

Economic Strategy, Aid Policy, and the State in Countries Emerging from War

Workshop held April 3 – 4, 2008

Graduate Center of the City University of New York

Summary Report

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I. Introduction

The following is a summary of a workshop held to discuss statebuilding in post-conflict environments and focus on what is known empirically about the economic and political processes of statebuilding and the influence of aid. The starting assumption was that for all the current attention on statebuilding, we do not know very much about the effect of economic assistance and yet the current focus on greater policy coherence presumes we do. The report is in summary form, outlining the issues raised and discussed in detail during the workshop. It does not include material presented from the workshop memos.

II. Statebuilding: What is it theoretically and in practice?

- What is meant by the state? What is its purpose and what do we want it to do? Whose interests does it serve? What state are we building or strengthening? Questions not frequently asked in policy circles.
- Three concepts of the state discussed, each one with different assumptions about the best way of attaining an end to violence and postwar stability:
 - Weberian model—idealistic concept of an autonomous set of institutions that are neutral with regard to social conflicts, with an effective bureaucracy is the dominant concept of the state and determines the “good governance” agenda
 - Human Rights concept—more limited concept on the priority at the end of armed conflict and this stage of political transformation, the state as the upholder of human rights with assistance from outsiders
 - Social hierarchies model—concept of the state as a balance of class power. Statebuilding is the creation of a stable hierarchy, entailing violent conflict about who should rule and who should not. Construction of the state is not a technocratic but a highly contentious exercise.
- Is statebuilding a combination of sectoral policies: elections, security sector reform, justice reform, or something else?
- Are there sectors, such as security, which are so linked to the legitimacy and the embodiment of the state itself that should not be under policy direction of international statebuilders?
- How is the success of the state measured? Using inputs, or outputs? Simply measuring inputs, such as completed elections, policies for reform in place, without measuring outputs views the state as a sausage factory, and limits thinking of

statebuilding in terms of goals and outcomes and in avoiding contradictions among the effects of these specific sectors.

- Is statebuilding about ending the violence and creating stability or is it about a democratic transformation? The view taken determines direction of policies.
- The reconfiguration of the state as part of statebuilding is itself a violent enterprise, and the economic transition, implicitly part of statebuilding, from non-capitalist to capitalist economies, is also wrenching and may be further cause for conflict or violence.
- Should conflict then be seen as part of the development model?
- The focus on the technical dimensions of the state obscures the political nature of statebuilding.

II. Aid and its influence

- How influential is aid? Is its influence minimal, given the amounts involved, or does it change the very structure of the emerging state? An underlying assumption that one can buy peace.
- It may not be the quantity of aid that is most influential, but the rules and modalities which come with aid and which constrain the local governments' policy making. How does donor conditionality change the relationship between donor and recipient governments? Is it effective?
- Discussion of aid should not ignore debt.
- Donors and multilaterals vary in their appropriateness and effect in funding and building particular sectors.
- Do states vary in their ability to resist externally designed policies and the demands of donors and multilaterals? Which states can gain some policy space? Which cannot? The most fragile states are most vulnerable to outside ideas and their legitimacy. Does this identify a new type of fragility?
- Why is the prior creation of a common national vision about its goals undervalued by donors in their pressure for the immediate formulation of national economic and security plans? How can space be created for the development of a national vision?
- The choice of exclusive interlocutor by the international mission and donors is the first and most influential decision they make. Are these interlocutors representative of the broader population? Rarely. The most common result is state capture with long term political consequences which outsiders rarely consider.
- Capacity building is about creating capacity to implement donor policies, not about how to do policy analysis and development.
- A comparison between the Chinese and the multilateral donor models. China is seen increasingly as an alternative donor to escape the complicated rules, benchmarks, and conditions which are typical of most aid or loans from multilateral donors. Rather, aid is in an exchange for raw materials. How will this impact the recipient countries in the long term? How will this change the relationships with other donors? What will be the effect of their rivalry and established donors' need for control?

