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JOB CREATION IN POSTCONFLICT SOCIETIES



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Cover photo: In Kosovo, postwar construction projects funded by USAID have encouraged people of various ethnicities to prioritize, plan, and work together while rebuilding their communities.

JOB CREATION IN POSTCONFLICT SOCIETIES

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The findings and conclusions in this report are those of the author and do not necessarily represent the views of USAID.

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Acronyms

ADB	Asian Development Bank
ADS	Automated Directives System
AusAID	Australian Agency for International Development
CBR	community-based rehabilitation
DFID	Department for International Development (U.K.)
DOL	Department of Labor (U.S.)
EDF	European Disability Forum
GDP	gross domestic product
IDPs	internally displaced persons
ILO	International Labor Organization (UN)
NGO	nongovernmental organization
OECD	Organization for Economic Cooperation and Development
OTI	Office of Transition Initiatives (USAID)
SMEs	small and medium enterprises
TEP	Transitional Employment Program
UNDP	UN Development Program
USAID	U.S. Agency for International Development
YRTEP	Youth Reintegration Training and Education for Peace (OTI program)



Preface

Too often, the need for job creation projects after serious conflict goes unrecognized and unmet. This paper discusses the main justifications for such projects, both short- and longer-term, and reviews some major lessons learned and best practices to guide their design and implementation. A central focus is the array of issues and challenges that must be worked out to permit a smooth transition from violent conflict and its attendant joblessness to a situation of stable, long-term employment capable of supporting a decent livelihood.

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town University, also assisted with the early development of the paper and suggested useful bibliography.

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Executive Summary

Overview

This paper discusses the main justifications for job creation projects after serious conflict or natural disaster. It then reviews major lessons and best practices to guide the design and implementation of job creation projects as components of peacekeeping, humanitarian, transitional, or transformational development programs. It also explores principal issues and challenges that must be worked out for a smooth transition from serious crisis to stable, long-term employment.

Emergency job creation should properly be considered an integral part of a program of comprehensive humanitarian relief.

Why Job Creation Projects Are Important

Despite evidence that jobs play a major role in successful peacekeeping, donors do not always make job creation the high priority it should be. Emergency job creation should properly be considered an integral part of a program of comprehensive humanitarian relief.¹

¹ In this paper, *humanitarian relief* refers to assistance specifically directed at improving the welfare of individuals and groups distressed by conflict or other disaster; and *emergency job creation* refers to short-term, project-based postconflict or postcrisis job creation responses to widespread unemployment.

It is a basic building block of the peace process, and it continues to be important as the country and economy make the critical transition from crisis to a “normal” situation.

Yet even when job creation projects are developed and implemented, they are often very short-term, with no linkages to the long-term employment promotion efforts needed to support the peace and rebuilding process after the first year or two. Other common donor errors include waiting too long to start, not realizing that job creation can begin in one part of a country even while fighting is continuing in another, and using expatriate labor and imported heavy machinery in postconflict reconstruction work instead of using local labor and more labor-intensive technology. In addition, donors who commit money for recovery programs shortly after a conflict ends all too often deliver only a fraction of the sums originally promised, with unfortunate results both economically and politically.

Even donors who fund job programs, and postconflict aid in general, for several years following a conflict often allow aid to dwindle after the first year or two. Yet research shows that assistance is most effective if it rises in tandem with the recovering economy’s ability to make good use of it, usually after the first three years. Accordingly, monitoring and evaluation activities associated with postconflict assistance programs should

focus on both near-term (emergency) and long-term job creation successes and failures, as well as their impact on the related overriding objective of sustaining peace.

Job Creation Challenges

After conflict ends, extensive market inefficiencies make a country's labor market unstable and unpredictable. Major problems include the destruction of infrastructure and capital assets, a lack of savings and investment, lost markets, unstable government and financial structures, and the absence or disarray of potential employers. In such a situation, there are far too few jobs for those who want them, and those jobs often pay much less than conflict-related work did. Moreover, job-seekers' skills are often ill suited to postcrisis rebuilding requirements.

Affected groups that may need special consideration include anyone with prior conflict-related employment (especially ex-combatants), displaced persons seeking reintegration, women, youth, the disabled, people with obsolete or redundant skills, and other vulnerable groups. No group should be singled out for special treatment while others are ignored, however, as this could rekindle or perpetuate some of the problems that led to the initial conflict.

