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Working Group on Lessons Learned
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***Economic revitalization in peacebuilding
and the development of service based
infrastructure***

Background Paper

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1. Executive Summary

Economic revitalization is an essential part of peacebuilding. It can provide crucial peace dividends in the immediate aftermath of conflict and it is a necessary foundation for longer-term development. Without it, post-conflict countries will struggle to build lasting peace and will remain at risk of relapsing into conflict.

It is simple to agree on the importance of economic revitalization, but much harder to achieve it. Unlike a one-off event like elections, a devastated post-conflict economy cannot be revived, much less flourish, without a broad set of enabling circumstances that includes peace and security; workable physical infrastructure; functioning core institutions, including a professional public service; an adequately educated and trained labour force; a regulatory and legal framework that fosters economic growth and whose rules are enforced; and government policies that encourage business and private sector development. Any single one of these is difficult in a fragile post-conflict environment; taken together they present a formidable challenge.

Addressing this challenge requires post-conflict governments, first, to decide on their strategy for national peacebuilding, to make economic revitalization one of its cornerstones, and to prioritize the actions needed to reach that goal. External aid is vital, both at the planning stage and later, including from donors, neighbours, NGOs and the private sector. They can contribute technical assistance to develop the appropriate strategies; technical and financial support for the necessary policy and human resources development; trade opportunities to encourage economic diversification; and foreign direct investment.

Every post-conflict situation is unique. But in nearly all cases economic revitalization will require certain key reforms, including reconstructing core institutions (not just ministries or public services, but social systems too); rebuilding infrastructure; and reforming government policy, public administration and delivery of public services so as to create the enabling environment needed for economies to develop. In some cases special attention must be given to exploiting the potential benefits of natural resources or commodities as ways to fund reconstruction.

Successful peacebuilding requires an inclusive approach, with as broad a range of stakeholders as possible involved in designing a country's strategy, for the results will depend on the participation of them all and need to be shared broadly. Economic revitalization, like other areas of peacebuilding, will be more successful if careful thought is given to the different constituencies who will play a part in the process: women, young people, ex-combatants, civil society and the private sector. Policies and reforms can then be tailored to address the different needs and harness the specific potential of each group.

The challenges of economic revitalization are acutely political as well as financially and technically demanding. Overhauling recruitment systems in the public service, allocating extractive industry contracts or enforcing new corporate taxation policies are highly sensitive issues even in countries at peace. Fragile post-conflict governments newly establishing their legitimacy need support as they tackle these challenges. Where that support comes from external donors, it should continue to the point where the process of economic recovery is truly self-sustaining, not fade away at the first signs of progress. If post-conflict governments can count on sustained support for their efforts, then even the challenge of economic revitalization can become an achievable goal.

2. Introduction¹

The nature of modern conflict is changing. There is relatively more intra-state conflict and a greater variety of actors and types of violence. The causes of conflict are complex: economic, social and

environmental as well as political. Fewer people die on the battlefield, yet the impact on civilians is increasingly severe: deaths, disease, displacement, ruined or disrupted livelihoods.

The effects of violent conflict on a country's economy include severely weakened state capacity, destroyed physical, human and social capital, distorted economic incentives, widespread poverty and massive unemployment. Some states also have to cope with criminal networks that plunder their resources and former warlords who refuse to relinquish power. These conditions leave post-conflict countries at continuing risk of relapsing into violent conflict – a country with a history of conflict is between two and four times more likely than a formerly peaceful state to relapse into conflict.

The Secretary-General's 2009 report, *Peacebuilding in the immediate aftermath of conflict* (A/63/881-S/2009/304), identified economic revitalization as one of the five core areas of peacebuilding in the first two years after conflict. Economic revitalization can encompass both short-term measures (peace dividends like cash-for-work programmes, which are crucial to build confidence in the peace process) and longer-term efforts: employment creation, productive investment, mitigation of business risks and social inclusion.

This paper assesses the importance of economic revitalization as a factor in successful peacebuilding; describes the conditions that are required for it to flourish; and, drawing on lessons learned from past cases, offers recommendations for policy and practice in other post-conflict countries as they rebuild their economies.

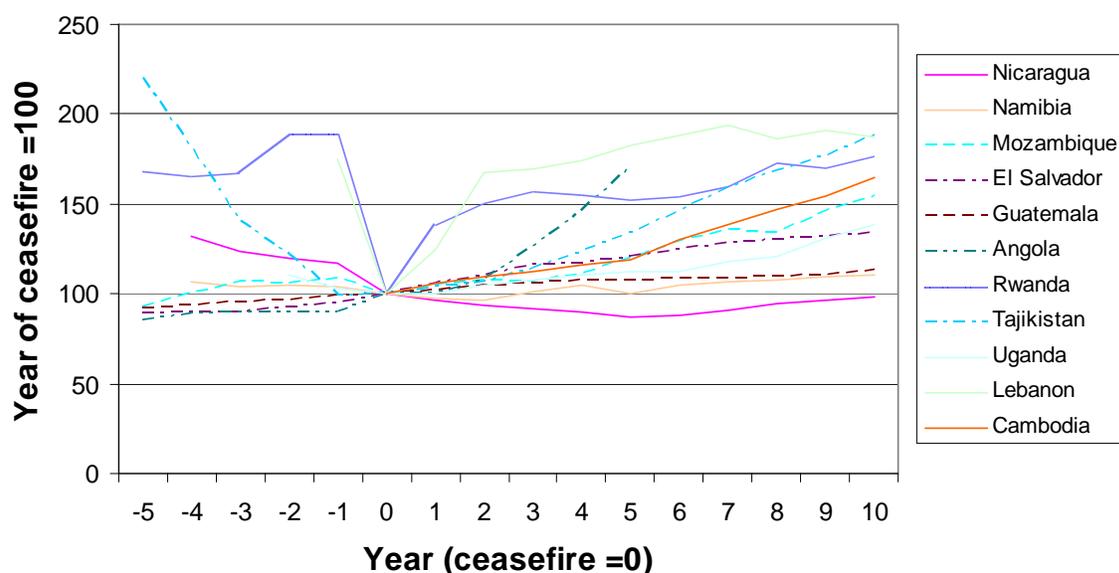
3. Empirical trends: post-conflict revitalizationⁱⁱ

