

Towards a Policy Agenda for Sustainable Peace: Lessons from Other Countries in Conflict - a Discussion

**Richard Newfarmer
International Growth Centre**

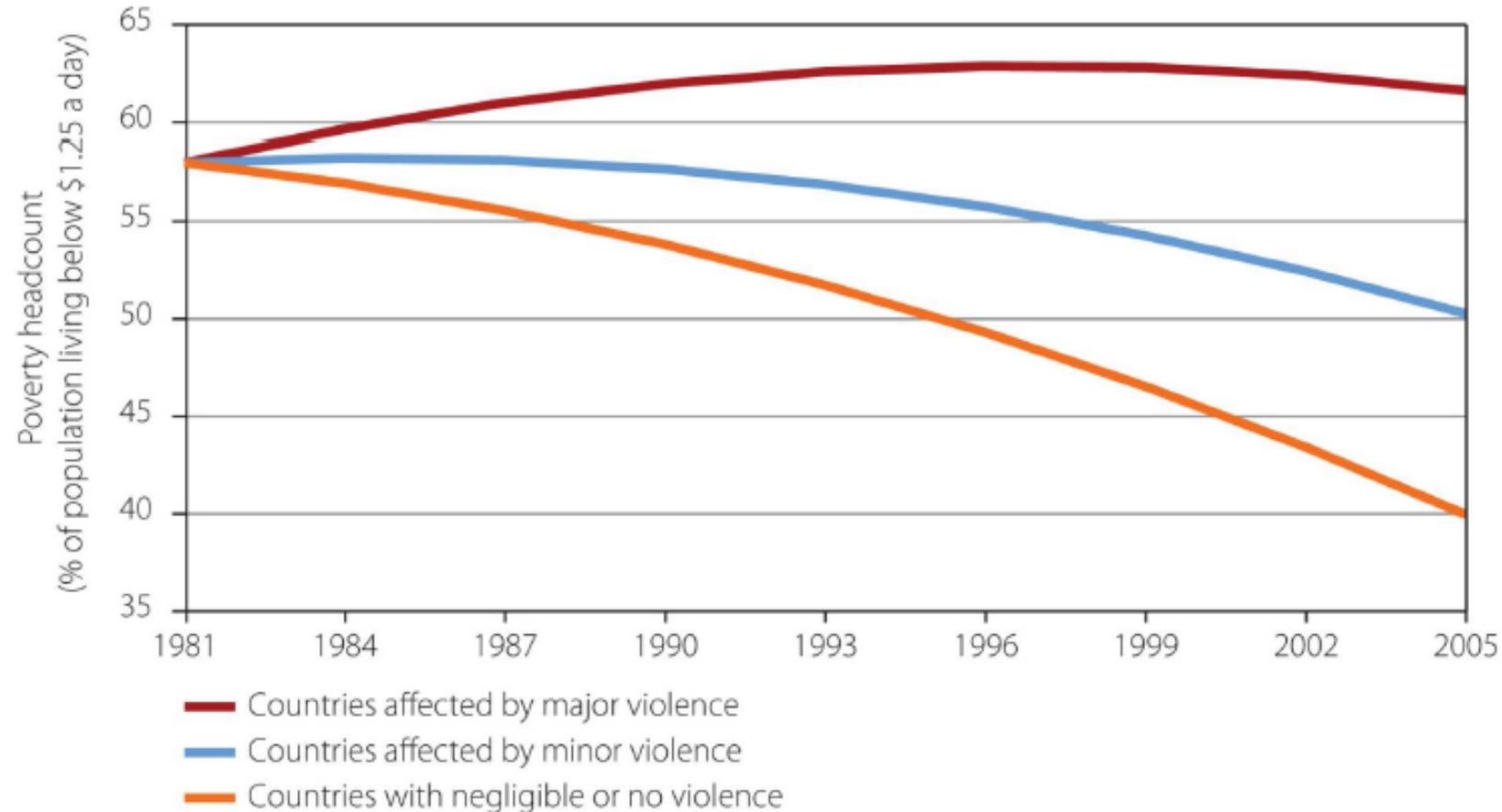
Juba, South Sudan
November 10, 2015

This presentation is co-authored with Astrid Haas, IGC-South Sudan, and benefitted from insightful comments from other IGC colleagues, Peter Ajak, Charles Data Alemi, Nada Eissa, and Hugh Cole

