



Arild Schou and Marit Haug

Desentralisation in Conflict and Post-Conflict Situations

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Abstract: This paper reviews the literature on decentralization in multiethnic states with the objective of exploring key issues in the literature, identifying research gaps and suggesting policy recommendations for Norwegian development policy. Overall, the review has demonstrated that many of the promises of decentralization have not been met or documented, or the results have been mixed. There is no consistent evidence to document that decentralization has served as a conflict management tool. The experience differs significantly between governments in unitary and federal states respectively. In unitary states governments often use decentralization as a tool for eroding ethnic identity and solidarity. Federal governments often apply the exact opposite approach; they explicitly recognise the rights of ethnic groups in a national system of ethnic accommodation. They believe that accommodation of national minorities holds the key to stability and unity. The evidence is mixed with regard to the impact of federalism on conflict. Some argue that federal solutions may have a conflict mitigating potential in the short term, while in the long term secession is a distinct possibility. Findings from comparative qualitative case studies provide a mixed picture. Some argue that 'true autonomy prevents secession' while others point to the dismal track record of federal states.

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Foreword

This is a state of the art' review of the findings of the academic literature on decentralisation in conflict and post-conflict situations. The report was commissioned by the Norwegian Ministry of Foreign Affairs in 2004 after NIBR had arranged an international conference on donor support to decentralisation and local governance in developing countries in Oslo in 2003. The conference, which was sponsored by the Ministry, was held in connection with a NIBR's study on decentralisation local governance that was carried out for OECD. The main objective of the current review has been to synthesise the existing research findings and policy discussions regarding decentralisation in conflict and post-conflict situations and to account for lessons and results of relevance for policies in such situations for development aid. An additional objective has been to identify knowledge gaps in the area and come up with recommendations on how to strengthen Norwegian research in the field.

The findings are based on a variety of documents ranging from individual case studies, comparative case studies, synthesis studies, large quantitative studies and some selected evaluations/studies by multilateral and bilateral donors. The team has concentrated the review around research-based literature, but has also found it useful to draw on the growing number of more policy oriented reports and papers commissioned by bilateral and multilateral donors, in particular for the purpose of providing policy recommendations.

The work has been carried out by Marit Haug and Arild Schou and their work has benefited from comments from other NIBR-researchers such as Berit Aasen, Trond Vedeled, Einar Braathen and Åse Grødeland. They have also received useful input from officers in the Ministry, particularly Asbjørn Løvbrekke.

Oslo, desember 2005

Arne Tesli

Research Director

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Executive summary

Arild Schou and Marit Haug

Decentralisation in Conflict and Post-Conflict Situations

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Background and ToR

In 2004, the Norwegian Ministry of Foreign Affairs commissioned the Norwegian Institute for Urban and Regional Research (NIBR) to carry out a 'state of the art' review of the findings of the academic literature on decentralization in conflict and post-conflict situations. According to the ToR for the assignment the report should:

- Synthesise the existing research findings and policy discussions
- Analyse the research-based knowledge in the area in order to identify lessons and results of relevance for policies in conflict and post-conflict situations and for development aid
- Contribute to identifying knowledge gaps in the area and come up with recommendations on how to strengthen Norwegian research in the field

Scope

This paper reviews the literature on decentralization in multiethnic states with the objective of exploring key issues in the literature, identifying research gaps and suggesting policy recommendations for Norwegian development policy.

In carrying out the review, the team has drawn on three bodies of literature:

- the academic literature on decentralization from the development discourse
- the academic literature on federal solutions as a conflict management tool in multiethnic states
- recent literature on decentralization as a conflict management tool in unitary states

The findings in this report are based on a variety of documents ranging from individual case studies, comparative case studies, synthesis studies, large quantitative studies and some selected evaluations/studies by multilateral and bilateral donors. The team has concentrated the review around research-based literature, but has also found it useful to draw on the growing number of more policy oriented reports and papers commissioned by bilateral and multilateral donors, in particular for the purpose of providing policy recommendations.

In the review a distinction is made between unitary states, which are decentralized through legislation and federal states in which decentralization is defined by the constitution. While the government in unitary systems can revoke decentralized powers

unilaterally, changes to a federal system must be agreed between the central and the devolved units.

Findings

The purpose of decentralization in terms of *development objectives* is to deepen the level of national democracy, to enhance administrative efficiency and to promote popular participation so that services can be provided in an equitable and responsive manner. Overall, the review has demonstrated that many of the promises of decentralization have not been met or documented, or the results have been mixed. There is no consistent evidence to document that decentralization has improved efficiency, equity or service delivery as promised in the development discourse on decentralization. With respect to equity the findings suggest that the potential for redistribution between regions is more promising than for redistribution within local governments. In the area of popular participation the picture looks more promising. However, special measures are needed to include marginal groups.

The purpose of decentralization in terms of *ethnic conflict management* differs significantly between governments in unitary and federal states respectively. In unitary states governments often use decentralization as a tool for eroding ethnic identity and solidarity. Federal governments often apply the exact opposite approach; they explicitly recognise the rights of ethnic groups in a national system of ethnic accommodation. They believe that accommodation of national minorities holds the key to stability and unity. The evidence is mixed with regard to the impact of federalism on conflict. Some authors (based on large case studies) argue that federal solutions may have a conflict mitigating potential in the short term, while in the long term secession is a distinct possibility. Findings from comparative qualitative case studies provide a mixed picture. Some argue that 'true autonomy prevents secession' while others point to the dismal track record of federal states.

In contexts in which decentralization succeeds, the process could have a significant conflict mitigating potential through the mechanisms identified below:

- a broadening of popular participation, in particular by inclusion of minority groups in political processes
- bringing sub-national groups into a bargaining process with the government
- increasing state legitimation through broadened local popular participation
- establishing state outreach and control in remote areas
- building trust between groups that participate in local governance institutions
- redistribution of resources between regions

Decentralization could also create new conflict dynamics, resulting in:

- Increased conflict between local and national power holders over power sharing. Decentralized units and the resources that go with decentralization may be used as a basis for political mobilisation, increasing the capability of groups to break away. On the other hand the central government may work to undermine newly devolved powers to regain their hold on power.
- Increased conflict between regions, in the absence of national policies that seek to counteract such conflicts. Reallocation of power to sub-national levels may lead to intensified conflict between regions as resource rich regions may see decentralization as an incentive for separation.

- Disputes at the local level over control of land, resources, aid etc. Disputes may become exacerbated by undemocratic processes at the local level that foster discontent among the population. Externally funded programmes are particularly vulnerable to exploitation by local strongmen.

The success of decentralization efforts may depend as much on contextual factors as on the design of any particular decentralization model. For example whether the regime is democratic or authoritarian, the degree of power sharing at the centre, the ethnic constellation (the notion of a 'Staatsvolk' on the one hand and the idea that bi-polar situations are more difficult to accommodate than multi-polar situations), whether decentralization took place in response to internal processes or was imposed by external actors, the level of economic development etc. Therefore, contextual factors need to be carefully analysed and taken into account before commitments are made about support to decentralization.

Implications for donor policies

With respect to specific models for decentralization, the literature does not offer effective guidance for donors or governments. Most notably there is contention over the principles upon which decentralization should be built. The main fault line runs between supporters of federalism who argue that ethnic groups should be the building blocks of a political system designed to manage difference, and others who argue that a decentralized system should cut across ethnic boundaries and be designed to foster collaboration and transcend ethnic differences.

Although decentralization often constitutes one of the key elements of peace agreements, and donors have a long-standing policy of promoting decentralization, donor policies in relation to post-conflict situations and conflict prevention do not systematically discuss the link between decentralization and conflict. Authors who have addressed the role of donors in supporting decentralization in conflict situations have stressed the politically sensitive nature of decentralization and the realignment of power relationships that is involved.

Research gaps

There is a need to focus specifically on developing countries in conflict or emerging from conflict.

The relationship between decentralization and ethnic conflict management should be explored through *comparative* studies, either using an inductive design or with the help of theoretical models. Many studies have been carried out either at a very high (theoretical) or at a very low level of aggregation (one country cases). Studies should be designed to arrive at a better understanding of how the decentralization model itself (unitary or federal) in combination with contextual factors, affect institutional effectiveness and impact.

There is a need to carry out more *large-N studies* of the relationship between the form and degree of decentralization in unitary and federal states respectively and the eruption and management of ethnic conflicts.

There is also a need for more *historically oriented case studies* of how multiethnic states evolve over time and how and why various constitutional (including federalism and unitary state designs) and administrative designs are introduced to cope with ethnic diversity and conflict.

