups, and targeting specific groups may entrench perceived differences. In general, policies need to be introduced cautiously and sensitively.

Despite these caveats, doing nothing and permitting HIs to escalate is a dangerous policy in post-conflict societies.

— Arnim Langer, Frances Stewart and Rajesh Venugopal

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