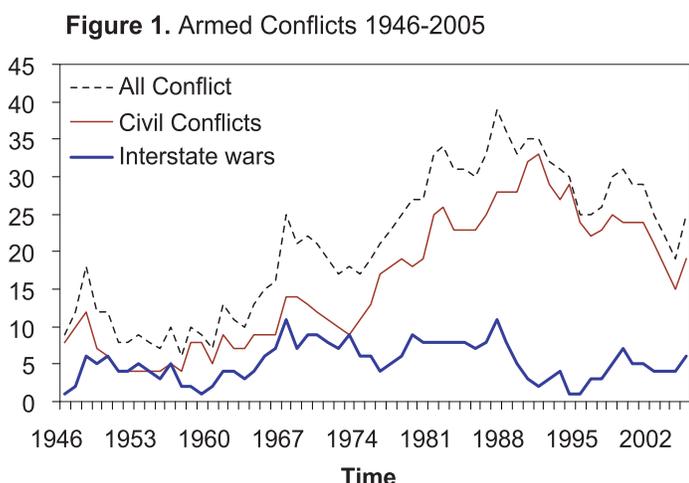




State building in post conflict countries requires a different approach

Revisiting the Marshall Plan

Since the early 1970s, civil wars have resulted in many more deaths than wars between countries. The number of such conflicts peaked in the early 1990s but continued to be high for the remainder of the decade (Figure 1). An estimated 5.5 million people were killed in 35 civil wars during the 1990s, making it the deadliest decade since the 1940s.



Source: United Nations, *World Economic and Social Survey 2008: Overcoming Economic insecurity*, based on UCDP/PRIO Armed Conflict Dataset 2007.

The international community is often sucked in to these conflicts through military involvement and emergency relief, with the United Nations increasingly on the front line. During the 1990s, the UN carried out four times as many peace-keeping missions as in the previous 40 years and annual current expenditures for these missions now exceed \$7 billion.

Unfortunately, international support tends to dwindle shortly after the conclusion of peace negotiations and the establishment of a post-conflict government. According to the *World Economic and Social Survey 2008* a more realistic timeframe for reconstruction in post-conflict countries, along with more effective backing for locally developed reconstruction strategies, is needed. In the spirit of post-World War II Marshall Plan, policy conditions attached to aid should be kept to a minimum and aid should focus on facilitating the build up of credible institutions and directly address the sources of economic insecurity to secure longer-term peace and stability.

Persistence of Civil Strife

Since the early 1970s, civil conflicts have become more prolonged. Prior to that, they lasted for just two and a half years on average, while by the early 1990s this had more than tripled to over nine years; by the start of the millennium, civil conflicts still lasted about seven years on average.

Protracted conflicts have been common in Asia and Africa where long-standing struggles going back to the pre-independence period have been compounded by “ethnic” conflicts. Over two thirds of sub-Saharan African countries have experienced a civil war episode during the past 25 years, while the African region has witnessed the sharpest increase in displaced populations.

Poverty, lack of economic diversification, low levels of human development and a history of conflict are strong indicators of where violence is more likely to break out. The danger is that economic or other shocks can trigger a vicious circle of falling government revenues, declining political authority, expanding illegal and informal activity, and increasing inequality.

Under these circumstances, the State runs the danger of losing not only its ability to support diversification efforts and deliver basic services, but also its traditional control over the forces of law and order. Violence is likely to intensify further when competition for scarce resources reinforces deep and cumulative social divisions, and individuals are compelled to “take sides”, generating what some have called “the conflict trap”.

Priorities for Post-Conflict Recovery

Post-conflict conditions vary across countries. In all cases, however, the core policy challenges revolve around achieving three essential goals: security, reconciliation and development.

Once the fighting stops, the most immediate demands centre on providing humanitarian relief along with the creation of an effective military and/or police presence to rebuild and maintain basic levels of order and physical security. This will quickly extend to a process of rebuilding domestic civil authority, and to an agenda for returning to a more normal pattern of economic activity.