- **Sequencing of reforms:** There are a number of areas where analysis could shed light on successful ordering of decentralization measures. Should local democratic institutions be established before powers are transferred? Should governments give priority to de-concentration instead of devolution in immediate post-conflict situations in order not to politicise service delivery?
- **Mechanisms that regulate the relationship between central and local governance institutions:** It is crucial to understand the mechanisms whereby transfers of political, administrative and financial power in the immediate aftermath of conflicts succeed and accountability relations are successfully established.
- **Characteristics of successful model:** One of the problems in assessing the contribution of decentralization towards conflict resolution is that decentralization processes themselves have frequently been unsuccessful. There is a need to identify relatively successful decentralization processes and to assess the impact of such processes in post-conflict situations, to identify the particular aspects that were successful and how models should be designed in order to enhance their positive impact over the long term.
- **Equity and distributive fairness:** Since decentralization implies reallocation of power, the process also creates a new set of local institutions which serves the interests of particular social groups and often local elites. One key issue is whether decentralized systems are better equipped to deal with localised conflicts over access to both government resources (education, jobs etc.) and natural resources than more centralized governance systems. Another issue is the extent to which local governance institutions are able to act in a non-discriminatory way towards minorities.
- **The role of the international community:** There has been little systematic research aimed at analysing the role of the international community in supporting decentralization processes. Moreover, the role of diaspora communities as a link between donors and countries in conflict in mediating specific models has not been researched.

1 Introduction

1.1 Background and purpose

This paper reviews the literature on decentralization in multiethnic states with the objective of exploring key issues in the literature, identifying research gaps and suggesting policy recommendations for Norwegian development policy. In carrying out the review, the team has drawn on three bodies of literature:

- the academic literature on decentralization from the development discourse
- the academic literature on federal solutions as a conflict management tool in multiethnic states
- recent literature on decentralization as a conflict management tool in unitary states

The development and conflict discourses have up to now been largely separate, and the objective of this study is to pull them together in order to compare the lessons learned from the two discourses and to identify knowledge gaps that need to be taken into consideration in future research.

The study draws on literature from mainly three thematic research areas. Firstly, it reviews the research findings from the development discourse pertaining to the impact of decentralization on development outcomes, and explores the *indirect* linkages between these development outcomes and ethnic conflict – both their conflict intensifying and conflict mitigating potential. The development discourse claims that decentralization strengthens local democracy and promotes efficiency, greater equity and responsiveness in the use of public resources.

Secondly, the debate on the relationship between decentralization and national integration/disintegration has been extensive in academic circles for many decades in the form of discussions of the conflict management potential of multiethnic federations (Ghai 2002 and McGarry and O’Leary 2002). These authors are concerned with the *direct* effects of decentralization on ethnic tension.

Thirdly, since the latest wave of decentralization took off in the 1980s, there has also been a growing literature on decentralization and management of ethnicity in unitary states (Mehler 2002, Woodward 2002 and Bastian and Luckham 2002). These debates have become topical in the wake of the wave of state restructurings and the emergence of newly independent states since the end of the cold war. For example, the issues of decentralization and conflict have been high on the agenda following the reconstruction efforts in post-Saddam Iraq and post-Taliban Afghanistan.

he review is based on literature that discusses decentralization in relation to contexts of ethnic conflict¹. In the reviewed literature there is often no explicit distinction drawn between conflict and post-conflict situations. Since the notion of post-conflict is relatively new and because the distinction between conflict and post-conflict situations often can not be drawn sharply, we often refer to the more inclusive concept ‘conflict situations’ throughout this report.

The debate on decentralization and conflict was highlighted in a recent OECD review, carried out by the Norwegian Institute for Urban and Regional Research (NIBR), of lessons learned from donor support to decentralization and local governance (OECD 2004).

On the basis of NIBR’s involvement in this review, the Norwegian Ministry of Foreign Affairs commissioned NIBR to carry out a ‘state of the art’- review of the findings of the academic literature in the field of decentralization in conflict and post-conflict situations. The present report was commissioned to provide recommendations on how to strengthen Norwegian research in the field and for use in the planning of the new research program on conflict. According to the ToR for the assignment the report should;

- Synthesise the existing research findings and policy discussions
- Analyse the research-based knowledge in the area in order to identify lessons and results of relevance for policies in conflict and post-conflict situations and for development aid
- Contribute to identifying knowledge gaps in the area and come up with recommendations on how to strengthen Norwegian research in the field

1.2 Scope and methodology

The findings in this report are based on a variety of documents ranging from individual case studies, comparative case studies, synthesis studies, large quantitative studies and some selected evaluations/studies commissioned by multilateral and bilateral donors. Since the study has been designed to provide input for possible future research in the field, the team has concentrated the review around research based literature. Although the bulk of the literature comprises this type of academic research, the team has found it useful to draw on the growing number of more policy oriented reports and papers commissioned by bilateral and multilateral donors, in particular for the purpose of providing policy recommendations.

The review has been largely restricted to examining decentralization in the context of ethnic conflicts, mainly because this is the most prominent conflict dimension referred to in the ToR. However, the discussion on decentralization from the development discourse is applicable to all categories of conflict. Consequently, the implications of decentralization in contexts that are primarily defined resource conflicts and class conflicts have not been explicitly discussed.² For example, there is a large literature on how formulas for sharing of resources can be built into peace agreements, but there is no extensive literature on decentralization, resource conflicts and conflict management. As for class conflicts, the state itself is often contested and the conflict is over control of the

¹ Ethnic conflict is in more recent literature often referred to by the broader category of identity conflict.

² Please refer to a review of categories of conflict in chapter 2.

central government. Hence, decentralization is often not an explicit demand in such conflicts.

In referring to specific country cases, the review covers mainly Asian and African countries in accordance with the terms of reference for the study. However, sometimes particularly relevant research findings from other country contexts are referred to. A comprehensive review of country cases has not been possible due to the brevity of the report, as requested in the ToR. It should be noted, however, that much of the generic literature covered by the review is based on the experience of the OECD countries, and that the contributions that specifically address decentralization in Asian and African contexts are very limited.

An underlying assumption of this study is that factors such as constitutional design and degree of decentralization have a bearing on the stability/instability of multiethnic states. This does not mean, however, that we do not recognise that other factors (for example related to economy and society) also have a significant impact on national integration and conflict. In a recent study on reasons for civil wars, for example, it is concluded that although 'politics matters' other factors matters more. The thesis of the economic theory of rebellion stresses the crucial importance of the capacity or lack of capacity of rebel movements to become financially viable (Collier et. al. 2003). The Collier study notes that factors such as the degree of ethnic repression or democratic governance are not particularly important, for example highly repressive governments often fail to trigger civil war. The argument is that irrespective of the nature of the regime, civil wars tend to erupt in countries where groups are able to build organisations that are militarily and financially viable.

It is also important to take note of the distinction between *spatial* and *corporate* decentralization (Ghai 1998: 60). Spatial decentralization refers to various forms of territorial devolution or delegation of political and administrative powers (Hannum 1990). Corporate decentralization is mainly used when the geographical distribution of ethnic groups does not lend itself to spatially separated units. Such power sharing mechanisms include special forms of representation, like separate seats or electorates, but also various forms of legal pluralism (e.g. Sharia legislation in basically non-Muslim societies). Typical examples are Belgium and Fiji. Spatial and corporate decentralization may take variety of forms, and can be combined in order to respond to different configurations of ethnic relations. This kind of 'decentralization' falls outside the scope of this study because the ToR specifically focuses on spatial (territorial) decentralization.

In the review we have divided the literature on conflict management in multiethnic states into two; literature that discusses federal solutions to conflict and literature that pertain to unitary states, because those are two discernable traditions in the literature. Yet, the value of making this distinction has been questioned. Scholars argue that the federal/unitary dichotomy has lost its power to describe or classify the complex and differentiated phenomenology of multi-level systems of governments. Bermeo and Amoretti (2004) question the use of the dichotomous approach (federal/unitary) because it ignores the complex differences between types of federal systems. Instead they advocate the creation of a model that pays special attention to the attributes of system types that are most likely to have an impact on the likelihood of ethnic conflict, for example; i) whether the electoral system allows for sufficient voice to minorities; ii) the degree of fiscal decentralization; and iii) whether or not the majority party dominates both the regional and the central office.

2 Decentralization: basic concepts

This chapter reviews and clarifies key concepts in the literature on decentralization. In the context of this review the term decentralization covers the establishment of ‘regional’ (provincial, regional or local government level) autonomous arrangements in both unitary and federal states.

2.1 Unitary states: administrative and political decentralization

Political decentralization presupposes the transfer of functions or authority from central levels of government to sub-national institutions based on local *political representation*. This means that the local institution to which tasks are devolved must be governed by locally elected representatives. This type of decentralization is sometimes referred to as *devolution* (Conyers 1983).

Administrative decentralization means the delegation of tasks or transfer of authority from central government to local ‘branches’ of central government (i.e. the local institutions to which tasks are delegated are *not* based on any local political representation controlled from below). This type of decentralization is frequently referred to as *de-concentration* (Conyers 1983 and Smith 1985).

The difference between a unitary and a federal state is not that one is more decentralized than the other, but that the former can be decentralized through legislation whereas the latter is decentralized by constitution. In a federation, certain matters are constitutionally devolved to local units, and the central government cannot unilaterally revoke decentralized powers, unlike in a unitary state where the power to recentralize is vested in the central government (Østerud 2002:61, Smith 1985, McGarry and O’Leary 2002). Constitutional change affecting responsibilities and rights requires the consent of both levels of government. Thus, federations automatically imply a codified and written constitution, often accompanied at the federal level by a supreme court.

