

SOLLIMS SAMPLER

Targeting Peace & Stability Operations Lessons & Best Practices

Volume 2

Issue 2



Economic Stabilization



U.S. Army Peacekeeping and Stability Operations Institute

Approved for Public Release,
Distribution Unlimited



FOREWORD

This is the fourth edition of the Stability Operations Lessons Learned and Information Management System (SOLLIMS) Lessons Learned “Sampler”. The general structure of the “Sampler” includes (1) an **Introduction** that provides an operational or doctrinal perspective for the content, (2) the Sampler “**Quick Look**” that provides a short description of the topics included within the Sampler and a link to the full text, (3) the primary, topic/issue-focused Stability Operations (SO)-related **Lessons Learned report***, and (4) links to **additional reports or other references** that are either related to the “focus” topic or that address current, real-world, SO-related challenges.

This lessons-learned compendium contains just a sample – thus the title of “sampler” – of the observations, insights, and lessons related to **Economic Stabilization** available in the SOLLIMS data repository. These observations are worth sharing with military commanders and their staffs, as well as civilian practitioners with a Stability Operations-related mission / function – those currently deployed into conflict environments, those planning to deploy, the institutional Army, policy makers and other international civilian and military leaders at the national and theater level.

Lessons Format. Each lesson is provided in the form of an Observation and Recommendation (O&R). The “O & R” follows a standard format:

- Title (Topic)
- Observation
- Discussion
- Recommendation
- Implications
- Event Description

Occasionally you may see a “Comments” section. This is used by the author of the “O&R” to provide additional personal perspective on the Observation. The “Event Description” section provides context for the Observation in that it identifies the source or event from which the content was developed.

You will also note that a number is displayed in parentheses next to the title of each lesson / observation. This number is hyper-linked to the actual O&R within the SOLLIMS database; click on the highlighted O&R number to display the O&R entry and access any attachments (references, images, files) that are included within SOLLIMS for this O&R. Note, you must have an account and be logged into SOLLIMS in order to display the SOLLIMS data entry and access / download attachments.

If you have not registered on SOLLIMS, the links in the reports will take you to the login or the registration page. Take a few short minutes to register for an account in order to take advantage of the many features of SOLLIMS and to access the stability operations related products referenced in the report. We encourage you to take the time now to provide us with your perspective as related to a single observation / lesson in this report, or to the overall value of this “Sampler” as a reference or guide for you and your unit/organization and staff. **By using the “Perspectives” text entry box that is found at the end of each O&R – seen when you open the O&R in your browser – you can enter your own personal comments and observations on this O&R.** We welcome your input. We encourage you to become an regular contributor to the SOLLIMS Community of Interest !!!

>>>>|<<<<

At PKSOI we continually strive to improve the services and products we provide the global stability operations community. We invite you to use our web site at [<http://pksoi.army.mil>] and the many functions of the SOLLIMS online environment [<http://sollims.pksoi.org>] to help us identify issues and resolve problems – we welcome your comments and insights.

****All reports in the “Sampler” are generated by the SOLLIMS Lessons Report Builder tool.***



The National Guard's Agribusiness Development Teams are promoting sustainable farming practices in Afghanistan and are an innovative way for Guard members to use civilian-acquired skills in the region. Above Capt. Jeffrey Mann, a soil scientist from the Kansas National Guard teaches students from Nangarhar University how to test soil for nitrogen, phosphorus, and potassium using chemical tablets, soil and water. (Photo by Pfc. Elizabeth Raney, 4th Brigade Combat Team, 4th Infantry Division Public Affairs)

INTRODUCTION

Welcome to the fourth edition of the Peacekeeping and Stability Operations Institute (PKSOI) Lessons Learned “Sampler”. The focus for this edition is on **Economic Stabilization**.

"Evidence shows that early attention to fundamentals of economic growth increases the likelihood of successfully preventing a return to conflict and moving forward with renewed growth. It is critically important to heed this evidence and make early economic interventions an integral part of a comprehensive restructuring and stabilization program. While economic growth is not the sole solution to resolving post-conflict issues, it can clearly be a significant part of the solution." (A Guide to Economic Growth in Post-Conflict Countries, USAID, January 2009)

Economic Stabilization relates to the process of establishing the policies and regulatory framework to support basic economic activity and development in a post-conflict environment. Economic Stabilization encourages trade, as well as national and international investment in indigenous business and in business development. Also, Economic Stabilization seeks protection for the Host Nation’s natural and commercial resources.

Economic Stabilization poses tremendous challenges for Stability Operations (SO) planners and practitioners. All involved must understand the economic conditions in the operational area, the factors that affect stabilization and growth, and the cultural nuances that influence how the market sub-sector performs. Partnering with Host Nation players is absolutely critical. Developing a shared understanding of the economic situation can spur market integration, help to identify key needs and opportunities, increase private sector participation, and improve social and economic cohesion throughout the Host Nation (HN).

The complexities of **Economic Stabilization** – finding ways to immediately engage local groups in reconstruction efforts; providing jobs for the unemployed and underemployed; incorporating agricultural development programs; determining feasibility of public works programs; ensuring provision of adequate humanitarian assistance without compromising economic development/sustainment; partnering with HN organizations/officials; conducting economic assessments; identifying and prioritizing which local businesses, projects, and economic activities should be resourced; and, maximizing participation from the private sector and multinational corporations – all mandate that civilian and military SO planners and practitioners work closely throughout the process.

Focus on Economic Stabilization

Table of Contents

Quick Look – Economic Stabilization	Page 5
FOCUS – Economic Stabilization	Page 6 - 43
Related References / Links	
USAID Guide to Economic Growth in Post-Conflict Countries [Link ...]	Page 44
JFCOM Handbook for Military Support to Economic Stabilization [Link ...]	Page 44
CALL Newsletter 10-34 Whole of Government in the Economic Sector [Link ...]	Page 44
CALL Handbook 10-10 Agribusiness Development Teams in Afghanistan [Link ...]	Page 44
“Afghanistan: Land of War and Opportunity” (BusinessWeek.com, 6 January 2011) [Link ...]	Page 44

USAWC Peacekeeping and Stability Operations Institute (PKSOI)

Director	COL Steve Smith
Deputy Director	COL John Bessler
Chief, Publications & Knowledge Management Division	COL Rory Radovich
Chief, Lessons Learned Branch	Dan French
Lessons Learned Analyst	Dave Mosinski

Disclaimer: All content in this document to include any publications provided through digital attachment is considered unclassified, for open access. This compendium contains no restriction on sharing / distribution within the public domain. Existing research and publishing norms and formats should be used when citing “Sampler” content and any publications provided.

Sampler “Quick Look”

Click on [\[Read More ...\]](#) to go to Sampler topic.

- Immediate engagement with local civil society groups is imperative. With the right support, local groups can lead rebuilding efforts, become drivers of reform, and improve the well-being of citizens in post-conflict countries. [\[Read More ...\]](#)
- Small businessmen and entrepreneurs, however, often require some degree of assistance in order to gain opportunities and momentum in an environment that is evolving out of strife. One way to do this is through "joint venture public-private partnerships." [\[Read More ...\]](#)
- In post-conflict countries that depend heavily on agriculture, the National Guard's Agribusiness Development Teams (ADTs) can be an invaluable contributor to stability, economic rebuilding, and development. [\[Read More ...\]](#)
- In countries emerging from violent conflict, the priority should be to create jobs, “just jobs” that no one expects to be permanent. The reforms that should follow – and there are many – should aim to bring people into the market. [\[Read More ...\]](#)
- Experiences of Public Works Programs in Africa have shown their effectiveness in generating short-term employment at very low cost, with substantial positive impacts on stability in post-conflict societies. [\[Read More ...\]](#)
- If the government of a post-conflict country is considering the use of cash transfers, it should link the cash transfers to other programs – such as employment-oriented programs or education/training programs – to facilitate the ability of vulnerable/poor people to earn incomes on their own, to preclude long-term dependency on cash hand-outs, and to help them become participants in economic development. [\[Read More ...\]](#)
- A central private sector element can have a role in providing employment, growth and the prospect of a better future in post-conflict environments that the provision of aid alone cannot have; aid alone cannot break the cycle of conflict. [\[Read More ...\]](#)
- Actors involved in economic reconstruction activities in countries emerging from conflict are affected by organizational and environmental constraints and incentives – and these constraints/incentives become even more complex and disruptive in cases where there is on-going conflict, such as Iraq and Afghanistan. Four main "reconstruction traps" related to these constraints/incentives can significantly impede rebuilding efforts. [\[Read More ...\]](#)

12 Jan 2011

Subject: SOLLIMS REPORT – ECONOMIC STABILIZATION

1. GENERAL

Economic Stabilization relates to the process of establishing the policies and regulatory framework to support basic economic activity and development in a post-conflict environment; encourages trade, as well as national and international investment in indigenous business and in business development; and, seeks protection for the Host Nation's natural and commercial resources. Economic Stabilization is a vital sector of Stability Operations: it covers reconstruction activities, agricultural development, job creation, public works programs, economic assessments, economic development/sustainment actions, partnering with Host Nation (HN) officials, working with local businesses, and garnering private sector support. In working toward successful Economic Stabilization, our military services and our civilian agencies face tremendous challenges and opportunities, and "partnering" with the HN government, HN society, and other actors is absolutely essential throughout these complex efforts.

This report contains related observations, insights, and lessons currently available within the SOLLIMS knowledge base.

2. OBSERVATIONS & RECOMMENDATIONS

a. Topic. The Balancing Act of Post-Conflict Reconstruction and the Need to Involve Local Groups ([685](#))

Observation

Post-conflict reconstruction can be seen as a balancing act for the intervening organizations - on the one hand, expending resources on immediate/near-term requirements such as security, humanitarian relief and physical infrastructure, while on the other hand simultaneously working toward longer-term social, political, and economic development objectives. The primary challenge in this regard is how to provide enough humanitarian relief to offset the daily needs/pressures from conflict recovery, while not compromising the building of key Host Nation institutions that can facilitate peace and stability, provision of essential public services on a sustainable basis, and economic prosperity. In this latter task - the building of institutions for long-term growth - immediate engagement with local civil society groups is imperative. With the right support, local groups

can lead rebuilding efforts, become drivers of reform, and improve the well-being of citizens in post-conflict countries.

Discussion.

The Center for International Private Enterprise (CIPE) (an affiliate of the U.S. Chamber of Commerce) is of the position that the reconstruction process is indeed a balancing act of providing sufficient immediate humanitarian relief for post-conflict society, while also constantly working to attain long-term development objectives. CIPE appears to give primacy to the latter, and it advocates the use of institutional and economic reforms at the grass roots level as the basis for long-term recovery.

