

**The External Management of Peace Processes:  
International Organisations and Conflict Regulation in the  
Western Balkans**

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## **I. Introduction**

The management and prevention of (increasingly intra-state) conflicts are high on the agenda of many international organisations (IOs), which see this as one of their main security tasks. IOs have indeed become extensively involved in attempts at conflict management and prevention in, for example, the Balkans, Middle East and Africa. Moreover, calls for these organisations to increase their involvement in these areas are frequent. Despite all of this, however, our knowledge and understanding of the impact of IO (or, more generally, third party) involvement in conflict management is still relatively limited. In particular, while there is considerable case-specific and anecdotal evidence, we lack conceptual frameworks and systematic comparative research on these issues. This paper proposes one such framework, and illustrates how it can help us analyse and understand third party involvement in conflict management and post-conflict reconstruction.

In the next section, we establish a theoretical framework for the involvement of third parties, and especially IOs, in conflict management and prevention processes that focuses on the nature and impact of their engagement. We proceed from the assumption that peace processes are geared towards the establishment of new institutional frameworks, or the reform of existing ones, that can prove capable of accommodating competing claims of local conflict parties to such an extent that they can resolve their differences through political and peaceful means and will not resort to violence in pursuit of their objectives. This allows us to build on existing rational choice literature on institutions and institutional stability and to draw on further assumptions common in this literature, such as a focus on elites, self-interest, etc., and to identify the factors that influence the incentives of actors involved in the negotiation, implementation and operation of peace agreements. This then allows us to specify the possible effects of external agents on actors' incentives. In other words, our argument is that in order to understand better the involvement of IOs in conflict management processes, and of the results thereof, we must first come to terms with the motivations of local actors in their engagement with peace processes and with IOs. This means that we must analyse whatever individual, i.e., micro-level, incentives are induced by IO policies of conflict regulation.

We illustrate our arguments in this paper with evidence from international conflict regulation policies and their institutional outcomes in the Western Balkans since the 1990s. Most examples in section II refer to Bosnia and Kosovo, where international involvement has been very extensive (putting a systematic assessment of its effects in these case beyond the scope of this paper). Section III provides a more detailed study of another case in the Western Balkans, Macedonia, where conflict prevention and management has been largely successful until now. External involvement has been more limited in this case than in Bosnia and Kosovo, but has been crucial on occasions. This case illustrates that our framework can help us better understand the stability of (post-)conflict governance arrangements in general, and the impact of external agents in this in particular.

## **II. The External Management of Peace Processes: Towards an Analytical Model**

To analyze the stability of governance arrangement in (post-)conflict situations, we propose a simple framework focused on the actual concerns and incentives of relevant political actors. We first outline the main features of this framework, and then discuss its implications for the possible effects of external agents on the

sustainability of peace processes.

### *II.1. Basic Structure*

Our framework draws on the rational choice approach to institutions.<sup>1</sup> This approach treats institutions as a set of incentives, i.e., rules, regulations and norms that provide individual actors with incentives to behave in particular ways. Institutional stability results if the actors' behaviour induced by the incentives provided by particular arrangements is such that these actors will mostly adhere to these arrangements. As Weingast (2002: 690) states, "to survive, institutions must be self-enforcing in the sense that relevant actors have incentives to abide by them."

The primary actors in our framework are the elites of ethnic minority groups and of their 'host states'. These will mostly be political elites, but may also include economic elites (although these often overlap in practice). This is not to say that non-elite members of the population never play a relevant role. Mobilisation from below, either within the ethnic minority group or the majority population, may be politically important in some situations. And differences between political elites and the people they claim to represent can sometimes be an important part of the dynamics we are interested in. However, adherence of elites to institutional arrangements seems the most crucial factor in their stability. Elites typically have the possibility and capacity to undermine arrangements, so their adherence is essentially a necessary condition for institutional stability.<sup>2</sup> Moreover, despite being part of – at least nominally – democratic political systems, politics tends to be mostly elite-driven in the cases in the Balkans from which we derive the empirical examples in this paper.

The political elites are assumed to be primarily self-interested. This may include several desires: to remain a leader and elite member of one's group or the state as a whole; to obtain, consolidate and increase one's own political power and – in many situations – that of one's group or institution (which can be a region, autonomous entity, or the central state); and to gain economic benefits. The exact combination of these desires will vary from case to case, but all are likely to be present. While this assumption of self-interest may be challenged by some, we believe that empirical observations from ethnic conflicts around the world strongly support the claim that most political leaders involved in these situations are largely driven by self-interested motivations.

We can now restate the basic challenge for the viability of institutions aiming to manage or resolve ethnic conflicts. In the simplest and most stylized situation, we assume two actors: the host state, and an ethnic group or territory representing an ethnic group (or, to be more specific, the leaders and political elites on both sides). For any peace process to be sustainable, the host state must have incentives to negotiate for institutions that offer an acceptable level of accommodation for the ethnic group concerned, to implement any such agreement, and subsequently to maintain the institutions once they have been established, i.e., not to encroach on any rights or powers of the ethnic group or territory. These incentives, by necessity, must include a perception by the elites of the host state that their own powers and positions as leaders are not likely to be endangered. On the other hand, the ethnic minority group or territory must have an incentive not to 'secede' from the arrangement, and will, thus, need to have – and continue to have – some kind of

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<sup>1</sup> See Weingast (2002) for an overview of this approach.

<sup>2</sup> In other words, elites are the most important potential 'spoilers' (Stedman 1997) of such arrangements.

stake in the institutions established, while its leaders must perceive the arrangement as unlikely to undermine their positions. In other words, a peace agreement or governance arrangement in a (post-)conflict situations must, from the perspective of an involved actor, do two things: provide an outcome from which the actor benefits individually, and an outcome which allows its 'opponent' also to benefit in such a way that both sides have a stake and incentive to implement and then operate a set of agreed institutions (rather than defecting from such an agreement).

