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Zusammenfassung

Die Studie untersucht die komplexen Aspekte der Rekonstruktion von ökonomischer Governance nach Konflikten in ressourcenreichen afrikanischen Ländern. Das Konzept der ökonomischen Governance – obwohl es auf dem allgemein verwendeten Konzept der Governance in Entwicklungsländern beruht – ist wichtig für die Entwicklung, den Wiederaufbau und die Krisenvermeidung. In dieser Studie werden daher die ökonomischen Kernfunktionen und die Dimensionen von Governance im Detail herausgearbeitet. Dies geschieht durch eine Analyse der konzeptionellen Grundlagen und der unterschiedlichen theoretischen Ansätze von Economic Governance, so dass es dann möglich wird, eine operationale Definition für den Bedarf des Wiederaufbaus von ökonomischer Governance in ressourcenreichen Ländern nach Konflikten zu erarbeiten. Die komplexen ökonomischen Aspekte der Rekonstruktion von Governance nach Bürgerkriegen und Unruhen und zur Vermeidung und Überwindung von Problemen der Ressourcenverfügung (Resource Curse/Ressourcenfluch) wurden klassifiziert und systematisiert, und die wichtigsten Bereiche und Tradeoffs in der Politik wurden dann herausgearbeitet. Auch die regionalen und lokalen ökonomischen Governance-Probleme in solchen Ländern wurden dargestellt, um die spezifischen Aspekte der Rekonstruktion von Governance auf den lokalen und regionalen Ebenen zu beleuchten. Dies ist notwendig, da gerade in den Regionen und Gebieten, wo die Rohstoffe liegen und erschlossen werden, die Auswirkungen auf die Bevölkerung oft gravierend sind, und die traditionelle Ökonomie und die indigene Gesellschaft besonders betroffen sind. Durch umfassende öffentliche Programme und durch eine gute Wirtschaftspolitik kann die ökonomische Governance aber auf zentraler und lokaler Ebene erfolgreich wiederhergestellt werden, wenn bestimmte Bedingungen erfüllt sind. Diese Bedingungen wurden analysiert. Die Studie zeigt auch, dass viele Lehren für die Politik aus Fallstudien (wie Nigeria, Sudan, Angola, Demokratische Republik Kongo, Elfenbeinküste, Kamerun, Äthiopien und Ghana) gezogen werden können.

Abstract

This study investigates the complex issues of reconstructing economic governance after conflict in resource-rich African countries. The concept of economic governance - although based on the overall concept of governance in developing countries – is important for development, reconstruction and crisis prevention, and in this study the economic core functions and dimensions of governance are elaborated in more detail. This is done by referring to the various conceptual meanings and to the different theoretical backgrounds, so as to come up with an operational term. The economic issues of reconstructing governance after civil war and civil conflict and for preventing and successfully overcoming the resource curse in resource-rich African countries are classified, and the most important policy areas and dimensions are elaborated. Also the sub-regional, provincial and local economic governance issues are presented to highlight the specific problems of economic reconstruction in regions, provinces and localities. This is a necessary step as it is important to see where the resources are located and how the exploitation of resources takes place, thus often leading to severe negative impacts on the local people, the traditional economy and the indigenous society. Public guidance and public action obviously can successfully re-establish economic governance in such countries at the central and local levels if certain conditions are met. These conditions are presented in the study. Obviously a lot can be learned from case studies (such as Nigeria, Sudan, Angola, Democratic Republic of Congo, Cote d'Ivoire, Cameroon, Ethiopia and Ghana).

Stichwörter: Governance in Entwicklungsländern; Ökonomische Governance in Afrika; Rekonstruktion der Wirtschaft nach Kriegen und Unruhen in Afrika; Vermeidung des „Ressourcenfluches“ in Afrika

Keywords: Governance in Developing Economies; Economic Governance in Africa; Reconstruction of the Economy after War and Civil Conflict in Africa; Preventing a "Resource Curse" in Africa

JEL-Classification: O55, O10, O43

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LIST OF ABBREVIATIONS

APRM	African Peer Review Mechanism
BRSP	Bureau for Resources and Strategic Partnerships
CIPE	Center for Private Enterprise
CPA	Comprehensive Peace Agreement
CRSP	Collaborative Research Support Program
CSAE	Centre for the Study of African Economics
DIE	Deutsches Institut für Entwicklungspolitik
DP	Discussion Paper
DR	Democratic Republic
ECA	Economic Commission for Africa
ED	Editor
EFI	Economic Research Institute
GDI	German Development Institute
GDP	Gross Domestic Product
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IIED	International Institute for Environment and Development
ILO	International Labour Organisation
IMF	International Monetary Fund
KKZ	Kaufmann/Kray/Mastuzi Index
NEPAD	New Partnership for Africa's Development
NGO	Non-governmental Organisation
ODI	Overseas Development Institute
RDD	Regional Development Dialogue
SANREM	Sustainable Agriculture and Natural Resource Management
SID	Society for International Development
SSE	Stockholm School of Economics
UK	United Kingdom

UN	United Nations
UNDP	United Nations Development Programme
UNU	United Nations University
USA	United States of America
WIDER	World Institute for Development Economics Research

1 Introduction

The term “governance” is leading now in all debates on policy reform and on ways of reconstructing countries after conflict. The definitions differ between non-economists and economists, and depending on the theoretical choices and value premises. However, the basic idea that is associated with the term is that the relations between the rulers/the government and the ruled/the civil society are important for peace, for the use of economic resources, for sustainable growth, and for poverty alleviation.

Economic Governance is an important part of the overall frame of governance, as we have to consider the distinct but interrelated elements of political governance, of economic governance, and of corporate governance. There are however important interdependencies among these three categories: political governance is important for realising economic and corporate governance, and economic governance and corporate governance are vital for maintaining and consolidating political governance.

Reconstruction of governance and especially of economic governance means that the context for the functioning of governance and economic governance is restored. After conflict, the basic functions of economic governance have been destructed and are therefore out of work. Macroeconomic stabilisation has to be restored, so that high inflation rates, unsustainable budget deficits, and overvalued exchange rates can be overcome. A new framework for a functioning macroeconomic policy has to be constructed. This requires that fiscal policy institutions are rebuilt and that a central bank is strengthened so that it can exercise monetary control effectively. Sector policies have to be redesigned after conflict, and newly built sector support institutions are needed. This is important especially for the agricultural sector and the industry sector, as these sectors particularly have suffered from steeply increasing transaction costs during times of conflict.

Reconstruction of economic governance matters in all areas of public affairs. Public financial management and public finance institutions have to be restored immediately after the end of conflict as functioning taxation and public expenditure systems were eroded, and as they are needed for restoring political and corporate governance as well. Medium-term frameworks for public finance and long-term visions for the economy have to be developed so that economic governance can be restored. Monetary and financial systems need a rebuilding of means for supervision, transparency, and accountability, and a build-up of institutions that can lay the foundations for private sector development, growth and poverty alleviation. Furthermore, the institutions and the formation of policies for the global economic integration of the country have to be restored (the foreign trade regime, the foreign investment regime, the modalities for technology transfers, and the institutions for regional cooperation), so that the basic foundations for international competitiveness are recreated. Concerning infrastructure development and infrastructure sectors reform, all types of infrastructure (physical, social, immaterial) and the respective institutions need reconstruction and rehabilitation. Social safety nets and poverty alleviation institutions also need rebuilding and have to be brought to minimum standards.

Related to the reconstruction of economic governance is the vital importance of reconstructing corporate governance. Reconstructing corporate governance means re-establishing and protecting property rights, providing access to credit, respecting intellectual property rights, and improving the conditions for entering and staying in business. Reconstruction of economic governance therefore means that the transaction costs of doing business have to be reduced. This also means that the private sector institutions have to be restored to a level that is compatible with an ordinary functioning of market transactions.