On the one hand, addressing the basic nutrition, sanitation and health needs of the population and restoring the physical infrastructure in post-conflict countries is critical upfront; however, the long-term social well-being of the populace must also be kept at the forefront of reconstruction efforts. Success depends on addressing economic issues and establishing an economic foundation and opportunities for employment and self-advancement. In fact, economic issues are generally at the forefront of all concerns held by citizens of post-conflict countries. For example, in 2006 in Afghanistan, according to a survey conducted by the Asia Foundation, the main reason that many respondents believed the country was moving in the wrong direction were: unemployment, a poor economy, and lack of reconstruction progress. "Unemployment" was named as the greatest problem by Afghan respondents at both the national level and local level. Other major problems identified by participants were "security" and "corruption."

While foreign assistance is an integral component of the reconstruction process and can be a short-term solution to basic needs and services, long-term success depends on state-building and the rebuilding of key social, political, and economic institutions down to the lowest levels possible. It is through institutional reforms - especially at the community level - that a post-conflict country can take ownership of its problems and resolve problems on its own. Such reforms encompass the inclusion of marginalized groups; the promotion of independent media; the revision of laws, regulations, and informal rules of cooperation; and, improved involvement and agendas of existing local decision-making groups. In Afghanistan, for instance, the incorporation of local, traditional decision-making institutions and mechanisms - such as shuras (village level councils) and jirgas (tribal assemblies of elders) - in implementing foreign aid and assistance projects serves the purpose of affording legitimacy to the aid projects and builds a sense of ownership for the reforms.

In Afghanistan, CIPE's approach to reconstruction has also been to target the private sector - shaping it to become a vested participant in the reconstruction

process. The idea of involving the private sector was identified early on in the reconstruction process, when CIPE contacted members of the expatriate business community and facilitated their travel back to Afghanistan to meet with other entrepreneurs - those who could most affect the creating of jobs, supplying of goods and services, and improving standards of living. The assembled group of entrepreneurs/businessmen cited concerns such as existing barriers to conducting business within Afghanistan, an ineffective banking system, weak rule of law, exclusion from policymaking, and marginal accountability in government.

As the next step, CIPE facilitated the creation of the Afghanistan International Chamber of Commerce (AICC), Afghanistan's first voluntary national business federation. This federation included over 20 national, regional, and local business associations, and three international affiliates. To address the problems identified by businessmen and to better integrate the private sector in reconstruction activities, AICC launched an initiative called the Procurement Technical Assistance Center (PTAC). PTAC provided assistance on the procurement process to over 50 companies and has distributed more than 85 government tenders to its members, resulting in more than \$2.5 million in contracts for Afghan companies - thereby creating jobs and providing economic opportunities for Afghan citizens. AICC also facilitated over \$20 million in investments through its International Trade and Investment Promotion Office, creating hundreds of further employment opportunities.

Also, to influence long-term development through policy reform, AICC organized more than a dozen large-scale public policy roundtables to help address private sector reform issues. Attended on average by more than 250 government and business leaders, these events energized the business communities in Kabul, Kandahar, and Jalalabad behind public policy issues and positions, leading to a number of policy successes/reforms. These reforms occurred in the areas of Customs, Private Investment Laws, and feedback mechanisms between private sector and government. Much work remains to be done to influence long-term economic development; however, key steps in laying the foundation have been initiated.

Kosovo, another recent post-conflict environment, saw similar, perhaps greater, success in reconstruction. From the outset of the reconstruction process, the Riinvest Institute of Kosovo - a non-profit institute founded in 1995 for the promotion of modern economic development - took the same "balancing act" approach. On the one hand, Riinvest advocated and facilitated the delivery of humanitarian relief to address pressing day-to-day problems of citizens, but it also remained continuously focused on long-term development. To attain those long-term objectives of stability, transition, and growth, Riinvest emphasized institutional reforms to build a private sector capable of bringing Kosovars out of poverty - through job creation, investment, and trade.

When reconstruction efforts first began, Riinvest was the only organization to conduct a detailed study of the Kosovo private sector. Upon completion of this study, it developed policy recommendations aimed at improving the business climate. Riinvest's emphasis on building up the private sector and economic capacity became even more important in light of a decision by reconstruction stakeholders that required Kosovars (citizens) to contribute to reconstruction funds - in order to avoid the aid dependency problem that plagued rebuilding efforts in nearby Bosnia. In this respect, business growth, employment, and income became even more essential for Kosovars.

The recommendations of Dr. Muhamet Mustaf, president of Riinvest, made in the early stages of reconstruction and later throughout the process to public officials and businessmen, turned into highly effective measures to rebuild Kosovo's economic capacity and ensure long-term development. Specifically, he advocated developing, with citizens' input, an economic framework that reflected the needs and the aspirations of Kosovars - and that discouraged corruption and illegal economic activity. Additionally, he encouraged the strengthening of civil society and democratic institutions, the involvement of Kosovars in the reconstruction process, and the continued commitment from the international community to transform Kosovo from an aid-based economy to a self-sufficient economy. Dr. Mustaf's recommendations spurred both the reform agencies and average citizens to identify problems, drive solutions, and build local consensus - resulting in civil society groups and political leaders taking ownership of a sustained reconstruction process.

One grass roots example in Kosovo of a civil society organization that successfully promoted reconstruction and free markets was the Kosovo Business Women's Association (SHE-ERA). This organization was founded through the support of CIPE in 1999 in the aftermath of the Balkans conflict. It targeted a previously marginalized sector, women. It brought people and ideas together and took measures to help women enter the business community. SHE-ERA also diligently worked to promote values conducive to free markets and democracy: fairness, accountability, responsibility, and transparency. Additionally, SHE-ERA worked to foster a spirit of entrepreneurship and social and political healing.

Recommendation.

- Build participatory political and economic institutions. Governments, businesses, and civil society organizations should focus on building the structures/mechanisms of democratic governance and free markets - to allow public participation in reconstruction reforms, and to create an economic system that encourages entrepreneurship and growth.
- Engage local civil society groups. Planners and executing agencies in post-conflict recovery should identify ways to utilize the expertise and commitment of

local groups. Engagement and capacity-building should consistently be worked hard at the grass roots level - to cultivate a sense of responsibility within local communities, and to ensure that civil society becomes closely involved in helping to identify and address developmental needs.

- Involve the private sector/entrepreneurs. Planners should conduct a detailed study of the private sector to understand the business climate, to determine shortfalls/impediments, and to develop suggestions to re-look policies, improve the business climate, and stimulate growth. Donors should study pre-existing conditions and analyze how they may affect aid projects, and what can be done to optimize outcomes. Lead agents should consider encouraging the establishment of business federations/associations - such as AICC in Afghanistan and SHE-ERA in Kosovo - in the interest of gaining consensus and promoting coordination with public officials to address economic issues.

Implication.

If local groups and the private sector are not engaged at the outset of the reconstruction process, then a window of opportunity will be missed for gaining broad participation, accountability, and effective/lasting reforms. If a foreign assistance-driven, top-down approach only is emphasized, such an approach may result in continued aid dependence and alienation of the population - who have no sense of ownership of the reconstruction activities. Unemployment, corruption, and economic stagnation are the likely outcomes, and potential for conflict may also increase.

Event Description.

This observation is based on the article "Building Democracies and Markets in the Post-Conflict Context," by Aleksandr Shkolnikov and Anna Nadgrodkiewicz, Center for International Private Enterprise, ECONOMIC REFORM Issue Paper No. 0806, 29 August 2008. This article can be found at:

www.cipe.org/publications/papers/pdf/IP0806.pdf

Comments.

A related article - which similarly advocates economic reform efforts aimed at the grassroots level / local businesses / entrepreneurs - is "Stabilization Operations Beyond Government: Joint Venture Public-Private Partnerships in Iraq and Afghanistan," by Matthew W. Parin, in PRISM, Vol. 1, No. 4, September 2010.

This article is available at: <http://nduweb03.ndu.edu/press/stabilization-operations-beyond-government.html>



b. Topic. Joint Venture Public-Private Partnerships as a Way to Economic Development ([686](#))

Observation.

Economic development strategies that are pursued in an orderly, synchronized manner can positively contribute to the stabilization and modernization of post-conflict societies. For its part, the United States has generally employed a strategy of working with Host Nation (HN) government officials and top-level business elite when undertaking economic stabilization efforts. However, genuine capitalism relies not so much on state-led initiatives and top-level business ventures (typically having state ties/sponsorship), but rather on the work of grass-roots entrepreneurs. Small businessmen and entrepreneurs, however, often require some degree of assistance in order to gain opportunities and momentum in an environment that is evolving out of strife. One way to do this is through "joint venture public-private partnerships." In this context, "joint venture" refers to joining U.S. & HN entities in an economic/business activity, and "public-private partnership" refers to bringing USG agencies/departments together with private sector business.

Discussion.

The U.S. Government has not always been able to garner a synchronized, whole-of-government approach to stability operations. For example, the National Security Council established a Joint Interagency Task Force-Iraq (JIATF-I) in April 2008 to bring together full-time representatives from the Multi-National Force-Iraq (MNF-I), the U.S. Agency for International Development (USAID), and the Departments of State, Energy, and Homeland Security into "smart power" planning teams - for the strategic use of diplomacy, persuasion, capacity-building, and power projection. However, JIATF-I primarily focused its efforts against existing internal and transnational threats to Iraq's stability, such as al Qaeda, other insurgents, and Iranian actors/influences. Neither JIATF-I, nor any other organization, took the lead in bringing resources together to focus on what was/is perhaps a greater threat to Iraqi stability: a lack of economic development and integration into the global economy.

In stability operations in post-conflict countries (namely, Iraq, Afghanistan), the U.S. Government has generally supported economic reforms and business initiatives with an emphasis on working with Host Nation government officials and upper-level businessmen (typically having state ties/sponsorship). The U.S. Government has paid very little attention to working with grass-roots entrepreneurs. That said, change does not easily come from the upper tier

businessmen (in post-conflict countries), as they tend to be established in their ways and more status quo-oriented. If genuine capitalism is to develop and thrive - where individuals working through free markets account for growth and prosperity - in a post-conflict country, it will start and build from the grass roots entrepreneurs, and not from state-led initiatives or state-sponsored economic elite.