Governments of unitary states have the authority to delegate powers downward to regional and local institutions through legislation, but the regions have no *right* to any of these powers. A unitary state can be highly centralized (like France), or it can be decentralized with a substantial degree of autonomy for provinces or communes (like Britain or the Netherlands). Regardless of the degree of decentralization, it remains a unitary state. The powers held by local and regional organs have been received from above, and can in principle be withdrawn through new central legislation, without any need for consent from the districts or provinces concerned. In practice, however, it may be difficult to recentralize a decentralized, unitary state.

Since the federal principle says nothing about *how much* power each level enjoys, regions in federations may enjoy less de facto power than those in decentralized unitary states. Moreover, the level of decentralization to lower governmental units *within* each federal unit may also have implications for the national integration of states.

In terms of conflict management groups that claim more cultural autonomy or the right to secession may pose the same challenges to unitary states as to multicultural³ federal states. In both cases the central government need to compromise between centrifugal and uniting forces in order to achieve national integration (Østerud 2002: 62, Manor 1998).

2.2 Federal decentralization: mono-ethnic and multiethnic

Federalist political systems divide sovereignty between the constituent states and the federation as a whole. The constitution takes the form of a treaty between a certain number of federal units or states. The treaty defines the division of powers between the states and the federal level. Importantly, constitutional changes cannot be made unilaterally by the federal government, but have to be accepted by the states. The principle behind a federal constitution is that each state delegates a certain amount of power upward, to the federal government. Normally federalist solutions imply that the devolution of power is granted to all constitutional parts of the state. However, sometimes federal arrangements provide autonomy for one part of a country only; examples are Zanzibar in Tanzania and the Aaland Islands in Finland.

In a loose federation (generally termed ‘*confederation*’) the constituent states may have the right to withdraw the powers they have delegated upwards and resume complete independence. In a tighter federation this cannot be done unilaterally, but has to be negotiated and accepted by all parties concerned. In confederations, the powers delegated upward are also generally limited (typically to defence and foreign policy), while in tightly knit federations, the powers of the federal government can be more substantial than in a decentralized unitary state.

While some federations are *mono-ethnic*, others are *multiethnic* (McGarry and O’Leary: 2002). The states that belong to the former type, the mono-ethnic federations, are normally relatively ethnically homogenous or they are organised so as not to recognise more than one official nationality. In the latter type, the *multi-national or ethnic federation*, the states are more ethnically heterogeneous. The boundaries of the internal units are usually drawn in such a way that at least some of the sub-national units are controlled by national or ethnic minorities. Moreover, more than one nationality may be explicitly recognised as co-founders or co-owners of the federations. Typical examples are some of the older federations in the world such as Switzerland and Canada. More recent examples are Nigeria, Ethiopia, India and Pakistan.

2.3 Conflict and post-conflict

This study addresses ethnic conflicts and how they can be resolved through decentralization of political, administrative and fiscal powers. There is a vast literature on ethnic conflicts, especially from the late 1980s onwards, as the end of the cold war fundamentally changed the contexts in which internal conflicts played out. The first wave

³ For the purpose of this review we use multi-ethnic and multi-cultural interchangeably, although we do recognise that multi-cultural is the broader concept.

of literature focused mainly on causes of conflict, but increasingly ways of resolving such conflicts became of concern to academics and practitioners alike.

The causes of internal conflicts are complex and conflicts could be classified in a number of ways; resource based conflicts, conflicts over governance and authority, ideological conflicts, and identity (including ethnic) conflicts (Rupesinghe 1998). In terms of resolving conflicts, several concepts reflecting differences in approach are in use. Conflict resolution often refers to the 'elimination of the causes of the underlying conflict, generally with the agreement of the parties', while conflict management 'refers to the elimination, neutralisation, or control of the means of pursuing either the conflict or the crises' (Zartman 1989: 8). As noted above, the focus of this report is on how models of decentralization have been applied to manage or resolve conflicts.

The notion of frozen conflicts or stalemates is becoming increasingly relevant as more and more conflicts end in 'no war, no peace' situations in which there is an absence of large scale violence, but where a political settlement has not yet been reached. For example, the Brahimi report (Brahimi 2000) suggests that rather than being inserted into post-conflict situation as the intention is, UN staff is more often deployed to create the conditions for post-conflict situations.

Conflicts weaken local governance institutions and civil society institutions as resources are being diverted to the war efforts and as areas of heavy fighting go through either dissolution of institutions altogether or the maintenance of only skeleton administrative structures. Moreover, it has been argued that humanitarian aid may further undermine local institutions and actors, in particular in situations characterised by considerable transfers of aid from abroad (Harrell-Bond 1986). Consequently a crucial aspect of rebuilding efforts is to strengthen local institutions and their capacities (OECD 2001).

The degree and form of foreign intervention in a conflict situation is also likely to have a bearing on the conflict dynamics and the political and constitutional process. In cases of heavy foreign military presence such as in Afghanistan and Iraq, or where there is a third party guarantor to the agreement, the conflict dynamics and the reconstruction discussion will be of a different character from countries in which there is little or no foreign presence.

3 Decentralization: the promise of efficiency, equity, service delivery and participation

Decentralization may serve several objectives. In terms of policy, the most widely pursued objective has been the down-sizing of central governments. Leading institutions such as the World Bank and the International Monetary Fund (IMF) have adopted this approach founded on a neo-liberal agenda (World Bank 2000). Within the same tradition, many authors have promoted decentralization in reaction to what they see as the failures of 'over-centralized' states (Wunsch and Olowu 1995, Mawhood 1983, Bhagwhati 1982).

Decentralization produces a variety of outcomes. We concentrate on exploring the links between the degree of decentralization and outcomes in four areas: efficiency, equity, service provision and participation.

3.1 Efficiency and good governance

The wish to increase administrative efficiency and good governance is one of the overriding impetuses for governments to decentralize (Therkilsen 2001:1, Conyers 2000: 8). Many theorists indicate that decentralization is preferable to centralisation due to the inefficiency of centralized states in carrying out their mandate. This inefficiency is attributed to the classic argument that monopolies (government or private) are inefficient, that central governments can be corrupt and that a decentralized approach enhances forms of downwards accountability that promotes good governance (Conyers, 2000:8, Tendler 2000:18, Wunch and Olowo 1995; Rondenelli et. al.1989).⁴

Empirical studies of the linkages between corruption and decentralization are relatively few. In a case study from Tanzania, Fjeldstad and Semboja (2000) find that the fiscal administration in many local authorities is corrupt, partly due to the large degree of discretionary fiscal powers of local officials, and to poor monitoring from above. In a theoretical study that discusses corruption in the context of political decentralization Bardhan and Mookherjee (1999) specify a large number of conditions that are containing or furthering corruption.⁵

⁴ In Russia, President Putin recently decided that governors were to be appointed by the central government to ensure central territorial control and more effective implementation of political decisions. The arguments used in this case turn the efficiency rationale on its head.

⁵ Research on the decentralization processes in Poland, Slovakia and the Czech republic suggest that corruption increased at the local level, as the three countries worked to fulfil the requirements of EU membership (O'Dwyer 2000)

There is some evidence from Bolivia and Ghana supporting the argument that decentralization will result in more efficiency through better matching of supply and demand for local public goods (Faguet 2004 and Crook and Manor 1998). However generally this argument " need not hold in the less than democratic circumstances that are applying to some developing countries" (Sewell 1996:147). State of the art knowledge suggests decentralization has to be accompanied by new institutions and procedures for transparency and accountability as well as improved capacity and financial powers to produce improved outcomes.

3.2 Equity

If properly structured, democratic decentralization could improve procedural and distributional equity. There are examples of greater participation in local decision making and public affairs as a result of decentralization (Hadenius 2003; Johnson 2001). However, a review of the African decentralization experiences concludes that "there is little evidence that decentralization are instituting procedures and institutions for representative, accountable and empowered forms of local governance" (Ribot 2001).

The absence of gender equity in representation, for example, is considered a widespread problem (Ribot 2001), but there are success stories both from Africa and India. In West Bengal, for example, decentralization reform enabled a large number of elected representatives from disadvantaged groups, including women, to become elected to district councils (Crook and Sverrison 1999). However, the experience also revealed that many of them rarely spoke at meetings, and if they did, they were often ignored.

Democratic decentralization does not necessarily alleviate poverty that arises from *disparities within* local governments, but has shown more promise with respect to alleviating poverty that arises from *interregional disparities* (Crook 2003), although the findings are mixed. On the basis of the African experience Conyers (2000: 8) argues that in "...those regions or localities with good financial or technical resources prosper at the expense of those without". A similar experience is observed in Latin America (Willis et.al 1999). Although there is evidence that decentralization have produced gains for the poor in the short term (Vedeld 2004), there is also ample evidence to demonstrate that decentralization has worked against poverty reduction within local governments because of problems of elite capture and elite cooptation (Crook 2003, Johnson 2001).