Overview of main messages

- **Violence and growth: Conflict dooms countries to deep poverty**
- **But some countries have escaped ethnic and civil violence. Key elements of success include restoring immediate confidence and transforming institutions, and creating a virtuous cycle**
- **One success story is Rwanda – how did they create a virtuous cycle?**
- **Towards an action agenda – What could South Sudan do?**

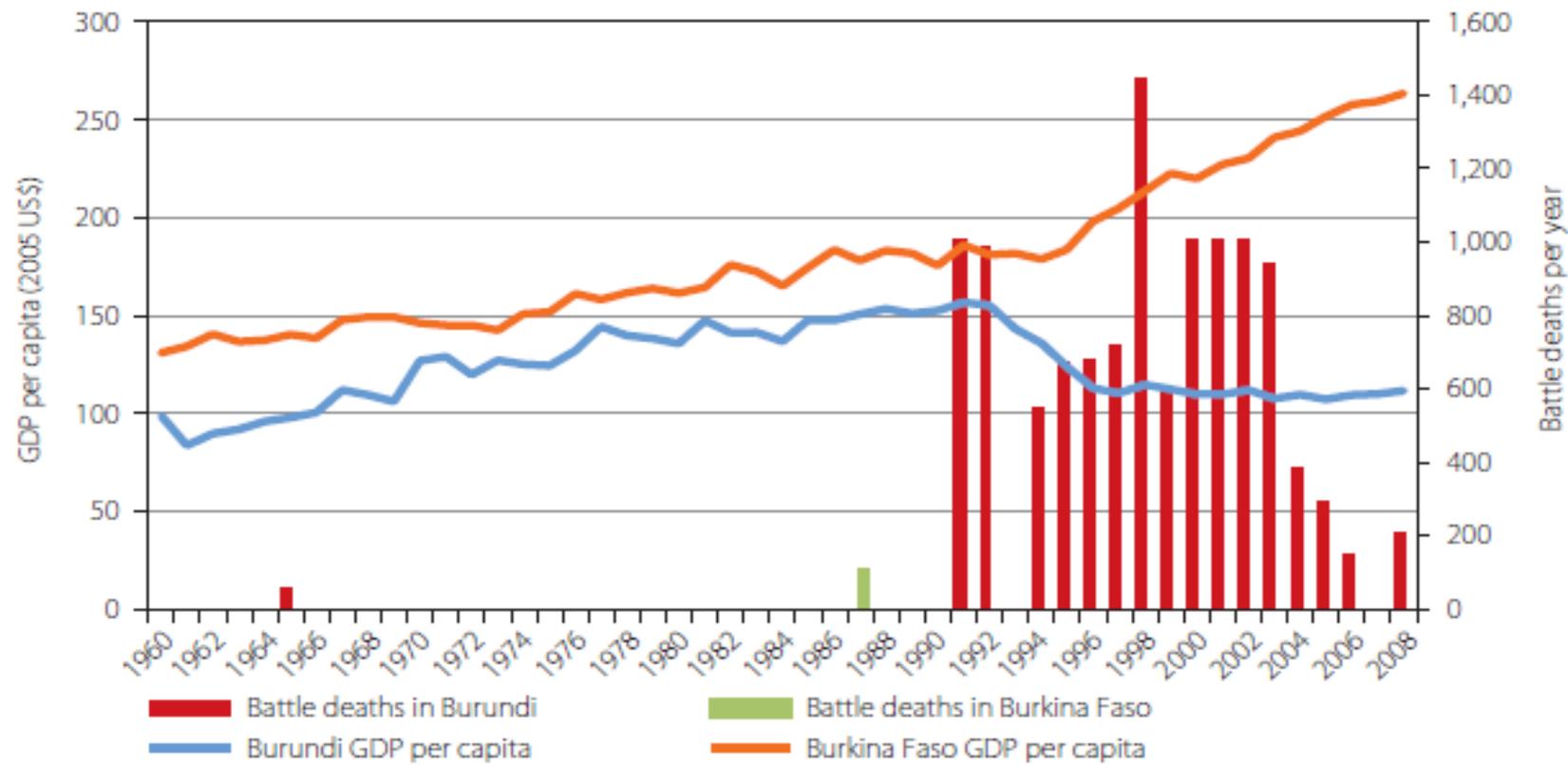
Prolonged conflict keeps countries poor...