The formulation of this basic challenge is related to, and inspired by, analyses of the stability of democracy and political institutions (e.g., Calvert 1995, Weingast 1997, Przeworski 2005) and federalism and political decentralization (e.g., Riker 1964, Weingast 1995, De Figueiredo and Weingast 2005, Bednar et al 2001, Filippov et al 2004). In the case of federalism or decentralisation, the basic dilemma is to have a structure in which actors active at 'national' or 'federal' level of government refrain from encroaching on or confiscating the powers of subnational units, while actors at the subnational level refrain from undermining the federal state and trying to secede from it. If arrangements for ethnic minorities take a territorial form, a similar situation exists. It can, however, also be applied to non-territorial self-governance arrangements, which gives us the more general formulation indicated above.

Given the empirical importance of external agents in the establishment and functioning of arrangements for ethnic minorities in conflict or post-conflict situations, we focus here mostly on the possible role of these agents and how they can shape actors' perceptions of incentives. In particular, political actors – elites of the host state and ethnic minorities in our framework – will have incentives to abide by a particular arrangement if it serves, on balance, their manifold interests and if there are no alternatives available that would offer a better balance of interests attainable. Inversely, if an arrangement does not serve most of these interests, then there are no incentives for political actors to adhere to it. This can be analysed by looking at the effects of a particular institutional arrangement on specific interests of political actors. In other words, which specific benefits and costs do actors derive from an arrangement, and which incentives does this induce?

A first dimension to consider are *security* concerns and interests. Political leaders will be concerned about their own security and the security of the people they lead (at least to the extent that their own power depends on the security of the larger population). This is particularly important for the ethnic minority group members, who are likely to have concerns about their physical security as well as what can be termed their 'identity security' (the security to express one's own identity in some form or another without direct repercussion). If a particular arrangement provides – and guarantees to continue to provide – a certain level of security, political leaders of the minority group are more likely to adhere to the arrangement. Such security can potentially be provided through various means. Examples would be minority representation and integration in armed and police forces, and autonomy over language and other cultural expressions of identity (to guarantee 'identity security').<sup>3</sup> Similarly, leaders of the host state will be looking for guarantees against violent insurrections and other actions by ethnic or other groups that might undermine the security of the host state population and its leaders.

Second, a particular arrangement will have implications for the *political status and*

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<sup>3</sup> Another possibility is that an external party provides security. However, the possible role of external agents is discussed in detail below, and is not mentioned in the examples given here.

*power* of political actors. This is the area most directly related to theories of conflict resolution,<sup>4</sup> as different designs confer different forms of status and power on the elites involved. In particular, there is disagreement in the literature about the extent to which particular arrangements (such as specific group rights in the political process, group-specific access to political institutions, and group-based territorial governance arrangements) create sustainable conflict settlements. Our concern here, however, is not so much with these macro-political structures and prescriptions for conflict regulation, but rather with the effect that they have on shaping the behaviour of local actors to support or oppose existing governance arrangements. Hence we take arrangements that exist as an empirical given and examine the incentives that they provide for local actors and do not prejudge (normatively or ideologically) whether particular arrangements are 'good' or 'bad'. Our questions in this area, thus, encompass a variety of issues. What are the guarantees for forms of self-governance for the ethnic group or territory? How much autonomy does the group or territory have? What are the political ties with the host state? Does the central state have the possibility to control or shape policies of the ethnic group or territory? What are the implications of an arrangement for the position of the leading political actors at the central state and subnational levels? Does it strengthen their position? These issues all feature into the incentives of the relevant political actors to adhere or undermine an arrangement. In fact, the complexity and multifaceted nature of these incentives is one of the reasons that a micro-level focus is more useful than the more general approach provided by existing theories.

Third, the relevant political actors are likely to have *economic* interests, and will be concerned about the economic implications and viability of a particular institutional arrangement. This dimension is essentially ignored by most existing theories of ethnic conflict resolution.<sup>5</sup> Economic interests include the personal economic and financial stakes that political leaders have in an arrangement. For example, territorial autonomy arrangements may be pursued or maintained largely because of the financial benefits these provide for ruling elites (Kemp 2005). Thus, we need to ask whether political actors perceive that they can economically benefit from an arrangement, or can benefit more than under any feasible alternative situation. More broadly, what are the economic prospects of the state, and especially of any autonomous units that might be established by a self-governance arrangement? Are there incentives to construct a functioning system of public finance and public goods provision? As was the case for political status incentives, these economic issues and incentives are manifold, and will need to be studied on a case by case basis.

This list of possible benefits and incentives can provide guidance for analyzing particular arrangements regulating ethnic relations in a state. It does not yet provide a *theory* of ethnic conflict regulation. More detailed empirical and theoretical investigations of various combinations of incentives may, however, provide the building blocks for such a theory. Irrespective of whether a full theory will eventually emerge, we believe that this micro-level (or 'bottom-up') approach is a promising route to take.

It is worth drawing attention to three further aspects or implications of this

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<sup>4</sup> The three predominant theories here are (consociational) power sharing (Lijphart 1977, 1995, 2002, McGarry 2006, McGarry and O'Leary 2004a and b, O'Leary 2005a and b, Weller and Wolff 2005, and Wolff 2003, 2004); integration (Horowitz 1985, 1990, 1991, 2002, Sisk 1996, Reilly 2001 and Wimmer 2003), and power dividing (Roeder and Rothchild 2005)

<sup>5</sup> However, cf. Collier and Hoeffler (1998 and 2001) and Collier (2000).

framework. First, given the myriad of different aspects of a particular institutional arrangement, and thus the different incentives potentially provided by them, the acceptance and stability of an arrangement occurs when the *balance* of these incentives is such that arrangements are adhered to or 'reproduced', and not only when arrangements only provide 'positive' incentives for all actors. The latter is clearly unrealistic and empirically inaccurate, as not each sign of protest or dissatisfaction implies that an institution or arrangement is unstable.<sup>6</sup> In other words, political actors will accept the establishment of a particular arrangement when they have *sufficient* incentives to do so, i.e., when the balance of costs and benefits makes it the best available option.