3.3 Service delivery

Decentralization and de-concentration are believed to improve service delivery – mainly because central government monopoly over service provision is argued to be the source of several inefficiencies in service provision (Tendler 2000 and Rothchild 1994:3). However, little research has been conducted to ascertain whether decentralization has indeed increased the coverage and quality of service delivery.⁶ Moreover, the existing evidence is mixed. A study of ten countries documented increased infrastructure expenditures both at the national and sub-national level (Ribot 2001). Where service provision was low, decentralization appears to have increased locally produced services. On the other hand, a large comparative study of service delivery in 75 countries indicated

⁶ Evidence from the West, i.e. the United Kingdom, suggest that people prefer service delivery through elected councils, rather than through other mechanisms that do not allow for the same amount of influence (Miller, Dickson and Stoker 2000)

that superior facilities are provided by the central government while operations are more effective and less costly when decentralized (Lewis 1999:17). It is further noted by many authors that decentralization in the past has often taken the form of shedding of service responsibilities in order to reduce the cost to the central government (Parker 1995, Alcorn 1999). It is also frequently observed by the same authors that funds do not match new responsibilities that are assigned to local governments (see also Oyugi 2000). Since the turn of the century, decentralization programmes in many low income countries have coincided with the Heavily Indebted Poor Countries initiative (HIPC) and Millennium Development Goals (MDG) related arrangements to reduce poverty. The social service sectors have been better funded, and education, health, water, sanitation and other basic services are given priority. However, these MDG experiences are yet to be compared across nations in terms of their long term impact. In its World Development Report (2004), the World Bank argued that participation by poor people in determining the quality and the quantity of services they receive is the crucial success factor for pro-poor service delivery.

3.4 Participation

Participation is currently a key aspect of most discussions on development (Balogun 2000, Engberg Pedersen 1995). One of the main findings in recent comparative studies of decentralization has been that decentralization has contributed towards enhanced popular participation (Crook and Manor 1998 and Heller 2001). However, it has proved far more difficult to engage the poor majority of people beyond the election process which in itself is only a crude instrument of popular control (Blair 2000, Alsop et al. 2002 and Johnson 2001). Moreover, poor people are frequently prevented from participating in local government politics by local elites and institutions (e.g. social sanctions), custom (gender, caste, ethnicity), patronage, or by the costs involved (Vedeld 2004). And finally, even when they do participate, many villagers feel that they have no influence, as observed in Indian villages (Alsop et. al. 2002). Poor people frequently face lack of transparency, high levels of corruption, and very few individuals benefit. Those who participate are mostly males and well-informed, while vulnerable groups - such as rural women and tribal people – tend to be excluded.

There are a number of examples of local or 'decentralized' natural resource management arrangements that are justified on the grounds that they are participatory. The more well-known include the Community Forest Management in Nepal and the CAMPFIRE projects in Zimbabwe. 'Participation' of rural populations has become a core principle in natural resource management, and more recently decentralization has become a commonly cited means of achieving it. Participatory approaches to natural resource management are lauded for their potential contribution to economic efficiency, equity and development just as is decentralization at large. While intuitively obvious, there is little empirical evidence to support these claims (Ribot 2001).

4 Decentralization: implications for conflict

This chapter draws on the four promises of decentralization that were discussed in the previous chapter; efficiency, equity, service-delivery and participation, and discusses them more in depth in relation to their implications for conflict.

4.1 Decentralization and management of ethnic conflicts

During recent years multiethnic federations have been proposed for a significant number of divided societies, including Indonesia, Philippines, Iraq, Sri Lanka, Afghanistan, Burma and Nepal. Devolution within a unitary state is also considered an option in some of the above mentioned cases and this model has been high on the political agenda in Nepal and Afghanistan. Moreover, governments in several unitary multicultural states in Sub-Saharan Africa such as Ghana, Ivory Coast, Uganda and Malawi have embarked on a decentralization process and used devolution as a conflict management tool. Some of these recent examples will be highlighted below.

When investigating the systematic empirical evidence regarding decentralization and ethnic conflict, it is important to note that all forms of decentralization models have proved hard to implement fully. The literature reflects extreme reluctance on the part of governments, particularly in sub-Saharan Africa, to transfer meaningful powers to representative local authorities. Without the appropriate institutional forms and powers, decentralization will not deliver the theoretical benefits, such as efficiency, equity and improved service delivery.

Successful implementation requires fine balancing, constant adjustment and a spirit of conciliation. Decentralization and reconciliation are both a set of institutions and legal arrangements as well an attitude of mind. Thus, it is difficult to generalise about the successes of decentralization. Similar provisions have produced quite different results in different countries. This point of view is also echoed by Østerud 2002 who claims that the central government both in unitary and federal states needs to compromise between centrifugal and uniting forces (ethnic groups and other groups) in order to achieve national integration (Østerud 2002: 62)

4.2 Potential for conflict mitigation and intensification

How conflicts of interest are played out between classes, layers of government, ethnic groups, regions, and centre and periphery in those countries that have embarked on decentralization as part of a conflict resolution exercise, has not yet been systematically assessed.

4.2.1 The conflict mitigation potential

Political inclusion of new groups

Decentralization may allow participation by minority groups, often excluded from power at the national level, in political processes in their immediate environment, thereby potentially reducing conflicts. Where the governing party controls national institutions, and where the opposition party captures several sub-national units, a structural stalemate may ensue. Such stalemates may be resolved through security-enhancing coalitions between formerly irreconcilable opponents (Mehler 2002, Schou 2004). The Bolivian case may be illustrative. The Popular Participation Law was introduced in 1994 to promote the participation of men and women at all levels of government, providing an opportunity for native groups to voice their political demands through participation in local politics. One of the most excluded native groups, the Guaranis, has taken this opportunity to enter local government assemblies. However, they are partly outmanoeuvred by the organised national political parties and have not yet been able take fully advantage of their newly won political power to improve their own social and economic situation (Hadenius 2003: 80).

The civil war settlement in Mozambique in 1992 provides another example. The rebel movement Renamo, with a large following in certain regions and among some ethnic groups, was successfully integrated into national politics from 1992-98. A radical decentralization reform was part of the peace and reconciliation program. The decentralization programme helped motivate the rebels to accept defeat in the first-ever national elections, with the implicit promises that power-sharing could take place within new democratic institutions at the local level (Braathen, Sæther and Bøås 2000).

Deepening of democracy as a means of national integration

The World Bank (2000:107-108) points out that decentralization can serve as an institutional mechanism to bring sub-national groups into a formal bargaining process with the government. Conyers (2000:8-9) argues that governments use decentralization to increase national cohesion and central control in three situations. First, decentralization can be a means of attracting back regions or ethnic groups that are threatening to form independent states, as in Nigeria or Sri Lanka. Second, strengthening regions can help reinforce or reconstruct national unity after social unrest or conflict, as in Zambia after 1990 and in South Africa after 1994. Third, where there is a risk of national disintegration, decentralization can be used to strengthen the ruling party's control over local-level activities. This was the case in most one-party states that implemented decentralization reforms in the 1970s and 1980s (Uganda is one case in point). Rothchild also observes that decentralization is motivated by such pressures, explaining that countries prone to decentralize are those ready to respond to "claims for local autonomy in an effort to manage political conflict" (1994:1).

State legitimation

Politically, decentralization can be used for state legitimation. States set out to garner popular support and to meet the needs of individual political actors who are allowed to form a support base locally and to go on to lead ministries (de Valk 1990: 3-4, Conyers 2000:7). De Valk (1990: 5) argues that in post-independence Zimbabwe the demands on the state were that it should establish a socialist regime; promote land reform; provide equitable access to social services; and facilitate greater political participation. Given the high cost of social services and an impending fiscal crisis, "policies to strengthen regional planning through decentralization are seen to 'kill two birds with one stone': to establish

legitimation without too much expenditure" (Gore 1984 quoted in de Valk: 5). The government of Ivory Coast also tried to use democratic decentralization as a means of reviving the single ruling party. "It was hoped that the election of local councillors and mayors would bring new generations of cadres into politics, and address the perceived problem of public apathy" (Crook and Sverrison 2001:24).

State penetration

Decentralization can be a tool to establish central government power in outlying areas. In francophone West Africa, Mbassi (1995:23-24) pointed out that due to the weakness of the state, governments recommended that decentralization include de-concentration of services in order to maintain a central presence in the local arena. In Kenya, the district policy of the 1980s was unapologetically "intended to increase efficiency of central government administration rather than promote local autonomy or popular participation" (Conyers 1983:28). After independence, President Mzee Jomo Kenyatta used provincial administrations to establish the ethno-regional base for his rule, and later President Daniel Arap Moi tried to build his political support through the district administration (Therkildsen 1993:83). In this manner, decentralization can have a paradoxically centralizing impact (Rothchild 1994:2; Crook and Manor 1998; Conyers 2000, Biya 1986:28).