- A civil war cost an average size middle income country the equivalent of 30 years of GDP growth
- It takes on average 20 years for trade to recover to pre-war levels

Prolonged conflict keeps countries poor... two stories

Until the early 1990s, per capita incomes and growth in Burkina Faso and Burundi were similar. Following massive violence in Burundi, their growth paths diverged. In real terms, Burundi has lost nearly two decades of income growth, with incomes set back to 1970 levels.



Sources: World Bank 2010n; Gleditsch and others 2002; Gates and others 2010; Uppsala/PRIO Armed Conflict dataset (Harbom and Wallensteen 2010; Lacina and Gleditsch 2005); WDR team calculations.

Violence can last decades... establishing peace and breaking the cycle of violence is urgent

sustained fragility almost always leads to violence.....

of the 40 countries that were 'fragile' (CPIA<3.2) for five or more years between 1978 and 1990, 17 remained fragile in 2009: and of those.....

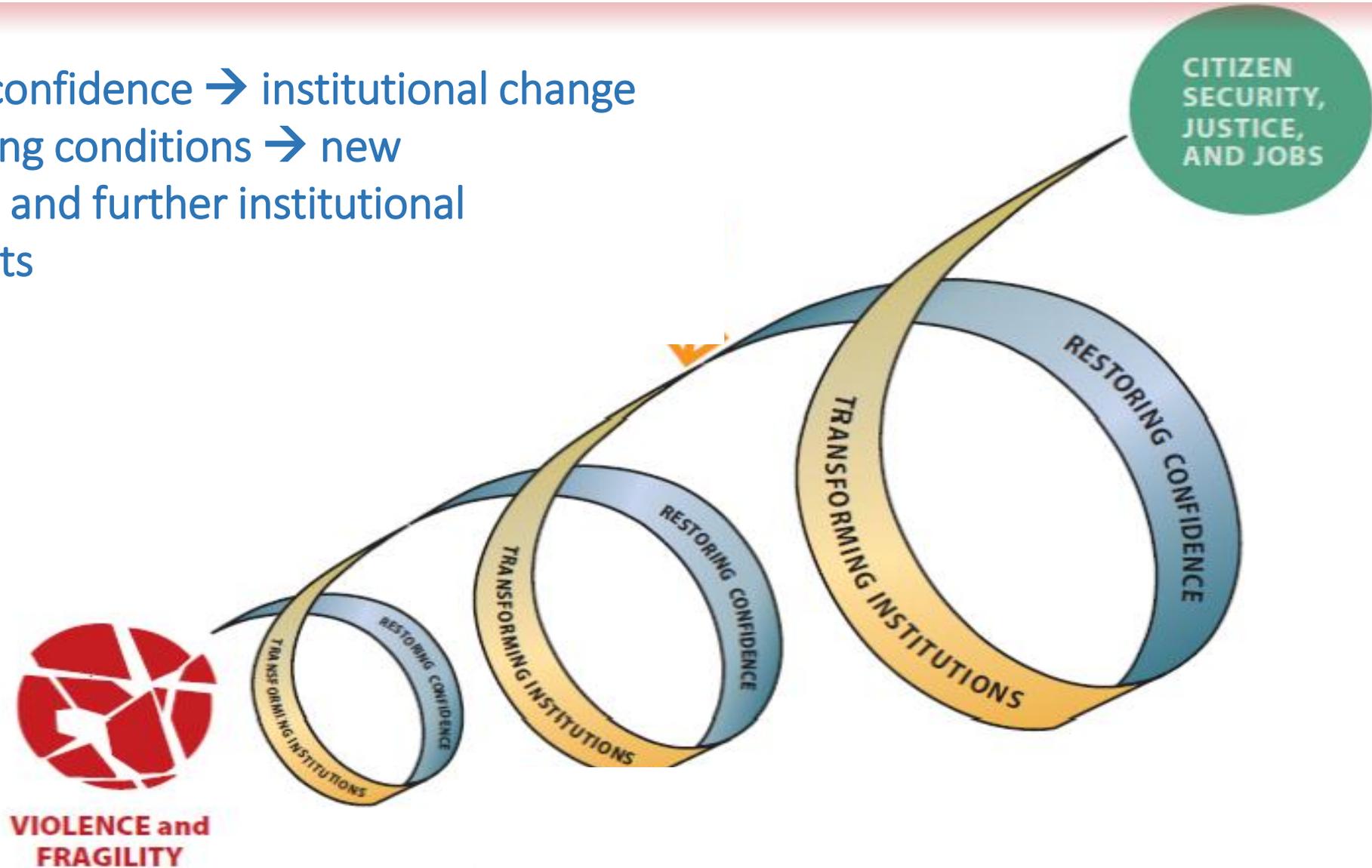


- **90% of civil wars in the 2000s were in countries with civil wars during the previous 30 years**
- **The good news: 23 countries escaped fragility and violence**

How have countries worked their way out of conflict?