Reconstruction of economic governance after conflict means that the consequences of civil war and of violence for the economic institutions and the level of transaction costs have to be assessed properly to prepare a new start with a genuine reform. Conflicts, violence and civil war mean that the social contract in the society has broken down. Reconstructing the social contract is a complex task involving legal, social and economic programmes. The question is how great the risks of the occurrence of a new conflict are. Risk factors are still there, even long after the end of a civil war, and may impede the reconstruction of all forms of governance. This also means that the conditions for growth and poverty alleviation are affected by these risk factors. Especially, the sectors agriculture and industry are demanding in terms of transaction costs, and therefore sectors like agriculture and industry need broad-based development programmes to get off. Redistribution of assets to the benefit of neglected social and ethnic groups may be necessary, as they suffered prior and during the conflict.

Reconstruction of economic governance after conflict may be further complicated if natural resources are at stake. Risk factors of a resource curse do exist, and they may even escalate during and after conflict. Therefore, identifying and assessing the various groups of risk factors that are associated with civil conflict and with natural resources abundance should have priority when starting with the reconstruction of economic governance. All these reconstruction strategies and policies should consider and assess the probability of a new conflict and of a resource curse. Optimistically, we can see that most of the strategies and policies of reconstructing economic governance may converge towards the objectives of reducing the risks of conflict and of a resource curse. This facilitates a reconstruction programme in resource-rich countries after conflict. On the other hand, natural resources may also complicate the reconstruction process.

The two cases of Sudan and Nigeria show how complex the tasks of reconstructing economic governance after conflict indeed are:

In the case of Sudan we see that governance systems have been destructed over decades by prolonged civil wars, and that in the short periods of negotiated peace no coherent and sustainable reconstruction process of governance institutions was possible. The production of oil in Sudan since 1992 has brought about new problems for the governance institutions, as the resource turned to become a new factor of conflict among the elites and between the elites and socially marginalized groups in the country. Conflicts of interest within the centre of economic activity and between the centre and the periphery have emerged. Still there is a high risk of a renewed civil war, of violent conflicts, and even of a violent separation of the country. These risks prevail and impede investment activity. The risks of a resource curse are also high (in the North and in the South of Sudan), and at the local level there does not exist any form of local resource control. For political governance reconstruction the conditions are indeed bad, and for reconstruction of economic governance the conditions are even worse.

In Nigeria the situation is as well unfavourable despite of the fact that the civil war took place a long time ago. The history and memory of civil war, the decades of civil conflict in the Niger Delta, and an escalation of the violence in the Niger Delta states have prevented effective governance reforms. Governance reforms were not implemented, and economic governance is considered as particularly weak. Nigeria has a long history of oil production since the 1960s, and it was highly concentrated in the Niger Delta states, what has reinforced problems there and raised the risks of increasing conflict intensity (depending on the situation of the oil sector and the state of the environment of oil production). Resource curse problems prevail at the national level, and a lack of local resource control in the Niger Delta states arouses new conflicts. Reconstruction of political and economic governance has to cope with high risks of conflict and of a resource curse, but some optimistic signs for positive changes can be observed.

Assessing the level of governance problems in Africa by measuring the state of governance and the extent of governance reforms in such countries is important, and it is done now for Nigeria and other African countries in the African Governance Report 2005 (see ECA 2005), and it is done also for Nigeria, the Sudan and other African countries by the World Bank (see World Bank 2006). Although the indicators and the methodologies used are different, both institutions rely on the concept of a "capable state" that is able to move in the direction of good governance (with associated improvements in the livelihood of the people). These reports allow it to measure some important aspects of governance reform needs and also the deficits that exist with regard to the foundations of a capable state. Much more and much deeper researches and research results are needed to quantify the governance needs, but this requires field research, cooperative researches and comparative analyses.

This workshop was an attempt to work along these lines and has tried to stimulate further action in this regard. There is now a globally increasing critical awareness that more transparency is needed with regard of governance indicators so as to avoid a misuse of them for comparing superficially the quality of governance across countries and over time (see on such warnings Arndt/Oman 2007). Such a danger of misuse may be great when we consider that the KKZ index on governance (see Kaufmann/Kraay/Mastuzzi 2005) is used in some form by not less than 18 different international organizations (see Quibria 2006, pp. 103 -104), and often used in a highly aggregated form for the six groups of indicators contained (voice and accountability; government effectiveness; political stability and absence of violence; regulatory quality; rule of law; and control of corruption). Therefore country case studies are requested which give deep insights into the structure of political, economic and corporate governance so as to give the basis for relevant governance reforms. On this basis relevant and transparent governance indicators can be developed and measured. This will give the basis for governance reforms that lead to "good governance" and to "good governing institutions".

2 Governance Reforms in Resource-rich African Countries: Research Design, Research Purpose and Research Results

The research on reconstructing economic governance in Africa has various objectives:

First of all, it is so far not clear what the relevant governance concept is, and what it should be, and how it may be related to economic governance and reconstructing economic governance. We see in the literature a great number of theoretical approaches - by economists and by non-economists - that are all defining governance in some way, and later on these theoretical concepts are used in so-called governance reform and reconstruction programmes. The concept of governance became popular in the development discourse in the early 1990s, and since then it became quickly a prominent playing field in the areas of development cooperation and development studies for the application in ambitious governance-related country policy reform programmes. It is therefore an important aspect of the research to highlight the various forms and expressions of the governance concept (such as economic and political governance; national and global governance; developmental and participatory governance; macro and micro level governance; governance from above and from below).

Secondly, it became quite popular to apply the concept of governance reform to countries after conflict, in order to identify the needs for governance reform when the civil war and high-intensity conflicts in the country have ended. Although the risk factors that are associated with civil war and violence were identified and elaborated in numerous researches, the implications for governance reforms and economic governance strategies were not adequately and pragmatically drawn. This is therefore the second major purpose of our research.

Thirdly, many African countries afflicted with civil conflicts are resource-abundant, and it is a main task of our research to identify the risk factors that lead to a "resource curse". The list of factors with some (significant) importance in this regard is long, but the major problem is how to design governance reforms with the aim of avoiding that a resource curse emerges and proliferates, and a further problem is how an economic governance reform package can be implemented so as to prevent a resource curse in African countries.

Fourthly, the research identified specific local resource control problems as a source of conflict and of a resource curse. So it is necessary to look at the localities, areas and regions where conflicts and natural resources pose particular challenges for governance reforms.

All this taken together, we do the research for the purpose to investigate the conditions for effective governance reform, and especially with regard of the economic governance reform, in countries and areas where conflicts and resource abundance lead to cumulating problems.

This research is done by literature research, by comparative analyses, by advising field research in the areas, by cooperating with university people and experts from the conflict areas, and by coordinating research and the holding of workshops like this one here in Bremen. For Sudan, the research is undertaken in the context of the Sudan Economy Research Group Bremen and the Cooperative Research Programme on Governance and Social Action in Sudan after the CPA of January 9, 2005, and for Nigeria the research is undertaken in the context of the Research Group on African Development Perspectives that is editing the African Development Perspectives Yearbook.

For countries like Sudan and Nigeria the lessons from these studies are obvious and need to be carefully drawn. Both countries are affected by civil war and by violence, and both countries have oil that is concentrated in a particular and strategic setting of the country. The oil-rich Niger Delta states have strategic importance in Nigeria and the oil-rich states in South Sudan are along the borders with the Northern Sudanese states. All this makes the situation highly vulnerable and complicates governance reforms. There are other similarities to be observed – as the long period of civil war; the escalation of conflict towards greater conflict intensity and a widening of affected conflict regions; and the problem that various state levels are involved in the public management of funds for the conflict regions (as in both countries there is a federation of states with an own constitution). There exists another similarity also, such as a high degree of social polarisation in the two countries - between the North and the South in the Sudan and between the Niger Delta states and other regions in Nigeria. Although there already exists excellent work on the causes of conflict and the post-conflict economic governance issues of the two countries (such as by Garba/Garba 2005 on Nigeria and by

Ali/Elbadawi 2005 on the Sudan), this workshop intended to produce new research results based on new findings in the field. The ultimate purpose of these researches is to exchange country experiences so that one country can learn from the experiences of the other country in terms of conflict prevention, dispute settlement and post-conflict reconstruction. Other African country case studies were also included (Ghana, Cote d'Ivoire, Cameroon, Angola, Democratic Republic of Congo, and Ethiopia), and also these cases have brought important insights, although the majority of contributions referred to the two countries Sudan and Nigeria.