A second implication is that there is a temporal and future-oriented aspect to all of this. Political actors do not only want security, political or economic benefits at a particular point in time (when an institutional arrangement is negotiated, implemented, or already operating), but also guarantees that these benefits will continue and remain available.<sup>7</sup> This is arguably the most important, and most difficult, condition for the viability of an arrangement. It may be very difficult for the involved actors to credibly promise (that is, to be believed by others) that they will continue to adhere to the established rules and norms. In other words, there is a commitment problem, which somehow needs to be overcome for an arrangement to be stable. This issue of commitment, therefore, needs to play an important role in the analysis of conflict resolution arrangements. Commitment problems have been identified before in relation to, for example, the outbreak of ethnic conflict (Fearon 1998, Van Houten 1998, Laitin 2001), the settlement of civil wars (Walter 2002), and the stability of federal arrangements (Weingast 1995, Hechter 2000). Several of these authors have pointed to the importance of third-party actors in overcoming these problems (e.g., Van Houten 1998, Walter 2002), which provides a further impetus for our focus on external agents below.

Finally, the acceptability and stability of particular institutions or arrangements depend not only on the direct benefits provided by them, but also on the availability of alternative courses of actions that might lead to higher benefits (i.e., not only on the 'absolute' but also on the 'relative' benefits of an arrangement). This is a rather self-evident observation, but it has implications for assessing the relevance of conditions that make peace processes more or less sustainable. In particular, it has implications for analyzing the possible effects and strategies of agents external to the direct conflict situation, to which we turn now.

## *11.2. The Role of External Agents*

The role of external agents is not the only factor and condition relevant for the viability and stability of autonomy regimes and other self-governance arrangements in ethnically divided societies. However, considering the importance of external actors in ethnic and civil conflict, the extensive empirical involvement of the international community in attempts at conflict management and prevention, the many calls to become even more involved, the suggested theoretical importance of

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<sup>6</sup> The challenge for empirical research is, of course, how to distinguish between 'contested but stable' and 'contested and unstable' arrangements. This will need further attention in future research.

<sup>7</sup> There is another temporal issue related to many of these arrangements, namely, that measures that are necessary for the establishment of conflict resolution in the short term may not be conducive to the longer-term prospects for peace and good governance (Rothchild and Roeder 2005). This is also an important issue, which needs to be included in a more developed version of this framework.

third parties in overcoming commitment problems (see above), and the relative lack of systematic research on the role of external actors in these situations, this is a particularly fruitful aspect to explore in more depth. The remainder of this section sketches some key elements that need to be taken into account in such an investigation.

External agents can play various roles in ethnic conflict management. The most direct involvement includes military intervention and security provision, and involvement in decision-making and implementation of policies. The latter is most clearly the case in Kosovo and Bosnia. Slightly less direct involvement results from 'conditionality' policies, in which external agents do not directly make 'internal' decisions (i.e., decisions made within the political systems of the state or autonomous unit) but make aid flows and other forms of support conditional on the nature of the decisions made by the 'local' political actors. The World Bank and IMF frequently use such policies in relation to the economic policies of states, and occasionally – in the case of the World Bank – make loans subject to political conditions and the implementation of post-conflict commitments. The European Union (EU) makes ample use of conditionality measures in its foreign policy and in its relations with candidate states for membership. The EU has used such policies, usually in relation to its financial aid, as part of its participation in the international governance of Bosnia and Herzegovina, and conditionality is intended to be the main 'mechanism' to steer the Western Balkan states towards possible EU membership in the years to come. Similarly, financial and political aid provided in the framework of the European Neighbourhood Policy may give the EU influence on conflict settlement discussion in cases where the prospect of membership is more remote or non-existent (for example, in Moldova).

In addition, IOs have also become more directly involved in negotiating specific settlements. For example, the EU and NATO were directly involved in the negotiations that led to the Ohrid agreement for Macedonia in 2001 (see below). Furthermore, the OSCE, for example, has been active in the negotiations in the former Soviet Union (for example, in the case of the 1994 Gagauz autonomy arrangement in Moldova).

In the framework proposed in section II.1, we implicitly assumed that the relevant political actors are given and constant. This is obviously not the case in reality, as some political leaders disappear (because of death, replacement, or loss of power in other ways) and others emerge. Actions and policies of external agents can play a role in this. Sometimes such effects are intentional and direct, for example, when the Office of High Representative (OHR) in Bosnia dismisses certain local officials, as it has done on various occasions and at various levels (including, most prominently, the dismissal of Nicola Poplasen, the elected President of the Serb Republic in Bosnia, in 1999). Examples of other direct (attempted) effects are when external actors support particular politicians or political parties or when IOs supported the anti-Milosevic opposition in Serbia in 2000. More indirect effects can occur if the presence or particular policies of external agents affect election outcomes or power struggles. In case of heavy international involvement, as in Bosnia and Kosovo, one effect appears to be that this involvement gives domestic political actors a convenient 'scapegoat', and may make it easier for them to stay in power.