Illustrating the contrast between pre-crisis and post-crisis situations, the following graph provides a “snapshot” of trends in GDP per capita before and after peace agreements were signed (year=0).ⁱⁱⁱ The economic consequences of peace often appear to be faster economic growth. In a sample of 41 countries in the period 1960-2003, post-conflict economic growth was 2.4 percentage points higher than before the war. Yet, growth performance varies significantly among countries. There might be some evidence that sharper declines during the years of violence are followed by stronger growth rates in the post-conflict period. This could be a result of increased utilization of existing capacity (for example in agriculture when improved security allows farming to resume), rather than expansion of capacity because investment rates only recover very slowly. But even at fast rates, it can take two decades to reach pre-war levels of GDP per capita.

Faster economic growth is often accompanied by a quicker improvement in social indicators. This pattern is not a surprise following a period of elevated mortality, population displacement and destruction of infrastructure during conflict. The bigger question is whether the recovery period instates the conditions for lasting peace and economic development. In some countries, economic growth is driven by (investment in) capital-intensive resource extraction, with few benefits spreading to wider segments of the economy and population.

The return of normal economic activities, particularly in agriculture and food provision, and the start of reconstruction of infrastructure usually account for the initial spike in growth immediately post-conflict. But the return of agricultural productivity beyond subsistence to pre-crisis levels requires the repair of infrastructure and irrigation facilities damaged during conflict, so is likely to be a medium- rather than short-term outcome. Adult mortality tends to bounce back sharply after the end of conflict, but the recovery in infant and child mortality requires the rehabilitation of sanitation and health facilities and services which takes more time. Likewise, education indicators recover slowly because of the need for investment in schools and teachers.

Trends in GDP per capita 1984-2007



The return of refugees and those displaced can be destabilizing immediately following a ceasefire. Repair and investment in housing and infrastructure for those displaced by conflict will take time. Remittances can increase significantly after a conflict, providing resources to invest in housing, education and health care. Financial services to transmit remittances can reduce transaction costs and help households in their recovery, thus reducing the burden on public support.

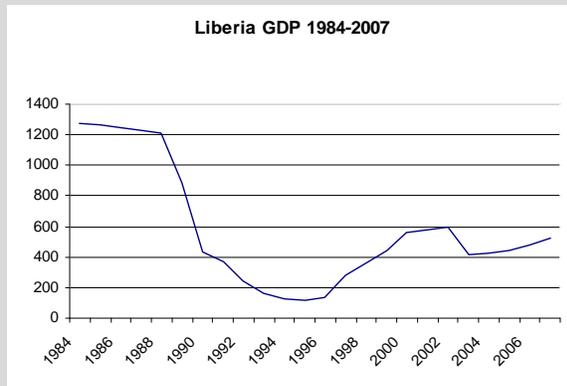
The sustainability of the growth recovery depends on increased employment and investment rates as well as the impact of external economic shocks. *Recovery of employment* is conditioned by post-conflict policies, the availability of finance and the re-establishment of private business, which takes more time.

Many successful post-conflict countries have achieved strong economic recovery through *reconstruction investment*. In Angola, for example, rebuilding of socio-economic structures has proceeded at an impressive pace since the end of the decades-long civil war in 2002. In particular, the expansion of the national health network in infrastructure and staff has enabled other advances.

Timely *foreign assistance* is also important during the recovery phase. Donor aid has proven critical, but a rapid return to normal commercial relations with the external economy is equally important, since in the medium term the restoration of the private sector is the only guarantee of sustained growth. In some cases, external debts built up by the previous regime need to be resolved.