The purpose of the research programme on Reconstructing Economic Governance in Resource-rich Countries after Conflict is therefore to come to policy recommendations and to derive lessons for decision-makers. A policy package for the reconstruction of economic governance in resource-rich countries after conflict needs more analytical substance than presenting just a catalogue of proposed actions.

3 Defining Governance and Designing Governance Reforms for Reconstructing Economic Governance

There are so many definitions of governance and of economic governance around, and a mapping of all these definitions still has to be done. The theoretical background of all these definitions differs widely. The policy implications of the governance concepts, which are used for political and economic reforms and for reconstructing political and economic governance after conflict, are also different.

We see in the literature various important governance concepts, like good governance, development governance, participatory governance, good economic policy reforms and policy rules, and a whole set of economic governance concepts (with different backgrounds in neoclassical, institutional and evolutionary economics).

The World Bank popularised the concept at the end of the 1980s for Africa (see Landell-Mills/Serageldin 1992), although African regional organisations claim the original use of the concept in its Alternative Development for Africa declarations. Starting from a very short definition of governance as the “exercise of political power to manage a nation’s affairs” (Landell-Mills/Serageldin 1992, p. 304), this definition is obviously encompassing all public policy aspects of governance. Good governance then refers to the ways and means of improving the exercise of political power when managing the affairs of a nation. All elements and factors that are relevant can be considered as incorporated in such a definition (such as decision-making, institutions, consensus-building, rule of law, macroeconomic stabilisation, integrating the public competences at all state levels, and enforcing an autonomy of the bureaucracy and a social inclusiveness of the policies). The focus is, however, on public authority and the nation’s affairs, and the public authority can be creative or destructive, so that there may be good or bad governance as an outcome of the process of governing.

The debate on governance has revealed important aspects of governance reform in developing countries, and many issues and dimensions of governance were raised (such as the dimensions of authority, problem solving, conflict resolution, and implementation). Reconstruction of governance in this context means recreating the authority to decide and to act, problem-solving capacities, conflict resolution capacities, and implementation capacities (see Boeninger 1992). It became also quite clear that external factors can play a role in this reconstruction process of creating conditions for good governance by development aid and aid conditionality (see Landell-Mills/Serageldin 1992), and that cultural dimensions play a role in defining appropriate and relevant governance conditions (see Martin 1992). Reconstruction of governance must always be owned by internal forces (so that external actors can only support the process), and has to be based on local assessments of what good governance is in a particular society. Local assessments of the cultural base of governance refer to the elements what the people consider as good governance, how the people evaluate the law(s) and what law(s) they consider as good and appropriate, which types of organisation they are considering as effective for social organisation, which types of informal groupings and associations are really accepted, how to deal with distrust of power and the state, and what the people consider as adequate and local forms of accountability (see Martin 1992). This view of governance based on cultural dimensions goes far beyond the public policy view of governance.

In the widely discussed and acclaimed African Governance Report 2005 (see ECA 2005 and a comment on this report in DIE 2006) the state of political, economic and corporate governance is investigated by analysing country-wise perceptions about particular aspects of governance (according to specific governance indicators). The first report is based on national country reports for 27 African countries (however not yet included are such countries as Sudan, Angola, DR of Congo, as these are countries with a long-lasting conflict and a tremendous demand for reconstruction of governance conditions and institutions). The approach is mainly based on measuring the quality of governance by expert panel opinions, but also by including representative sample household interviews and deskwork based on hard facts about governance conditions. After assessing the state of governance the implications for governance reforms can be drawn.

Good governance is referred to in the Economic Commission for Africa (ECA) Governance project as progress with regard of political, economic, and corporate governance. Criteria for progress are identified. Economic governance progress is assessed with regard to improving the state of public financial management and accountability, and of reestablishing a greater integrity of the monetary and financial system. For evaluating the progress with regard of corporate governance, the progress in the development of institutions for the development of the private sector, the progress in protecting property rights, and the progress in corporate governance per se are assessed and measured.

The ECA definition of governance is relevant for countries after conflict as reconstructing the social pact in the country comes in. Governance is "a process of social engagement between the rulers and the ruled in a political community. Its components include i) rule making and standard setting, ii) management of regime structures, and iii) outcome of the social pact" (ECA 2004, p. 3). Good governance is referred to as the (positive) effects of governance on the livelihood of the people, and there are three major agencies of good governance (a capable state, an active civil society, and a thriving private sector). We see that the ECA concept of good governance is broader than the World Bank concept, and that it goes far beyond the public affairs domain of good governance. Although the theoretical background of the efficient and capable state is not very much discussed and articulated, it would nearly fit the new World Bank concept of a capable state (as measured by different performance indicators; see especially in World Bank 2006). The ECA Governance Project is important for identifying important governance indicators and for implementing measurable instruments for the reconstruction of economic governance, and we also observe some correlation with other International Governance Projects (see ECA 2004, 2005).

The African Governance Report governance indicators and the World Bank and International Development Association (IDA) governance indicators are comprehensive and broad with regard to the important dimensions of political, economic and corporate governance, but the theoretical background of governance is eclectic and the concept of a capable state is rather weak. Nevertheless, it becomes clear from the concept of a capable state and from the presentation of the various governance indicators that reconstruction of governance in countries after conflict implies that all agencies, instruments and components of governance have to be focussed simultaneously, and that resource abundance can complicate the process of reconstruction. Resource abundance in countries after conflict may further erode the potential of the three governance agencies to support the reconstruction process, because of the (negative) impacts of natural resources abundance on the quality of institutions and policies, on rent-seeking and capturing the state, and on corruption.

The concept of development governance (see on the concept Zafarullah/Huque 2006; and see on the governance conditions in African developmental states Mkandawire 2001) relates to the three basic socio-economic functions of a developmental state (regulation, provision of infrastructure, and redistribution), and reconstruction of developmental governance means that these functions are restored (in the context of a state that has an ideological base and a technical capacity for rapid development). Associated to this concept is a sufficient degree of autonomy of the state and its bureaucracy from social groups/forces so that not private and particular interest groups prevail and form the politics of the state. Further on, a state is considered as developmental if it is to a certain degree inclusive in terms of protecting the social interests of all social groups and if it has some social anchoring and acceptance for the key political actors. Reconstruction of economic governance in this concept means that priority has to be given - in countries after conflict and endowed with natural resources – to restoring the three basic socio-economic functions, the autonomy of the state, the social inclusiveness, and the democratic base of the state. A democratic developmental state is better defined than a capable and efficient state, but in terms of governance indicators, components and agencies of governance the gap may not be that great. It is therefore important to look at the huge reconstruction of economic governance task from the point of view of the whole frame of a functioning developmental state.

The concept of "participatory governance" is also important for any effort to reconstruct governance in countries after conflict (see Friedman 2006 on the concept; and on the relation between socially sustainable development and participatory governance see Papadakis 2006), as the specific aspect of an active civil society is brought into the governance framework. Participatory governance is based on a regulatory framework in which the public authorities and the civil society institutions negotiate a cooperation between state institutions and civil society groups so that a broad-based participation in the country may enhance development performance and strengthen democratic development (see Friedman 2006, p. 4). Reconstruction of governance according to this concept means – especially after conflict and in case of resource abundance - that a regulated framework between state and civil society institutions speeds up reconstruction work, institution building, and the strengthening of state capacities and civil society associations by participatory processes. The potential of participatory governance can be utilised fully for the crucial decisions that have to be taken after conflict.