Regrettably, two key U.S. Government stakeholders in economic reform have been markedly absent from stabilization operations in Iraq and Afghanistan: the Export-Import Bank of the United States (Ex-Im Bank) and the Overseas Private Investment Corporation (OPIC). Both organizations are charged with promoting the integration of U.S. businesses with foreign partners and with fostering the integration of host nations into the global economy. Ex-Im Bank, established in 1934 by an Executive order and made an independent agency in the executive branch by Congress in 1945, is the official export credit agency of the Federal Government. OPIC, founded in 1971, is an agency responsible for assisting U.S. businesses in investing overseas and promoting economic development in new and emerging markets. OPIC also provides financing through direct loans and loan guarantees. Oddly, current (low) operating budgets and a lack of higher political direction/priority have precluded both organizations from addressing trade and investment opportunities in Iraq and Afghanistan.

Likewise, the U.S. private sector has not been harnessed to the extent that it could be with regard to planning and executing economic development in those two countries. Many U.S. corporate leaders, although charting business ventures in various other high-risk and emerging markets, may lack the framework for understanding and predicting the local political and market dynamics of Iraq and Afghanistan to conduct similar foreign ventures in those countries. Although the U.S. Government has been engaged in economic and political risk analysis in these countries, not enough partnering has taken place between the Government and the private sector to discuss and address the political-economic framework, economic development needs, market issues, growth potential, investment strategies, risks, and so forth. Joint venture public-private partnerships (with U.S. corporations teaming with the U.S. Government in the Host Nation to effect joint business ventures) have been sorely lacking. Joint ventures (U.S. business - HN business), if/when undertaken, would allow Host Nation entrepreneurs to better establish themselves in markets. They could provide opportunities for learning how to design and implement successful business, branding, and marketing plans. They would also allow Host Nation entrepreneurs to reinvest profits (portions thereof) into their own independent ventures. However, this transformative power of partnering, markets, and commerce has not been realized in either Iraq or Afghanistan. No single agency or organization has taken the lead on leveraging civilian/private sector efforts for economic development and economic partnering.

Recommendation.

- In order to achieve private sector growth in a post-conflict country, it is recommended that the U.S. Government find a way to better incorporate the talent and insights of the private sector into all levels of planning for economic reform. The goal should be bottom-up change (vice top-driven change).

- Recommend the National Security Council establish a JIATF-like organization to pursue a strategy of economic development and global integration for post-conflict countries. This organization/"economic team" should incorporate U.S. civilian agency and military representatives, and it should place special emphasis on the integration of highly skilled private sector employees to support the building of public-private partnerships. The "economic team" could also include, or could work to leverage, certain international organizations, such as the International Monetary Fund, the World Bank, and the United Nations Development Program.

- Recommend the "economic team" conduct a systematic analysis of economic issues, down to the local levels in the post-conflict country (and incorporating local participation/input). The analysis should include the following components: (1) Identify local business unions and how they are organized, (2) Determine which population segments fall inside those local business unions, (3) Determine what economic activities may gain community support and governmental legitimacy, (4) Determine what economic activities decreased or disappeared due to the conflict and whether they should be reenergized/resurrected, (5) Determine if certain local leaders are fence-sitters with regard to economic reform, and how they can be won over, (6) Determine who are the likely spoilers of economic reform, and how they can be marginalized, and (7) Determine the most critical economic development issues facing the Host Nation and develop appropriate courses of action.

- Recommend a 5-fold path to modernization along the following lines: (1) Mobilize/Develop local economic activity, (2) Initiate contacts with local businesses to stimulate trade and investment, (3) Rebuild commercial infrastructure, (4) Support broad-based economic opportunity, and (5) Support a free market economy.

- Within the 5-fold path above, small teams of experts should meet with local business leaders and ask what types of investment, training, and market access they need in order to be successful. Follow-up meetings should establish any requirements for training - which most likely would need to come from private sector firms. Additionally, companies and entrepreneurs should then be linked-up with Western business/investors. The U.S. Government should provide special incentives for these "joint venture public-private partnerships" by providing risk insurance and capital financing.

- The U.S. Government should incorporate Ex-Im Bank and OPIC representatives into the "economic team." Through these organizations, the United States could direct appropriate funding to projects/ventures viewed as most important to economic development. The U.S. Government should increase the operating budgets of these two organizations so that they can support high-risk ventures in countries like Iraq and Afghanistan.
- As a subsequent step to the "economic team" initiative, the U.S. Government should work to develop the next generation of Host Nation entrepreneurs. To do this, Western university educators and administrators could be added to the "economic team." Their role would be to create in-country training and education programs in entrepreneurship, business administration, and management. Additionally, programs similar to the Fulbright scholarship could be designed to bring students to U.S. schools and companies to learn and gain hands-on experience.
- The U.S. Government should consider establishing a multi-agency fund specifically for standing up the JIATF-like "economic team" and for covering stabilization and reconstruction plans and operations. Moreover, a separate budget account could be created to allow for the incorporation of private sector business expertise into the "economic team."

Implication.

If the U.S. Government does not incorporate the private sector into its economic work in a post-conflict country, and if a bottom-up approach is not taken whereby local businessmen and entrepreneurs are the focus of reform efforts, then economic modernization is not likely to gain momentum. State-sponsored, entrenched business elites may stifle growth through status quo business practices.

Event Description.

This observation is based on the article "Stabilization Operations Beyond Government: Joint Venture Public-Private Partnerships in Iraq and Afghanistan," by Matthew W. Parin, PRISM, Vol. 1, No. 4, September 2010. This article can be found at: <http://nduweb03.ndu.edu/press/stabilization-operations-beyond-government.html>

Comments.

A related article - which similarly advocates economic reform efforts aimed at the grassroots level / local businesses / entrepreneurs - is "Building Democracies and Markets in the Post-Conflict Context," by Aleksandr Shkolnikov and Anna



c. Topic. Agribusiness Development Teams in Afghanistan - Key Players in Economic Development ([689](#))

Observation.

In post-conflict countries that depend heavily on agriculture, the National Guard's Agribusiness Development Teams (ADTs) can be an invaluable contributor to stability, economic rebuilding, and development. In Afghanistan - where 80% of the population is involved in farming and herding - the National Guard's ADTs, which have been deployed since early 2008, have made a significant impact toward revitalizing Afghanistan's agricultural sector and building up local capacity for providing essential services to citizens.

Discussion.

The National Guard's ADTs are relatively new participants in the stability operations in Afghanistan. Just three years ago (2007), the Secretary of the Army, the Director of the Army National Guard, and the Adjutant General of the Missouri National Guard developed the idea to add teams of National Guard soldiers with specialized agricultural skills to the force structure in Afghanistan. They realized that rebuilding Afghanistan's agriculture, its markets, and farmers' distribution capabilities would be vital to the country's long-term economic development - and that teams of soldiers with proven farming skills could help the Afghan economy while providing for their own security. The concept was not entirely new; the National Guard had previously employed similar teams throughout Central America over the past two decades.

The first ADT sent to Afghanistan was the 935th ADT, of the Missouri Army National Guard, which deployed to Afghanistan in February 2008 into the Nangarhar province, augmenting a Provincial Reconstruction Team (PRT) there. Soldiers in the ADT possessed a broad spectrum of military occupational skills, but they were primarily chosen because of their civilian-acquired farming and livestock-raising skills and agribusiness knowledge.

Along with the National Guard, numerous organizations contributed to the development, support, and operations of the 935th ADT. The Missouri Farm Bureau and the University of Missouri were both involved in the predeployment training of the 935th. They also provided the 935th with reachback support while

it was deployed - for farming expertise and guidance on unique Afghan agribusiness problems and situations. Additionally, the 935th ADT partnered with the U.S. Department of Agriculture (USDA), the U.S. Agency for International Development (USAID), the government of Afghanistan, various Afghan colleges and universities, and several non-governmental organizations.

The 935th ADT's efforts included: repairing and improving irrigation systems; providing instruction on farming techniques for fertilizing, planting, marketing, storage, and distribution of crops; assisting in the repair and maintenance of farm equipment; providing veterinary services for farm animals; and, sharing techniques to enhance the quality and reproductive capability of livestock. Keys to success for the 935th ADT were its ability to identify the farming deficiencies in its area of operations, obtain funding and other resources, focus training on agribusiness skills needed by local farmers, and utilize hands-on training for Afghan farmers and educators.

Besides Missouri, other states that have sent ADTs to Afghanistan include: Iowa, Indiana, Nebraska, Kansas, Oklahoma, Texas, Arkansas, Kentucky, Tennessee, South Carolina, California, and Nevada. Each ADT has consisted of 58 to 70 service members - both soldiers and airmen. Typically an ADT worked 10-12 months in-country. Up to 12 ADTs have been operating at a given time, mainly focused in the central and northeastern regions of the country.

One aim of the ADTs was to ensure that all projects initiated were sustainable with local assets and were placed under the purview of the Afghanistan's Ministry of Agriculture, Irrigation, and Livestock (MAIL). Besides local sustainability, the National Guard itself sought to provide longer-term support. As an example, the Missouri National Guard has now sent four ADTs in succession - one after another - to the same exact province (Nangarhar). These deployments have facilitated tremendous continuity of effort, built long-term trust between the people of Nangarhar and the Missouri "team," and provided follow-up assistance to government agricultural agents (national and provincial). That continuous work with government agricultural agents, in turn, has helped enhance the legitimacy of the Afghan government.

The primary goals of the ADT program have been to increase crop yields, improve irrigation, and raise economic prospects for Afghan farmers and their communities. Also, although not a primary purpose, convincing farmers to turn away from poppy production has been an additional plus for the ADTs. ADTs have been able to clearly demonstrate to local farmers that growing certain crops, such as grapes, corn, and wheat, can provide them 10 times the profit as poppy.

Beyond economic development, a secondary aim of the ADT program has been stability and security for farmers and their communities. Afghan agricultural areas have oftentimes been used by the Taliban as a place to take refuge and to

recruit young men to fill their ranks. By establishing a presence in certain agricultural areas, the ADTs have improved the livelihood of the farmers, provided encouragement for local youth to remain in agricultural work/employment, and helped drive a wedge between the local communities and the Taliban.

Here is a sampling of ADT initiatives/successes:

- In February 2010, the Kentucky ADT (working out of Bagram Airfield and responsible for covering four provinces) helped Afghan farmers reach new markets with their products. The Kentucky ADT helped the Afghans sell produce to markets in both Dubai and India. Besides assisting in marketing and transportation schemes, another initiative undertaken by the Kentucky ADT was a Women's Empowerment Program for agriculture, providing Afghan women with viable farming (from herb-growing to beekeeping) and trading skills.