Emergency job creation projects should be expressly designed to respond to local community circumstances, with local inputs, priorities, and ownership. They should be rapid-response, flexible, and geared to short-term, limited community-rebuilding objectives. Projects may involve community cleanup, sanitation, and reconstruction of vital

As emergency postconflict employment winds down, planning for longer-term permanent employment must begin.

buildings and roads; farm and fishery rehabilitation; and small-business support through microcredit, training, and market assistance. Perceptions of group entitlements to jobs, microcredit, etc., in emergency job creation projects should be strictly avoided.

As emergency postconflict employment winds down, planning for longer-term permanent employment must begin with preliminary assessments of the demographic and economic characteristics of the working-age population in former conflict areas. The easiest way to make workforce determinations is through community surveys.

Local Economic Development and Job Promotion

Economic development and permanent job creation occur together. Measures to encourage local economic development should begin as soon as there are viable prospects for peace. Private sector initiatives should be actively promoted, and assistance to micro- and small enterprise development, smallholder agriculture, cooperatives for farmers and other producers, and public-private partnerships is appropriate at all stages of postconflict recovery.

Early support of local civil society groups interested in economic development and livelihoods may reduce future external aid needs as communities' capacity and initiative grow. Technical

help and funding should be available for long-term job promotion activities, including counseling, training, finding and providing information about jobs, and job placement.

Decentralization is essential for long-term national economic development and permanent job creation; donors should work with host country stakeholders in building local capacity to promote economic growth. Careful assessment and monitoring are essential. Local authorities should be encouraged to organize partnerships among local government institutions, private businesses, and community groups to pursue local economic development goals.

Responsive government institutions and an honest, transparent regulatory framework are vital if the private sector is to rise to the challenges of reconstruction and be an engine of economic growth and new employment. Particularly important are viable legal institutions that guarantee property rights and the sanctity of contracts, along with properly functioning financial markets and supporting institutions.

Creating an Enabling Policy Environment

Economic growth, essential for long-term job creation, can sometimes be stimulated by favoring responsive, reassuring social policies at the expense of a small deterioration in macro balances. Nonetheless, quickly putting in place

and adhering to responsible, orthodox national economic policies is timely and appropriate after a crisis. These should stabilize macroeconomic financial structures enough to keep inflation within acceptable bounds, without being so rigorous as to stall social and economic recovery and job creation.

Basic economic governance institutions are just as important as sound economic policies, as policies mean little if they cannot be implemented. It is especially important that a government not announce far-ranging reforms it cannot implement. Credibility is an important asset that governments cannot afford to waste, especially in postconflict situations.

A major goal of postconflict economic policy is to encourage the recovery of the country's local and national markets as well as its participation in regional and international export markets. Both factors condition the pace of job growth. Accordingly, getting and keeping prices right is an important policy objective. Realizing this objective requires minimizing interference in prices, whether for goods and services, money (interest rates), or foreign exchange.

National and local governments and donors should make a concerted effort to prioritize, coordinate, and evaluate their spending within a coherent economic policy framework. This framework should explicitly take into account the likelihood of limited revenue collection, combined with the need for relatively high spending by the government and donors on extensive humanitarian relief, social protection programs, and reconstruction.

Overall economic policies should provide a generally liberal environment oriented specifically to facilitate and support private sector investment and job creation. Tax policy should emphasize a business-friendly tax system that is relatively easy to apply and does not tax labor so heavily as to discourage private sector hiring.

Trade restrictions should be kept to a minimum. Flexible exchange rates, like other good economic policies, make investors confident. In addition, targeted official and private sector export promotion activities will usually result in faster permanent job creation.

The effectiveness of long-term private sector job creation can be expected to vary in accordance with the sophistication of political and economic governance institutions; the country's core economic policy framework; the flexibility of the incentives framework of business taxes; the legislation, rules, and regulations affecting the formation of new businesses; and the conditions of employment, worker compensation, and the like.