They unleash a virtuous cycle...

From initial confidence → institutional change
→ better living conditions → new
confidence... and further institutional
improvements



Restoring confidence: Signals, Plans and Commitment

Signals

- “Inclusive-enough” coalitions:
 - *National Level*: key members of opposing forces, sub-national leaders, business, academia, civil society, women’s groups etc... – South Africa 1994 vs Colombia 2002
 - *Local Level*: community engagement, citizen mobilization – Afghanistan 2003 and Cambodia 1996
 - *International*: regional partners, donors – Timor Leste 2002
- Politics: South Africa 1990: Release of Mandela and suspension of armed struggle
- Credible ministerial and leadership appointments - Mozambique 1994 key RENAMO military named to leadership positions in military

Realistic Plans

- Early announcements and first step implementation
- Economic policy – Rwanda 1995-2003 with first step to end dual exchange rate
- Transport – Colombia 1993 “Transmilenio program” to open up roads through new security measures
- Community-led development – Afghanistan 2003 Village councils under the National Solidarity Program finance some service provision
- Other “best-fit policies” – Lebanon 1990s Private electricity projects restore power

Commitment Mechanisms

- Dual key budgeting – Timor Leste 1999 government and donors sign off on major expenditures
- Independent executing agencies – Kosovo has UN to administer customs service until 2006 and 2007; Nepal 2001 in education
- Independent Monitoring and Certification – Liberia 2002-2004 outsourced monitoring of natural resource concessions under AU and ECOWAS auspices - increase revenue and donor funds
- External security guarantee – Liberia 2003 UN Mission with AU and ECOWAS helped restore the public confidence in the security environment.

Restoring confidence opens way to begin transforming institutions...

Three area are crucial areas...**security, justice and jobs**

citizen security	access to justice and services	jobs
<ul style="list-style-type: none">• citizen protection; community policing• realistic objectives and communications• vetting; security forces accountable to public• dismantling criminal networks	<ul style="list-style-type: none">• independent judiciaries linked to security reforms; faster caseload processing; extending justice services• phased anti-corruption measures; social accountability mechanisms• humanitarian delivery• public financial management: directing funds to underserved/excluded groups• multi-sectoral community empowerment programs (CDD etc.)• political representation: local and national	<ul style="list-style-type: none">• community-based/public employment programs• macroeconomic policies to contain consumer price volatility and encourage labor-intensive private employment

Transforming institutions takes time and persistence

- Consensual program to integrate and reform military:
 - DRC: Multi-country demobilization and reintegration program - 300 USD + bicycle for ex-combatants; 66,814 joined national army and 140,000 were demobilized. Funded by IDA + 13 donors and regional governments
- Public financial management reforms
 - Sierra Leone: Reform in the PFM structures after the civil war ended were focused on improving the comprehensiveness and coherence of the regulatory framework. Also had technical assistance experts carry out many of the day to day functions.
- Job creation and Community Based Employment Programs
 - Timor Leste: US OTI with the UN implemented the Transitional Employment Program right after the war to employ 50,000... Timorese in positions that would also help the infrastructure reconstruction (i.e. low skilled jobs)

Rwanda: A Case Study

While Rwanda had a far different political context in 1994 than South Sudan today, the new government unleashed the virtuous cycle of restoring confidence, transforming institutions, and raising incomes...enabling further reforms

Rwanda: From darkest despair to peace and prosperity

GDP Per Capita (US\$)



Source: World Bank, World Development Indicators, IMF

A Chronology of Key Events in Rwanda

Pre and Post Independence

- 1962-Rwanda obtains independence
- 1978-new constitution ratified
- Ongoing waves of refugees created in neighboring countries as Rwandan citizens flee increasingly autocratic and repressive regime
- Under pressure, New Multi-party constitution promulgated in 1991
- President Habyarimana killed in air crash in 1994 and genocide commences
- More than 1,000,000 Tutsi's and moderate Hutu's are killed
- RPF stops genocide
- Economy (GDP) contracts by 41.9% in 1994-95