- In July 2010, the California ADT deployed to the village of Daridam (Kunar province) shortly after the village had been cleared of insurgents. The California team helped the residents recover from instability through delivery of agricultural supplies (animal feed, anti-parasitic medication, nutritional supplements, high-quality seed, and tools), helped them prepare for the next round of planting, and assisted in the repair of the local irrigation system. The ADT, in essence, gave the locals both physical security and food security.

- In July 2010, the Arkansas ADT partnered with the Ministry of Agriculture, Irrigation, and Livestock to hold the first agriculture education seminar at the district level (Shinkay District) in Zabul province. The 3-day seminar showcased Afghan governmental capability - with subject material being taught by an Afghan plant science specialist, an Afghan forestry management specialist, and an Afghan provincial-level veterinarian. The seminar was very well attended. It provided farmers with information on prevalent plant and animal diseases, materials and instructions for treating those diseases, and various practices to improve farming.

- In August 2010, the California ADT established a Chowkay District Demonstration Farm - the first facility of its type in Kunar province. In addition to teaching better ways of farming such as furrows and forage crops, the demonstration farm explicitly laid out the advantages of different types of seed, various systems for lifting and storing water, and irrigation methods other than traditional flooding techniques.

- The Texas and Missouri ADTs developed clean and sanitary slaughterhouse facilities for local communities - powered by renewable energy sources. Mechanical engineers on the ADTs taught the Afghans how to build wind turbines to help them produce local power for those facilities.

- A list of projects worked by just one Missouri ADT included: building grain mills, introducing new wheat seed, developing canning and juicing factories, building cool storage facilities, overseeing micro-slaughter facilities to increase sanitation, launching vet clinics, advising with reforestation projects, increasing crop yields for commercial use, and operating cold-water and warm-water fish hatcheries.

- In certain areas where Afghan farmers had been losing 50% of their grape crops to mold and rot, ADTs responsible for those areas taught local farmers new methods for trellising, leveling the land, and using trickle irrigation methods.

In a May 2010 NATO International Security Assistance Force (ISAF) article, Major General Curtis Scaparrotti, Commander of CJTF-82, was quoted as saying this of the 8 ADTs working in his command's area of operation: "They're worth their weight in gold." Interestingly, MG Scaparrotti's civilian counterpart, Ms. Dawn Liberi, commented that she had never heard of any ADT being targeted by an IED attack. She said that ADT soldiers attributed the lack of attacks to the fact that they provide valuable services to the population. These comments can be found at:
http://www.isaf.nato.int/index2.php?option=com_content&task=view&id=2841&pop=1&page=0&Itemid=83&lang=

Recommendation.

- It is recommended that National Guard ADTs be deployed in future stability operations in countries that have a heavy dependence on agriculture. ADTs should be sent from the outset, so that local farmers can rebuild livelihoods and improve productivity as quickly as possible, as well as gain some trust in the government's institutions and efforts.

- It is recommended that future ADT deployments include Interagency support - before and during operations - similar to how the 935th ADT operated. If possible, USDA personnel should be embedded in the ADT.

- It is recommended that longevity be incorporated into ADT operations. Ideally, an ADT should deploy with sufficient time to affect a growing season and its subsequent harvest (for distribution purposes). Additionally, when ADTs depart from a given area, it would be optimal to send follow-on personnel to check on local farmers' progress and to provide additional guidance/support.

- It is recommended that future ADTs continue the practice of reachback - to farm bureaus, universities, and other organizations - for gaining assistance in developing solutions to difficult problems/situations that emerge during the course of agricultural work.

- It is recommended that ADTs earmarked for deployments refer to CALL Handbook 10-10, referenced in the "Event Description" paragraph below. CALL Handbook 10-10 provides specific recommendations/lessons for ADTs in Chapter 9, "Lessons Learned."

Implication.

If National Guard ADTs are not used in future stability operations in countries dependent on agriculture, then this proven tool for positively impacting economic development and stability would go unused. Local farmers who continue to engage in inefficient or undesirable practices (e.g., drug-related crops) might not be encouraged/taught to do otherwise. Also, farmers and their communities might instead be adversely influenced by anti-government groups (e.g., insurgent groups - offering a different livelihood).

Event Description.

This observation is primarily based on a number of articles posted by the National Guard Bureau on the subject of Agribusiness Development Teams. An excellent summary piece is: "Agribusiness Teams Help Afghan Farmers Find Simple Solutions," by SFC Jon Soucy, National Guard Bureau, 6 October 2009. These articles are available at: <http://www.ng.mil/features/adt/default.aspx>

This observation is also based on CALL Handbook 10-10, which provides an in-depth discussion on ADT tactics, techniques, procedures, training, and lessons learned. This handbook can be found at: [http://www.pksoi.org/document_repository/doc_lib/Agribusiness_Development_Teams_in_Afghanistan_Handbook\[1\].pdf](http://www.pksoi.org/document_repository/doc_lib/Agribusiness_Development_Teams_in_Afghanistan_Handbook[1].pdf)

Comments.

A related article, which speaks to the value of ADT teams in Afghanistan is a blog titled "The Very Visible Army - Meet the Agri-Business Development Team," by Captain Peter Shinn, Iowa National Guard, on "The Hunger and Undernutrition Blog," 13 July 2010. This blog can be found at: <http://www.hunger-undernutrition.org/blog/2010/07/index.html>

A related article, which discusses the work and relationship-building of the Nebraska ADT, is a posting titled "Army Farmers Work to Regrow Afghanistan," by Nathan Hodge, 3 August 2009, on "Wired.com/Danger Room." The posting can be found at: <http://www.wired.com/dangerroom/2009/08/army-farmers-work-to-regrow-afghanistan/>



d. Topic. Economic Growth in Post-conflict ([477](#))

Observation.

The challenges of conflict-sensitive growth involve transformation, not merely transition. Our goal should be to open the market environment in a complex political economy. We must holistically consider all layers of the economy, not just the formal sector. Much of the economy of conflict-affected countries lies outside official control.

Conflict-affected economies are a potpourri of fragility. Their situations are not homogeneous. The complex political economies of societies emerging from conflict require targeted interventions. Each conflict or post-conflict situation is *sui generis* and calls for unique priorities and sequencing. Practitioners must have a conflict-sensitive focus on actors, institutions and activities. Conflict-sensitive growth (a peace dividend) can take hold only when enough people feel they have a stake in the peace.

Discussion.

Most practitioners of development in conflict-affected settings have been wrongfully pursuing development based on conventional wisdom. In countries emerging from violent conflict, the priority should be to create jobs, “just jobs” that no one expects to be permanent. The reforms that should follow—and there are many—should aim to bring people into the market.

Early attention to the fundamentals of economic growth increases the likelihood of successfully preventing a return to conflict and moving forward with renewed growth. External peacekeepers and robust economic growth have proven to be more critical than political reform in preventing a return to conflict. Many policy interventions designed to facilitate economic growth can and should be implemented at the very beginning of the rebuilding process, much earlier than traditionally has been the case.

The failure of post-conflict efforts to create an economic environment that encourages initiative, employment, and growth sustains the dysfunctional economies of post-conflict countries and thus tends to weaken rather than strengthen the prospects for lasting peace. Post-conflict programs that pay little attention to economic issues fail more often than programs that focus on such issues.

Recommendation.

- In the immediate aftermath of conflict, economic growth programs should aim to stabilize the economy and position it to grow rapidly.

- Creating jobs and otherwise improving well-being as quickly as possible
- Addressing the root macro- and microeconomic causes of the conflict
- Re-establishing essential economic governance functions and restoring the government's legitimacy

- Donors should begin work in multiple areas immediately and simultaneously, and begin early to build long-term capacity.

- Focus on basics
- Establish priorities
- Pay attention to sequencing
- Understand recurring trade-offs

- Because of the ever-present risk of a return to conflict, practitioners need to make decisions quickly, balancing trade-offs that are much more acute than in stable developing countries.

- The need for *effective* economic solutions in the short term while moving toward more *efficient* solutions over time
- The tension between the need to achieve tasks *urgently* and the effect such actions might have (if they bypass local institutions) on the government's perceived *legitimacy*
- The conflicts that can arise between *short-term* and *long-term* objectives
- The desire to grasp the *transient opportunity* to make dramatic economic reforms immediately after the conflict, contrasted with the very limited *absorptive capacity* of most governments to effectively use substantial aid

- Regardless of the effectiveness of donor-financed programs in the short run, it is the country's capacity to sustain economic growth that matters most for long-term success.

- Permitting host-country institutions to play a larger role in delivering services is one of the most effective ways to develop this capacity and to re-establish the legitimacy of the host government
- The types of short-term programs that are appropriate for creating jobs and improving livelihoods immediately following violent conflict should not be funded in perpetuity by donors
- There must be a clear prospect of growth indigenously sustained through productive, private-sector employment displacing short-term donor programs

Implication.

The lessons learned from post-conflict experience suggest best practice interventions in seven key sectors:

- Fiscal and monetary policy
- Employment generation
- Infrastructure
- Private sector development
- Agriculture
- Banking and finance
- International trade and border management

Event Description.

On 12 November 2008, CNA and U.S. Army Peacekeeping and Stability Operations Institute (PKSOI) hosted a Stabilization and Economic Growth Workshop. An Interim Report was authored by Mr. Franklin D. Kramer, Project Director, CNA; COL Richard Megahan, Project Director, PKSOI; and Henry H. Gaffney, Jr., Rapporteur-CNA.



e. Topic. Public Works Programs in Post-Conflict Economic Stabilization ([690](#))

Observation.

"Labor based/labor intensive" Public Works Programs (PWP) can be an effective means for rebuilding infrastructure and for providing jobs for the unemployed/underemployed in a post-conflict environment. In a country emerging from conflict, the rehabilitation/repair of damaged infrastructure is often a basic prerequisite for overall reconstruction of the economy. Human labor is almost always abundant (thousands of people needing jobs). The opportunity presents itself, then, to the post-conflict government to take advantage of the large domestic labor pool for developing/executing Public Works Programs (PWP) to rebuild infrastructure. The experience of various PWPs in Africa demonstrates their effectiveness in rebuilding infrastructure, generating employment at low costs, and making additional positive impacts toward stability and prosperity in communities and countries where undertaken - particularly in Liberia and Uganda.

Discussion.

Experiences of Public Works Programs in Africa have shown their effectiveness in generating short-term employment at very low cost, with substantial positive impacts on stability in post-conflict societies. The Brenthurst Foundation's Discussion Paper 5/2008 (referenced in "Event Description" paragraph below) illustrates how the PWP strategy used by Liberia can be a model for post-conflict success, and it also cites similar execution and success in Uganda.