The good governance concept of pursuing good economic policies, based on sound principles and rules, refers to the Washington Consensus agenda. The list of good economic policy rules was expanded considerably over time from the "original" to the "augmented" consensus, and the discussion goes on with new rules and lessons that are confronted with the real situation at country levels (see Rodrik 2006 on the state of the debate). It is now clear that all these policy rules have some value for policymakers, but that they will remain rather vague and of use for policy reforms only if the steps towards policy reforms are clearly defined and then applied to the country case, and by readily acknowledging the history of policy failures and successes. Important are three steps – the diagnosis of growth and reform problems, the concrete and specific policy design, and an institutionalising of reform (Rodrik 2006). In the context of reconstructing governance, this implies that any workable economic governance programme has to start on the basis of three steps (growth and reforms diagnostics, policy design, and institutionalising reform). If any of these steps is not really carried out, then failures in policy reforms will occur inevitably. None of these three aspects should be neglected. This implies that an ownership of economic policies is requested for all stages and steps as the Washington Consensus policy rules can be applied under quite different governance regimes, institutions, and with quite a different performance.

Most complex and most debated are the issues of economic governance per se. Economic governance requires that market-supporting institutions are at work, and that they are rehabilitated with vigour after conflict. These market-supporting institutions are property rights, regulatory institutions, institutions for macroeconomic stabilisation, institutions for social insurance, and institutions for conflict management (see IMF/Ter-Minassian 2004, p. 6). These institutions are strongly affected by conflict and civil war, and they have to be rehabilitated quickly as there is a strong correlation between the quality of these market-supporting institutions and growth. Therefore, a reconstruction of these institutions is a first task after conflict, and it is a difficult task because of the various impacts of conflict and of natural resources abundance on institutional-build-up. Reconstruction of economic governance has therefore to do with the build-up of institutions that support market development, and so with the level of transaction costs that impacts on doing business and that may facilitate or impede economic governance.

The whole concept of economic governance is, however, vague and diffuse (see Elsner/Schoenig 2005), and it is also necessary to consider not only the macro dimension of governance, but also the meso and the micro dimensions. The meso aspects of governance can be investigated on the basis of "mid-sized platforms" such as mid-size groups, sectors, clusters, networks and regions as the arenas where complex interactions and coordination problems are solved (see Elsner/Schoenig, 2005, p. 78). Macro governance refers to the "rules of the game" (in the context of the established institutions), and micro governance refers to the specific transactions, the contracts, the investments and uncertainties in the context of the macro governance framework (see Williamson, 1995). In contrast to the "institutional environment" (with the basic rules of the game and the basic market supporting institutions), the "institutional arrangements" (or mechanisms of governance) are important for the daily contact between economic units, and they govern the ways in which these units cooperate or compete (Williamson 1995, p. 174). Over time, the economic units feed back by their transactions, contracts, and investments to the rules of the game by the way of the transactions costs that are occurring in the daily business. The economic units arrange transactions between themselves on markets and use also a variety of alternatives to markets. Complex transactions with "specific assets" need more coherence of basic rules and specific institutional arrangements in order to be successful and recurring. How investors, contractors, entrepreneurs and consumers react to the institutional environment and to the specific institutional arrangements can be analysed in the context of "doing business" and "investment climate" comparative studies (see World Bank 2006, Tables 13.1 to 13.4 on the theme "Capable States and

Partnership”). The costs of doing business can differ considerably between countries (and also within countries) even if there are quite similar institutional environments and market-supporting institutions in the compared countries.

Reconstruction of economic governance has therefore a particular meaning with regard to macro, meso and micro governance issues and structures. All the three levels have to be reconstructed in order to lead to a sustainable development process and to allow the establishment of a high-performance economy.

The review of governance concepts has shown that there are various approaches at hand to start with a reconstruction process, and that various schools of thought supply somewhat competing but to a large extent also complementing advice. Especially for countries after conflict and endowed with natural resources the constructive combination of development, participatory and economic governance concepts is imperative for the implementation of realistic reform packages.

Reconstruction of economic governance is complex but important for growth, as the transactions on specific assets will not be contracted so easily in an environment after conflict, and in a situation where uncontrolled access to natural resources has destructed and continues to destruct the institutional environment. The problems with the oil sectors in Nigeria, in Sudan and elsewhere in Africa show how difficult the reconstruction of governance is, and how limited the economic activities under these political and institutional conditions are. In such a situation there is room for investments into high-return activities such as in the oil sector but at the expense of most of the non-oil sector activities. Beside of building up the “rules of the game” and the most important market-supporting institutions the meso institutional arrangements at the level of sectors and regions and the micro arrangements between individual economic actors decide about the performance of the economy and the sustainability of the institutional set-up.

4 Civil Conflict, Resource Abundance and Resource Control: The Reconstruction of Economic Governance is a Feasible Task

It is important to assess if reconstruction of economic governance in resource-rich countries after conflict is a feasible task at all. Is it possible to reconstruct economic governance after civil war and widespread violence, so as to avoid a recurrence and to reduce the risk of violence and civil war? Is it possible to avoid the risk of a resource curse - especially after civil war and violence - at the national, provincial and local levels, by the reconstruction of economic governance in the field of managing the resource revenues? Is it possible to avoid the risk of a local resource curse and the loss of local resource control, and is it possible to re-establish and to reconstruct comprehensive resource control at the local level? As violence and civil war, resource curse and lack of local resource control have interrelated and negative impacts on growth and human development, we have to analyse these interrelated issues in more detail (see on some aspects of the research Wohlmuth 2006 and 2007).

Researches on the causes and the risks of conflict and on the intensity of conflict have shown the severe impacts on economic variables, especially on fiscal revenues and on public investment and growth. The fiscal impact of conflicts is severe (see Addison/Chowdhury/Murshed 2004), and the loss of fiscal revenues has implications on the functioning of the whole economy. Two important results emerge: Conflicts have a significant and negative impact on the tax-GDP ratio, and the effect rises with the conflict intensity. Lowering the conflict intensity leads therefore to increasing gains in terms of fiscal revenues, growth and development. Governance indicators have significant and positive effects on the tax-GDP ratio, so that even in countries under conflict governance reforms pay off. Steps and efforts to lower the intensity of conflicts and to improve the systems of governance enhance the efficacy of the tax reforms and of the associated fiscal policy and fiscal institutions reforms (see Addison/Chowdhury/Murshed 2004, p. 262). Lowering the conflict intensity, implementing governance reforms, and speeding up tax and fiscal reforms are highly interrelated efforts, and the reconstruction of economic governance implies that these interrelations are adequately reflected in the context of policy reforms.

Fiscal policy and fiscal institutions reforms matter in the context of any package of reconstructing economic governance as fiscal revenues are important for improving the human situation after conflicts and for designing long-lasting conflict resolution measures. Such reforms are also important to avoid a resource curse or even a deepening of the resource curse, and to re-establish local resource control with regard of the fiscal instruments. Rebuilding of fiscal institutions is therefore a priority task for growth acceleration and a priority task for lowering the conflict intensity and for pursuing effective governance reforms (see IMF/Ter-Minassian 2004). Donor assistance will also be enhanced by such reforms, and adds positive impacts to the positive outcome of reforms. However, we also know that interest groups (governments groups in the government, and rebel and opposition groups) matter in the process and may therefore object and postpone a reduction of the conflict intensity and genuine governance reforms. The interest of all these groups can be modelled, by complicating stepwise the frame of analysis, the number of stakeholders, the involvement of internal and external actors, etc. (as it was done by Addison/Murshed 2005). It is shown by this type of modelling that national and international measures towards conflict resolution can be implemented effectively, and that such measures can specifically target the involved interest groups so as to reduce the conflict intensity. Such behaviour of interest groups during conflicts may also be investigated with analyses based on political economy approaches (see Geda/Degefe 2005 on Ethiopia, and Herbst 2000 on the formation of rebel movements in Africa), by analysing the development history of the country in terms of conflict formations, types of conflict, and changes of power relations over time. Fiscal revenues give an opportunity to lower conflict intensity and to consolidate peace, and therefore fiscal budgeting and planning and institutional renewal in this direction is enormously important for the reconstruction of economic governance effort. This is the key for a turnaround in an economy after conflict.