Introduction

Failure to keep the peace is a common occurrence. This is why a “postconflict” designation can be fleeting and imprecise: it may only describe a country’s situation for a short time unless necessary and effective measures are put in place. Large numbers of unemployed are among the factors likely to destabilize the peace process, which could lead to renewal of conflict. For example, reintegrating ex-combatants and conflict-displaced

Reintegrating ex-combatants and conflict-displaced persons into their communities typically requires local job opportunities.

persons into their communities typically requires local job opportunities.² Yet often only precarious employment—usually self-employment in the informal economy or subsistence farming—is available for even for the most industrious and independent conflict survivors. The jobless or underemployed, especially the young, are easier to recruit as the shock troops of renewed violence.

² In this paper, *reintegration* refers to the reentry of ex-combatants; conflict support persons; family members of ex-combatants and support persons; and refugees and other displaced persons to local communities and productive civilian life. This process may include some kind of compensation, training, jobs, or other income-generating assistance.

In postconflict situations, therefore, early job creation activities are generally an essential element in preserving the peace. Indeed, the assurance of emergency short-term jobs is an immediate priority that should be addressed at the same time efforts are made to secure a safe physical environment; provide food, shelter, and healthcare; and restore basic services. Surprisingly, job creation is not always a priority in postconflict planning, even though “normal” employment may not be generally available. Moreover, there has been very little systematic treatment of lessons and best practices to guide the design and implementation of job creation projects in the aftermath of serious conflict.

This paper sketches the dimensions of the problem and discusses the main justifications for job creation projects as components of peacekeeping, humanitarian, transitional, and transformational development programs.³ The paper also outlines the principal challenges that must be met, from postconflict

³ In this paper, *humanitarian relief* refers to assistance specifically directed at improving the welfare of individuals and groups distressed by conflict or other disaster. This definition is consistent with USAID’s categories of disaster assistance, as outlined in ADS 251: (1) disaster relief intended to address immediate life-threatening concerns; (2) disaster rehabilitation and reconstruction to assist a community’s return to viability and reduce its vulnerability to future disasters; and (3) prevention, mitigation, and preparedness assistance to reduce risks to vulnerable people and economic assets posed

destruction and chaos to problems with the distribution and flow of donor aid. It explores characteristics of successful and unsuccessful job creation programs, with particular attention to mechanisms and timing. Finally, it describes enabling conditions for effective job creation, including the role of education, civil society, and community dynamics, as well as government handling of such issues as money supply, trade, business regulation, and finance.

Successful peacekeeping often requires linkages to programs generating long-term, livelihood-sustaining employment as well. Thus, transformational development activities should be initiated during the transition period of emergency job creation and reconstruction. As employment grows in a postconflict country, so will the chances for a lasting peace.

by natural and manmade disasters. Emergency job creation refers to short-term, project-based postconflict job creation programs that respond to widespread unemployment as a component of humanitarian and transition assistance programs. Emergency job creation is particularly relevant to successful community reintegration of ex-combatants, displaced persons, and other victims of conflict in circumstances of high unemployment. As this paper will show, postconflict assistance also needs to build bridges to longer-term employment opportunities.

Job Creation Challenges

According to F. Stewart et al. (2001), “the greater part of the human costs of war does not result directly from battle deaths and injuries, but rather ‘indirectly’ from the loss of livelihoods caused by the dislocation of economy and society resulting from conflict.” Indeed, conflict-induced labor market problems may result in serious, widespread structural unemployment that can jeopardize peace and take years to repair.

Within five years of ending a war, countries face a 44 percent chance of relapsing into conflict. Economic factors are a major reason.

This section will examine the myriad ways conflict destroys people’s means of earning a living, even after the violence has stopped, and the equally diverse ways that job creation programs can help to rebuild and heal a conflict-torn land.

The Scope of Conflict Worldwide

Conflicts—large and small, internal and external—affect dozens of countries annually in virtually every region of the globe. There were between 29 and 36 conflicts worldwide in 2003 alone (table 1). Some of these may have been relatively short-lived, but violent con-

flicts lasting a decade or longer are not uncommon.