Box 1 Liberia: economic recovery since the Accra Comprehensive Peace Agreement in 2003

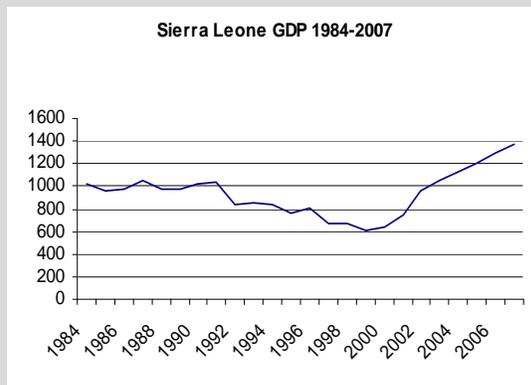
• After declining by over 30 per cent in 2003, Liberia's real GDP increased by 5.3 per cent in 2005, 7.8 per cent in 2006 and 9.4 per cent in 2007. Its recovery was fuelled by *reconstruction investment*, supported by *foreign assistance* (large contributions from donors geared to the social services sector) and the growth of *economic resilience* through economic diversification. Liberia's recent fast growth is directly related to the resumption of forestry operations; increased diamond and gold exports; higher production of rice; and the continued vibrancy of the services and construction sectors. Agriculture remains the mainstay of the economy, accounting for 61 per cent of aggregate GDP in 2007. Although public investment increased by 19 per cent in 2008, private investment and private consumption remain the chief drivers of real GDP.



GDP is in millions of constant 2000 US\$

Box 2 Sierra Leone: economic recovery since the Second Abuja Agreement in 2001

• Since the Abuja peace agreement was signed in 2001, Sierra Leone has re-established security and democratic governance, implemented decentralization and launched its second poverty reduction strategy paper (PRSP II: Agenda for Change). At an average of about 7 per cent, the country’s impressive real GDP growth rates during 2005-07 were among the highest on the continent. With the post-war recovery wearing off, growth is now being fuelled by *reconstruction investment* as well as by *foreign assistance*. Sierra Leone has weathered the global financial and economic crisis remarkably well relative to emerging and other resource-rich countries, but it was hit hard by falling remittances, declining export proceeds from the mineral sector and lower FDI. In these circumstances Sierra Leone demonstrated *economic resilience* as growth in 2008 and 2009 was driven largely by a diversified economy and expansion in agriculture and services.



GDP is in millions of constant 2000 US\$

Taking a medium to long-term perspective, successful post-conflict countries have to build *economic resilience* as a foundation for stable social development. The graph above shows the importance for post-conflict countries of diversifying their economies beyond commodity export dependence. In Cambodia, for example, GDP expanded by an average rate of almost 10 per cent per year between 1999 and 2008, driven largely by growth in the garment sector, construction and tourism.

4. Economic revitalization: essential elements^{iv}

Risk, uncertainty and security

Economic activities need a certain degree of normalcy, security and certainty. Because many economic activities – such as production, investment and trade – take place over time, they are used to risk and are able to accommodate some uncertainty. Yet investments in physical capital, such as irrigation systems, machinery and buildings, are expected to yield returns over a long period of time. The possibility of looting, damage and reduced production therefore has a significant negative effect on investment – and thus on economic

revitalization. The uncertainty of violence is usually exacerbated by policy uncertainty, which can be considerable in a post-conflict situation. Because investors always have the option to wait and see and investment is mostly irreversible, sustainability of policies is often more important than the scope of the reform programme or getting the prices exactly right. Several empirical studies have found a strong negative effect of political instability on economic growth and investment.^v Others have shown that the effect of economic and political uncertainty in the post-conflict period can be large and persistent.^{vi} Indeed, for many years after a conflict, investments may be biased towards low risk – and low-yielding – investments.^{vii}

Reducing uncertainty is key to encouraging investment and stimulating economic growth. The international community and Official Development Assistance (ODA) can play an important role, including through shifting expectations about risk and uncertainty, providing incentives for cooperation among national actors and creating a cooperation framework. Research found that a 10 percent increase in ODA to an African country reduces conflict risk by 6 percent.^{viii} Peacekeeping operations can also contribute by reducing the risk of recurrence of violence – by as much as 32 percent according to one study.^{ix}

Violence and peace and economic incentives

Lootable natural resources can be a cause or contributing factor to violence – its outbreak and its duration – including because they are an important source of finance for rebel movements. Yet the economic incentives for violence go beyond that. Wars and violence – besides killing people, destroying capital and causing displacement – create opportunities for profits. Violence reduces the number of sellers, makes market entry more expensive and increases transaction costs, risks and uncertainty. This increases sellers' opportunities to exercise market power, raise prices and generate higher profits. Some argue that dysfunctional markets are not an unintended consequence of violence, but a deliberate result of market manipulation – “forced markets” – particularly where connections exist between traders and warring factions. For example, during the late 1980s conflict in southern Sudan, traders who delivered goods by train were able to maintain high prices by restricting the quantities delivered. Benefits from excessive pricing were restricted to a few well-connected and wealthy traders.^x Profits are often kept in liquid form because of uncertainty and lack of safe investment opportunities, or are transferred abroad.

Post-conflict societies need to transform the economic incentives for violence and increase the incentives for peace. Measures need to be informed by a thorough understanding of the economic dynamics of violence. They might include regulation and codes of conduct, support for new entrepreneurs to increase market competition; sanctions on foreign bank accounts receiving profits generated by violence-condoned market manipulation; and transparency of relations between governments and large traders or producers, including published information about payments for permits and royalties. With greater certainty and lower risks, incentives will also shift towards investing in long-term physical capital.