One should note upfront, however, that although PWPs have achieved tremendous success in these two countries and others, there is no one particular model that universally addresses the establishment of PWPs for post-conflict stability operations. PWPs are always to be undertaken on a case-by-case basis, dependent on circumstances, requirements, resources, finances, and governmental capacity in any given country.

In general, most post-conflict countries emerge from conflict with a basic prerequisite for the rehabilitation and repair of damaged infrastructure. In several African countries, a proven course of action has been to tap readily available resources - namely, unemployed and underemployed labor, and locally available materials - for such infrastructure projects essential to reconstruction and recovery. When PWPs were designed as "labor intensive" PWPs and treated as a top priority by the post-conflict government, they not only served the purpose of rebuilding infrastructure, but also raised the socio-economic capabilities of conflict-affected population groups, strengthened vocational skills of workers, and encouraged social cohesion and peace.

These successful "labor intensive" PWPs typically used cheap labor as the dominant resource for executing projects - such that the labor component amounted to 25-60% of the total project cost. According to an International Labor Office (ILO) study which compared various public works programs in Africa, "labor intensive" PWPs proved to be 10-30% less costly than conventional work programs, incurred only half the imports, created 2-3 times more employment, and produced infrastructure of comparable quality and standards. The cost of "labor intensive" PWPs was relatively low, as they incorporated commonly available local resources - primarily unskilled laborers and light equipment/tools - and, they kept other factors such as supervisors, skilled laborers, and heavy machinery to a minimum.

The types of projects that were most suitable to "labor intensive" PWPs have been: road construction, road maintenance, small- and medium-scale irrigation projects, soil conservation and reforestation projects, flood protection and land development schemes, drainage projects, road improvements for rural access and crop-extraction, inexpensive housing projects, drinking water supply projects,

and the construction and/or rehabilitation of school buildings, health centers, and community centers.

In successful "labor intensive" PWPs in Africa, payment plans for laborers usually consisted of paying the (unskilled) laborers at minimum wage rates, sometimes supplemented by food rations. According to the ILO, the use of "labor intensive" methods was most effective to economic development when the cost of the unskilled PWP labor did not exceed comparable costs/earnings in the agricultural sector. This precluded laborers from being diverted from productive, equally important, agricultural activities.

Certain PWPs in Africa, in which workers were paid minimum wage / agricultural wage, were extremely effective in generating short-term employment, contributing to poverty alleviation, rebuilding economic infrastructure, and, in some cases, also serving as a catalyst for further economic development and prosperity.

Liberia has been a prime example of such success. Due in large measure to "labor intensive" PWPs, Liberia has recently experienced four years of peace and prosperity. Benchmark Presidential elections took place in post-conflict Liberia in 2005; they were won by H.L. Sirleaf, who became the first female to be democratically elected to such a position in an African country. The country of Liberia was emerging from a civil war that killed more than 250,000 people, destroyed much of the country's infrastructure and national services (water, electricity, etc.), and ruined many health and educational institutions.

The new government soon developed an Interim Poverty Reduction Strategy Paper (I-PRSP), which focused on maintaining security, building peace, revitalizing the economy, and rebuilding infrastructure to restore basic services. From this strategy, it then developed the Liberia Employment Action Program (LEAP) which incorporated "labor intensive" PWPs. These PWPs had the objective of providing work opportunities for 78,000 people for employment in roads/transportation, public buildings, and urban upgrade sectors - including water, sanitation, educational, and health facilities. These PWPs provided on-the-job training for newly employed personnel. They involved the local communities in labor-based public works projects for the rehabilitation and maintenance of feeder roads - to enhance food delivery/food security for communities and reduce their transportation time & cost. Other infrastructure priorities included improving ports, telecommunications, and electricity generation. Additionally, the LEAP strategy incorporated the support/ involvement of small- and medium-sized enterprises and cooperatives.

This Liberian model/strategy was a resounding success. Liberia registered 7.8% in economic growth in 2006, and it achieved 9.5% economic growth in 2007. Despite the global recession that occurred in the next couple years, Liberia successfully implemented its poverty reduction strategy and maintained solid

economic growth of 5 - 7% yearly. Along with achieving major infrastructure rehabilitation and upgrades, Liberia also saw continuous expansion in its service sector, housing construction, mining, agriculture, and forestry - owing to good financial discipline in government borrowing and spending, and to formulating policies conducive to small business and private investment.

During her visit to Liberia in August 2009, Secretary of State Clinton praised Liberia as being a model of successful transition - complimenting the country's effective fiscal policies, decreased debt, and economic growth. The next year, in August 2010, Secretary Clinton, at the 2010 African Growth and Opportunity Act (AGOA) Forum, again cited the economic success of Liberia and highlighted the benefits that follow from political reconciliation, democratic reform, and social inclusion. Although PWPs were not specifically mentioned in her address, it should be noted that PWPs notably contributed to such "social inclusion" - by providing employment opportunities for refugees, displaced persons, demobilized soldiers, young adults, and other population groups.

Uganda saw similar success with the use of "labor intensive" PWPs. In post-conflict Uganda in the 1980s, PWPs were utilized to a great extent by the government. These PWPs minimized the use of scarce capital, and maximized the use of local resources - i.e., the unemployed and underemployed, and local materials/tools/equipment. An ILO evaluation comparing "labor based/intensive" PWPs and "equipment based" programs in road construction, improvement, and maintenance projects in Uganda found that "labor based/intensive" PWPs were superior in almost every category. The major results of this study showed the following:

- For every job created in the road programs using "labor based/intensive" PWPs, another 1.6 jobs were created in the wider economy due to multiplier effects.
- Overall, the use of "labor based/intensive" programs created 3 times as many jobs as "equipment based" programs.
- "Labor based/intensive" programs generated about 2 times greater gross domestic product (GDP) (through indirect effects) than the "equipment based" programs.
- Higher net public revenues resulted from using "labor based/intensive" programs than from "equipment based" programs.
- There was a greater savings in foreign exchange (62%) when using "labor based/intensive" programs as opposed to "equipment based" programs.

The study further illustrated that "labor intensive" PWPs in Uganda created productive employment, both directly and indirectly. "Labor intensive" PWPs generated more income to households, increased GDP faster, and were a strong stimulus for local private investment.

PWPs in Africa have achieved their greatest impact in the creation of temporary employment and in the provision of immediate income for those involved. However, PWPs in most cases - aside from Liberia - contributed only limited assistance toward sustainable incomes. Experience showed that PWPs needed to be supplemented by other sorts of programs or interventions. For sustained employment, for longer term economic impact, the following factors were seen to be important per ILO reports and other studies:

- Domestic political support is vital. Longer-term sustainability comes from active involvement by the national government and the inclusion of PWPs in government fiscal planning cycles.
- Sustainable PWPs generally had a strong institutional base - positioned within government structures - and afforded technical support, dedicated management, and administrative capacity.
- Sustainable PWPs incorporated incentives relating to work and to outputs: consistent incentives/incomes for workers over time, and outputs equating to infrastructure improvements/projects that communities really needed, vice make-work projects.
- The involvement of small and micro enterprises (SMEs) (e.g., through sub-contracts, investments, etc.) facilitates infrastructure development, economic growth, and sustained employment for locals.
- Microfinance programs - provided through/by donor agencies, United Nations organizations, and certain non-governmental organizations - have served to provide much-needed financing to SMEs, for engagement in projects and contracts.

Again, no one particular model universally addresses the establishment of PWPs in post-conflict operations, but Liberia and Uganda offer noteworthy examples of success.

Recommendation.

- Post-conflict governments should consider the establishment of "labor intensive" PWPs for the rehabilitation/repair of damaged infrastructure. "Labor intensive" PWPs are more cost effective than "equipment based" or other conventional programs. "Labor intensive" PWPs can provide employment opportunities, help alleviate poverty, provide second order effects for economic growth, and can also promote peace and prosperity. The inclusion of war-affected population groups should not be overlooked. Also, the incorporation of other programs, especially those that provide training/skills/education, should be considered to complement PWPs.

- In post-conflict cases where PWPs are decided on as a path forward for infrastructure rehabilitation/repair and employment for unemployed/unskilled workers, the implementing government needs to take ownership of the PWPs -

i.e., developing a strategy for the PWPs, actively promoting PWPs in collaboration with local communities, and including them in fiscal planning cycles.

- PWPs should aim at providing infrastructure/improvements that local communities genuinely need, as this will create incentives to keep those assets/facilities properly maintained over time. Gaining community buy-in and involvement not only helps to facilitate project success, but also to build governmental legitimacy.

- Understanding that no one model exists for PWP establishment, and that every post-conflict situation is very distinct (with unique circumstances, requirements, resources, finances, and governmental capacity), Liberia offers an excellent example for PWP development/implementation through the highly successful Liberia Employment Action Program.

- For longer-term economic development (beyond the purpose of PWPs), the following actions should be encouraged: reviews of government fiscal policies, incentives for sustaining projects initiated through PWPs, local private investments in projects, and externally-provided finances (from donor agencies, United Nations organizations, non-governmental organizations, etc.) to help small and micro enterprises.

Implication.

If "labor intensive" PWPs are not utilized by post-conflict governments for the rehabilitation/repair of damaged infrastructure, then a good opportunity for accomplishing those repairs, for providing jobs to conflict-affected population groups, and for building cohesion and peace may be lost. Once implemented, if PWPs are not given adequate attention by the government with regard to financing and sustainment opportunities (e.g., small and micro enterprise involvement), then those programs, along with economic momentum, may falter.

Event Description.

This observation is based on the article "Employment and Post-Conflict Stabilisation: The Use of Public Works Programmes," by Frank K. Rusagara, Brenthurst Discussion Paper 5/2008. This article is available at www.thebrenthurstfoundation.org

Comments.

A related article, which cites Liberia's achievements in peace, stability, economic recovery, and social reconstruction, is: "Liberia Independence Day: Revitalization Having Success after Years of Civil War," by David J. Saryee, in the Japan

Times, 26 July 2010. This article is available at:
<http://classified.japantimes.com/nationalday/pdfs/20100726-liberia.pdf>

A related study, which evaluates various "labor intensive" PWPs in post-conflict countries in Africa, is "Employment-intensive Reconstruction Works in Countries Emerging from Armed Conflicts: Guidelines," Geneva: International Labour Office, December 2000. This study is cited in Brenthurst Discussion paper 5/2008 (referenced above under "Event Description").