While conflict is not confined to the developing world, it hits this vulnerable population the hardest. Since 1980, nearly 50 percent of the world’s least developed countries have suffered a major conflict (AusAID website). Sixteen of the world’s 20 poorest countries—an astonishing 80 percent—have been stricken by a major war in the past 15 years. Many of these “are locked in a tragic vicious circle where poverty causes conflict and conflict causes poverty. . . . Even with rapid progress after peace, it

TABLE 1. ARMED CONFLICTS IN 2003

REGION	PLOUGHSHARES MONITOR	JOURNAL OF PEACE
Africa	15	10
Asia	15	14
Europe	2	1
Americas	1	3
Middle East	3	3
Total	36	29

Note. The *Ploughshares Monitor* reported 36 armed conflicts in 28 countries in 2003; the *Journal of Peace*, 29 conflicts in 22 countries. The discrepancies are due to differences in definitions and clarity. For example, *Ploughshares* shows Angola-Cabinda, Chad, Ethiopia, Liberia, and the Democratic Republic of Congo as “in conflict”; *Journal of Peace* classifies the first four as “unclear,” and makes no mention of Congo. *Ploughshares* includes Kosovo, *Journal of Peace* does not. The two also differ on whether or how classify and count six conflicts in India and three in Indonesia.

Source. Project Ploughshares 2004; Eriksson and Wallensteen 2004.

can take a generation or more just to return to prewar living standards” (World Bank website).

It is true that the causes of conflict (see USAID 2004b) may include many noneconomic factors, such as ethnic and regional hostilities, political tensions, ideological and religious differences, or the desire to rectify inequalities or attain independence. Many of these, however, are driven or worsened by lack of jobs or other economic opportunities, or disagreements over resource use, or simple greed.

If economic causes, including unemployment, are not addressed in the short- and long-term responses to conflict, then the problems are apt to bubble over into conflict again. In fact, on average, within five years of ending a war countries face a 44 percent chance of relapsing into conflict (World Bank website). Susan L. Woodward states that economic factors “play a more significant role in the failure of peace agreements than they do in the success of such initiatives” (2002, 2).

Economic Impacts of Conflict

Some basic tasks that need to be focused on soon after hostilities have stopped include⁴

- arranging basic humanitarian relief, including emergency job creation projects (to generate confidence in the peace process)
- promoting rapid economic recovery, including systematic handoffs from any emergency job creation projects

Lack of jobs may have been an important factor in the demobilization failures of Somalia.

to long-term livelihood employment (to consolidate confidence in the peace process)

- completing specific commitments, such as demobilization and refugee return, contained in the peace agreement
- creating or rebuilding the foundations necessary to sustain the peace over the long term, particularly a vigorous peacetime economy supported by political and economic institutions

The last task in this list—rebuilding a vigorous economy—is much more easily said than done, because a nation’s economy is typically radically reduced when serious conflict winds down or ends. Populations have been dislocated, farms ruined, capital assets destroyed, lives and livelihoods lost, and the natural environment ravaged. Crime, death, and disease are widespread, while GDP, savings, and the output of tradables are often mere shadows of what they were before. Basic services, including education, have ceased or been substantially disrupted.

Moreover, conflict has severely warped the underlying structure of the economy. Basic social and physical infrastructure, essential to the smooth operation of a market economy, is generally badly damaged, making it harder to access normal domestic and international markets and raising transaction costs. Institutions of governance have been compromised and disabled, and macroeconomic financial structures have been destabilized. Public and private invest-

ment has been on hold throughout the conflict. Potential employers are absent or in disarray. Customers abroad have turned elsewhere; those at home may be dead or destitute. Accordingly—and despite the likelihood that conflict has reduced the number of people in the labor force—unemployment is high even before ex-combatants demobilize and displaced persons return to their communities.

Because citizens’ knowledge, skills, and abilities have deteriorated or become outdated, there are extensive mismatches between the employment qualifications of the workforce and the needs of postconflict societies. Contributing to the problem is the mismatch between conflict-related and postconflict wage structures and levels. Conflict-related activities are likely to have paid better wages than the few jobs available in the immediate aftermath of conflict.

Pervasive uncertainty, exacerbated by lack of economic opportunity, can be the trigger that destroys prospects for peaceful solutions. Rebels, soldiers, and others leaving behind conflict-related jobs must be quickly employed, even if temporarily. Should relatively decent jobs be unavailable, ex-combatants may rekindle the conflict. Lack of jobs may have been an important factor in the demobilization failures of Somalia, for example.

⁴ See, for example, the discussion in Woodward (2002, 3).

