

***Peacebuilding Commission
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

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.

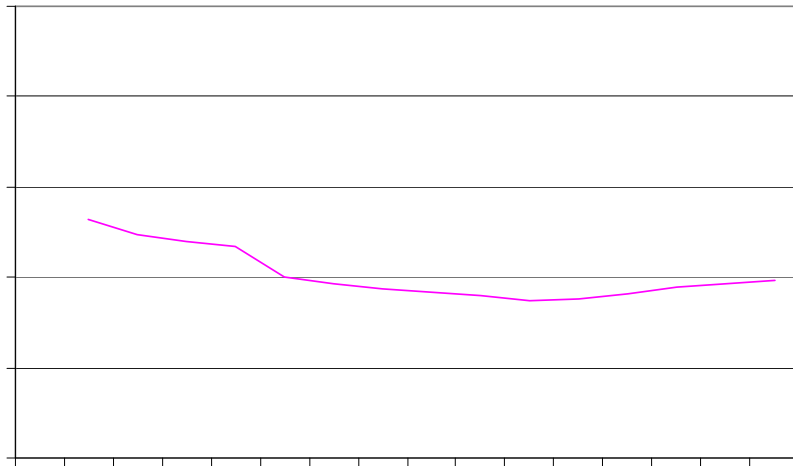
The effects of violent conflict on a country's economy include severely weakened state capacity, destroyed physical, human and social capital, distorted economic incentives, widespread poverty and massive unemployment. Some states also have to cope with criminal networks that plunder their resources 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, (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.



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.

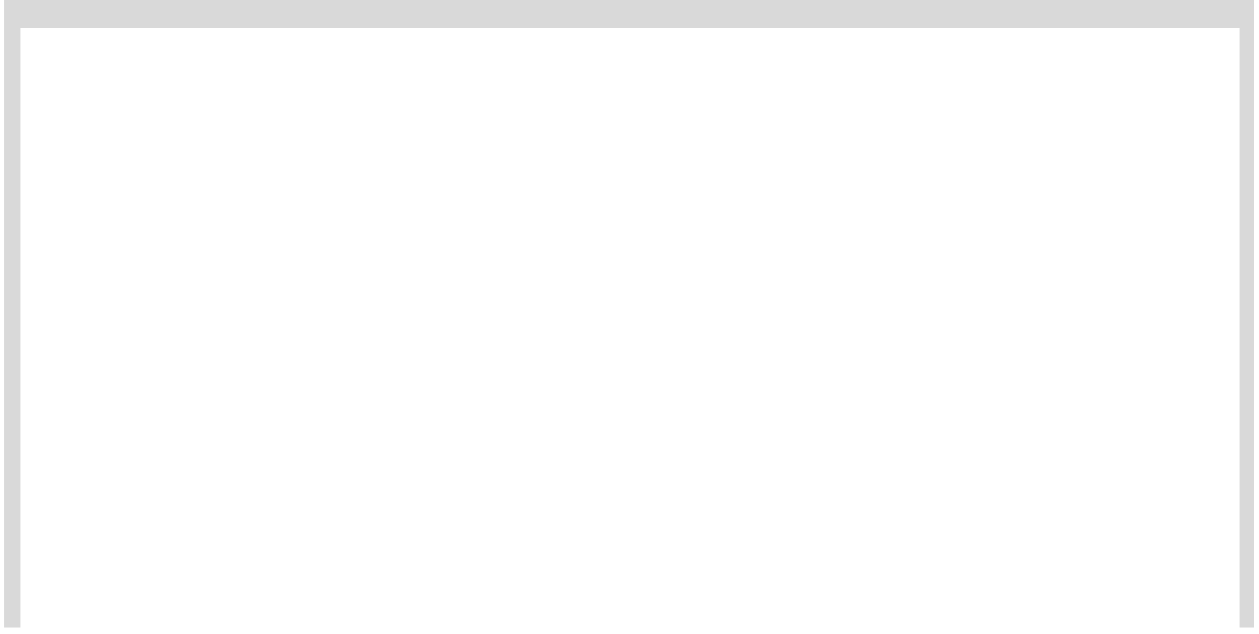
Restoring effective delivery of public services after conflict is necessary not just to ensure economic recovery and meet people’s basic needs, but also to re-establish public trust in government. It can also reduce tensions among groups struggling to meet basic needs and competing for scarce resources.

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.



x Ensure that natural resources extraction is founded on

. This particularly

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

- Ensuring physical security, prope

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 attent

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

- x 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.

- x 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.

- x 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.

- x 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.

- x 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.

- x 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.

- x Integrate gender considerations in all peacebuilding policies and programmes. Target the

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: ; UNDP Crisis Prevention