4.2.2 Decentralization and the intensification of conflicts

New political spaces and new political forces

Political decentralization in unitary states opens up for the possibility of new political forces taking control in sub-national (provincial, regional, or district level) elections. Under circumstances where, for example, the demographic relations between different groups at the local level differ widely from those at the national level, local elections can have serious implications for the power relationships between local majorities and national majorities representing different ethnic or religious groups. Where tension between government and the opposition runs high, the decentralization process can itself become a direct object of conflict. For example, the support of the Popular Movement for the Liberation of Angola (MPLA) for decentralization in Angola that followed the military defeat of the National Union for the Total Independence of Angola (Unità) was perceived by Unità as an attempt to undercut its power base (Tveten 2003).

Moreover, in Cameroon the sub-national elections held in 1996 after five years of delay were followed by disturbances in a number of places. Although the opposition party emerged as the clear winner of the elections, the leading candidate of the government party was appointed mayor by the president (Mehler 2002). Mozambique is another case in point. The success in integrating the rebel movement into the national political system from 1992 to 1998 was followed by political crisis and escalation of conflict due to disagreements over the organisation of the first-ever local elections, which consequently were boycotted by the former rebel movement (Braathen and Orre 2001).

Coping with regional differences

Decentralization processes represents both risks and opportunities for sub-state units. Decentralization may lead to, and sometimes, exacerbate, differences between regions and communities. In already polarized societies, inequalities in the distribution of development benefits can be disruptive, and is likely to stir up envy between different regions. From the perspective of crisis prevention, there are significant issues surrounding the regulated structural transfer of funds between regions and communes, and several other regulations, including exemption rules and direct distributive interventions (Mehler

2002.) In the Philippines the local governments were allowed to raise funds which in turn led to large differences in terms of development and service delivery. In some provinces and cities – rich in natural resources and with strong entrepreneurial traditions – it stimulated rapid growth. The high growth areas have become the strongest advocates for further autonomy and federalism, as for example in the case of the Muslims in Mindanao (Federations 2001). On the other hand, in South African equitable redistribution of development interventions was the leading principle in the decentralization reform intended to promote national unity (Conyers 2000).

Conflict over resources

Decentralization does affect the lines of conflict because a number of ongoing conflicts between citizens and the central government over such issues as taxation or the curtailing of civil rights will be translated to the region or the commune in the aftermath of decentralization. There is little evidence to suggest that these conflicts will be less violent or better managed at sub-national level. How this plays out will depend on the context. One example is the decentralization of land and natural resource responsibilities in post-Suharto Indonesia, which has led to several local disputes over land, allowing for extensive corruption and ‘bossism’.

Externally funded decentralization programmes in conflict settings are particularly vulnerable to being exploited by local strongmen fighting for control over financial resources. In Somalia, UNSCOM II pursued a ‘bottom up’ strategy to establish district and regional councils that would elect members to the national transitional government. The councils were seen as a democratic counterforce to the ‘warlords’. In practice, however, the councils became formal structures, defunct of any real powers, and with few links to the real power holders on the Somali scene, mainly because the Somali warlords and other leaders preferred a ‘top down approach’ where they could control the financial resources of the UN mission (Woodward 2002). In Bosnia, the system imposed at Dayton became overly decentralized and reproduced the structural and ethnically based fault lines of the former system. Here the lowest territorial local government unit in the former Yugoslav system, the *mesne zajednice*, was deprived of financial and administrative autonomy and replaced with a new formal institution.

Tension between national and sub-national governments

In all decentralization processes representatives of the central government are among the losers as local political strongmen and more junior civil servants gain ground (Mehler 2002). Tension may be even more pronounced in post-conflict situations because one of the primary characteristics of governments in post-conflict countries is their weak fiscal capacity. While fiscal transfers to regional and local governments may aim to improve this problem, politicians in the centre will necessarily be wary of losing control over scarce resources.

This challenge could be more serious in cases where the decentralization legislation does not define clearly the formal division of labour between the central and local government, such as in Indonesia (Nordholt 2005). Moreover, this problem might be exacerbated if donors in different regions and sectors of the same country hold opposing views on which level of government to support and what method of decentralization is best, as is the case in Afghanistan (Suhrke et al 2002).

5 Multicultural federations: ethnic groups as building blocks

Supporters of multi-ethnic federations, the ‘multi-nationalists’ believe that accommodation of national minorities holds the key to stability and unity. They advocate a federal solution to unite people who seek the advantages of membership of a common political unit, but differ markedly in respect of descent, language and culture. Unlike the ‘national federalists’ who strongly support ethnic homogenisation and assimilation of ethnic minorities (McGarry and O’Leary 2002), they believe that dual or multiple national loyalties are possible, and indeed desirable. Multi-national federalism, however, also provides the minorities with political and bureaucratic resources that they can use to launch a bid for independence – a point that multi-national federalists have little difficulty in conceding (Stephan 1999).⁷

5.1 Overall lessons from quantitative studies

Quantitative studies vary considerably both in terms of their conceptual clarity, whether they operate with sub-classification schemes or not, whether they distinguish between developing and non-developing countries and whether they look at the short-term or long-term stability of regimes.

5.1.1 Correlation between regime type and ethnic violence

Surprisingly, there has been little large-sample (N) research done regarding the correlation between federations/unitary states on the one hand and ethnic conflict on the other, in spite of a number of quantitative studies having been authored in the last several years on the causes of ethnic conflict and ethnic civil wars. Indeed, state structure has been hypothesized to be a determinant of whether or not groups resort to violence against the state (Lijphart 1977). Surprisingly few studies have attempted to statistically determine this independent variable. In most studies the only concession made to institutions is to include a variable for democracy (e.g. the effect of majority systems, presidential systems and proportional representative systems respectively). Saidelman et al’s (2002) work is the exception to this lack of attention to federalism in large-N statistical studies. Relying on a large-N regression, they find evidence that autocratic federalist states experienced lower levels of ethnic violence than unitary states for the

⁷ Stephan, who supports multi-national federalism and argues that the US (national) federal model has little relevance for multi-national societies, concedes that the ‘greatest risk’ posed by federalism is that it can ‘offer opportunities for ethnic nationalists to mobilise their resources’ (Stephan 1999:19).

period 1945-1998. However, this finding is questioned by Bermeo and Amoretti (2004) who challenge the operationalisation of ethnic violence applied by these authors.⁸

5.1.2 Territorial decentralization and the transition from civil war to peace

On the basis of a large-N study (all relevant cases before 1980), Lake and Rothchild (2002) assessed the role of federal institutional arrangements as a valuable tool in the transition from war to peace.⁹ Their overall conclusion is that in the short run the offer of territorial federalism can be a valuable tool in the transition to peace because federalism can serve as a signal of moderation by the majority and, when offered, can help allay minority fears about the future. They stress that it is not decentralization in itself that mitigates conflicts. Rather it is the offer of decentralization that reveals information about the moderate intentions of the majority. On the basis of these data they also identify two standard trajectories for the subsequent development of these experiments; the first towards greater centralisation and the other towards disintegration. This means that those states that do not centralize tend to disintegrate into multiple states.

Further, they analysed why parties to civil wars might agree to decentralize.¹⁰ As suggested above, they found that decentralization may be seen to have a stabilising effect in a short-term perspective because the weaker parties are reassured that they will not be dominated by the majority. At the same time, they argue that decentralization is a costly signal of intent. Because by recognizing the political dominance of groups within a particular region and giving its leaders a political vehicle through which it can strive for political power, territorial decentralization increases the ability of the groups to break with the political centre in a more long term perspective (Lake and Rothchild 2002:18). This does not, however, mean that this group will secede. However, secession is more likely where there is a i) strong geographic concentration of the ethnic groups, and ii) if the groups are geographically located close to international borders. Secondly, they examined whether there had been cases of decentralization leading to peaceful solutions following civil wars. Of the 55 civil wars that have reached a successful settlement since 1945 they found no cases of territorial decentralization having been implemented as part of a settlement.

5.2 Findings from comparative qualitative case studies

5.2.1 Challenges for multi-ethnic federations

A spring board for secession?

Comparative, qualitative case studies do not provide unambiguous findings regarding Lake and Rothchild's (2002) thesis that federalism leads to secession in a more long-term perspective, unless a reverse process of centralisation is put in place. Ghai (2002) claims

⁸ The authors show that when the unit of analysis is changed, the effect of system-type on the likelihood of ethnic conflict is not statistically significant.

⁹ They recognise that several semi-decentralized institutions being constructed from the late 1980s and onwards are not included in the study because they consider it to be "too early to assess their long term effects."

¹⁰ They are mainly concerned with what they call symmetric decentralization; a decentralization that treat all regions and groups the same (in the form of federative or confederative units).

to have found evidence that discredit this thesis. Rather on the contrary, he claims that “true autonomy prevents secession” (Ghai 2002:23). He regards the Papua New Guinean case as one of the most typical examples. Here a quasi-federal arrangement was established to bring the secession of Bougainville (North Solomons) to an end. Moreover, he also finds evidence elsewhere; a series of crises in India have been resolved through the granting of autonomy. Provision of autonomy to the South of Sudan brought peace as long as autonomy was guaranteed. In South Africa the last minute concession in the form of provincialism with a federal element and recognition of self-government broke the deadlock bringing both Buthelezi’s Zulu based Inkatha Party and the Right Wing Afrikaners into the constitutional process, paving the way for a new order. Finally, the reorganisation of Nigeria by increasing the number of states is widely acknowledged to have moderated ethnic tensions (Ghai 1998: 63).