Most states that emerge from civil conflict are *fragile* and lack the basic institutions needed to build trust and tolerance, manage conflicts and extend participation in the decision-making process. In other words, they are missing an inclusive social contract. Afghanistan is a prominent case in point. Conflict there has been a way of life for three decades, the result of compounded socio-economic threats and political shocks. The overthrow of the Taliban regime in 2001 raised hopes of a rapid and sustained recovery. However, as a recent report by the International Committee of the UK House of Commons makes clear, while there have been some real improvements on the ground, the gap between the expectations of the Afghan people and the capacity of the state to deliver a wide array of services and to diversify its economy, appears to be growing. In this environment, hard-earned gains can be quickly wiped out by even a small escalation of conflict.

The strengthening of State institutions requires political choices shaped by local values and conditions rather than general technocratic solutions. A period of *democratic gradualism* is needed to forge a broad national agenda and to fully restore peaceful means of conflict management and peaceful dispute resolution. In South Africa, for example, an inclusive process of national consensus building preceded the first general elections held in the early 1990s.

Furthermore, state institutions should be tailored to take account of specific socio-economic conditions such as ethnic fragmentation, inequality in resource distribution and the post-conflict power balance. Federal systems, for example, may guarantee stability in those countries where ethnolinguistic minorities are concentrated in specific geographical areas. The adoption of proportional electoral systems in a unitary state could be better suited in countries where minorities are more spread out over the national territory.

Policy options

A renewed economic policy discussion can only really begin when the fighting stops; and when it does, policies must quickly address the potential threats that all post-conflict societies face of a return to conflict. Given that aid can initially account for a half or even more of GDP in these countries, the policy dialogue will inevitably involve domestic and international actors, but the latter must resist dictating outcomes

Pragmatic policies. State institutions need freedom to articulate priorities, choose policy instruments and implement what they see as the most appropriate policy mix. Indeed, the economic measures required to build up a durable peace may differ from the prescriptions of conventional wisdom. For example, proponents of macroeconomic discipline argue that

inflation can undermine political stability as well as economic recovery. Policymakers, however, do not face an all-or-nothing choice between hyperinflation and draconian austerity: fiscal and monetary stringency is invariably a matter of degree, and higher government budget deficits may indeed reduce social tensions by financing peace-building expenditures. Experiences in Cambodia and Mozambique demonstrate the benefits of adopting more pragmatic macroeconomic policy measures which pay careful attention to the demands of long-term recovery and political stability.

Build fiscal capacity. The size of government revenue relative to gross domestic product (GDP) in war-torn societies is typically far below the average for other countries with similar per capita income. A crucial issue during post-war transitions must therefore be building State capacity to mobilize domestic revenue and to use it most effectively. The international community can support government efforts to mobilize domestic resources in several ways: by helping to curb extralegal revenue extraction and by providing relevant technical assistance. On the expenditure side, and in the spirit of the Marshall Plan, aid should be channelled, mainly through the state's budget allocation process, rather than used to finance specific projects under the direct control of international organizations or NGOs, as was the case, for instance, under the Governance and Economic Management Assistance Programme in post-conflict Liberia.

Strengthen social capital. During war-to-peace transitions, an important aim of public expenditure and of public policies more generally, should be to rebuild trust and reestablish the norms and networks that facilitate cooperation and reduce inter-group alienation. Targeted cash transfers are one policy option used successfully in some post-conflict circumstances such as in Sierra Leone and Mozambique. Microfinance services have also been used to address household insecurity, including in rural areas. In some cases, trade unions can serve as important arenas for cooperation across ethnic and religious cleavages; hence, reducing their influence, as usually recommended by conventional economic wisdom, could have damaging longer-term consequences. Other mechanisms, such as cooperatives and marketing boards, can play a similar role in rural economies. ■

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