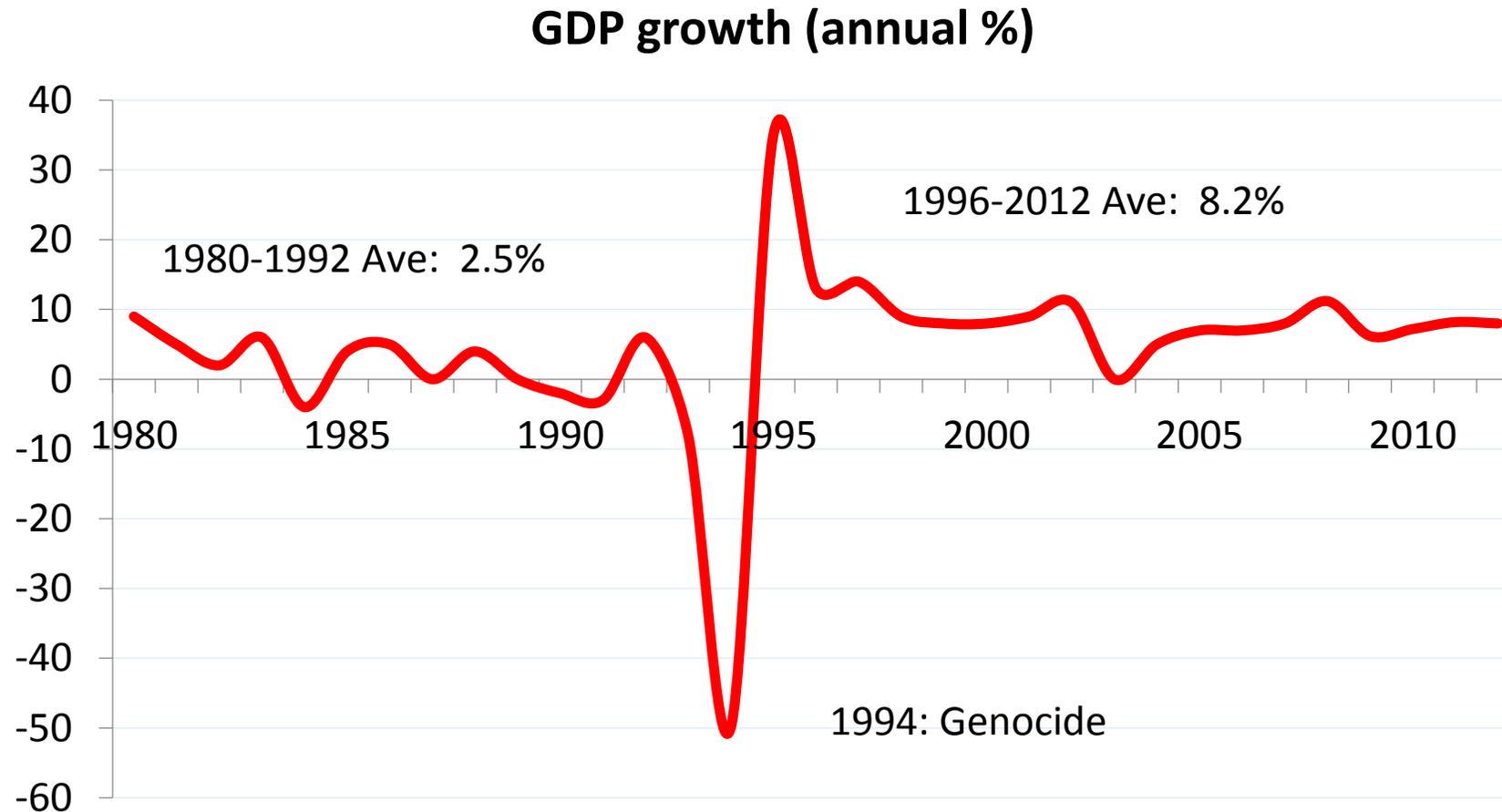
1994 – 2000: Recovery phase

- Emigration rate of educated citizens peaks as country struggles to find bottom
- 77% of the population living below the poverty line (US\$2 per day)
- Expanding the social safety net
- Several Rwandans implicated in the genocide flee to the DRC. 1st set of UN tribunal indictments issued
- Restoring macroeconomic balance: GDP growth reverts to positive levels by 1996 but major structural challenges remain
- Institutions strengthening

2000 – 2012: Reconstruction and sustainability phase

- Emphasis on robust governance and sustained political stability
- Improving legal environment
- Consolidate macroeconomic stability
- Ensuring faster growth for poverty reduction

Restoring confidence and progressively transforming institutions unleashed a stellar economic performance



Source: World Bank, World Development Indicators, IMF

...and zero tolerance for corruption...