On the other hand there is ample evidence that multi-national federations have a terrible track record, particularly in developing countries (Snyder 2000). Federations have failed in sub-Saharan Africa; in Kenya, Uganda, Tanzania, Mali, Nigeria and Ethiopia. Today these states are kept together by autocratic rule rather than the spirit of federalism. In Asia there have been federative failures in Indochina, Burma and Pakistan. This point is also echoed by McGarry and O’Leary. They conclude that it seems clear that “multi-national federations make it easier for groups to secede should they want so” (McGarry and O’Leary 2002: 13). They claim that India stands out as a major exception.

They also analyse the bad track record of multi-national federations and claim that their failures can be traced to four major reasons; i) they were pseudo-federations that were forced together (in some cases by colonial powers) and were in fact autocracies such as the former Soviet Union and Yugoslavia ii) they did not genuinely accommodate national minorities iii) their failure was not due to the federative set up per se, but due to the fact that certain ethnic groups tended to centralize these federations, and finally, iv) the instability of communist federations resulted from their extreme ethno-national diversity.

Besides the problem that federalism in multiethnic societies may provide ethnic groups with a spring board to secession, it is also frequently claimed that this solution rarely resolves all minority fears as it may help to create new minorities. The problem of minorities within minorities is well known, and it has been to refuse demands for decentralization (Ghai 2002).

5.2.2 Favourable conditions for stable multi-ethnic federations

Authors have identified conditions that are conducive to successful multiethnic federations. Since there are few success stories and many failures to draw on, it follows that most of these favourable conditions are drawn from examples in the North (Canada, Switzerland and Belgium). Thus, it is not obvious that the outcome would be integrative, even if these conditions were present in other contexts.

The presence of a ‘Staatsvolk’.

Data from O’ Leary (2001) suggest that the relative stability of multi-national federations is related to the geographic preponderance of their largest national communities. The reason is that a ‘Staatsvolk’ can feel secure and live with the concessions attached to the multi-national federations. It has the demographic strength and resources to resist secessionism by minority nationalisms. Multi-national federations without ‘Staatsvolk’ are more likely to be unstable, face secession or break up, because the minorities are more likely to think they can prevail.

Conscociational government at the centre or federation-wide political parties

All durable multi-national federal governments have practiced conscociational forms of democracy at the centre, in the form of: i) cross-community executive power sharing, ii) proportional representation of groups throughout the state sector, iii) ethnic cultural autonomy and formal and informal veto rights (McGarry and O'Leary 2002). This argument is different from that put forward by Linz and Stephan (1992) who identify federation-wide political parties that need to win support from all groups as a way of balancing majority and minority concerns, and to build what Linz, calls 'bundestreue', an overarching loyalty to the state. India, for, example has been governed by broad multiparty coalitions.

Voluntary federations are more solid

Most of the failed federations were put together without the consent of minority leaders, but were forced upon them. Autonomy arrangements that have been negotiated in a democratic and participatory manner have a better chance of success than those which are imposed (McGarry and O'Leary 2002, Lake and Rothchild 2002). Ghai (2002) introduces a distinction between federations by 'aggregation' and those by 'dis-aggregation'. In the first case, the federation is based on mutual consent and voluntarism and is on the whole forward looking. In the second case there is a particular worry about secession. This does not auger well for Bosnia-Herzegovina which exists as a federation because of the internationally imposed Dayton Accords.

Several ethnic groups is more conducive for stability

Autonomy is more likely to be negotiated and succeed if there are several ethnic groups rather than two. A larger number of groups allows for flexibility and the establishment of a certain kind of balance. A broader constellation of interests has a stake in the federal balance. Moreover, autonomy is easier to concede and more likely to succeed where there is no dispute about sovereignty- i.e where there are claims for autonomy and not necessarily for complete independence. This means that it is easier to accommodate ethnic groups who demand greater autonomy than those who demand full independence (Ghai 2002, Lake and Rotchild 2002).

Democratic multi-national federations are more likely to be successful

An authentic multi-national federation that is democratic and allows the representatives of respective national communities to engage in dialogue and open bargaining about their interest, grievance and aspirations is more likely to be successful.

Prosperous multi-national federations are more likely to endure than those that are not

There is a widespread consensus among authors on ethnicity and nationalism that one should not exaggerate the importance of materialism when questions of national identity are at stake. Nonetheless, prosperity and distributive fairness matter. Distributive fiscal expenditure is at the core of political controversy in those federations which do not use equitable formulas for fiscal equalisation.

The two latter points illustrate how difficult it is to establish stable multi-cultural federations in non-Western countries, because many of them are both poor and undemocratic. Moreover, several of the other conditions are not present in some of the cases that are mentioned in the introduction to this report.

5.3 Trust-building in ethnically heterogeneous local governments: experiences from Bosnia-Herzegovina

There is an extensive and growing literature on the experiences of attempts at trust-building in local governments in conflict torn societies, and one of the most well researched examples is Bosnia-Herzegovina. The Dayton Agreement is a supreme example of constitution making from outside. It created a loose federal structure with a minimum of central authority. An important feature of the Dayton Agreement is its extraordinary complex arrangements for decentralization of power between the different entities, cantons and municipalities in the new multi-ethnic state. Federalism and decentralization is widely seen as a way of bringing the government closer to citizens and of managing conflict. But in Bosnia-Herzegovina they also tended to reinforce existing social cleavages. A study by Bojicic-Dzelilovic (2003) contrasts the power sharing in two multiethnic societies. In Mostar such arrangements failed to overcome hostility between members of the Croatian and Muslim communities but they proved more successful in Tuzla. The study shows how a beneficial cycle in which cooperation among members of the different ethnic communities, a municipal economy relatively unaffected by the war, active civil society participation and citizen participation in municipal government became mutually reinforcing. Decentralization in Tuzla also helped preserve the political spaces in which this positive cycle could serve as a rallying point for efforts to create alternatives to ethnic politics and violence elsewhere in Bosnia-Herzegovina.

The contrasting experience of Mostar, however, questions the view that institutional design, the allocation of resources to local communities and the introduction of accountability mechanisms are enough by themselves to make decentralization work. As the comparison with Tuzla suggests, other factors – such as the configuration of competitive party politics, the vitality of civil society and the strength of the local economy – determine whether institutions can function as instruments of inter-ethnic accommodation.

6 The promise of decentralization and ethnic conflict management in unitary states

Decentralization in unitary states, in the form of devolution or de-concentration, is believed to have some promise in terms of ethnic accommodation. However, compared to the literature on ethnic accommodation in federal states, literature on this particular topic is scarce.

6.1 Fragmenting of ethnic groups

Findings indicate that some of the states in multi-cultural Africa have avoided major violence through particular forms of decentralization. If a regime is nervous about providing an institutional base for ethno-political groups or even potential separatists, it will often adopt a decentralization scheme that deliberately fragments potential local power bases into smaller, weaker and politically insignificant units. This is often combined with central funding and control mechanisms that permit spatial redistribution, often combined with centrally controlled patronage linkages. Classic examples are the Nigerian military regime's use of local government to undermine state-based ethnic challenges, the transfer of resources from oil producing to non-oil producing areas, and in the Ivory Coast the extreme weakness and fragmentation of the commune system. The current government was the first regime in Ivorian history to countenance decentralized regional authorities with elected local government authorities (Crook 2003). In Kenya, the decentralized structure was seen by Barkan and Chege (1989) as illustrating the proposition that 'the probability that decentralization will serve the political interests of the regime varies inversely with the power and resources of the ethno-regional base on which the regime rests'. In other words, the deconcentrated character of the Kenyan system serves the need of a regime whose power base is strengthened through redistribution of resources to poorer areas, rather than by permitting revenue autonomy to benefit wealthier areas.

Uganda

In Uganda decentralization was not intended to assuage ethnic nationalism, but on the contrary to cut across and fragment important geopolitical areas. Combined with a powerful Presidency and a non-party ruling national movement, decentralization has been a tool for consolidating central power by enabling the President to manipulate and fragment rival ethnic claims. Although powerful ethno-nationalist movements have emerged from civil society demanding further decentralization ('federalism') their influence has been counteracted from two directions (Crook 2001).

- At district level, minorities have emerged to demand fragmentation of District Units, a trend encouraged by central government, thus reallocating the problem of ethnic conflict to local levels where it is less threatening to state integrity.
- Nationally, ethnic sub-nationalisms are moderated by other elements of civil society with a more 'Ugandan' perspective – most notably, the women's movement, trade unions and the coalitions of elites involved in the National Resistance Movement (NRM).

The discussion about federalism in Uganda can also be illustrative of how regimes tackle the dilemma of unitary/federal state approaches in multiethnic societies. During the constitutional debate in 1995, the NRM feared that federalism was an issue that could ruin its unifying project. Museveni purged his cabinet of 'pro-fedro' ministers in 1994 because the issue was threatening to tear the NRM apart. During the constitutional discussions he made sure decentralization was designed with as little federal character as possible. However, Griffiths and Katalikawe (2003) fears that this strategy could backfire because of Museveni's plunging popularity in some of the new districts.