The Need for Early Job Creation

Job creation projects are among the most effective means of stabilizing communities and keeping the peace immediately after conflict, offering a fundamental basis for healing and reconciliation. Employment provides access to resources, generates confidence in the future, creates a stake in an expected recovery, and moderates the conditions of want that may have been root causes of conflict. Unfortunately, as Woodward points out, “[Postconflict] development assistance and advice is still focused on laying the basis for economic growth in the long run, and assumes that employment will naturally follow” (2002, 5). It is true that with enough time, permanent job opportunities will develop as economic recovery occurs—but the unemployed cannot wait for the long run.

The cost of early job creation is sometimes substantial. Nevertheless, the cost of renewed conflict is generally several orders of magnitude greater. The bottom line is that emergency job creation programs and projects buy time until the private sector can grow enough to absorb the labor supply at stable, market-clearing wages.

In addition to local and regional emergency job programs, which could include small, local cleanup and basic reconstruction projects, technical assistance and funding should be available for local economic development work and for counseling, training, and placement of the unemployed and underemployed in permanent jobs. Later sections of this paper will consider these components of postconflict jobs efforts in more detail. First, however, it will review questions of timing and funding mechanisms that are broadly applicable to such efforts.



Donor Engagement: When and How

Timing of Assistance

Resource mobilization mechanisms for funding postconflict recovery are not as well established as those available for humanitarian crises (Salomons 2002). This is regrettable, because humanitarian assistance, which includes emergency job creation, can and should begin as early as possible—indeed, it can be undertaken while parts of a country

Humanitarian assistance, emergency job creation, and even economic development can all take place while parts of a country are still at war.

are still in conflict. Even economic development can take place when parts of a country are at war (Mendelson Forman 2002). In fact, contrary to the traditional working assumption of donors that peacebuilding must precede development, “economic development is complementary to the political and security elements of peacebuilding, and so measures to promote economic development must begin as soon as there is even a prospect of peace” (Haughton 1998, 2).

Although from a planning standpoint many things should logically be started immediately, it is important to prioritize and phase in increasingly complex

development activities in a sustained, incremental fashion over a period of years. As Collier and Hoeffler have noted, a developing country’s ability to make good use of outside aid after a conflict—its “absorptive capacity”—varies depending on the amount of time that has elapsed since the violence ended (2002a, i):

During the first three post-conflict years, absorptive capacity is no greater than normal, but . . . in the rest of the first decade it is approximately double its normal level. So ideally, aid should phase in during the decade. Historically, aid has not, on average, been higher in post-conflict societies, and it has tended to taper out over the course of the decade.

Job creation activities require significant up-front commitments, but funding need not decline as the phase of emergency job creation is stepped down and longer-term job promotion activities become the focus. On the contrary, since aid appears to be most effective between approximately the fourth and the seventh postconflict years (ibid., 6), donors should take advantage of the increased energy and synergy of this period.

Of course, every postconflict situation is different, and job creation programs should be customized to respond to the on-the-ground situation of a particular country. In addition, as Dirk Salomons has said, “there is never a clear cutoff

point where humanitarian assistance ends and postconflict reconstruction can begin” (2002, 5). With respect to job programs, this underscores the likelihood that there may be a substantial overlap between the need for short-term emergency job projects (which are basically humanitarian aid) and the need for short- and long-term training and placement in permanent jobs.

Donor Commitment to Job Creation

Unfortunately, creating jobs is not always a high donor priority, despite evidence that the dignity and income that a good job bestows are major determinants of successful peacekeeping (see discussion in Woodward 2002, 5–6). Donor preferences are geared to providing technical assistance that—though often useful—does not employ large numbers of nationals. Even when job creation projects are developed and implemented, they are too often short term—and shortsighted—with few, if any, linkages to the long-term employment needed to support the peace and rebuilding process.

In addition, even when donors promise funding for employment programs, they may be slow to deliver. Of more than \$5 billion pledged by 12 donors for emergency job programs in Bosnia and Herzegovina, only \$146 million was committed and \$115 million actually disbursed by May 1999. Donors did provide substantial technical and recon-

Donor preferences are geared to providing technical assistance that—though often useful—does not employ large numbers of nationals.

struction assistance, resulting in nominally strong economic growth of 140 percent during the 1995–99 period.⁵ Unfortunately, the size of the economy in 1999 was still less than 50 percent of its size in the early 1990s. Slow progress on transition reforms contributed to a weak private sector response and persistent high unemployment of 16–40 percent (depending on how it was measured). By the end of 2002, unemployment was over 41 percent of the economically active population; about one-third were demobilized soldiers and 4 percent family members of deceased or disabled soldiers.

