

UN: Apply Marshall Plan principles to rebuild economic security in today's post-conflict countries

(UNITED NATIONS NEW YORK, 1 July) A UN analysis of the economic conditions under which civil conflicts tend to arise, and of those that will best foster recovery once peace has been obtained, suggests that the principles utilized successfully following World War II are not being applied today.

International support tends to dwindle shortly after peacekeeping has produced a tentative success, according to the UN's *World Economic and Social Survey 2008: Overcoming Economic Insecurity*. Thus, while the provisions of military security may have been obtained, and basic governing institutions rebuilt, the crucial features of economic security required for long-term stability are not yet in place. Sadly, just as domestic governmental capacities have developed sufficiently to manage international assistance, international attention tends to turn elsewhere.

The post-World War II Marshall Plan set a more realistic and patient time frame for reconstruction in Europe, planning in terms of half-decades rather than a year or two, the UN notes, in an analysis prepared by the UN Department of Economic and Social Affairs (UNDESA), in consultation with the UN Peace Building Commission.

Other characteristics which were key to a successful rebuilding effort, but are not often applied today, include clear ownership of aid programmes by national governments under nationally drawn implementation plans; conditionality requirements that were flexible as to local situations and national sensibilities; a gradual liberalization of trade and investment regimes, allowing countries time to catch up with global competition; and aid composition that favoured grants over loans, so that recovering countries would not be saddled with long-term debt.

The analysis of civil conflicts in today's world, and means to re-establish economic security in their aftermath, appears in an overall analysis of economic insecurity in the UN's flagship publication, released today. (*See affiliated press releases.*)

Conflicts fewer, but with more duration, damage and destabilization

Conflicts are less frequent than at any time since the mid 1970s, but because they are more likely to be civil than interstate conflicts their impact on civilian populations, economic livelihoods and social cohesion is a good deal more pronounced (*Figure 1*).

Africa has seen the sharpest increase in displaced populations over this period -- over two thirds of countries in Sub-Saharan Africa have experienced a civil war episode during the past 25 years; on one estimate fighting cost the region \$18 billion a year between 1990 and 2005, about 4 per cent of average yearly GDP.

Poverty, undiversified economies, and a history of conflict are strong indicators of where violence might break out. The great majority of weak (or fragile) states are also characterized by extremely low values of the Human Development Index. Violence is

likely to intensify when competition for scarce resources reinforces deep and cumulative social divisions, and individuals and households are compelled to “take sides”.

More than generalized inequality, polarization is a key factor triggering no-holds-barred conflict, the report indicates. Income polarization takes place when there is a large gap between rich and poor, but high levels of equality within these two groupings, promoting greater identification. If the economic polarization aligns with social or ethnic identities, the potential for conflict increases still higher.

Conflict traps

The real threat in these states is that economic shocks can trigger a vicious circle of dwindling state revenues, declining political authority, expanding illegal and informal activity, increasing inequality, further declines in fiscal revenue and human development. This “conflict trap”, as some commentators call it, is clearly visible in national arenas such as in Liberia, Sierra Leone and Somalia,

The report concludes breaking out of this trap requires an integrated policy approach thorough which to re-establish security by gradually repairing trust in public institutions, unifying national identity, establishing an effective central authority and identifying social and economic priorities. The international community and the UN Peace Building Commission in particular will have a central role to play in following through on such an approach. Some points of particular importance:

- Political institutions should be tailored to take account of socio-economic conditions such as ethnic fragmentation, inequality in the distribution of resources and the post-conflict power balance. Guiding principles should be flexibility and gradualism.
- Particularly close attention should go to the links between public expenditure decisions and the grievances that are root drivers of conflict. Reducing sharp inequalities in access to employment, economic assets, and services is critical.
- To the greatest extent possible, aid should be channelled through the government, to help build its capacity and credibility.
- Building state capacity to mobilize revenue and provide sustainable funding is another crucial issue from the outset of recovery.
- Finally, the report calls for more predictability and sustainability in development assistance.

Annex:

List of countries in civil conflict

Source: UN Peace Building Commission