Another related study, which evaluates various labor-based and equipment-based PWPs in Uganda, is "An Opportunity for Employment Creation: Labour-based Technology in Roadworks: The Macro-Economic Dimension: Uganda," by G. Taylor and M. Bekabye, SETP Report No. 6, Geneva: International Labour Office, 2000. This study is cited in Brenthurst Discussion Paper 5/2008 (referenced above under "Event Description").



f. Topic. Cash Transfers as a Tool for Post-Conflict Transition and Poverty Reduction ([688](#))

Observation.

Post-conflict countries need well-planned and predictable assistance to promote sustainable economic growth, reduce poverty, and build institutions/capacity for providing essential services to citizens. Recent study indicates that "cash transfers" can help the immediate needs of poor households in a post-conflict country for meeting basic living necessities. However, there is little evidence that cash transfers can contribute to poverty reduction or to the government's ability to assume and sustain provision of services.

Discussion.

The Overseas Development Institute (ODI) - an independent think-tank in Britain which focuses on international development and humanitarian issues - conducted a 3-year study (funded by the Swiss Agency for Development Cooperation, 2006-2009) on the topic of "cash transfers" in post-conflict countries and fragile states. Part of this study included casework in Sierra Leone and Nepal - two countries that were recovering from 10-year civil conflicts. For these two countries, the main goals of the research & analysis were: (1) to assess receptiveness for using cash transfers as a tool for "social protection" (with the aim of empowering vulnerable populations, such as women, war widows, orphans/street children, sick, elderly, and veterans), (2) to determine to what

extent cash transfers (greater cash transfers) could contribute to poverty reduction, and (3) to examine the role of cash transfer programming in the context of new state development and social cohesion within a fragile peace process.

With regard to the first goal of the study - determining receptiveness for using cash transfers for "social protection" - it was found, in Sierra Leone, that there was reluctance on the part of both donors and the government to put much emphasis on implementing further cash transfers. Donors and government officials were both concerned about whether markets would function well enough for economic program objectives to be achieved if cash, rather than in-kind transfers (food aid, agricultural assistance, basic necessities, etc.) were given to various target population groups. They believed that the government's limited institutional capacity would be a major barrier to effective delivery of additional cash transfers. They also felt that cash would be more prone to corruption than other forms of assistance. Additionally, they had the concern that cash, in particular, would create expectations of long-term support among beneficiaries.

The receptiveness in Nepal, on the other hand, was much more positive. In this country, cash transfers had been provided by the national government to the elderly, the disabled, and the widowed for an almost 15-year period. Both donors and the government of Nepal favored not only continuance of cash transfers, but also an expansion of the program. Arguments they cited: Cash could boost economic growth in the local economy, recipients of cash would be empowered by giving them choice over expenditure, and cash would be more effective than in-kind transfers.

With regard to the second goal of the study - determining to what extent greater cash transfers can contribute to poverty reduction - it was found that in Nepal, although donors and government were very positive about this assistance tool, the likelihood of actually reducing poverty through an expansion of cash transfers was estimated to be low. Cash transfer values contributed to only 15% of household basic needs expenditures of the recipient families - nowhere near enough to pull them out of poverty. The cash transfers were not linked to any other programs or services for improving their livelihood / income. In some areas of the country, insurgency and armed conflict continued to pose problems for delivery of additional cash transfers. Local government institutional capacity for cash transfer delivery was minimal to non-existent; the Village Development Committees responsible for delivering cash transfers had still not become fully operational since their inception in 2002. Hence, it was assessed that expanded cash transfers would be an unlikely means for poverty reduction.

In Sierra Leone, the likelihood of cash transfers contributing to poverty was also assessed to be low. The government of Sierra Leone had piloted a Social Safety Net (SSN) program in 2007, targeting the elderly and certain other vulnerable

population groups. The households in receipt of SSN cash transfers (16,000 total households) were receiving only \$62 every six months. A second program was the cash-for-work program implemented by the Ministry of Youth and Sports; it targeted unemployed youth, ex-combatants, and former refugees. Recipients were provided \$2 per day. However, this cash transfer / cash-for-work program was not linked to any employment agency / organization nor linked to any skills / training program. Long-term employment was not being promoted. For both these cash transfer programs, the government had no plans to increase national spending. Hence, it was assessed that expanded cash transfers would not serve long-term poverty reduction.

With regard to the third goal of the study - examining the role of cash transfer programming for state development and social cohesion - it was assessed that in Nepal, in theory, cash transfers could support the building of state-citizen relationships by targeting vulnerable / excluded population groups and linking those cash transfers to other services (e.g., civil documentation services, legal services, employment services). However, in practice, Nepal lacked the institutional capacity to execute comprehensive cash transfer programs. The Village Development Committees (newly responsible at the local level for social assistance deliveries) were not yet operational / capable of administering and delivering top-down cash transfers, and Nepal's social security budget did not include provision for improving their capacity. Hence, although the study recognized some potential for state-building and social cohesion, that potential was not likely to be realized due to capacity and resource constraints.

In Sierra Leone, as well, the outlook for cash transfers as a contributor to state-building and social cohesion was rather poor. The government of Sierra Leone had made a conscious effort to target specific groups with cash transfers - namely, the unemployed youth and ex-combatants - and this specific targeting was seen as a means to reduce the likelihood of renewed conflict. However, the government of Sierra Leone had excluded many other poorer households, and this exclusion was viewed as being detrimental to peace and stability, as tensions could likely arise between those who received assistance and those who did not - according to this particular study.

Of note, a third country - Mozambique - is only briefly mentioned in the study, but its experiences are noteworthy. Mozambique had implemented a rather successful cash transfer program in the 1990s. Its program was called the Cash Payments to War-displaced Urban Destitute Households Programme (GAPVU). GAPVU targeted families who were displaced by the war and who wound up destitute on the fringes of cities. GAPVU provided small cash transfers to over 70,000 households. This program was credited as having worked well for five years, contributing to household food security and household income, promoting family trading activities, and supporting home gardens. However, when there was pressure / stimulus to expand the program in 1997, expansion

was soon overcome by fraud and corruption, and the program was then suspended.

Recommendation.

- If the government of a post-conflict country is considering the use of cash transfers as a tool/program for poverty reduction and state-building, it should first examine the experiences of other countries - both peaceful and conflict-affected - to confirm/decide whether or not to actually implement such a program, and, if going forward, how best to design and implement it. Key to program design would be the identification/inclusion of recipient groups. It is important to target as many vulnerable groups as possible in any delivery area - to preclude community divisions/tensions over who receives the aid and who does not.

- If the government of a post-conflict country is considering the use of cash transfers, it should first ensure that adequate government institutional capacity is in place to administer/deliver the transfers, reliable government systems are set-up for program monitoring to deter corruption, and adequate security is established in the delivery areas.

- If the government of a post-conflict country is considering the use of cash transfers, it should link the cash transfers to other programs - such as employment-oriented programs or education/training programs - to facilitate the ability of vulnerable/poor people to earn incomes on their own, to preclude long-term dependency on cash hand-outs, and to help them become participants in economic development.

Implication.

If only select groups are targeted to be the recipients of cash transfers, and if other vulnerable groups within the same community are excluded, then this decision/implementation would pose the risk of community division, tension, and conflict.

Note: Cash transfers do not need to be utilized at all in a post-conflict country. Although cash transfers can help the immediate needs of poor, vulnerable households, there is little evidence that they actually contribute to poverty reduction or to building effective governance.

Event Description.

This observation is based on the article "Cash Transfers in Post-Conflict Contexts," by Rebecca Holmes, Overseas Development Institute, Project Briefing No. 32, November 2009. The article is available at:
<http://www.odi.org.uk/resources/download/3507.pdf>

Comments.

A related article is "The Role of Cash Transfers in Post-Conflict Nepal," by Rebecca Holmes and Shizu Uphadya, Overseas Development Institute paper, August 2009. This paper examines the role of cash transfers in addressing poverty, vulnerability, and exclusion in Nepal's post-conflict environment. The article is available at: www.odi.org.uk/resources/download/4690.pdf

A second related article is "Cash Transfers in Sierra Leone: Are They Appropriate, Affordable or Feasible," by Rebecca Holmes and Adam Jackson, Overseas Development Institute, Project Briefing No. 8, January 2008. This study discusses whether cash transfers are an appropriate, feasible, and affordable tool to assist Sierra Leone's post-conflict transition and to reduce poverty. The article is available at: www.odi.org.uk/resources/download/443.pdf



g. Topic. Investing for Peace - Defining a role for the Private Sector ([649](#))

Observation.

The private sector can play an important role in post-conflict recovery and peacebuilding. Multinational companies with economic instruments can provide incentives for peace. The private sector can play a positive and stability-enhancing role in post-conflict or be a destabilizing factor or further fuel conflict.

Discussion.

A central private sector element can have a role in providing employment, growth and the prospect of a better future in post-conflict environments that the provision of aid alone cannot have; aid alone and cannot break the cycle of conflict. Among local governments and actors, recognition of the magnitude of the challenges is matched by a growing conviction that without a central private-sector role in providing employment, growth and the prospect of a better future no amount of aid can break the cycle of conflict. In the case of the decades-long Israeli-Palestinian conflict, for example, which has seen unique levels of international aid and attention, public-sector employment has long been a source of social protection. But it has reached saturation point and, going forward, the domestic private sector needs to play a more central role in providing durable job creation and incomes.

Small and medium-sized enterprises (which account for more than 80% of all business activity in some places) necessarily have a key role to play. Job creation is a critical task in the immediate aftermath of violent conflict, where

large numbers of ex-combatants are often released from military service and centrally designed reintegration programs all too often fall short of meeting local needs. A crucial gap can be filled by the activity of small and medium-sized enterprises, whose entrepreneurship and economic growth are often more responsive to local post-war needs.

The domestic private sector can also play constructive political roles in conflict zones and war-to-peace transitions. As the cases of El Salvador, Colombia and Mozambique show, it can help forge peace constituencies, mobilize business-sector support and provide specific types of assistance to peace processes through mediation, confidence building or by making use of its 'convening powers'. In rare cases, when circumstances permit, business community actors can play more direct and catalytic roles on the road to peace, as in the case of Mozambique in the early 1990s. As these different cases suggest, it is not merely a matter of a private sector inherently focused on economic opportunity and thus on resolving conflict to enable commercial activity, though that is a factor.

The chief reason, however, for focusing on and supporting small to medium-sized enterprises in peacebuilding situations is that growth and stability are built from the ground up, starting with family-owned businesses provided with the environment necessary for viable economic activity, and then companies able to provide jobs as part of a growing economy. According to an analysis from the Portland Trust, for these businesses, 'high on the list of their concerns is improved physical infrastructure and mobility, but they also want better enforceability of contracts especially in the area of property rights, and a business-friendly, accountable bureaucracy.