Indonesia

Indonesia's decentralization process, based on two 1999 laws, was launched in January 2001. It radically redefines the roles of the central and regional governments in financing and delivering public services. The process was implemented so rapidly and with such minimal preparation, that it has become known as the 'Big Bang' approach to devolution of government authority. Law 22/1999 on regional Government devolved most functions of government to Indonesia's districts and municipalities except for five powers reserved for the centre; defence and security, justice, international relations and monetary and financial efforts at the regional level (ICG 2003a).

The role of the province has been reduced to overseeing province-wide services. The drafters of the decentralization scheme limited the role of the provinces in part because there were concerns that devolving major economic power to the provinces could encourage separatism in resource rich areas. For the same reasons key decision makers wanted to avoid a discussion about federalism because this was seen as a prelude to secession (ICG 2003 a).

Violence has been entrenched in four regions. In the provinces of Aceh and Papua separatist movement are challenging the rule from Jakarta, while in the Maluku islands (consisting of the provinces of Maluku and North Maluku) and in the district of Poso in Central Sulawesi, communities defined in religious terms have been at war with each other. As a response to the Aceh rebellion, the government established a Special Autonomy Law of August 2001. Unlike the national laws, special autonomy in Aceh devolved authority to the provincial rather than the district level.

6.2 Ongoing debates: unitary states or federalism?

Philippines

In the Philippines a national movement was established in 2000 to advocate a shift from a unitary to a federal system. The movement took off with a pro-federalist resolution signed by twenty-two members of the twenty-four member Senate. The resolution proposed amending the 1987 Constitution in such a way as to convert the country's fifteen administrative regions into ten federal states. The catalytic force for the revival of the

federalist movement was the Muslim separatist rebellion in the Mindanao, the resource rich second largest island in the Philippine archipelago (Federations 2001, Brillantes 2003).

Sri Lanka

Since 1983 the Liberation Tigers of Tamil Eelam (LTTE) has fought its war for 'self-determination' to achieve its stated objective of a separate state comprising the North East of Sri Lanka, while the Government has been prepared to concede decentralization to the local and provincial level. However, in a breakthrough during the 3rd session of the peace talks in December 2002, the Government and the LTTE agreed to explore a solution based on a federal structure, with the North East forming the basis for the devolved unit.

The People's Alliance Government which came to power in 1994 prepared several constitutional drafts intended to accommodate the demands of the Tamil people. The drafts were based on power sharing in the centre and devolution of power to the provincial level, building on the 13th Amendment to the Constitution which in 1987 had established elected bodies at the provincial level. The proposals of August 1995 introduce a 'quasi-federal' element by characterising Sri Lanka as 'an indissoluble Union of regions' (CPA 2000). The proposals were not implemented.

In addition to Provincial Councils, the 13th Amendment also introduced elected bodies based on proportional representation at the local level. However, there is agreement in the decentralization literature that power has not been effectively devolved either to the provinces or to the local level (Amarasinghe 2000, Hettige 2003). Although popularly elected, the devolved units do not have the resources or the power to act independently of the central government. Moreover, the central government has retained control over the sub-national administrative units, leaving them beyond the control of locally elected bodies.

Afghanistan

Today's Afghan Interim Authority was established by contending factions at an international conference organised by the United Nations in Bonn in 2001. The Bonn agreement provided the legal framework for the current government and reinstated the administrative provinces of the Constitution of 1964. Under the 1964 constitution Afghanistan is a unitary state administered according to the principle of centralisation. The government's administrative levels comprise seven regions (including Kabul), thirty three provinces (or zones) and several districts (the number is a matter of controversy). Currently there is no political decentralization process or decentralization policy; the officials of the current structure (governors at the regional level, district commissioner at the provincial level and mayors at the district level) are appointed by the government.

The central-local relation in today's Afghanistan has been characterised by Rubin and Malikyar (2003) as 'military pseudofederalism'. The administrative unit over which powerful figures actually exercise sub-national power is the region. These regions correspond to the old provinces of Afghanistan. During the last three decades the regions have become blurred and new ethnically identified homelands dominated by powerful warlords have been established. Some of these (such as Nurdistan) have been de facto recognised as autonomous units by the government.

Although there has not been decentralization process on the ground, there has been a heated discussion among the Afghan political elite about the preferable decentralization system. Among the specific issues at stake in the debate is whether the regional units would be given legally mandated power in a decentralized system. Minority ethnic groups

that have been ruled by the Pashtun-dominated state in Kabul tend to advocate decentralization or federalism to the regional units. The key political figures in Kabul however, among them President Karzai, strongly opposed the regional system and insisted that the key unit at the district level should be the provinces (Rubin and Malikiyar 2003). The central government has hoped to establish ties of allegiance with local communities by distribution of block grants to the villages, thereby by-passing mid-level warlords (Suhrke et al 2002).

Nepal

The Nepalese Government introduced a Local Self-Government Act in 1999 which implied that less than 4 per cent of the national budget should go directly to local government. However, this decentralization model has not yet been implemented. One of the main reasons is that the Maoist opposition advocates a multi-ethnic federation model (ICG 2003b, Gurung 2003).

Iraq

Also in Iraq a form of multi-ethnic federation is likely to be the final outcome of the constitutional debate (see The Future of Iraq Project: 2002). A local government system is also being established (ICG Report No.33, 2004) However, the final structures of these administrative systems and how the mix of federalist and local government structures are going to work in terms of ethnic conflict management is not yet clear.

7 Relevance of findings for Norwegian policy on conflict and post-conflict

The research findings on decentralization and conflict lack consistency and are often contradictory. The findings do not provide a coherent picture of the relationship between decentralization and conflict. This review leads to three significant recommendations for Norwegian policy:

1. Donors need to approach the issue of decentralization with caution because the outcomes of decentralization in conflict situations are complex and often poorly understood, and the conflict intensification potential is significant.
2. The literature does not provide any clear one-directional guidance with respect to the appropriateness of various models for decentralization, for example federal solutions versus unitary states, or models that strengthen sub-national identities versus models that weaken sub-national identities.
3. Contextual factors may be as significant as the chosen model itself in accounting for success or failure.

Overall, the review has demonstrated that many of the promises of decentralization have not been met or documented, or the results have been mixed. There is no consistent evidence to document that decentralization has improved efficiency, equity or service delivery, as promised in the development discourse on decentralization. However, there is evidence to demonstrate that participation has improved, and there is also some evidence of inter-regional redistribution. While decentralization can serve to mitigate or reduce conflict, the processes involved can also exacerbate conflict.

In contexts in which decentralization succeed, the process could have a significant conflict mitigating potential. The present review has identified a series of mechanisms whereby decentralization could reduce conflict, namely by

- a broadening of popular participation, in particular by inclusion of minority groups in political processes
- bringing sub-national groups into a bargaining process with the government
- increasing state legitimation through local popular participation
- establishing state outreach and control in remote areas
- building trust between groups that participate in local governance institutions

Decentralization could also create new conflict dynamics, resulting in:

- Increased conflict between local and national power holders over power sharing. The decentralized units and the resources that go with decentralization may be used as a basis for political mobilisation, increasing the capability of groups to break away.

- Increased conflict between regions, in the absence of national policies that seek to counteract such conflicts. Reallocation of power to sub-national levels may lead to intensified conflict between regions as resource rich regions may see decentralization as an incentive for separation.
- Disputes at the local level over control of land, resources, aid etc. Disputes may become exacerbated by undemocratic processes at the local level that foster discontent among the population.

With respect to specific models for decentralization, the literature does not provide effective guidance for donors or for governments. Most notably there is contention over the principles upon which decentralization should be built. The main fault line runs between supporters of federalism who argue that ethnic groups should be the building blocks of a political system designed to manage difference, and others who argue that a decentralized system should cut across ethnic boundaries and be designed to foster collaboration and transcend ethnic differences, both at the national and the local level.

Another complicating factor is that the success of decentralization efforts may depend as much on contextual factors as on the design of any particular decentralization model. For example whether the regime is democratic or authoritarian, the degree of power sharing at the centre, the ethnic constellation (two major groups versus several smaller groups; the notion of a 'Staatsvolk' and the idea that bi-polar situations are more difficult to accommodate than multi-polar), whether decentralization took place in response to internal processes or was imposed by external actors, the level of economic development etc. Therefore, contextual factors need to be carefully analysed and taken into account before commitments are made about support to decentralization.

According to Sisk, "the international community as an external player has often sought to promote power sharing in response to ethnic conflicts...Rarely is the international community's promotion of power sharing informed by a thorough understanding of the leading contemporary scholarship on the issue" (Sisk 1996: viii). The above summary indicates that donors need to approach the issue of decentralization as a conflict management instrument with caution, and be aware of potentially new conflict dynamics.