Reconstructing economic governance after conflict requires that the particular risk factors of civil war and conflict are analysed, assessed and evaluated for designing adequate policy measures and policy packages. What we know is that there are some crucial factors that are related to such a risk: These factors are a high level of poverty, a relatively slow growth of the per capita incomes, the abundance of primary commodities, the still short number of years of peace duration, the existence of a large population in a country, the difficulties in developing strong institutions, and a high level of corruption (see on these factors and analyses especially the volumes by Clement, Ed., 2004; Basedau/Mehler, Eds., 2005; and Fosu/Collier, Eds., 2005; and the good analytic and summarising reports by Ali 2000, Yartey 2004; Elbadawi/Ndung'u 2005; Gudmundsson 2004; and Staines 2004). All these studies also show us that reconstruction of economic governance is possible if it is designed in a framework that considers interdependencies of factors, external and internal interests, and the implementation capacities and procedures.

The high level of poverty as a cause of civil war can be addressed by appropriate poverty alleviation policies (in the context of new growth and poverty alleviation strategies). The slow growth of per capita income as a causing factor can be addressed by growth-boosting strategies and by broad-based economic and social reconstruction strategies (see on these aspects the model work by Addison/Murshed 2005). The abundance of primary commodities as a factor can be addressed by the effective integration and control of the resource sector and by a diversification of the economy (see Auty 2001; and Wohlmuth 2006 and 2007). The peace duration as a factor can be addressed by supporting vigorously the existing peace agreements (by domestic and international measures and policies). The factor "large populations in a country" can be addressed by policies for an effective federalism, an effective decentralisation, and an effective social reconciliation (see on such an agenda the studies by Baechler/Spillmann/Suliman, Eds., 2002; Larson/Ribot 2004; and Regional Development Dialogue (RDD) 2004). The factor "difficulties in developing strong institutions" can be addressed by developing over time good quality, quality-growth and high-growth institutions, and especially by laying the foundations for market-supporting institutions in the country (see also Fosu 2005; Collier 2005). The factor "high level of corruption" can be addressed by realistic good governance policies in the context of the other policy measures and proposals recommended (see Grindle 2004 on a Good Enough Governance reform concept).

In a virtuous circle model to overcome the vicious circle situation (based on the structural model developed by Elbadawi/Ndung'u 2005 and on the conflict intensity/fiscal revenues considerations by Addison/Chowdhury/ Murshed 2004) we can see that there are chances to initiate a virtuous circle and to reconstruct economic governance by a combination of policies that affect the rate of growth, the level, distribution and structure of the per capita income, the public and the private investments, the public revenues, and the risk and intensity of conflict. Most important are growth-boosting and broad-based economic reconstruction policies, poverty alleviation and income distribution policies, governance reforms that affect public revenues, public investments, and private investments, and policies that lower the risk and the intensity of conflict. If all these measures are initiated, the overall effects on public revenues, on public and private investment, on the rate and structure of growth, and on the level of income will further lower the risk and intensity of conflict. However, this transition from a vicious to a virtuous circle can only proceed if the growth policy is founded on a broad-based reconstruction policy that reduces quickly the high transaction costs for economic units and the high discount rates for investors that have been the results of the escalating conflict (see on the elements of such a broad-based reconstruction strategy Addison/Murshed 2005). The risk of conflict and the intensity of conflict have to be addressed directly and indirectly, especially by considering the various types of risks and then overcoming them by proper action - risks that have led to the conflict (like income and asset disparities between ethnic groups), risks that have occurred during the conflict (like new groups that were benefiting from the conflict), and risks that are inherent in actions after a peace agreement (like the exclusion of groups from the process of implementing the agreement). A package of measures to eliminate the risks and to lower the conflict intensity can be developed and can be part of the virtuous circle strategy. Such a package can consist of revenue-, income-and asset-sharing policies, of policies to compensate losers from the conflict while accepting some of the economic positions of the winners from conflict, and policies to include groups and regions during the implementation of the peace agreement (see on elements of such a package Collier 2005).

In order to affect the level and the structure of the per capita incomes, a comprehensive redistribution and poverty alleviation strategy is requested at national, provincial and local levels, including also a pro-poor asset redistribution to speed up growth and to reduce conflict risks and conflict intensity further. Private investment has to be supported by institutional development measures, especially by strengthening the market-supporting institutions, so that the (objective) transaction costs and the (subjective) discount rates of the investors can be affected positively in a short period of time. Public investment can be accelerated and the role in the growth process can be strengthened if the key role of fiscal policy would be re-established at all state levels and if the related fiscal institutions would be restored. Public revenues play a great role in the growth process and for the reduction of the conflict risks and the conflict intensity. There is a need for broadening the tax base after conflict without giving disincentives by high tax rates; selective tax incentives for productive sectors may also play a role to initiate a growth process. Designing a new aid and debt strategy with support of donors may also be important for the prevention of new conflict and the consolidation of peace (see also Staines 2004 on what is needed over the conflict cycle in terms of development assistance).

All these elements add up to a virtuous circle of development and growth after conflict. Recurrence of conflict in so many African countries has a lot to do with failures to initiate and to sustain such a circle.

Reconstruction of economic governance after conflict in resource-rich countries has to cope with particularly complex problems. Concerning the definition of resource-rich countries, we have to be precise. The issues of resource abundance, resource availability, resource location, resource exploitation, and resource dependency have to be distinguished analytically quite carefully. In Nigeria with its huge population there is a different situation than in Equatorial-Guinea with its small population. A country like Nigeria may be very well endowed with resources in absolute terms, but in relative terms to its population the resource abundance is more limited (and highly concentrated in some states of Nigeria, and lootable as well as the pipelines can be attacked easily). However, the resource dependency is very high as Nigeria supplies more than 90 percent of its exports revenues in one item - oil. These definitions matter for resource politics a lot (see Basedau/Mehler, Eds., 2005; and Wohlmuth 2007).

Whatever the availability, the type, form and location of resources is, the "resource curse" is the most cited danger for African countries and for other developing and transition countries, and many risks may be related to the abundance of resources in a country, and may be associated with the resource curse phenomenon (see on the rising number of explanations Ross 1999). As illustrated for the case of Nigeria, the dangers of a resource curse could be eliminated on the basis of a radical proposal, by an equal distribution of the resource rent to the people of the country, thereby "eliminating" the risk that something is done wrong with the rents by the state or by other owners and intermediaries (see Sala-i-Martin/Subramanian 2003). In countries with high per capita resource rents the solution to the danger of a resource curse may however be different (an oil savings fund, an enlightened fiscal policy, and adequate social expenditures for the people may be solutions).

Beside assessing the consequences of resource dependence and resource abundance the control of the resource sectors is a major political and economic problem, at national, provincial and local levels, and therefore all state levels are involved in the reconstruction of institutions and governance for resource sectors (see Wohlmuth et al. 2006, 2007). Only by a firm control of these sectors the resource curse can be avoided. However, the main problem for the reconstruction of economic governance in resource-rich countries is the understanding of the "resource curse". There are many risk factors associated with the resource curse, and the number of risk factors seems to increase (Ross 1999 distinguishes economic, political, cognitive, societal, state-centred, and other explanations for the observed phenomenon of a resource curse). All these risks (fuelled by so many explanatory factors) may be aggravated considerably by conflicts, as institutions are being eroded in their functions and even destroyed and as the formation of policies might become more difficult.