Aid is necessary, but not sufficient. A foundation of a strong regulatory and legal structure combined with sustained investment in infrastructure is required to break the cycle of conflict and dependency. Post-Dayton Bosnia and Herzegovina (BiH) provides a lesson in misplaced priorities: the focus was on rapid privatization, dismantling of state firms, and development of small and medium-sized enterprises. But, according to a recent study, 'without a strong state and a national economic policy, the reforms did not have the desired effect and a weak market economy was created'. The places where foreign direct investment (FDI) was ultimately achieved are instructive: 'due to the microfinancing of businesses, the lack of FDI inflow and an incoherent strategy for industrial and technological development and export promotion, BiH's micro-businesses disappeared in the informal economy.

Four factors are thus common to challenges of economic regeneration in post-conflict and peacebuilding environments: the limits of aid alone; the value of an enabling environment for small and medium-sized businesses; the importance of adequate infrastructure; and the potentially catalytic effect of large-scale FDI tied to sovereign sectors such as financial services, energy and telecoms. Recent

changes in the global investment environment suggest the possibility that each of these priorities could be addressed in a new way, more attuned to the needs of the governments in question and their long-term development objectives.

There is broad recognition that small and medium-sized enterprises, in particular, can play a crucial role in encouraging sustainable development and strengthening local communities. The challenge lies in identifying an appropriate role for the private sector, both foreign and domestic, in building sustainable peace, not as a silver bullet or magic solution to the multiple challenges of conflict-affected societies but as a potential ally in efforts to consolidate peace through stimulating entrepreneurship, attracting significant investment, facilitating local economic activity and reinforcing incentives for peaceful behavior.

Recommendation.

- Private sector investment should include both macro and micro financing with a focus on small and medium-sized companies. Analysis of the investment should include the long-term economic growth potential. Will economic dependency be shifted from aid to investment?
- Be careful of private investment that is tied to special interests of the host country requires incentives, special considerations, or concessions such as tax/ credit relief, some funding from host country governments or investment tied to military aid.
- Direct investment should be apolitical as much as possible. There could be a backlash if investment is perceived or found to be tied to political considerations and special interests. This can aggravate an already fragile situation.
- Maximize investment at the local level in order to build and grow companies from the grassroots level.
- Analyze the costs and long-term effects of natural resources of the host country due to trade and investment. The effects may be detrimental to the environment, health systems, society, or not benefit the broader population.

Implication.

The following conclusions are from the authors of *Investing for Peace: The Private Sector and the Challenges of Peacebuilding*. They say their conclusions are generally forward looking but cautionary regarding the role of the private sector in peacebuilding and post-conflict transitions.

- Involving the private sector in post-conflict recovery efforts is not a panacea to the multiple challenges facing war-torn societies, and the belief that economic activity and cooperation among former adversaries will itself automatically or magically translate into sustainable peace is both naive and ahistorical. There may be perverse and politically destabilizing consequences.
- The underlying political fragility of all societies emerging from conflict means that private-sector involvement cannot simply be guided by what will give a profitable return on investment. It also needs to reinforce and work in tandem with the broader aim of political stabilization, something that requires more than lip service to corporate social responsibility and human rights. In the short term, tensions may arise between what makes narrow economic sense and the political requirements of a peace process. If, however, a longer-term perspective is adopted, the interests of private sector and those of peacebuilding are fundamentally complementary.
- While war and conflict economies are often violent and exploitative, the trauma and socio-economic dislocations of war also force households, communities and businesses to adapt in innovative ways to meet the needs of local populations for basic services. The coping mechanisms and entrepreneurial skills thus exhibited often provide a more promising starting point for stimulating and supporting domestic private-sector activity than externally designed and templated solutions. Doing this places a premium on what has been called 'local context analysis' to identify local partners and create, in LSE professor David Keen's words, 'disincentives for violence and positive incentives for peace'.
- Analysis of the role of the private sector in peacebuilding needs to address the shift toward foreign state-backed macro-finance investments where natural resources are not only the dominant (and often only) source of revenue, but also represent the most promising catalyst for essential national infrastructure construction or reconstruction, as well as for local private-sector development and employment in natural-resource processing and manufacturing sectors.
- The caricature of no-strings-attached, no-questions-asked macrofinance investments is divorced from the reality of, in particular, Chinese investors seeking long-term commercially and politically viable relationships that require lasting benefits to both sides, and the ongoing re-examination on the part of African governments of the benefits and risks of decades of aid dependency on the West.
- While the early period of macro-finance investments in natural-resource sectors in peacebuilding situations coupled with broader infrastructure and agricultural development packages has been dominated by Asian, and in particular, Chinese state-backed companies, there is no reason why other investors and states cannot compete on the same terms. While many African governments are attracted to the Chinese development model to ensure a strong state alongside

private-sector development, there is also a desire to avoid going from one form of dependency to another. This is an opportunity for Western and other investors willing to engage African governments as economic partners with valuable assets to offer in return for long-term sustainable investments.

Event Description.

This observation finding is based on the article '*Investing for Peace: The Private Sector and the Challenges of Peacebuilding*,' *Survival*, 52:2, pgs. 37-58, by Mats Berdal and Nader Mousavizadeh, 25 March 2010. The *Survival* journal is published by the International Institute for Strategic Studies (IISS), United Kingdom. You can access their website at <http://www.iiss.org>.



h. Topic. Reconstruction Traps ([693](#))

Observation.

Actors involved in economic reconstruction activities in countries emerging from conflict are affected by organizational and environmental constraints and incentives - and these constraints/incentives become even more complex and disruptive in cases where there is on-going conflict, such as Iraq and Afghanistan. Four main "reconstruction traps" related to these constraints/incentives can significantly impede rebuilding efforts. These "reconstruction traps" are called, according to this particular study: (1) the "credible commitment trap," (2) the "knowledge trap," (3) the "political economy trap," and (4) the "bureaucracy trap." Understanding and avoiding these "reconstruction traps" are critical to gaining and sustaining success in economic reconstruction activities.

Discussion.

Economic reconstruction is usually, and ideally, undertaken once a given conflict has ended. However, in recent U.S./foreign engagements in Afghanistan and Iraq, economic reconstruction has become a key component of a broader strategy/operation - to "win the hearts and minds" of the people (national/regional/local officials, citizens, and insurgents) - in order to end conflict, achieve stability, and ultimately gain transition to local/Host Nation governance.

Various economic reconstruction projects have indeed been successful in both countries - the rebuilding of countless schools and health centers, as well as roads, bridges, water supply projects, irrigation projects, and a host of other critical infrastructure projects. However, there have been numerous major setbacks, as well, primarily owing to on-going conflict/insurgent attacks: the

targeting of oil pipelines, power facilities, and other major infrastructure projects in Iraq, and attacks against dozens of schools and various transportation networks in Afghanistan.

On-going conflict not only impedes reconstruction efforts, but also works to complicate - and exacerbate - certain pitfalls that typically exist/emerge during reconstruction planning and execution. These pitfalls, or "reconstruction traps", are present even in the most basic reconstruction activities - simply because actors (external and Host Nation) possess certain constraints and incentives (policies, procedures, resources, capacities, expertise, goals, objectives, allegiances, etc.). Persistent conflict (insurgent attacks, ethnic fighting, etc.) compounds those constraints and incentives. It also creates uncertainty, tensions, and security issues that can become a major hindrance to economic reconstruction/progress. Four primary "reconstruction traps" are discussed in the article upon which this observation is based (see "Event Description" paragraph below).

The first "reconstruction trap" is termed the "**credible commitment trap.**" The "credible commitment trap" means that if there is no binding and "credible commitment" to economic reform, then certain reconstruction officials (primarily Host Nation officials, but also external/intervening officials) may then have the ability to change course on planned/envisioned/announced reconstruction reforms. If there is no firm commitment by the implementing officials, or no demonstrated consistency in the reform activities, then indigenous populations may lose faith and interest in the economic reforms, and it may lead to regime uncertainty (lack of legitimacy).

In Iraq, for instance, the Coalition Provisional Authority (CPA) reneged very early-on with regard to its promise of privatization of state-owned enterprises. This led many Iraqi citizens and local political authorities to question the legitimacy and sincerity of other economic reforms announced by the CPA.

In Afghanistan, another example of inconsistency is cited by Mr. Rory Stewart in an article published in [The New York Review of Books](#) on 14 January 2010:

We [the U.S. and its allies] armed militias in 2001, disarmed them through a demobilization program in 2003, and rearmed them again in 2006 as community defense forces. We allowed local autonomy in 2001, pushed for a strong central government in 2003, and returned to decentralization in 2006. First we tolerated opium crops; then we proposed to eradicate them through aerial spraying; now we expect to live with opium production for decades.

Another Afghanistan example showing the need for consistency/commitment occurred during a discussion between Abdullah Jan, a governor in Garmsir, and General Stanley McChrystal, the former commander of U.S. troops and the

International Security Assistance Force (ISAF) in Afghanistan. In this meeting, Governor Abdullah Jan told General McChrystal:

Everyone in Garmsir sees that you are living in tents, and they know that you are going to be leaving soon. You need to build something permanent - a building. Because your job here is going to take years. Only then will people be persuaded that you are going to stay.

It has undoubtedly been a major challenge to establish a credible commitment, consistency, and consensus for the economic "way ahead" at the national level - both in Iraq and Afghanistan - due to major fractionalization/group allegiances in those countries: i.e., disparate ethnic groups, religious sects, and various tribal groups & allegiances. In Iraq, major economic reforms needed to satisfy Iraq's primary ethnic groups - Arabs and Kurds - and its major religious groups - Shi'a and Sunni Muslims - as well as various sub-groups. In Afghanistan, the range of groups (with their own traditions and incentives/desires) was even broader - with Pashtuns, Tajiks, Hazaras, Uzbeks, and many others - not to mention the extremists/insurgent groups.

The "credible commitment trap," or problem, worsens for reconstruction actors when there is an on-going struggle for influence and power on top of the ethnic/religious/tribal fractionalization (as happened in both Iraq and Afghanistan). In this type environment (with pervasive conflict), by and large, economic reconstruction at the local level is much more achievable - where "only" the consensus and commitment of the local community may be needed for reconstruction projects/priorities.

The second "reconstruction trap" is termed the "**knowledge trap.**" The "knowledge trap" results from the inability of reconstruction officials and planners to have the requisite information and knowledge to effectively craft context-specific reforms and policies. At the beginning of the economic reconstruction efforts in Afghanistan, for instance, numerous government organizations, UN agencies, lending institutions, universities, and non-governmental organizations were preparing concepts, plans, and proposals on how to reconstruct various aspects of the Afghan economy. However, none really had the capacity or the contracts at the outset to be able to consult Afghans about their basic needs and reconstruction priorities. The many "planners" had to deal with enormous information gaps.