Reconstructing core institutions

Institutions necessary for economic recovery include effective government control over public finances, mechanisms for oversight and accountability, a professional public administration and representative and inclusive political mechanisms and institutions. The rebuilding of these institutions after conflict takes time – time to forge a broad national agenda and to restore peaceful means of conflict management and dispute resolution. High priority must be given to restoring institutions for macroeconomic and fiscal management that will support later stages of recovery. Given that external aid can initially account for half or even more of GDP in post-conflict countries, the policy dialogue must involve international actors.

An important aim of post-conflict public policy should be to rebuild trust and re-establish the norms and networks that facilitate trade and cooperation and reduce inter-group alienation. This applies to economic policy as well as to social or educational fields where these objectives might appear to be more obviously achieved. For example, trade unions can be important arenas for cooperation across ethnic and religious divides. Cooperatives and marketing boards can play a similar role in rural economies.

Box 3 Rebuilding governance and public administration

- Post-conflict situations vary and there is no “one size fits all” institutional solution to governance challenges. Institutional reforms should be tailored to current needs while taking into account the legacy of existing institutions, including past values and belief systems.
- An inclusive approach is crucial to success. Institutional reforms should be negotiated among all stakeholders and should aim to solve concrete challenges.
- Institutional reforms are more sustainable when change arises from within the country, or when internal leaders collaborate with external actors, rather than when reforms are externally imposed.

Rebuilding infrastructure

Rebuilding infrastructure is critical for economic revitalization, starting with infrastructure for water supply and sanitation, public health and electricity, roads, irrigation systems and bridges. If economic recovery is to be broad-based, then policies must be flexible as well. For instance, rebuilding rural infrastructure has low returns if policy continues to discriminate against smallholders (thus taxing their recovery and holding back poverty reduction).

As far as possible, local capacity should be used to rebuild infrastructure. In Eritrea the Government was able to restrict technical assistance and imported resources when there was sufficient local capacity for recovery programmes following the end of conflict in 1991. The International Labour Organization has proposed “community contracts”, whereby local communities are contracted to carry out infrastructure projects. In other instances, construction and transport tenders have been allocated in small chunks suited to local, low-technology methods.

Effective government policy-making and service delivery

To reduce the risk of relapse into conflict, macroeconomic policy should focus first on jump-starting the economy and on fostering private investment, followed by other key considerations such as tackling inflation and raising domestic revenue. National economic institutions need capacity to articulate priorities, choose policy instruments and implement what they see as the most appropriate policy mix.

Restoring effective delivery of public services after conflict is necessary not just to ensure economic recovery and meet people’s basic needs, but also to re-establish public trust in government. It can also reduce tensions among groups struggling to meet basic needs and competing for scarce resources.

Box 4 Restoring public services

- Reform public service delivery with a focus on the citizen (“citizen-centric”). Make use of partnerships between governments and non-State actors such as civil society.
- Ensure that public service delivery derives its legitimacy from national ownership and local involvement.
- Build effective delivery capacity early on.
- Allow public service delivery approaches to be flexible and innovative to meet changing needs and challenging conditions.
- Exploit information and communication technologies to deliver public services more efficiently and effectively, for example through decentralization.

For post-conflict public administration to be effective it must be able to attract competent, dedicated public servants and create a transparent, merit-based management framework. Support for and management of human resources must therefore be a priority when rebuilding public administration.

This must include addressing the problem of the “brain drain”. In 2003, 30 per cent of all highly educated Sierra Leoneans lived abroad. More than 300 South African specialist nurses are estimated to leave the country every month. Governments should take advantage of these expatriate skills by gradually moving from “brain drain” to “brain circulation”, trying to attract knowledge and skills back to revitalization efforts at home. The UN and international partners should avoid exacerbating the problem by offering disproportionately high salaries that attract local employees away from national reconstruction efforts.

Box 5 The importance of human resources development in reforming public administration

- Proceed from an accurate count of a country's public servants and their knowledge and skills. Since employee censuses are expensive, they should be planned to fit within the overall strategy for developing human resources in the public service. Censuses should be designed for congruence with the local context to ensure that the government has the capacity to effectively use the data collected.
- Manage oversight of the recruitment process through independent bodies such as civil service commissions to avoid cronyism, nepotism, and favoritism. Since it takes time to create and develop such institutions, interim measures are needed to address the immediate challenge of recruiting competent personnel. If merit-based recruitment is introduced early, there is a greater chance of limiting patronage and other harmful practices and ensuring a well-functioning public service.
- It is not enough to remedy skills deficits and knowledge gaps. Efforts must also be made to fight corruption and to restore integrity, ethics and professional conduct in the public service.
- Reflect diversity of the population within the public service. If both men and women, as well as members of all ethnic, religious and other groups, are actively included in the government, then conflict is less likely to erupt. A representative, merit-based, service-oriented public service can provide a model for participation, inclusive decision-making, reconciliation and social cohesion, and proactive peacebuilding.
- Foster strategic cooperation between post-conflict governments and donors to develop pay management and incentive systems that will attract the requisite personnel without overtaxing the budget.
- Address the problem of "brain drain". The first step in convincing professionals to return to post-conflict countries is to restore security and good governance. As a secondary strategy, governments should consider offering financial or other incentives to return.