Identifying the overall risk of the resource curse leads to six major groups of factors that may be relevant (see ODI 2006, and so many other researches). Resource abundance increases the risk that income inequality is aggravated and that poverty alleviation policies are negatively affected. Resource abundance may lead to the risk that Dutch Disease- and Crowding Out-Effects occur, because of the factor movements into the resource sectors, the spending effects from the revenues, and the exchange rate effects from the export booms. The risks are augmented also because of policy failures associated with resource abundance, with regard of economic policies per se, trade policies, debt strategy and policy failures, and communication policy failures with the public in resource-rich countries, etc. Furthermore, risks are aggravated because of the slow human capital development and the inter-generational inequalities that are usually created in such countries. Another group of risks is associated with the decline of efficiency in administration, in macro and in fiscal policies, etc. A last – and very important - group of factors is related to adverse political economy effects, such as corruption, rent-seeking, and localised resource curse effects in the resource-producing areas as they suffer most, because they usually may not get an appropriate share of the benefits so that conflicts over resources destroy the social fabric (see ODI 2006 and Wohlmuth 2007 on these effects). It may be still right to say that the gap has widened between the understanding of the economics and the politics of the resource curse (see Ross 1999, p. 321).

Also the empirical testing on the transmission channels from resource abundance to resource curse is important and is showing that the tendency of under-investment in important sectors (human capital, agriculture, manufacturing, non-resource exports), the political economy effects (impacts on corruption, on rent-seeking, on the social fabric in producing areas) and the effects on institutions (weakening of already weak institutions, thereby increasing the transaction costs) matter in a cumulative way (see also Papyrakis/Gerlagh 2004; Lay/Mahmoud 2005).

Knowledge about factors, actors and transmission channels is broadening, but so far not much with regard to the research on how to manage and how to reconstruct governance in such situations. However, more recognition is laid on these issues recently (see UN Expert Group 2006; Africa Renewal, 2007; Toungui 2006). The emphasis is now more on how to transform natural resources from a peace liability into a peace asset (UN Expert Group 2006), how to transform the natural resources from a curse to a blessing (Africa Renewal 2007), and how to manage revenues along the targets set by Millennium Development Goals (see Toungui 2006).

The identification of the six groups of risk factors mentioned above also shows us that a lot can be done to reconstruct economic governance, but only if it is done in a comprehensive and integrated, in a simultaneous and holistic way. The six groups of factors can be addressed firstly, by pro-active income redistribution and poverty alleviation strategies; secondly, by comprehensive structural and sectoral strategies and policies towards non-resource sectors; thirdly, by economic policies based on long-term planning, smoothing of expenditures, increasing the absorptive capacity for productive investments and using long-term saving instruments; fourthly, by a new human capital development and saving for the future generations policy; fifthly, by formulating and implementing new foundations for an "efficiency revolution" in administrations and the economic policy machinery in such countries; and sixthly, by attacking the severe political economy effects by comprehensive Good Governance Reforms at all state levels.

After conflict however, all the policies are more difficult to pursue because of the devastation of order, the erosion of institutions and the shrinking resource base, but on the other hand the reconstruction of governance after conflict raises similar problems and policy challenges as fighting the resource curse. Addressing the risks of civil war and addressing the risks of a resource curse demand similar lines of action – long-run planning towards a broad-based development strategy, commitment at all state levels, addressing the political economy effects by good governance measures, outlining a new fiscal policy strategy and the building-up of related fiscal institutions, and designing and implementing a broad institutional build-up (this emphasis on institutions is also the result and main message of the many theoretical and empirical studies on how to prevent the resource curse and how to overcome it; see especially on the institutional gap Boschini et al. 2005, and Murshed 2004).

Again, the transformation of a vicious circle towards a virtuous circle is needed. The structure of growth has to be addressed as the non-oil/non-resource sectors are potentially suffering from the resource curse effects. Various direct support measures for agriculture, industry, crafts, and non-traditional exports are possible and feasible. This can be facilitated by a combination of new economic, fiscal, debt and aid policies, and by addressing the structure of growth and the distribution of incomes and assets. At the same time, the high investment risks have to be reduced by joint action of government, private sector, and the civil society, and governance indicators have to be improved as they also play a role to transform the structure of growth by new investment and increasing confidence of investors. On the other side, resource curse risks can be addressed directly and indirectly, by attacking the specific groups of risks that were mentioned above. This action will impact positively on the other mentioned factors – the structure of growth, economic and fiscal policy, aid and debt policy, investment risk, and governance and capacity building.

Although the transformation of a vicious circle to a virtuous circle is not a simple policy advice, country experiences show that it can be done (not only in Norway and in Botswana, but also in other countries that see the problems and are ready to act). Explicitly stated, the focus on and the support of non-oil sectors can be enhanced (such as it is now tried in the

Federation of Russia and in other resource-rich transition countries). This can be achieved by a variety of policy instruments, but all this will succeed only if governance reforms and capacity building measures are undertaken at all state levels to support the process. A comprehensive policy on all relevant risks of a resource curse is possible and feasible but needs an institutional framework that is successively implemented and an economic policy that is well synchronised with fiscal, monetary, trade, debt and aid policies. Support from the people and the civil society for such policies will only be kept intact if employment and redistribution policies focus consequently also on the non-oil sectors of the economy so that resource extraction enclaves in the country would be avoided. A reduction of investment risks in the non-oil sectors is very important (and we know that the same issue emerges in countries after conflict).

There are some focal points to be observed, and we see that policy and strategic matters converge; actions taken after civil war and conflict and in order to avoid and combat the resource curse are therefore similar. So many of the negative development consequences from a civil war and from a resource curse are similar, such as the growth effects, the effects on institutions and governance, the effects on capacities, administration and decision-making, and on investment behaviour. Also the main messages to overcome the respective situation sound similar – how to prevent civil war and the resource curse by democratic reforms, by reforms of economic, corporate and political governance, and by institutional reforms (see Ali 2000). We also know that democratic reforms are difficult to implement in resource-rich developing countries (see Jensen/Wantchekon 2004), although when established along with strong governance reforms and based on a partnership between governments, civil society organisations and international support institutions it can be achieved. Governance reforms in resource-rich countries such as in Nigeria and Gabon however need stronger elements of transparency and accountability than in resource-poor countries, and we should also distinguish in this respect between old and new petroleum exporting countries (see Wohlmuth 2007). With resource rents to be distributed in a country, democratic reforms can be quickly undermined, but nonetheless a virtuous circle is possible preventing that such an effect occurs. Only strong governance reform packages can avoid the backslide effect of democratisation waves (see Jensen/Wantchekon 2004, p. 836).

If we assume and ascertain that emerging resource-rich countries such as the recent oil exporter Sudan depend not only on oil revenues but also on aid flows for reconstruction there may exist conflicting impacts on the political regime, as the two sources of income are working through in receiving countries quite differently in terms of transparency, accountability, effects on democracy, etc. This is an argument for a comprehensive and integrated action on resource and aid income flows (see Wohlmuth 2007). Also the international community's policies and actions should look at both income sources in the overall reconstruction and development process. International community's action and comprehensive domestic action at all state levels are therefore highly complementary levels for actions to reconstruct governance after conflict and to prevent a resource curse.