III. Effects of Aid on Economic Strategy and Development

- Economic strategies as based on normative assumptions rather than empirical studies or test.
- Economic strategies may undermine political strategies and goals.
- To what extent are economic strategies and development goals determined by donor countries and their respective levels of financial commitment?
- The pressure on decreasing the size of the state, to allow market forces to function “naturally,” is at odds with the statebuilding goals of building or rebuilding an effective and legitimate state.
- Economic resources tend to include ideologies on development strategy; the two come together. Under what conditions can governments restore choice?
- International donors and agencies also introduce clashes over ideas, psychology, and strategic interest to this mix.
- Few models of successful transition to post-conflict states. So, need to expand universe of cases. Comparisons with earlier post-conflict cases, such as Korea or Malaysia, or with the post-WWII Marshall Plan; with other types of transitions, especially those from non-capitalist to capitalist economies can provide information about success and examples of less violent and painful paths. Instead, experience with Iraq and Afghanistan increasingly influential.
- Corruption. How do donors’ choices to deal with corruption affect the economy or development process? The postwar political contest? If corruption or patron/client relationships are present and a vital part of almost any economy, should policies therefore distinguish between different types of corruption, or different dynamics of patron/client relationships, some of which lead to stability but others to violence?
- How has the war transformed the society, and how has the local population changed its coping strategies during the war? How do these transformations, or the informal economy, get included in the post-war understanding of the economy?
- Security: What are the preconditions of security sector reform? What is the impact of policies about security implemented independent of a national security strategy? What should the role of outsiders be in the process? What kind of security is needed most?
- Justice system reform: Is this area relatively neglected relative to its importance? Is the time frame for the creation of a viable justice system too long for aid to be effective? Most countries have hybrid justice systems; is there room for this mix of informal, customary, and local in national justice reform?
- Elections: Why the insistence on elections when the entire academic literature argues against it and especially its timing? Elections are very expensive to organize; what is the opportunity cost of these funds? How can local power structures be included rather than excluded from the electoral process?
- Rule of law and property rights stability are a public good, not a free good; very expensive, particularly for a poor country.

IV. New Areas of Research

- New comparisons and new case studies
 - Varieties of capitalism literature shows different paths economies can take under capitalism. Interesting to develop similar comparisons for post-conflict transitions where there is an overriding model but substantial local variation.
 - Which institutions are strengthened during post-conflict statebuilding? Which are not? Need more empirical research to answer this.
 - Technical solutions are well researched, such as elections, but what is lacking is ethnographic studies from the implementation point of view. How do case studies of implementation differ?
 - Comparison of countries where repeated efforts to bring stability failed with countries where the conflict itself was resolved even if the problems which gave rise to the conflict, or emerged after the conflict were not.
 - Need to understand what went wrong and why.
 - Need documented case studies and practices; there are no best practices, in fact.
- Donor-recipient relationships
 - More research on how donors and recipients affect each other's behavior.
 - How can strategic interests on the part of the donors be measured or evaluated?
 - How do donor promises translate into reality? A comparison of what was done with what was promised.
 - How do donor promises or promises made in peace agreements impact the expectations of the population in countries emerging from war? Can unrealistic promises undermine statebuilding efforts?
 - How can local actors get more policy space? How are current practices constraining new governments?
 - How do countries manage the transition from aid dependency to independence?
- Focus on political aspects
 - Rather than assuming policies are politically neutral as current practice tries to, research what is the political impact of such policies.
 - Research that challenges current thinking about what contributes to political stability: promotion of liberal democracies vs. establishment of a new ruling class. Does stability require multiple sectors of society as stakeholders or one influential group of elites?
- Focus on economic aspects
 - Research the lowest level of economic survival, not just macroeconomic policies and microeconomic incentives/promotion of the private sector.
 - Study of the transformation of certain groups, such as war lords, into entrepreneurs or a new capitalist class
 - How important is employment in the transition to stability?

V. Next Steps

- How can actionable knowledge be created? How to bring knowledge to those who need it?
 - Different models suggested such as a clearing house or hotline—so those in the field can have access to expert knowledge when making decisions. But who decides who is an expert? What type of knowledge then comes to dominate? How does this differ from advice and information currently offered by international financial institutions? Could this be an open source option, or networked?
 - Horizontal network would be a different approach, connecting people experiencing similar problems in different parts of the world. Perhaps also a better way to capture the different views on a particular question, including how to protect knowledge produced locally against their dismissal by mainstream approaches.
 - Access the rich debates already taking place in the public sphere and by scholars in these countries that international actors and even northern scholars know little about.
 - Creation of a manual for those undergoing post-conflict state-building
 - Bridge the lack of knowledge of donors and United Nations missions and agencies about each other
 - Appreciate that there are different types of knowledge
 - How donors can learn more about the structure of interests in a country; how practitioners can learn to assess who benefits from their policies politically and to make political judgments, not just technical ones.