This last example makes it clear that the effects of the actions and policies of external agents are complex, and may include various unintended consequences. Involved external actors will inevitably influence the functioning and outcomes of

particular arrangements for ethnically divided societies, but it is not an easy task to design and steer these influences in directions desired by these external actors. This is clear from the many difficulties and disappointments that the international community has experienced over the years. Even in the untypical case of direct international involvement and authority, as in Bosnia, it is far from straightforward to create viable and stable arrangements. This may be because – as some would contend – the policies of the international community have been incompetent and poorly designed for the circumstances in which they need to be implemented. More importantly, however, the support of local leaders and politicians is essential for the short- and long-term viability of arrangements even in these cases, and direct imposition of policies and officials by no means guarantees such support. Bosnia since the Dayton agreement shows the full range of international actor involvement, but the results have been mixed. After initially trying to persuade local elites to buy into the ‘spirit of Dayton’, the so-called Bonn powers gave the OHR direct authority, which was used extensively by Paddy Ashdown in particular. But even in this period, these powers were used only in extreme cases (although the threat of using them was much more prevalent), and extensive attempts were constantly made to get the local elites to agree to particular policies and actions without using these powers.<sup>8</sup> More recently, there have been attempts to use the Bonn powers less frequently and shift the emphasis to EU-led conditionality policies (ICG 2007), but the results were disappointing – contributing to various crises and deadlocks on issues such as police reform and institutional reforms – and the current OHR, Miroslav Lajcak, has increasingly resorted to more heavy-handed measures again.

This complexity and hazardous nature of many actions and policy instruments by external agents makes it imperative to investigate more closely the incentives for local political actors that these actions and instruments generate. External agents can affect all three kinds of benefits or incentives discussed in section II.1, as the discussion and examples so far have already indicated. As stated before, external agents can have these effects by providing benefits, or by making alternative, potentially more attractive (for certain political elites) options less appealing or feasible. Another possibility, of course, is that actions of external agents may in some situations induce incentives that undermine existing arrangements.

The *security* dimension is perhaps the most straightforward. As Walter (2002) argues, third party intervention in a civil war can be an important or even necessary condition for a peace agreement to be successful. In the absence of such intervention, the directly involved parties are unable to credibly commit to the agreement. In particular, insurgents may not want to demobilize out of fear for a future recurrence of the conflict. It appears that this logic can be extended to attempts at conflict prevention. Furthermore, external agents can help with the training of armed forces and police, potentially making local elites feel more secure. In addition, external agent involvement can be important for refugee return policies, which are often attempted in post-conflict situations, and which can help to give a community more ‘identity security’ in the longer term, but usually create serious security risks in the short term.

External agents have indeed been actively involved in military intervention, security sector reform and refugee returns in the Western Balkans. The wars in Bosnia and Kosovo ended (in 1995 and 1999) because of NATO interventions, and EU intervention played a role in averting further conflict in Macedonia in 2001 (see next

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<sup>8</sup> Interview with former OHR official, Washington DC, September 2006.

section for more on this latter case). External forces and missions have been central security providers under the post-conflict governance arrangements established in Bosnia and Kosovo: SFOR/EUFOR and police missions under the Dayton arrangements in Bosnia, and KFOR and police missions under the UNSCR 1244 arrangements in Kosovo (and these will essentially continue after Kosovo's recent declaration of independence). On the surface, this has been relatively successful.<sup>9</sup> There has been no violent conflict in Bosnia since 1995. This has helped to give local actors confidence in the existing political arrangements, and to prevent incentives to undermine these. Furthermore, the 'identity security' of the main ethnic groups in Bosnia has also largely been guaranteed by the existing governance arrangements and external guarantees of these arrangements.<sup>10</sup> These arrangements give these groups much control over education and cultural policies. The situation in Kosovo has been more precarious, considering the various instances of revenge attacks on Serbs immediately after the war, the ethnic riots that erupted in 2004 and the current tensions in northern Kosovo. While large-scale violence has been averted, it is clear that (most of) the Serb minority are concerned about their physical and 'identity' security, and are consequently not buying into the ongoing state-building efforts in Kosovo. It is also clear, however, that without external security provisions the situation would have been even less stable.

External agents have also been involved in security sector reform and military and police training in Bosnia and Kosovo. The aim of these efforts has been to establish effective and professional services (so that 'ownership' of these issues can be transferred to domestic actors and services), as well as creating integrated and multi-ethnic army and police forces. These are important elements of the governance arrangements foreseen to prevent future conflicts. However, this has led to much resistance, as many local elites appear to consider that their security interests, as well as often their own leadership positions, are better served by maintaining separate military and police forces (Cousens and Cater 2001, ch. 3). Thus, some 'security incentives' appear to work against the stability of the implemented governance arrangements. In the case of Bosnia, it has taken much effort and pressure from the international community to change these incentives and make domestic actors (especially from the Serb Republic, but also from the Croat community) agree to more centralised and integrated security forces. The result of these pressures has been the formation of a Bosnian state army (Vetschera and Damian 2006), although this army is apparently more integrated in name than in practice. Police reform has been even more difficult, and is still on the political agenda in Bosnia, despite consistent and concerted efforts by the international community in recent years. In Kosovo, security sector and police reforms have also met various obstacles, and the integration of both Kosovar Albanians and Kosovar Serbs in these forces has been particularly problematic (King and Mason 2006).

For the *political* dimension, the question is whether political elites perceive that they have a stake in an existing institutional arrangement and the overall state, and are therefore willing to adhere to it and defend it. One important way in which external agents may influence this perception is by making other possibilities more difficult or unattainable. For example, if external agents credibly argue that secession by an autonomous unit will not be accepted internationally, this will increase the incentives

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<sup>9</sup> One aspect or indication of this is that attacks on external security and police forces have been extremely limited, contrary to the situation in Afghanistan and Iraq in recent years.