Unless "searchers" are identified, funded, and deployed to first engage the locals - in order to gain key insights on conditions and requirements - the "planners" shall be lacking in what needs to be done, what can be done, what is truly suitable for conditions in this environment, and what the locals may be willing to support.

The "knowledge trap" has been complicated even further in Iraq and Afghanistan because of on-going conflict. Without stability and security, it was not possible to send "searchers" out to many of the dangerous/remote areas to find out exactly what needed to be done there.

Getting past that constraint through military operations, when efforts and assets were later focused on the local communities, that focus/strategy far and away paid the most dividends for reconstruction. For instance, the troop "surge" in Iraq included greater forward basing, greater contact and communication with indigenous communities, and a greater understanding of economic needs of the communities. The use of Commander's Emergency Response Program (CERP) funding (funding allocated for small-scale reconstruction projects at the discretion of military commanders) was found to be much more effective during/after the "surge" took place - when more local communities were reached and involved - than in the preceding periods.

In Afghanistan, a World Bank-led national development plan called the National Solidarity Program was likewise successful through focus on local communities. This program allowed communities to assess their own development priorities. It then allocated small grants (\$30-60,000) for the implementation of reconstruction projects, helping villagers to take ownership of their own economic reforms. Another small-scale, successful approach in Afghanistan was the use of Agribusiness Development Teams by the U.S. Army and Air National Guard, whereby small teams with agricultural expertise engaged local farmers/communities in identifying, developing, and executing various agribusiness projects - while at the same bringing organic military security into those agricultural communities during the meetings/projects.

The third "reconstruction trap" is the **"political economy trap."** The "political economy trap" occurs through the errant assumption that political and economic goals are always compatible, i.e., that a certain political achievement/endstate will always contribute positively to a desired economic outcome/endstate, and vice versa. In over-emphasizing the benefits of establishing democratic political systems, planners/practitioners can easily overlook/underestimate the potential impacts of such systems on economic reconstruction efforts.

For example, allowing for self-determination through democracy can lead to reasonable demands by citizens or officials - demands that may run counter to free market plans envisioned by reformers. In Iraq, for instance, when the Grand Ayatollah al-Sistani called for general elections in June 2003, and this democratic course was advocated and pursued, the Coalition Provisional Authority (CPA) had to postpone and then abandon its plans to construct a national constitution. This had a serious effect on near-term economic outcomes, since the CPA was then unable to oversee the (more rapid, direct) development of a constitution that would have provided a sound basis for economic policy improvements and for the encouragement of greater economic activity.

In both Iraq and Afghanistan, the "political economy trap" has been compounded by violent conflict - conflict that has created periods of uncertainty with regard to the distribution of political power. This uncertainty (caused by violence) of who will be in charge of the country (or areas thereof), in turn contributed to uncertainty with regard to economic development - affecting the acceptance of economic institutions, programs, priorities, reach, and coordination. In numerous cases, Ba'athists and al-Sadr supporters in Iraq, and various tribes in Afghanistan, often would not coalesce around economic reforms/ reconstruction projects, due to their own political demands (security, safety, stability, influence, control, etc.) not being met.

When the foreign/intervening officials made efforts to stabilize the existing political institutions, recognized/appreciated elements of the status quo, and partnered with Host Nation officials, those actions helped to provide a more sound/stable foundation from which to implement policies (economic or otherwise). One possible strategy for moving forward, in these countries and similar environments, is to prioritize the political reconstruction over the economic reconstruction. Cessation of conflict and the promotion of security may very well be the most necessary conditions to allow for successful reconstruction and economic development. However, this condition definitely places limits on the scale and scope of the initial economic reconstruction concept. Large-scale efforts are unlikely to be effective (in the near-term). Instead, "focused efforts" in only those local areas having peace and security may be more apt to succeed.

The fourth "reconstruction trap" is the **"bureaucracy trap."** The "bureaucracy trap" comes about through an overreliance on (large) bureaucracies in the management and implementation of economic reconstruction activities. There have been numerous reports of corruption, waste, nepotism, and inefficiency on the part of many Host Nation (Afghan and Iraqi) national institutions/ministries as well as on the part of several external/intervening organizations involved in managing major reconstruction programs.

For example, the \$644 million "Community Stabilization Program" (CSP) in Iraq was found to be wrought with fraud and waste, and it was suspended. An audit by the USAID's Inspector General determined that much of the funds allocated specifically for weakening the insurgency actually went to insurgents - as well as to corrupt community leaders and to those in the bureaucracy of the CSP. A more recent audit published in July 2010 found that the U.S. Department of Defense was unable to properly account for 96% of the \$9.1 billion funds it has received since 2004 through the Development Fund for Iraq - funds that moved through layers of bureaucracy that were intended to support Iraq's reconstruction activities.

A central concern in this "bureaucracy trap" is that the centralized planning processes associated with intervening bureaucratic institutions had a "systemic" (though not intentional) disregard for the capacity of ordinary citizens, local civic

groups, and entrepreneurs - leaving them out of the search to find solutions to their problems in their economic reconstruction. An excellent example of the real power of the private sector in economic development is the success of the mobile phone industry in Iraq. This industry accomplished a rapid expansion of cell phone sales/distributions (now totaling 20 million subscribers) across the country, funded almost exclusively by the private sector, and notably absent corruption.

Recommendation.

- To avoid the "credible commitment trap," those engaged in economic reconstruction efforts should: (1) establish binding constraints on their courses of action and (2) strongly signal to citizens and local political authorities that they are sincere in committing to their announced reforms. For example, if an intended reconstruction step/promise is to reform governmental regulations in order support and encourage private enterprise, the reformers could not only remove the regulations that were restrictive to the opening of a business, but could also permanently close the government agencies/offices that had previously enforced the restrictive regulations.

- To avoid the "knowledge trap," those engaged in economic reconstruction efforts should: (1) dispatch "searchers" to gain insights on local conditions, needs, and priorities and (2) de-centralize economic reconstruction programs as much as possible - focusing on small-scale reforms and involving indigenous populations in the design, execution, and sustainment of the projects. Good examples are the World Bank's National Solidarity Program in Afghanistan and the National Guard's Agribusiness Development Teams.

- To avoid the "political economy trap," those engaged in economic reconstruction efforts should: (1) recognize/understand/appreciate the political status quo and its associated constraints, (2) partner with Host Nation officials and help counsel/teach/shape, (3) prioritize political reconstruction efforts over economic reconstruction efforts, and (4) ensure that the conditions of peace and security are first achieved before engaging in "large-scale" reconstruction programs.

- To avoid the "bureaucracy trap," those engaged in economic reconstruction efforts should: (1) seek transparency and accountability through anti-corruption measures and (2) stress the importance of private initiatives (the private sector) for economic recovery.

Implication.

The overarching implication is that significant constraints affect what economic reconstruction can accomplish, particularly in cases of on-going conflict and

insurgency - since that context/environment can create and exacerbate tensions between populations groups and between the organizations involved in reconstruction. With the military at the core of the reconstruction effort in any conflict/counterinsurgency situation, it is imperative to ensure that the military has continuous access to, and cooperation of, individuals/agencies with environmental, societal, and reconstruction expertise. It is equally important that all parties involved recognize, collaborate on, and take steps to avoid the many "reconstruction traps" that can impede reconstruction operations.

Event Description.

This observation is based on the article "Economic Reconstruction Amidst Conflict: Insights from Afghanistan and Iraq," by Christopher J. Coyne and Adam Pellillo, 26 October 2010. This article is available at:
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1541523

Comments.

A related document, which cites constant changes to policy in Afghanistan / lack of credible commitment, is "Afghanistan: What Could Work," by Rory Stewart, The New York Review of Books, 57(1), 14 January 2010.

A second related document, which cites a discussion between General Stanley McChrystal and Governor Abdullah Jan in Afghanistan, is "Stanley McChrystal's Long War," by Dexter Filkins, The New York Times, 14 October 2009.



3. CONCLUSION

The complex nature of economic stabilization - which encompasses the difficult work of establishing the policies and framework to support basic economic activity and development, encourages trade and investment in indigenous businesses, and seeks protection for natural and commercial resources - requires that planners, operators, and other SO practitioners (from the tactical through the strategic level) work in close cooperation with one another - from initial planning through all phases of execution.

In order to achieve successful Economic Stabilization, the following elements should be focal points for SO practitioners:

- Timing; i.e., early economic interventions are imperative.
- Job creation - especially for the unemployed/underemployed.
- Agricultural/Agribusiness development programs.
- Host Nation "partnering" and "ownership"/commitment in economic programs
- Economic assessments for identifying, analyzing, and prioritizing projects and investments.
- Local group involvement in identifying, supporting, and maintaining reconstruction projects.
- Support for local businesses and entrepreneurs.
- Incorporation of the external private sector, including multinational corporations and academic institutions.

Although not the sole solution for achieving stability, transition, and prosperity in a given post-conflict environment/country, Economic Stabilization is undoubtedly a vital component toward achieving that endstate.

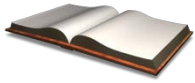
4. COMMAND POC

Lessons and content selected by Mr. Dave Mosinski, PKSOI Lessons Learned Analyst.

PKSOI reviewer:
COL Rory Radovich
Chief, Publications & Knowledge Management Div

Contact us at:
CARL_SOLLIMS@us.army.mil
Comm: 717.245.3031
DSN: 242.3031





Related Documents, References, and Links

- [USAID Guide to Economic Growth in Post-Conflict Countries](#)
 - [JFCOM Handbook for Military Support to Economic Stabilization](#)
 - [CALL Newsletter 10-34 Whole of Government in the Economic Sector](#)
 - [CALL Handbook 10-10 Agribusiness Development Teams in Afghanistan](#)
 - [“Afghanistan: Land of War and Opportunity”](#)
(BusinessWeek.com, 6 January 2011; copyright 2011 Bloomberg L.P.)
 - Article describes the ongoing efforts of Paul A. Brinkley and the DoD Task Force for Business & Stability Operations in Afghanistan and Iraq, focusing on encouraging/enabling U.S. firms to invest in and partner with host nation businesses.
-

SOLLIMS SAMPLER

<http://www.pksoi.org>

Contact Info:

PKSOI

ATTN: Lessons Learned Division Chief

22 Ashburn Drive

Carlisle, PA 17013

or Email

CARL_SOLLIMS@conus.army.mil