More than this, resource-based conflicts in Africa also show the need to re-establish both, the institutions of the state and the informal institutions of conflict resolution, and to formulate and implement policies that prevent a further overall deterioration in regions where livelihood conditions were marginalized because of inappropriate handling of issues over natural resources, land and water. It is not simply the scarcity of resources and the competition for such resources that creates conflict (see SID Conference 2005), but often it is the lack of effective participation, of institutionalised negotiations, and of appropriate mechanisms for consensus finding that matters. Scarcity of local resources, competition for local resources and abundance of natural resources of a point-source type require the revival of established conflict resolution mechanisms and the use of new cooperation mechanisms to be handled (SID Conference 2005; Wohlmuth 2007). Therefore it is most relevant to design and to implement a new and innovative natural resources management programme from the central to the local level, in line with the economic governance reform package.

Volatility management is another important issue for an economic governance reconstruction package in order to deal with fluctuating resource revenues and their impacts (see Shaxson 2005 on such issues, and a comparison of old and new forms of resource revenue management). Comparing old and new forms of stabilising the resource revenues and avoiding negative impacts of fluctuating resource revenues, such as oil revenues, is showing that comprehensive and deep economic governance reforms have to be associated with new forms of revenue stabilisation (see Shaxson 2005 on such forms). Savings funds that are directly funded with oil revenues from the oil contracts with international oil companies may be registered and controlled regionally and internationally, and tripartite oil contracts with an international guaranteeing and trust agency may also help in smoothing and governing the oil revenues. There are also many other possibilities to improve the governance of natural resource contracts to the benefit of the people in resource-rich African countries after conflict. Having a long-term relationship with an international or regional organisation based on trust, the transparency and revenue-smoothing goals could be achieved. This may be a further task of the African Peer Review Mechanism (APRM), and so the positive effects of the mechanism could be further enhanced.

5 Local Development, Local Resource Control and the Complexity of Economic Governance Reforms

Reconstruction of economic governance at the local level is an especially complex task. The cases of Nigeria (Niger Delta states) and Sudan (Southern Sudan states with oil discoveries and production) show how the local development is affected by resources discovery and exploitation like oil. Villages are removed, pollution occurs on a large scale, water and cultivable land are becoming even scarcer, people are displaced, military and security compounds are established, infrastructure is created for the resource exploitation, not for the needs of the local people, public revenues are not allocated for the people in the areas, but are siphoned off for other purposes; corruption and rent-seeking affect local government staff and local elites; and local administrations are too often completely pushed away and replaced by central state and military organs. Many more of such effects could be cited, and we know that all this has reasons in the weak state of local governance in African countries (reports by international NGOs are a good source on such developments in local "trouble areas").

Six issues have to be mentioned with regard to reconstructing economic governance:

Firstly, the "localised resource curse" means that there is an intensification of all the risks of a resource curse at the local level that were mentioned above for the national level, and we know that the localised resource curse leads also to a serious "economic benefits gap" for the local people (see ODI 2006). The risks of civil war and violence and the risks of a resource curse culminate at the local levels. Reconstruction of economic governance after conflict in resource-abundant areas is therefore demanding urgent action at the local levels.

Secondly, there is a limited frame, efficiency and scope of decentralisation in all the developing countries and especially in resource-rich African countries after conflict. The overall results of decentralisation policies and the observed outcome of decentralised governance systems and institutions are unfavourable, although there are differences by country and by region within countries (see Larson/Ribot 2004; RDD 2004). By all key evaluation criteria of decentralisation policies we find rather unsatisfactory results and poor outcomes (in terms of participation, local financing, local planning and administration, local awareness of requirements and needs, upward and downward communication, accountability, and transparency at government levels, and in terms of democracy development and consolidation). If the situation is already unsatisfactory, resource discoveries and conflicts can only deteriorate the situation.

Thirdly, fiscal decentralisation is – as part of overall decentralisation policies – often non-existent or very weak, so that local communities can not really decide about the revenues entitled to and about the expenditures scheduled and to be allocated; the necessary institutional base for a local fiscal policy, a local budgeting and a local project planning does not exist. There are delays of central allocations, there is a lack of transparency with regard to entitlements of local entities, there is a lack of control over expenditures, and a lack of capacities. After resource discoveries and after conflict the local communities will not get more of such competencies and allocations, and the institutions are still weaker to do this job at the local level.

Fourthly, the resource competition in the areas increases with the resource discoveries, as land, water, skills, and administrative capacities are more and more used for exploration, extraction and for production purposes with regard to the "abundant resource". The competition for scarce environmental goods and for local public goods also increases, and pollution and degradation of nature affect the poor people; the limited supply of local public goods is another important factor harming the local population. The scarce local factors are used for the production of the "abundant natural resources". All this makes the situation worse for the local people (the transformation of resource conflicts is made even more difficult; see Baechler/Spillmann/Suliman, Eds., 2002 on the strategies for the transformation of resource conflicts into peaceful and sustainable development strategies).

Fifthly, the lack of local legal, operational and political competencies with regard to natural resources management is the most serious problem. Central governments in developing countries always have been hesitant to give local communities sufficient legal and political competencies to decide on natural resources management, and we cannot see any improvement in this respect (see Larson/Ribot 2004). As exportable resources are discovered in an area, the willingness of central governments to grant local management rights is diminishing even further, and after conflict the local institutions are too weak to respond to the management needs.

Sixthly, the lack of downward and upward communication, accountability and transparency in a democratic context and based on effective governance structures reflects the fact that the relations between central, provincial and local government levels are not development-friendly. Neither downward nor upward the governance structures work between government levels; the communication channels are not working, and the accountability and transparency principles are not put into action. The central government is not made accountable and is not forced to become transparent for its decisions and doings in local areas, and the local governments are too weak to respond to the demands for accountability and transparency that are raised from the upper levels of government.

Despite so many obstacles towards local development there are possibilities to turn a vicious circle into a virtuous circle by comprehensive and determined action. The local resource course can be attacked by improving fiscal and natural resources management at local levels, by strengthening the local institutions in these fields, by capacity building towards these areas, and by empowerment initiatives to induce concerted action at local levels. However, this requires that government at local level, civil society, and the private sector share in the task of overcoming the localised resource curse, but also the international resource extraction corporations, working in the area, and the other government levels, cooperating with them on resource exploitation, have to be involved. The local resource curse can be attacked also by determined and far-reaching governance reforms at local and other state levels, by new capacity building initiatives, also supported by NGOs and other donors, and by local growth, poverty alleviation and income redistribution initiatives (parallel to the respective actions at the national levels). Aid policies and debt strategies from the government and the side of the donors can support such local development initiatives. From the side of resource competition there is another avenue to break the vicious circle, and to reconstruct economic governance to the benefit of the local people.

The resource competition at local levels can be channelled towards an orderly form by strengthening natural resource management and fiscal management at local levels, so that the demands for scarce resources in the area are balanced and brought to sustainable levels. Regulations, based also on local legal and socio-economic principles, can be put in place, and thereby current and new demands for resources can be influenced, constrained and controlled. Resource competition can also be affected by production and export diversification, by employment and growth policies at the local levels, by shifting production to new and more resource-saving products, by social support policies, income redistribution and poverty alleviation measures, and by broad-based governance reforms and property rights reforms in order to regulate the access to resources.

Reconstruction of economic governance at local levels therefore can be enhanced from two sides, from the resource competition side and from the resource curse side. All such measures can be integrated into a local capacity development strategy (the studies by Castro 2005 and on the SID Conference 2005 show that there are various approaches available for the local development renaissance, and that there are new models in development thinking to benefit from).