<sup>10</sup> Although Bosnian Croat leaders have regularly expressed concern that they feel threatened by the existing arrangement due to the absence of a sub-state entity that they can fully control.

of local leaders to work within the framework of the host state. In Bosnia, the international community has consistently made clear, through statements and its investments in the post-Dayton Bosnian state, that secession by any group or territory (with the Serb Republic being the most likely candidate for this) is not acceptable. Moreover, some measures of state centralisation, which integrate the different groups and units more closely in the Bosnian state, have been a condition for engagement with the EU on a stability and association agreement and possible membership in the future. Over time, this has had significant effects, most notably on the Serb Republic. After almost complete disengagement with the Bosnian state level in the first years after the war, and with various stops and fits since then, the Bosnian Serb leadership now seems to accept the existence and basic features of the Bosnian state. One of the reasons for this appears to be that the leadership realizes that economic prospects and links with the EU will be better achieved as part of Bosnia than as a separate entity or as part of Serbia (i.e. economic incentives appear to outweigh other incentives; in addition, the leadership may be concerned about their own positions if they were to join Serbia). One manifestation of this development is that, despite much rhetoric aimed at certain domestic audiences to the contrary, the Bosnian Serb leadership has not yet (March 2008) undertaken any actions that might undermine the Bosnian state since Kosovo's declaration of independence in February 2008.

It has been more difficult for the international community to take a consistent and credible position on this in Kosovo. The international intervention in 1999 led to the de-facto separation of the territory from Serbia. Although the international community is currently (in March 2008) still divided over the recognition of Kosovo as an independent state, there has over the years been no international pressure on the Kosovar majority and its leaders to reintegrate with Serbia. This may have reduced the leverage behind demands from the international community that Kosovar institutions and elites should make provisions for the Serb minority. The boycott of these institutions by this minority and its reliance on support from the Serbian state has made this even more difficult. Moreover, while the involved international actors now try to argue that the separation of northern Kosovo (so that it can join Serbia) is non-negotiable, it is not clear that this position has enough leverage and credibility to influence the incentives and actions of the both the Serb minority and the Kosovar majority. On the other hand, the insistence of the US and EU that their continued support for Kosovo is conditional on minority provision and integration of the Serb minority (although it also not clear how credible the threat of cutting off support is in this case) has led the government of Kosovo to focus on these issues.

Furthermore, supporting and guaranteeing constitutional arrangements that give minority groups veto rights – or any other measures suggested by the existing theories of conflict resolution – will affect incentives and outcomes. The Dayton agreement for Bosnia, brokered by the US, established a complicated set of institutional arrangements and vetoes. This was a crucial condition for all involved parties in the acceptance of the agreement. Such a situation has continued to exist, and the international community has been forced to maintain and guarantee such vetoes, despite its own occasional attempts to soften them. For example, discussions about police reform and institutional reforms (which mostly focused on reducing the veto opportunities of any ethnic group in the Bosnian parliament; a version of this was essentially agreed, after much pressure from the OHR) have demonstrated how important this issue is for the various domestic groups and elites.

Conditionality policies, aid policies, and support for particular policies or politicians will also have effects on the incentives of political leaders to pursue particular policies or actions. As mentioned above, EU conditionality policies may have prevented the Serb Republic leaders in Bosnia from undermining existing political arrangements, and seem to lead the government of Kosovo to focus more on minority policies and provisions than it probably would otherwise. External actors can potentially also influence intra-elite dynamics, for example, in a power struggle between 'moderate' and 'extreme' forces. One clear example of this is the international support for the opposition to Milosevic in Serbia in 2000, which gave this opposition the incentive to unite, which strengthened its position. As already mentioned, in Bosnia the OHR has tried to influence intra-elite dynamics, and support moderate and accommodating elements within the elites, through the dismissal of certain officials and politicians (especially in the Serb Republic). The OHR and the international community more broadly have also tried to support various moderate politicians and parties in election campaigns. For example, in the late 1990s the international community quite openly supported Milorad Dodik to become prime minister of the Serb Republic, as he was seen to be more moderate and accommodating than other Bosnian Serb leaders, who still largely boycotted the Bosnian state at this time (ironically, Dodik has not been particularly accommodating over issues important to the international community – such as police and institutional reforms – as president of the Serb Republic in recent years).

In the case of an actual conflict or crisis, direct economic and financial aid by external agents can be an important factor in stabilizing the situation and making political arrangements possible. Aid, support and policy advice may also be crucial for these arrangements to work in the short term. IOs, led primarily by the World Bank and the EU, have indeed provided substantial aid and support to Bosnia and Kosovo (on the World Bank activities, see Van Houten 2007). Although assessments of the effects of this support are mixed (especially when considering whether the impact was commensurate to the actual *amount* of financial support provided), it is clear that the established arrangements would have been much less likely to survive without it.

Creating the long-term economic conditions and incentives for institutional stability is much more complicated. Given that economic crises and lack of development appear to be contributing factors to civil and ethnic conflict (World Bank 2003), it is imperative to consider this dimension. One challenge is to generate economic growth and employment, which is an issue in many cases (including Bosnia, Kosovo and Macedonia). Another challenge results from the fact that institutional designs in conflict-prone situations often involve autonomy arrangements or other multi-level political structures. This creates a challenge for the establishment of public finance systems, as the literature on fiscal federalism demonstrates. This literature also provides suggestions on how to meet these challenges, but these are rarely unambiguous and usually difficult to implement. Bosnia provides a good example of this. The Dayton agreement implied a highly decentralised system of public finance, and more centralisation was seen to be needed to make the Bosnian state viable, and, thus, to generate more incentives to sustain the Bosnian state. The international community has attempted to do this, with some success (especially in relation to the establishment of a national VAT), but this has not been easy. The establishment of a sound and effective public finance system and the generation of economic growth have been enormous challenges in Kosovo too. As the EU will try to steer the Western Balkans towards eventual EU membership in the coming years, economic and public finance issues will receive much attention, and will be an

important factors in the stability or instability of existing governance arrangements. It is therefore an important dimension when assessing the role of external agents in conflict management.