Decentralization can be an effective means of rebuilding public administration and delivering services more effectively. Decentralization allows for the shared exercise of power and can get local communities involved in decisions about their own development. It can also address the root causes of a conflict, as in El Salvador and Uganda. Information and communication technologies can be especially helpful for decentralized human resources management in post-conflict settings.

Box 6 Elements of successful decentralization : lessons learned from El Salvador

- Design legal frameworks and structural arrangements to devolve power, not only to local governments but also to local communities.
- Strengthen local government capacity to perform governance functions (including revenue generation, provision of local services, personnel management, planning and decision making, government performance monitoring, investment management for development and local fiscal management).
- Ensure local government responsiveness and accountability to both citizens and the central government (evidenced by transparency, dissemination of information to the public, accessibility of public meetings and records, etc.).
- Enhance role for civil society, with civil society organizations and the private sector working in partnership with local and national governments.
- Improve evidence of government intent to improve the quality of life in local communities, and demonstrable progress in doing so.

Harnessing natural resources

Natural resources can spark or prolong conflict. Timber and minerals played a key role in prolonging conflict in the eastern Democratic Republic of Congo in the late 1990s and early 2000s, yet they are now helping to fund reconstruction.

A resource-rich country need not be a curse to its people. Experience in countries like the DRC and Liberia suggests three principal ways of ensuring that natural resources help fund reconstruction and build peace:

- Set up a *fiscal system* for natural resource extraction to ensure that foreign as well as domestic operators contribute to the country's development through royalties and taxes. This might require ambitious reforms, but a post-conflict situation – when stakeholders are more willing to negotiate deep and far-reaching reforms – represents an ideal window of opportunity. The international community, UN agencies and donors can provide technical and financial support to make sure that reforms are implemented.

- Ensure that natural resources extraction is founded on *principles of sustainable management*. This particularly applies to timber production: sustainable forest management ensures that the values of forests – economic, social and environmental – are maintained for future generations. In practical terms, forest management plans must be made compulsory by law, and law enforcement mechanisms must exist and enforce the rules. This requires the full support of Government and the necessary capacity in the relevant Ministry to review and approve forest management plans and monitor operations in the field. Donors and NGOs can supply vital financial and technical support.
- Sustainable natural resource management is not only about having a lasting source of revenue for the state or making sure that renewable resources are renewed. It is also about ensuring that it addresses *poverty reduction and rural development* and that benefits are shared equitably. This can be done through local recruitment and community participation programmes that involve local populations in decision-making and benefit-sharing.

Box 7 Democratic Republic of Congo

The conflict in the Democratic Republic of Congo (DRC) in the 1990s and 2000s is estimated to have caused between one and five million deaths. The principal cause of the conflict was attempted regime change, but the political vacuum and weak governance presented an opportunity for exploiting natural resources with minimal regulation, especially in the east, an area rich in diamonds, copper, zinc, coltan and timber. Armies swiftly moved in, particularly in the Kivu area, and began extracting these riches on a grand scale, whilst populations fleeing the conflict were left to die of disease and famine. Natural resources quickly became one of the main *raison d'être* of occupying armies. In 2001, initial reports by NGOs of large-scale illegal exploitation of natural resources were followed by confirmations by panels of experts commissioned by the United Nations.

A decade later, the DRC offers lessons learned for other post-conflict countries. It has state-of-the-art legislation to ensure that the country's forests – the second largest tropical forest in the world after Brazil – are sustainably managed in a way that generates national revenue and supports rural development and local livelihoods. The DRC has been at the forefront of climate change discussions, becoming one of the first countries to set up a national REDD+ (Reducing Emissions from Deforestation and forest Degradation) strategy with support from UN-REDD and the Forest Carbon Partnership Facility. These are promising first steps towards making sustainable natural resource management a cornerstone for post-conflict reconstruction and development in the DRC.

5. Lessons learned and best practices

Prioritization

Deciding peacebuilding priorities is difficult when everything seems urgent and resources and capacity are limited. This applies equally to choosing priorities from among different areas of peacebuilding (safety and security; political processes; basic services; core government functions; economic revitalization³¹) as well as to deciding priorities within an area like economic revitalization.

While every case is unique, the selection of peacebuilding priorities should always be driven by similar criteria. The key criterion is preventing relapse into conflict. Prioritization must therefore be based on thorough conflict analysis so that peacebuilding activities address either the root causes of conflict or potential new triggers for violence. Priorities must be dictated by the specific needs of the country concerned, not by mandates of international actors or by the international community's capacity or wish to provide particular types of support.

The sequencing of priorities must be carefully considered. This does not refer to a linear sequence where peacebuilding follows peacekeeping and humanitarian activities and is followed later by development; peacebuilding is a comprehensive exercise that starts from the earliest post-conflict period and embraces all these areas. It refers, rather, to the delicate balancing act required to establish a sequence of activities that will best build sustainable peace. Establishing safety and security and some measure of political stability, for example, are likely prerequisites for economic revitalization and are essential for private sector investment.

Other early priorities may be peace dividends like cash-for-work public works projects or projects that begin to address root causes of conflict.