6 Policy Conclusions, Policy Recommendations and Outlook

In this introductory paper we have identified in section 1 the necessity to identify the needs and the means of reconstructing economic governance after conflict in resource-rich countries, for the purpose of enabling policymakers and governing bodies to implement in such regions new economic and social policies on the basis of reestablished institutions. In section 2 we have outlined the research needs in this direction because of the neglect of so many issues in the researches on Africa's resource-rich countries after periods of conflict. We have also worked in this introductory paper on outlining a broad concept of economic governance that is incorporating also the particular problems of such countries with regard to institutional renewal and reform. We then have outlined in detail the steps towards a reconstruction of economic governance, to reduce the risks of a new civil war and violence, and the steps towards a reconstruction of economic governance to reduce the risks of (or even to prevent) a resource curse to occur. Further on we have discussed the steps to reconstruct economic governance at the local levels in such countries in order to prevent and to overcome the effects of the localised resource curse and the local effects of conflict and civil war.

We found it necessary to start with a broad concept of economic governance that incorporates all elements of economic governance of capable states, therefore also development and participatory governance issues, and micro, meso and macro issues of economic governance. Only such a broad enough concept of economic governance is adequate to understand fully the problems of renewing institutions and governance mechanisms in such areas, and to design strategies to reduce the risks of renewed conflict and of a resource curse.

Reconstructing economic governance after conflict and civil war means first of all that the major risk factors have to be identified and that awareness about their respective importance is created. Upon this basic work it is necessary to draw conclusions in terms of governance reforms that are related to these observed risk factors, and that they are sequenced accordingly. The research done in the field has identified many important risk factors, and so we know now much more about a feasible strategy to prevent conflicts and the occurrence of a renewed civil war. Partnerships between national and local stakeholders, coalitions between internal and external interest groups, compensation and redistribution agreements between winners and losers fom war and conflict are instruments, but have to be brought under a common frame for action. Economic policy in such areas can support sustainable development and durable peace, but only if the economic governance reforms are pursued vigorously.

Reconstructing economic governance in resource-rich countries requires first of all that the risk factors of a resource curse are identified properly, and that the governance reforms at all state levels are directly related to these observed factors. We know now a lot more about these factors, and we can also assess now the importance of a comprehensive package of reforms, that is implemented sequenced and timed according to the initial conditions and the political and historical influences at work. Only such a package of reforms will allow it to devise strategies to prevent and to combat a resource curse.

There are similar strategies to be pursued after conflict and in situations of a resource curse as both phenomena lead to a destruction of institutions, of all policymaking competencies, and of the national capacities. Fiscal reforms, governance and institutional reforms, structural and redistributing policies, and capacity building measures are helpful for both areas of action. Country evidence from resource-rich Africa after conflict shows that such reforms of the economic governance mechanism can be supported by donor policies, by partnerships, and by long run planning.

Most complicated are reforms in the areas of local economic governance reforms, as the devastating local effects of civil war and violence and the distorting effects of an increasing resource competition and a localised resource curse interact in a negative spiral and culminate in disastrous effects on local people and local capacities. However, a bt can be done by governance reforms that lead to new forms of local fiscal and natural resources management, by development partnerships concerted at the local level, by donor support that is channelling funds and expertise in a targeted way to these areas, and by experimenting with new models for the reform of local development governance.

Concluding, we could observe an increasing awareness that the reconstruction of economic governance is a feasible task in African resource-rich countries after conflict, and that the challenges and opportunities are determined and realised.

However, a warning is justified. Governance reforms – as important as they are - have to be balanced by appropriate social and human development policies and reforms, and by a wide range of other structural policies and reforms. If there is a disconnection, then the outcome of the governance reforms may be disappointing. From the Asian developing countries one can learn more about this vital interconnection between governance and growth in the process of development and structural change (see Quibria 2006). Also important are the efforts to improve the governance indicators and indexes so that they grasp not only the content of the six dimensions of political governance in the KKZ index, but also components and indicators of economic and corporate governance. As in some developing countries, not only in Asia, unconventional and informal institutions of political and economic governance play a role, country cases give additional insights into the growth and governance interconnection. Especially in countries after conflict and richly endowed with natural resources such unconventional forms of governance institutions may have a role to play.

A more disaggregated view of governance can also help to highlight successes and to understand better the failures in governance. Especially "government effectiveness" and "regulatory quality" made the Asian miracle countries prosper at their stage of development. So the stage of development also comes in so as to use governance indicators more adequately for policy purposes. Governance indicators that are adapted to the stage of development and dimensions of governance that are of critical development importance matter for policy interventions (see Quibria 2006). This wider analysis of governance issues in resource-rich African countries after conflict was attempted in this study – so as to include such governance issues into the discussion of post-conflict reconstruction strategies in African resource-rich countries. Because of the great importance of reconstructing economic governance in such countries for creating and consolidating political governance institutions and even democratic regimes (see in this context the study by Tabellini 2005 on the interactions and feedbacks between economic and political changes) the research has focussed primarily on the often neglected issues of economic governance.

For development policy and for development cooperation many important lessons follow from the recent academic and practical discussion about the resource curse. The important recent studies on the issue are full with controversial assessments (see Collier/Goderis 2007; and Lederman/ Maloney, eds., 2007). Although controversial in analytical frameworks and in results these studies point to the role of an active public policy, and especially to the roles of institutions, technology adaptation, human capital accumulation, innovation, education and training. Most important, the resource curse can be avoided by creating and sustaining good institutions and by turning the policy machinery towards pro-active governmental policies. Overall, the important debate on natural resources as a "curse", a "destiny", or a "blessing" is still open, but for countries after conflict and richly endowed with natural resources, there are new chances and windows of opportunities to avoid a curse and to make the people benefit from the resources. These countries have to build up from the scratch new institutions and a new policy-making machinery, and they have to formulate a new pro-active policy so as to minimise all dangers of a too high public and private consumption, of rent-seeking, of neglecting other productive sectors, and of overvalued exchange rates and an instable macroeconomic framework, and to enhance on a long-term basis resource-led growth by "intelligent public policies" (Lederman/ Maloney, eds., 2007, p. 10). Crucial are technology acquisition, human capital accumulation, all forms of education and training as the historical studies on the resource-led growth country cases emphasize highly complementary roles of natural resources and knowledge in the development process as crucial factors for success.

The necessity to rebuild institutions after conflict means that also bcal government and local governance have to be rebuilt on the ground what also makes it possible to move directly from local government (governing by using power over people) to local governance (governing by using power for people). In this second meaning governing - local governance - visionaries and facilitators act as local entrepreneurs (not only administrators, but also private sector people and NGO staff, and not isolated, but in joint action). "Bottom-up entrepreneurs" are acting as facilitators and "top-down entrepreneurs" are acting as visionaries, and these two groups of local actors can build a coalition in such cases as in the states of South Sudan and in the Niger Delta states (see Brugue/Valles 2005). The path from traditional government to modern local governance is important especially for countries after conflict and endowed with natural resources. Although the wide discussion about the New Partnership for Africa's Development (NEPAD) and about its corollary, the African Peer Review Mechanism (APRM), is important, it centres still too much on the national/central level of governance (see Hope, Sr. 2005; Klingebiel/Grimm 2007). Peer reviews are also important for the sub-national levels of states, municipalities and provinces – in countries and cross-border. Although not explicitly considered, it is part of the agenda of the APRM, but the local level is not included adequately and systematically.

The pessimism about the prospects of such countries that are highly afflicted by conflicts but richly endowed with resources can become self-fulfilling (see on this pessimism related to African oil producers in the "new scramble for African oil" the study by Frynas/Paulo 2007). Recent studies also show that it may be quite detrimental for development cooperation if poor countries with poor people are labelled as poor development performers on the basis of an inadequate methodology and inadequate indicators (see especially Anderson/Morrissey 2006), and if all this is further associated exclusively with bad/poor governance, thereby ignoring other factors of poor performance like the economic structure, the quantity and quality of aid, and the extent of instability and inequality affecting the country. If countries after conflict are singled out as fragile states, as weak states, as badly governed states and if they are also labelled as poor performers, then the danger of a vicious cycle is great. However, a virtuous cycle is feasible when regarding, analysing and acknowledging the crucial factors in the reconstruction process of such countries.

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