Finally, two further issues related to the role of external agents are worth mentioning. First, given the simultaneous involvement of many external agents in most cases (something which is particularly clear in Bosnia and Kosovo, but applies to some extent elsewhere too), the coordination between their actions – or lack thereof – has received much attention. For example, it is clear that coordination was poor in Bosnia in the first years of the implementation of the Dayton accords (e.g., Cousins and Cater 2001) and that this coordination has improved since then. In Kosovo, the international community attempted to implement the lessons learned in Bosnia and provide better coordination, but coordination problems and deficits emerged there too.<sup>11</sup> The discussion of our framework suggests, however, that coordination as such is not the crucial issue, but rather whether the actions of external agents induce similar incentives for domestic political elites. This was not the case in Bosnia, for example, with the early security sector reforms and when different IOs attached different conditionalities to their post-conflict reconstruction programs (Cousins and Cater 2001), but in other cases uncoordinated actions may not induce conflicting incentives for domestic actors. Thus, *coherence* of policies and actions is more important than coordination. Coordination may facilitate coherence, but there is no reason to believe that it is a necessary or sufficient condition for it.

Second, the discussion of the possible role of external agents was not intended to suggest that all these effects were intentional, or that IOs and other external agents deliberately design their policies with incentive effects in mind. It is an open question whether this is the case or not. International organizations do not appear to have clearly formulated general principles for their engagement with ethnic conflict and ethnically divided societies (Van Houten and Wolff 2008), but this does not rule out the possibility that they pursue coherent policies in particular cases. The developments in Bosnia since the Dayton agreement do suggest that international representatives there became increasingly conscious of incentive effects, and engaged in detailed, micro-level attempts and negotiations to shape these incentives. On the surface, it appears that this has been less the case in Kosovo, where the international community appears to have focused more on trying to directly implement its preferences for the Kosovar state, and became increasingly tied up by the complicated negotiations about the future status of the territory. Moreover, as the Serb minority has largely boycotted the existing institutions and arrangements, it has been more difficult for the international community to shape incentives such that the domestic elites all buy into the established arrangements.

This section has outlined a framework to study the stability of governance arrangements in (post-)conflict situations, and has presented some examples from Bosnia and Kosovo to illustrate the utility of this framework. The next section looks in more detail at Macedonia. External involvement has been less extensive and the outcomes (at this stage) of conflict management efforts have been clearer in this case than in Bosnia and Kosovo, making it a more manageable case study for the purposes of this paper.

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<sup>11</sup> Our interviews with IO representatives and domestic actors have given a surprisingly mixed picture of the existence and importance of these coordination problems. Various interviewees identified this as a major problem, while others claim that coordination has (after the early years in Bosnia) been relatively smooth. Cf. also Caplan (2005) and King and Mason (2006).

### III. A case study: Macedonia<sup>12</sup>

As part of the dissolution of Yugoslavia, Macedonia gained independence in 1991. Macedonia's population is ethnically mixed. The main ethnic groups are Macedonians (about 65% of the population) and Albanians (about 25% of the population), while there are also several smaller minorities. Albanians live primarily in the western and northwestern parts of the country (along the borders with Kosovo and Albania). The cleavage between the two ethnic groups has been a crucial feature of post-independence Macedonian politics. Ethnic tensions have existed throughout this period (and continue to exist), and have occasionally spilled over into violence. Indeed, concerns about the possibility of violent ethnic conflict are a recurrent feature of domestic and (especially) international commentary on Macedonia. For example, such concerns were widely expressed at the time of the Bosnian war in the early 1990s, during the violent clashes in Macedonia in the first half of 2001 (see below), during the contested implementation of the agreement that ended these clashes (e.g., Phillips 2004), especially around the time of the referendum on locality boundary changes in November 2004, and currently continue to be expressed in the aftermath of Kosovo's declaration of independence (given concerns that this development might encourage Albanians in Macedonia to pursue separatist ambitions) and of the collapse of Macedonia's governing coalition in the wake of it. However, despite these concerns and expectations, large-scale ethnic violence has been avoided so far in Macedonia. This makes it an interesting case study to consider in this paper.

Throughout the 1990s, the Albanian parties were represented in parliament and government, but the Macedonian state implemented very few 'group rights' for the Albanian minority. For example, Albanian was not recognised as an official language and the political system did not feature any 'group veto' possibilities. Simultaneously, social integration between the two groups was very limited. Several violent incidents occurred in this period, in particular in relation to the attempted establishment of an Albanian-language university in Tetovo in 1994, but these did not escalate. In 2001, however, the country came to the brink of civil war. Due to an influx of Albanian militants from Kosovo, which were subsequently joined by elements of the Albanian population in Macedonia, the National Liberation Army (NLA) led an armed insurgency in the north west of the country, which seemed to have the potential to spread more widely and to threaten Skopje, the Macedonian capital. This insurgency put enormous pressure on the Macedonian government, which consisted of a Macedonian and a moderate Albanian party. Among all Macedonian parties (in government and in opposition), there were calls for a military crackdown on the insurgents, which might have led to the escalation of the conflict. In the end, a more moderate response prevailed, and an agreement – the Ohrid Framework Agreement (OFA) – was reached between the involved actors (Macedonian political party leaders, Albanian political party leaders, Albanian insurgents), which ended this violent conflict. The details of this agreement are discussed below (when we discuss the incentives of political actors to adhere to the agreement), but its main features are the decentralisation of power (on some economic and cultural matters) to localities, the enhancement of the status of the Albanian language in education and public life, and the introduction of some 'group vetoes' in parliamentary procedures.