The experience of the Peacebuilding Fund

The experience of the Peacebuilding Fund in supporting economic revitalization programmes (mainly, to date, in youth employment) offers some lessons as to what makes such programmes effective:

- The need for the right *business-enabling policy environment*. For example, governments can promote job creation and youth employment by cutting “red tape” and making it simple for entrepreneurs to set up their own business; by integrating entrepreneurial and business skills into educational and vocational curricula; and by incentivising the private sector to employ and train vulnerable young people.^{xii}
- *Clarity of project design determines expectations*. People need to know about the opportunities available to them. It is sometimes difficult to reach them in a fractured post-conflict society. The targeting and benefits of a project must be crystal clear at the start (for example, are participants being offered a loan or given a grant?), otherwise peace dividends can quickly turn into peace “disappointments”.^{xiii}
- *Civil society* must be involved and their role clearly defined.
- Youth employment programmes may miss an opportunity if they fail to *target the highest-risk groups* (often ex-combatants).^{xiv}
- Projects must be *tailored to local circumstances and capacity of institutions that have to play a role in sustaining results*. For example, some questioned whether the microcredit element of a youth employment project in Guinea-Bissau would work, given the significant technical requirements for successful microfinance. Simpler micro-grants or working with local financial institutions may be more appropriate in fragile environments.^{xv}
- For lasting impact, projects should be designed to *build the local capacity* of both individuals and organizations. Some projects in Burundi were found to have had no greater reach beyond the individuals they benefited.^{xvi}

Role of civil society and the private sector^{xvii}

Economic recovery does not happen in a social vacuum – success depends on the incentives and opportunities inherent in the social capital matrix and in the “rules of the game”. One of the most challenging yet vital tasks for a country in the aftermath of conflict is to create a common vision for the future. Aspirations for socio-politico-economic development – and the challenges that stand in their way – should be discussed and agreed in consultation with a cross-section of the population. Discussions must address how responsibilities will be shared among different stakeholders and what mechanisms will be used to encourage collaboration and participation by all sectors (including civil society). In South Africa, for example, a White Paper outlined the government’s proposals for transforming the public service. It received extensive public comment, proving a very effective mechanism for securing public participation and building unity among the population.

Box 8 South Africa

In 1994, South Africa’s first democratically-elected government initiated a post-conflict recovery process. In response to popular demand for decentralization, the Government undertook an extensive negotiation process, which was crucial for mobilizing all South Africans to accept the principle of empowering local communities and dismantling the apartheid system that had left the country with racially divided business and residential areas. The new legal framework required each municipality to prepare an Integrated Development Plan created with the participation of the entire municipality and all stakeholders in an Integrated Development Plan Representative Forum. Forum participants included local council members, traditional community leaders, senior officials from municipal government departments and representatives from organized stakeholder groups. The Forum provided a structure for discussion, negotiation and joint decision-making. It also ensured proper communication between all stakeholders and the municipality, as well as monitoring of planning and implementation processes. Community members felt empowered to participate and influence the social, political and economic decisions that concerned them. The Forum structure institutionalized participatory decision-making in local governments and enhanced peaceful interaction.

Conflict is bad for business – the state can encourage private investment by providing macroeconomic stability. Reforming the legal framework so that property rights are respected is important; this includes the rights of the poor who, as micro-entrepreneurs and smallholders, are themselves active in the private sector. Well-designed public investment can also do much to encourage (“crowd-in”) private investment. Given the highly divergent set of business actors engaged in war economies, and their varying amenability to regulation, policies to encourage economic revitalization need to make use of the full spectrum of regulation, from voluntary codes of conduct to national and international law.

Box 9 Lessons learned on enabling the private sector in post-conflict economies

- *Prioritize governance and security reforms.* Ensuring physical security, property rights, contract enforcement and transparency in the justice system are central to improving the business climate and attracting private investment anywhere, but particularly so in high-risk post-conflict environments
- *Empower local entrepreneurs.* Supporting local business development is essential to economic recovery as the revitalization of domestic enterprise signals the return of “normalcy”, in addition to restoring local markets and providing employment. Key steps for engaging the local business community include improving its access to finance through such mechanisms as microcredit and, even more importantly, encouraging its participation in policy dialogue with the government.
- *Promote foreign investment.* Perceptions of risk delay entry of private enterprises into post-conflict environments. For example, extractive industries may be quick to pursue exploration contracts, but may delay long-term investments in production facilities until they are more confident of a country’s stability. Incentives such as tax allowances and political risk insurance may encourage foreign investors to enter post-conflict markets earlier.
- *Promote public-private partnerships.* These allow the private sector to deliver services previously (or traditionally) provided by the public sector. In the post-conflict setting, the model could be used creatively, particularly in restoring essential infrastructure and rehabilitating schools and health facilities.
- *Develop strategies to enhance risk sharing.* Recovering economies need a robust risk-sharing facility to help bridge the gap between private and social returns that characterize post-conflict situations.
- *Donor countries must revise aid, trade and investment support policies* to provide incentives that will change businesses’ cost-benefit calculations and persuade them to invest/trade earlier.

Youth and gender^{xviii}

Job creation for youth is a key tool for economic recovery. Communities can support training and education as well as sports and cultural activities aimed at reintegrating youth. Policies that aim to break the vicious cycle of violence and unemployment must address the special challenges young people face in getting jobs. Policies must also recognize that youth is not a homogenous group – rather, it is a complex microcosm of society, reflecting all social differences and tensions. Young men and women face different challenges. A security-dominated approach to youth employment may overlook the particular needs of young women.