Bribery prevalence according to citizen surveys

Country Rank	Country	Bribery Prevalence 2011	Rank in 2010	Bribery Prevalence 2010
1	Burundi	37.9%	1	36.7%
2	Uganda	33.9%	2	33.0%
3	Tanzania	31.6%	4	28.6%
4	Kenya	28.8%	3	31.9%
5	Rwanda	5.1%	5	6.6%

Source: Transparency International *East African Bribery Index, 2011*

Policy Drivers in Rwanda...

Establishment of security and justice

- Re-integration of more than 1 million Rwandans after genocide
- Social programs to deal with orphans and widows
- Reliance on communal justice system to rebuild social capital
- Unrelenting leadership in creating a national Rwandan identity

Signals and jobs: Immediate unwinding of ISI interventions...

- Zero tolerance for corruption
- Reconstruction: electricity, rehabilitation of selected factories
- End to exchange rate controls; phase out of price controls; liberalization interest rates
- Reduction in import tariffs 1995-98 from 100%
- Reduction in state enterprises to a few core activities
- Welcoming visitors and professional workers
- Support from donors – from small amounts to about half of the investment budget

Transforming institutions...

- Ambitious program of public investment
- End to state monopoly of coffee exports
- Gradual privatization program, accelerating after 2000
- Joining of EAC (2007) and WTO and further opening
- Top reformer in WB DB over last 6 years, and moved to 52 place; 6 hours to register a business; most competitive place to do business in EAC and 3rd in Africa (WEF);

What Can South Sudan Do?A Discussion of First Steps

What first steps could South Sudan do to restore confidence and transform its institutions for peace and prosperity? For example ...

- **What signals could the government of national unity send?**
 - Appointment of respected and representative cabinet officials from broad coalition;
 - Formulate/announce economic growth plan to realize Vision 2040...take first steps
 - Announce external audit of oil company and petroleum sales (e.g., Timor Leste)
 - Engage donors to unlock grant resources and technical expertise
 - Transparency: Present fiscal accounts, reserves, and debt obligations
 - Establish “commitment mechanisms” on budget management (with EAC partners and donors?)
- **Economic reactivation to create jobs: what plan would promote new growth?**
 - Implement first steps in coherent macroeconomic program (e.g, action on exchange rate)
 - Organize military to open and protect transit routes, especially for humanitarian aid
 - Develop programs to unwind UN camps and return displaced persons to farms
 - Fund community-based programs to repair infrastructure – repair roads, community electricity, water and sanitation
- **Begin transforming institutions: What institutions should be reformed first?**
 - Security: Program for integrating armies, disarming militias, and eventual demobilization.
 - Justice program to reconcile competing claims
 - Public finance: Adopt new federalism measure to improve services
 - Community finance: incentives for communities to monitor resources to establish social accountability
 - Take action to improve infrastructure (transport, power,), agriculture, education and health

References and some further reading

Collier, Paul, 2009, *Wars, Guns, and Votes* London: Harper.

Collier, Paul, and Nicolas Sabinis (eds) 2005 *Understanding Civil Wars: Evidence and Analysis* London: Routledge.

De Waal, Alex, 2015 *The Real Politics of the Horn of Africa: Money and the Business of Power* London: Polity

Kinzer, Stephen, 2008 *A Thousand Hills: The Story of Rwanda's Rebirth and the Man Who Dreamed It* Amazon: NY

IMF, 2000, *Rwanda: Recent Economic Development* Washington:IMF

World Bank, 2011, *World Development Report 2011: Conflict, Security and Development* Washington: World Bank

Towards a Policy Agenda for Sustainable Peace: Lessons from Other Countries in Conflict – a Discussion

Richard Newfarmer
International Growth Centre

Juba, South Sudan

November 10, 2015

This presentation is co-authored with Astrid Haas, IGC-South Sudan, and benefitted from insightful comments from other IGC colleagues, Peter Ajak, Charles Data Alemi, Nada Eissa, and Hugh Cole