Implementation of the OFA was not straightforward, and political dynamics and

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<sup>12</sup> This section relies significantly on Ilievski (2007) and Ilievski and Markovic (2007).

ethnic relations in Macedonia have continued to be contested. There have been several political and government crises and a referendum in 2004 (on local boundary changes as part of the decentralisation reforms indicated in the OFA) that threatened to undermine political stability and ethnic peace. However, the agreement has survived until now, and does not seem likely to be displaced soon. Can Macedonia and the governance arrangement established by the OFA (and follow-up measures), therefore, be regarded as a successful case of conflict management or prevention? Opinions on this vary. For example, an International Crisis Group report from 2006 states that, despite many positive developments, "Macedonia's evolution from near conflict to EU candidate has been marred by tragedy, threatened by spoilers and plagued by dysfunction" (ICG 2006: 12). On the other hand, the International Commission on the Balkans (2005: 27) concludes that Macedonia "illustrates our thesis that a final and clear constitutional arrangement and the institutionalisation of European perspectives ... can work apparent miracles in the Balkans" (see also Pond 2006, ch. 7). There is evidence available to support both views. It is the case that police and judicial reforms have been more limited than claimed or hoped, and that corruption remains significant (ICG 2006). Furthermore, violent incidents continue (for example, in late 2007, there were again Albanian militants active in several villages near the border with Kosovo). On the other hand, however, these violent incidents have remained isolated, and the political governance of the country has improved in recent years, leading the EU to declare Macedonia a candidate member state. On balance, we conclude that the governance arrangements established in Macedonia have proven to be relatively stable. This is, in our view, demonstrated by the situation in Macedonia at the time of writing (March 2008). This statement may seem surprising, given the various problems and challenges currently faced by Macedonian political elites: the possible consequences surrounding Kosovo's declaration of independence, the deadlock in its negotiations for NATO membership due to the (symbolic, but politically very powerful) dispute with Greece over the country's name, and the government crisis in the aftermath of Kosovo's declaration of independence. However, these testing issues are so far dealt with within existing political institutions, and there are no signs that ethnic tensions are about to turn violent again.

Why, then, have domestic actors adhered to these arrangements? And what has been the role of external agents in this? Applying the framework presented in this paper can shed light on these questions. It first requires us to consider the benefits (and the costs) that Macedonian and Albanian political leaders obtain from these arrangements, which given them the incentives to adhere to the arrangements. As made clear in the previous sections, several types of benefits and costs need to be assessed: security, political and economic.

First, the OFA and its subsequent implementation have addressed several *security* concerns of both communities. An important part of the agreement was the demobilisation of the NLA, and its transformation into a legitimate political party (DIU, which subsequently was part of the Macedonian government from 2002 to 2006). This has helped to reduce security fears among the Macedonian majority (although the availability of weapons from Kosovo and Albania remains a security concern). On the other hand, Macedonian nationalist elements have regularly expressed concerns that the arrangements for Albanian education and language use (which include the official recognition of Albanian as a state language, which can be used in communications with the central administration and with some local and regional administrations; state funding for education in the Albanian language; and positive discrimination of minority students) and the introduction of a 'group veto' in

parliamentary procedures (in some specifically designated policy areas, legislation can be approved only when a 'double majority' is in favour, that is, a majority of ethnically Macedonian representatives and a majority of non-Macedonian representatives) undermine the Macedonian national identity. However, these measures do not directly seem to threaten the 'identity security' of the ethnic majority in Macedonia, and political elites with more moderate views on these issues have prevailed so far.

The OFA has improved the security situation of the Albanian minority compared to the situation in the 1990s. The measures described in the previous paragraph give Albanians considerably more 'identity security'. Moreover, the agreement also included a provision that minorities should be better represented in public administration and, importantly, in the policy force. Although there remain problems with police reforms (especially in terms of making it more professional and effective), significant strides have been made in making the police force more multi-ethnic (ICG 2006, Pond 2006). This has helped to reduce security concerns among the Albanian population. Naturally, more extremist Albanian views want to see more radical measures (e.g., 'ethnic vetoes' for all decisions), but most Albanian political elites seem to consider the current arrangement the best available option.

Second, the OFA arrangements have provided various *political* benefits to the Albanian minority. Decentralisation to the local level (providing an opportunity to use localities as 'power bases') and the introduction of the 'double majority' system in some areas were improvements for Albanian political elites over previous arrangements. Moreover, while de-facto power-sharing (where governments always consisted of both Macedonian and Albanian parties) had been the norm in Macedonia since independence, the OFA made this even more necessary, and thus increased the potential power of Albanian parties. The benefits for Macedonian parties and elites, which had a more powerful position within the political system before the agreement than after, were less obvious, and it is not surprising that opposition to the agreement and its implications has been larger among Macedonian than among Albanian political actors. However, the more moderate Macedonian elements realised that the new arrangements provided them with the best opportunity to stay in power and pursue their objectives. Moreover, the security benefits appear to have outweighed reservations about any involved political actors among many Macedonian political elites

Third, the *economic* situation in Macedonia is – as in most of the Western Balkans – precarious. Unemployment continues to be high and the general standard of living low. Much of the population considers this to be a more important issue than ethnic tensions (Pond 2006). However, while this may affect support for government parties and the general popularity of politicians, it is not clear that existing governance arrangements are 'implicated' in this in the mind of the population. If anything, since closer relations with the EU are generally seen as the best prospect for economic improvement and the EU strongly supports the current governance arrangements, economic considerations work in favour of the existing governance arrangements. Political elites are aware of this, but economic considerations do not seem to have featured prominently in political debates and considerations.<sup>13</sup>

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<sup>13</sup> There have been concerns about the economic viability of the decentralisation measures that are part of the OFA (related to the possible lack of financial resources at the local level). However, it is not clear that this has been a significant factor in elite support for or opposition to these arrangements.

Unlike in Bosnia and Kosovo, the international community is not directly involved in political decision-making and administration in Macedonia (i.e., the country is not an 'international protectorate'). This does not imply, however, that external agents have not played a significant role in conflict management and shaping governance arrangements in this case. In fact, international organisations and other external agents have played a crucial role and have intervened and exerted their influence at various key junctures in Macedonia's post-independence political development.