Creating sustainable employment opportunities for young people requires a comprehensive approach. Youth employment and reintegration programmes must build on the strengths of young workers, such as their mobility and willingness to learn, and address their particular needs for part-time education, vocational training and business start-up or job search skills. These linkages should be articulated in the initial post-conflict needs assessment and in national development strategies (e.g. PRSP).

Box 10 The challenge of youth unemployment - UN policy for post-conflict employment creation, income generation and reintegration (2009)

- *Track A: Stabilize income generation and emergency employment.* Temporary jobs or cash-for-work programmes targeted at demobilized youth can be a cost-effective way to enhance security while changing the image of youth as spoilers.
- *Track B: Foster local economic recovery.* Communities should be encouraged and enabled to target youth with employment generating, educational and cultural programmes.
- *Track C: Support policies that enable a growing labour market.* There is evidence that youth interventions have so far relied too heavily on the supply side (building up skills), rather than increasing job opportunities for trained youth.

Women's equal participation in economic recovery requires gender-responsive action in each of the core peacebuilding areas: physical security, to facilitate women's market engagement; women's political leadership, to combat violations of women's economic rights; services that target women; and State institutions that incentivize public action for gender equality.

In primarily agrarian post-conflict societies, policy must target the needs and capacities of rural women – for instance, through the procurement of food from women smallholders. Barriers to credit, including insecure land title, require particular attention. Promoting women as “front-line” service-delivery agents – for example, in health care, agricultural extension and natural-resource management – has had some success. Research has shown that placing women in front-line roles enhances outreach to female clients, increases women's autonomous income and produces role-modelling effects, encouraging other women to pursue careers in public life.

Box 11 Rwanda's success in engaging women in reconstruction

- From the earliest post-conflict period, the Government of Rwanda gave priority to promoting gender equality and women's empowerment, considering it a prerequisite for sustainable peace and development. It established a national mechanism to ensure women's engagement in reconstruction and created the Ministry of Family and Women's Affairs. Among its priorities was the establishment of women's committees – from the lowest administrative level to the national level – that would allow Rwandese women to express their views, concerns and interests regarding reconstruction.
- Thanks to this enabling environment, women started actively participating in decision-making and managing financial resources, despite their inexperience in these non-traditional roles. Women leaders created associations to influence reforms in politics, law, elections, justice and security. The Rwanda Women Leaders' Caucus lobbied for laws protecting women's rights (relating to inheritances, children, the workplace, etc.). A caucus of female parliamentarians mobilized grassroots women to help shape the constitution of 2003, which gave special focus to the principles of national unity and gender equality. Women were granted at least 30 per cent of posts in decision-making organs. The Government set up national women's councils to give women more visibility and influence in the national debate on reconstruction. Decentralization facilitated the representation of women at the district, provincial and community levels.
- Networks of women's groups created opportunities for reconciliation, such as income-generating activities, particularly in rural areas, that empowered women economically and helped restore trust and harmony within the community. As women worked together, they broke barriers of isolation and mistrust, particularly between families who survived the genocide and those whose relatives were suspected of committing genocide. Women also played an important role in peacebuilding. They helped bring an early end to the insurgency by switching their support from the rebels to the Government and persuading their sons and husbands to return home peacefully. Women also engaged in negotiations and “peace talks” with other associations inside and outside Rwanda.

Role of the international community^{xix}

Post-conflict countries need time to rebuild their institutions if they are to achieve lasting peace. Yet international aid often tapers off prematurely at the point when countries are making progress towards rebuilding institutions – when they are in fact in a better position to use aid effectively. Economic revitalization requires the international community to provide predictable support over the medium- to long-term.

6. Recommendations: how to create the conditions for successful economic revitalization

- *Strategic planning:* Make economic revitalization a key part of the national peacebuilding strategy. Set clear priorities and decide on sequencing. Use donors' technical and financial assistance to design effective, realistic strategies and follow through on implementation.
- *Governance and public administration:* Make institutional reform processes truly inclusive. Tailor to current needs but take past beliefs and values into account. Make public service delivery policies and

practices “citizen-centric”. Ensure that public service delivery derives its legitimacy from national ownership and local involvement.