Although decentralization often constitutes one of the key elements of peace agreements, and donors have a long-standing policy of promoting decentralization, donor policies in relation to post-conflict situations and conflict prevention do not systematically discuss the link between decentralization and conflict. For example, OECD's guidelines on conflict prevention do not explicitly discuss decentralization. However, the guidelines refer to the importance of 'the internal political organisation of a state' and the breakdown of post-conflict settlements due 'inappropriate and unsustainable institutional choices for deeply divided societies' (OECD 2001: 56). The guidelines stress the need for democratic and inclusive governance, and say that participation by marginalised ethnic, regional or political groups in political processes and discourses is a crucial element in long-term solutions. Moreover, the report points to the need to strengthen state capacity to analyse and respond to local level conflict (OECD 2001: 62) and to 'identify and seize opportunities to work with and support the peace building capacity of local level, regional, national and other governance structures' (OECD 2001: 63).

The Norwegian policy guidelines on peace-building do not address this issue, but stresses the great importance of 'helping to build up national authorities and structures that have popular legitimacy and the capacity to deliver' (Ministry of Foreign Affairs 2004: 22). The OECD (2004) study on donor support to decentralization and local governance recommends that donors coordinate their activities with the country's own

decentralization strategy. In cases of donor support to decentralization in conflict situations it is likely that the risk of intensifying conflict is minimised if decentralization initiatives and capacity development efforts fit within the overall national post-conflict peace-building and reconstruction strategies.

Authors who have specifically addressed the role of donors in supporting decentralization in conflict situations have stressed the politically sensitive nature of decentralization and the realignment of power relationships that is involved (Woodward 2002). Woodward suggests that decentralization is more attractive to 'new regimes or parties in power when they want to legitimise their control over central government and weaken the remnants of central authority of officials from the previous regime' (Woodward 2002: 20). This suggests that effective decentralization may be more likely when decentralization efforts coincide with a change of regime. Furthermore, Woodward argues that decentralization can be seen as a continuation of the power struggle between groups and that the implementation of decentralization policies depends on the power balance between former combatants. Decentralization may be used as an instrument to strengthen some regions and to weaken others; to build up and sustain some ethnic groups and to wrest power away from others. Therefore, the level at which donors support decentralization (local, provincial, regional), has implications for the power balance between groups.

On a more optimistic note, it has been acknowledged that external actors can be helpful in a transition period. External actors can facilitate efforts at effective decentralization – they can help push regions in the right direction – although stability is ultimately dependent upon what the actors believe will happen when the outside parties and peace keepers leave. They can guarantee stability by guaranteeing a particular political order. They can provide financial resources and thereby contribute to growth and increased public and private investments (Lake and Rothchild 2002). Moreover, the international community is also increasingly using linkages to other issues: membership in collective security-, trade- and other international organisations to induce states to adopt practices that promote ethnic accommodation (Sisk 1996: xii).

8 Research priorities

8.1 Summary: research gaps

The purpose of decentralization in terms of *development objectives* is to deepen the level of national democracy, to enhance administrative efficiency and to promote popular participation so that services can be provided in an equitable and responsive manner. The purpose in terms of *ethnic conflict management* differs significantly between governments in unitary and federal states respectively. In unitary states governments often use decentralization as a tool for eroding ethnic identity and solidarity. Federal governments often apply the exact opposite approach; they explicitly recognise the rights of ethnic groups in a national system of ethnic accommodation. They believe that accommodation of national minorities holds the key to stability and unity. As noted in the introduction exchange between the three bodies of literature has been limited.

While the literature on decentralization as a conflict management tool has been concerned with how governance models impact on conflict, the literature on decentralization and development has addressed impact on development outcomes. Some of these development outcomes such as social exclusion or equitable distribution of resources are directly related to conflict. Yet, a comprehensive analysis of the relationship between decentralization and conflict is largely missing in the development literature. There is little systematic cross country empirical research on the implications of development outcomes on conflict. One of the main reasons for this lack of systematic evidence is that successful decentralization processes in most developing countries are recent phenomena. Hence, there is an urgent need to examine further the relationship between development outcomes resulting from decentralization, and conflict.

There is limited cooperation between scholars who study conflict management in federal states and unitary states respectively. The fact that there are several normative underpinnings in the existing literature: pro-et contra decentralization, pro-et contra federalism and pro-et contra-arguments on whether unitary or federal states are best suited to manage ethnic conflict, may be counter-productive in relation to establishing comprehensive, empirically based comparative research. Instead research that supports a particular ideological position is carried out. There is an obvious need for more systematic comparisons between the lessons learned from the two traditions in developing country contexts.

8.2 Research focus and topics

Studies of decentralization processes have revealed that in some cases decentralization strengthens existing conflicts or trigger new conflicts, whereas in other cases the decentralization process has the opposite effect, i.e. reducing tension and conflict. Several

areas emerge as potential priorities for Norwegian conflict research, drawing on gaps in all the three bodies of literature. Lessons learned from the extensive literature on decentralization in the OECD countries could provide guidance and generate research hypotheses for much needed research in poor and conflict affected countries.

8.2.1 Focus on poor, conflict affected countries

Research should focus specifically on developing countries in conflict or emerging from conflict, taking into account contextual factors such as weak institutions, resource constraints and poor democratic traditions.

- There is a need to explore the relationship between decentralization and ethnic conflict management through *comparative* studies, either using an inductive design or with the help of theoretical models. Many studies have been carried out either at a very high (theoretical) or a very low level of aggregation (one country cases). These studies should be designed to arrive at a better understanding of how the decentralization model itself (unitary or federal) as well as contextual factors such as the number and power of ethnic groups, crosscutting loyalties, democratic institutions, distribution of and availability of resources, involvement of neighbouring states and the role of the international community affect institutional effectiveness and impact. Such comparative studies are important because many basic questions regarding the relationship between decentralization and conflict cannot be researched with the limited data that exist. Moreover, the causal relationship between institutional arrangements of decentralization and ethnic conflict management are very difficult to measure and isolate.
- There is a need to carry out more *large-N studies* on the relationship between the form and degree of decentralization in unitary and federal states respectively and the eruption and management of ethnic conflicts.
- There is also a need for more *historically oriented case studies* on how multi-ethnic states evolve over time and how and why various constitutional (including federalism and unitary state designs) and administrative designs are introduced to cope with ethnic diversity and conflict.

8.2.2 Research topics

Sequencing of reforms

The sequencing of decentralization reforms is a field ripe for systematic comparative research. Should local democratic institutions be established before powers are transferred? Should governments give priority to de-concentration instead of devolution in immediate post-conflict situations in order not to politicise service delivery? Can downwards accountability measures be successfully applied to local authorities before procedural democracy is established? Countries can be centralized in some respects but decentralized in others. Some key areas of decentralization may be more prone to trigger conflict than others. In which fields should decentralization be given priority?

Mechanisms that regulate the relationship between central and local governance institutions

Decentralization involves a reallocation of power between the centre and sub-national levels. As a result winners and losers emerge. Some authors caution that decentralization may lead to further instability as people at the centre who lose out become spoilers. Yet, decentralization is inevitably a part of many political settlements of military conflicts.

Decentralization in post-conflict situations often entails transferring power to groups that have little previous experience of being in power. In some situations the new power holders have been part of war economies. A lack of accountability at the local level may lead to economic mismanagement, corruption, 'bossism' and elite capture, undermining the legitimacy of the government and the entire decentralization process sparking further inter-group conflict. It is therefore crucial to understand the mechanisms whereby transfers of political, administrative and financial power in the immediate aftermath of conflicts succeed and accountability relations are successfully established. The role of the military in decentralization processes is another issue to be investigated as they may emerge as regional power holders.

Characteristics of successful models

One of the problems in assessing the contribution of decentralization towards conflict resolution is that decentralization processes have frequently been unsuccessful. There is a need to identify relatively successful decentralization processes and to assess the impact of such processes in post-conflict situations, to identify the particular aspects that were successful and how models should be designed in order to enhance their positive impact in areas of conflict, in particular over the long term. What were the crucial factors: inclusion of new groups, enhancement and deepening of national integration and contribution to more effective state penetration? Should decentralization models build on existing ethnic boundaries or should they not? How could different models of decentralization be combined, for example how could models that recognise ethnic groups at the federal level be combined with decentralization to the local level? How important are the transfer of financial resources and the generation of financial resources at the local level for success?

Equity and distributive fairness

Since decentralization implies reallocation of power, the process also creates a new set of local institutions which serves the interests of particular social groups and often local elites. Unequal distribution of resources at the local level may have severe implications for stability both at the local and national level. This is particularly relevant in post-conflict situations in which resources are scarce. One key issue is whether decentralized systems are better equipped to deal with localised conflicts over access to both government resources (education, jobs etc.) and natural resources than more centralized governance systems. Another issue is the extent to which local governance institutions are able to act in a non-discriminatory way towards minorities.

The role of the international community

Little systematic research has been undertaken aimed at analysing the role of the international community in supporting decentralization processes, including implications of donor pressure to introduce specific models based on their own experiences, the phasing in of decentralization processes, the level at which decentralized solutions should be supported, additional resource requirements etc. The role played by diaspora communities as a link between donors and countries in conflict in mediating specific models has not been researched. The field is wide open for research that focuses on the impact of different models of decentralization on broader peace building efforts.

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