The international community had a presence in Macedonia throughout the 1990s. Most saliently, the UN deployed its first preventive mission (UNPREDEP) here. This mission operated from 1992 to 1999 (and then continued to be run as a NATO mission), and its contribution to the Macedonia's security and political stability is generally seen as positive.<sup>14</sup> Its primary focus was on monitoring the borders with Albania and Kosovo, but it also monitored human rights enforcement and assisted in promoting political dialogue between the Macedonian and Albanian communities. The OSCE also deployed a 'spillover mission' in the country, monitoring the security situation, and played – especially through its High Commissioner on National Minorities – a significant role in diffusing ethnic tensions related to the Albanian university in Tetovo.

Furthermore, external pressure and mediation contributed to the de-escalation of the conflict in 2001 and to the Ohrid agreement (and also to an important simultaneous agreement between the various Albanian parties in Macedonia). The EU and US were the main players in this, although NATO and OSCE also played a role. Javier Solana, the EU's High Representative for Foreign Affairs, played a particularly prominent role, and this episode is widely seen as a success story in the EU's evolving foreign policy. In this case, external agents largely acted coherently in pressuring the Macedonian government to show constraint in its response to the insurgency, to negotiate with the NLA, and to accept the Ohrid agreement. It is unlikely that this agreement would have materialised at that point in time without this external involvement.

International involvement has remained considerable since the 2001 agreement. Importantly, first NATO and then the EU deployed (admittedly small, but still relevant) peacekeeping forces, which helped with the provision of security and especially the demobilisation of insurgent militias. The EU also deployed a police mission, which has been actively involved in the police reforms. Thus, external agents have helped to reduce security fears, thus generating more support for the existing governance arrangements among domestic elites.

External agents have also attempted, largely successfully, to intervene when important political actors were in danger of 'defecting' from the existing arrangements. One prominent example of this is the November 2004 referendum on the local boundary changes, which were part of the OFA-mandated decentralisation measures (these boundary changes were necessary to make localities more administratively viable, and – through 'ethnic gerrymandering' – create more minority-controlled localities). The referendum came about because of nationalist mobilisation among Macedonians against these measures. This put the Macedonian parties in the government in a difficult situation, but considerable external pressure on the government (arguing that the referendum, if successful in derailing the decentralisation reforms, would undermine Macedonia's EU accession process) and the well-timed American decision to recognise 'Macedonia' as the name of the state

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<sup>14</sup> See Ackermann (2000) for a detailed account of this mission.

(a symbolic issue of great importance to the Macedonians) helped to make the referendum fail. Another example is the pressure that especially the EU exerted in the negotiations leading to the so-called 'Skopje agreement' in 2007 between the DUI and the government. The DUI had left parliament (i.e., effectively defected from the political system) and demanded as conditions for its return the application of the 'double majority' system to a wider set of policy areas and a broader application of the amnesty law that was part of the OFA. The Macedonian government was reluctant to engage in negotiations with the DIU, but international pressure (which feared security threats and political instability if DIU stayed outside the political system) helped to persuade it to do so.

More generally, EU leverage on Macedonian political actors continues to be considerable. Most of these actors consider engagement with the EU and eventual EU membership the best prospect for political stability and economic improvements, and for their popular support (given the very high levels of public support for the EU accession process in Macedonia). Since adherence to the existing governance arrangements is one of the EU's conditions for continuing the accession process, this provides a strong incentive to do so, and is, for most political actors, likely to override other considerations and preferences.

In summary, despite various problems and tensions, political elites in Macedonia generally play within the rules of the existing institutions and arrangements established by the Ohrid Framework Agreement and subsequent measures. On balance, these arrangements give these elites sufficient incentives to adhere to these arrangements (or, at least, sufficient incentives not to pursue other possibilities). International organisations and other external agents have contributed to this by shaping incentives and – at key moments – preventing alternative actions from becoming more attractive to the involved actors.

#### **IV. Conclusion**

External agents are involved in many conflict settlements and peace processes. It is therefore essential to investigate the impact that these agents have on these processes. The main assertion of this paper is that to do this, we have to focus on the effects of the actions of IOs and other external agents on the incentives that domestic actors have to adhere to particular institutional arrangements. Domestic actors have a variety of interests and preferences, and will adhere to an arrangement if, on balance, their interests are better served by this arrangement than by feasible alternatives. The actions of external agents can influence these considerations. From the perspective of an existing arrangement, their actions can be seen as 'positive' if these actions provide certain benefits to domestic actors when they adhere to the arrangement, or if these actions make alternative arrangements less feasible for domestic actors. In turn, the actions of external agents can be seen as 'negative' (i.e. make 'institutional survival' less likely) if they induce incentives for domestic actors to undermine an existing arrangement and pursue alternative ones, or perhaps even when they simply do not induce any additional incentives. We have seen examples of all these effects in Bosnia, Kosovo and Macedonia.

While these micro-level incentives of domestic actors have certainly received some attention in existing work on conflict resolution, we argue that they should be analysed more extensively as part of a broader framework of understanding the stability and external management of peace processes. The illustrations from the conflicts settlements and peace processes in Bosnia and Kosovo and the case study

of Macedonia indicate that this framework is useful in helping to understand the impact of IOs and other external agents. Most importantly, it can provide analyses that are more attuned to the complex empirical reality of ethnic conflict management. It will allow us to move beyond general criticisms or endorsements of external involvement in conflict resolution, and reach more nuanced conclusions about the effects of such involvement.

To achieve this, further theoretical development of the framework and empirical analysis are required. Theoretically, a more coherent account of the various incentives and especially of the factors influencing them is required. Empirically, we need to bring together information on the micro-behaviour of domestic political elites in (post-)conflict situations, and attempt to isolate the effects of external agents on the dynamics of such situations. We plan to do this in our further work on the Western Balkans and conflict situations elsewhere.

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