- *Human resources*: Assess current resources of the public service accurately. Base recruitment on merit. Restore integrity, ethics and professional conduct in the public service. Reflect diversity of the population. Foster strategic cooperation between governments and donors to develop management and incentive systems that will attract and retain the requisite personnel.
- *Decentralization*: Strengthen local government capacity to perform a broad range of governance functions. Ensure local government responsiveness and accountability to citizens and to central government. Encourage partnerships with civil society and the private sector.
- *Natural resources*: Set up a fiscal system so that natural resource extraction contributes to state revenue and that benefits are shared equitably. Ensure that the extraction of renewable resources is carried out according to principles of sustainable management and that law enforcement mechanisms exist to enforce the rules. Integrate sustainable use of natural resources within a broader economic revitalization plan.
- *Civil society*: In designing peacebuilding strategies, strengthen and adapt existing mechanisms and processes of social interaction. Support civil society peacebuilding on the basis of a broad conception of civil society that goes beyond NGOs and formally constituted organizations.
- *Private sector*: Prioritize physical security, risk reduction, property rights, and transparency in the justice system. Develop business-friendly policies and cut “red tape.” Empower local entrepreneurs and engage the local business community through improved access to finance, including microcredit, foreign investment and public–private partnerships.
- *Youth employment*: Target temporary jobs, training and cash-for-work programmes at demobilized youth. Integrate entrepreneurial and business skills into educational and vocational curricula. Target youth with employment, educational and cultural programmes within local economic recovery plans. Address demand as well as supply: adopt policies that enable a growing labour market; incentivize the private sector to employ and train young people.
- *Gender*: Integrate gender considerations in all peacebuilding policies and programmes. Target the needs and capacities of rural women. Promote women as “front-line” service-delivery agents.
- *Aid*: Ensure rapid and adequate aid flows for long enough to ensure sustainability. Tailor economic revitalization programmes to local circumstances and design them to build local capacity. Communicate their benefits and risks clearly to the population.

Endnotes

ⁱ The section builds on UNDESA, *World Economic and Social Survey 2008: Overcoming Economic Insecurity* and UNDP, *Post-Conflict Economic Recovery: Enabling Local Ingenuity*, 2008.

ⁱⁱ Source of data for graphs is World Bank. The section builds on Siyan Chen, Norman Loayza and Marta Reynal-Querol, “The Aftermath of Civil War”, *World Bank Policy Research Working Paper*, No. 4190, April 2007; UNDP, *Post-Conflict Economic Recovery*; and UNDESA global monitoring database.

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- iii The dates are: Angola (2002); El Salvador (1992); Guatemala (1996); Lebanon (1989); Mozambique (1992); Namibia (1988); Nicaragua (1988); Rwanda (1994); Tajikistan (1997); and Uganda (1986).
- iv The section builds on UNDESA World Economic and Social Survey 2008: *Overcoming Economic Insecurity*; UNDP Crisis Prevention and Recovery Report 2008: *Post-Conflict Economic Recovery: Enabling Local Ingenuity*; UNDESA World Public Sector Report 2010: *Reconstructing Public Administration after Conflict: Challenges, Practices and Lessons learned*; UNDESA World Public Sector Report 2005: *Unlocking the Human Potential for Public Sector Performance*, and UNDESA *Sustainable Forest Management for Peace Building*, October 2007.
- v See, for example, Robert J. Barro, “Economic growth in a cross section of countries”, *The Quarterly Journal of Economics*, Vol. 106, No. 2, May 1991, pp. 407-43.
- vi See Paul Collier, “On the economic consequences of civil war”, *Oxford Economic Papers*, Vol. 51, No. 1, January 1999, pp. 168-183.
- vii See, e.g. Paul Collier, “War, peace and private portfolios”, *World Development*, Vol. 23, No. 2, February 1995, pp. 33-41.
- viii Quoted in Christopher Blattman and Edward Miguel, “Civil war”, *Journal of Economic Literature*, Vol. 48, No. 1, March 2010, pp. 3-57.
- ix See Michael W. Doyle and Nicholas Sambanis, *Making war and building peace: United Nations Peace operations*, 2006, Princeton University Press.
- x See David Keen, *The benefits of famine*, 1994, Princeton University Press; Mats Berdal and David Malone (eds.), *Greed and Grievance: Economic Agendas in Civil Wars*, 2000, Boulder, CO, USA, Lynne Rienner Publishers.
- xi The Secretary-General’s report *Peacebuilding in the immediate aftermath of conflict* (A/63/8810S/2009/304), 11 June 2009.
- xii *Peacebuilding programming analysis of two priorities identified in addressing conflict drivers*, 2010, PBSO.
- xiii Susanna P. Campbell, *Independent External Evaluation of PBF Projects in Burundi*, March 2010.
- xiv This comment was made by several observers to the authors of the *Independent External Evaluation of PBF Projects in Burundi*. This view may not be universally applicable; after all, the needs of the victims of conflict must also be considered.
- xv *Peacebuilding programming analysis of two priorities identified in addressing conflict drivers*, 2010, PBSO.
- xvi Susanna P Campbell, *Independent External Evaluation of PBF Projects in Burundi*, March 2010.
- xvii The Section builds on UNDESA, *World Public Sector Report 2010: Reconstructing Public Administration after Conflict: Challenges, Practices and Lessons Learned*; UN Global Compact-PRI publication: *Guidance on responsible business in conflict-affected and high-risk areas: a resource for companies and investors*; and UNDP, *Post-Conflict Economic Recovery: Enabling Local Ingenuity*, 2008.
- xviii The section builds on UNDESA, *World Public Sector Report 2010: Reconstructing Public Administration after Conflict: Challenges, Practices and Lessons Learned*; Expert Group Meeting on Youth in Africa: Participation of Youth as Partners in Peace and Development in Post-Conflict Countries, 14 to 16 November 2006, Windhoek, Namibia; A/64/354-S/2010/466 on gender related issues; and UNDP/ILO: *The challenge of youth unemployment - UN policy for post-conflict employment creation, income generation and reintegration* (2009).
- xix The section builds on UNDESA, *World Economic and Social Survey 2008: Overcoming Economic Insecurity*.