USAID is among those donors that take the need for job creation seriously. It routinely includes job creation and livelihood-rebuilding activities in its humanitarian and transition assistance programming and has published a policy paper and implementation guidelines on assistance to internally displaced persons (IDPs). The policy mainly focuses on protection and personal security issues, but provides for restoration and creation of livelihood opportunities in each of the five phases of addressing displacement: preemergency preparedness, early emergency, care and maintenance, transitional reintegration, and long-term development (USAID 2004a). For states in crisis, USAID’s fragile states strategy places job creation high on the list of programmatic options (along

with income generation and school enrollment), especially for underserved populations and IDPs (USAID 2005).

Mechanisms of Job Creation Programs

Donors may choose among a number of mechanisms for providing postconflict job creation assistance. Should the national government be strong and credible enough, budget support earmarked for government-sponsored emergency employment projects in war-torn communities would be appropriate during the first few years after the end of serious conflict. This support can be disbursed to the central government, which in turn distributes it to local governments for emergency job programs, social infrastructure rebuilding, and local economic development priorities.

Budget support should be reserved for strengthening a public sector that, although resource poor, is judged capable of sound fiscal and budget management. When it encourages central and local governments to development and implement their own reconstruction and institutional rebuilding, budget support instills a kind of ownership that donors cannot otherwise duplicate, and it may help to promote a lasting peace process. This type of funding is necessarily short term, perhaps three or four years, but can easily be reduced as a government

⁵ For more information on the postwar economy and employment in Bosnia and Herzegovina, see World Bank 2000; Bosnia and Herzegovina Ministry of Foreign Trade and Economic Relations n.d.; and World Bank 2003.

develops larger revenue streams on its own.

Donors may also disburse funding for job creation activities in the form of grants to nongovernmental organizations (NGOs) or contractors, or directly to communities who have taken the initiative to request employment aid. Such project-based aid may replace budget support in situations where budget support is inappropriate, or it may supplement budget support.

Monitoring and evaluation activities associated with a postconflict assistance and job creation program must focus on the appropriateness and execution of the modalities chosen; the implementation of the results framework in terms of operational inputs, outputs, and outcomes such as cost, number of jobs created, or contributions to household income and welfare; and the program's impact on the overriding objective of sustaining the peace.



Employment Priorities

As noted earlier, employment should be an integral part of comprehensive postconflict programs. This effort should begin with emergency job projects in the mainly humanitarian assistance and reconstruction phases, continuing through aggressive long-term employment promotion in the mainly transformational development phase of significantly increased donor assistance. Projects should be demand driven and community owned.

Involving local governments and local private-sector actors in reconstruction and job creation projects is an effective way to get whole communities engaged in overcoming postconflict problems.

Note that if there is a functioning legal government, the presumption is that the primary authority and responsibility for relief efforts rests with that government and that government must agree to the assistance—unless denial would result in starvation of certain distressed groups (Dungel 2004, part 2.3). It is true that in the case of most postconflict relief efforts, the international community is likely to be dealing with failed or weak states with limited ability to take the lead. Even so, sovereign governments have the primary responsibility, and

relief efforts, including job creation programs, should be undertaken in collaboration with national and community authorities.

Emergency Job Creation

Emergency employment programs can be national in scope, but specific, short-term projects generally work better when organized locally. They should be geared to local circumstances, with local preferences, commitments, and inputs being primary in establishing project priorities. Involving local governments and local private-sector actors in reconstruction and job creation projects is an effective way to get whole communities engaged in overcoming postconflict problems.

Programs of emergency job creation should be collaborative and participatory, flexible, and rapid-response. Normally they should be directly related to specific short-term projects ranging in length from 30 to 180 days, even though several distinct projects may be necessary over the course of several years (depending on the conditions encountered). Projects should be short term both to discourage workers from thinking of the job as an entitlement and to better facilitate eventual handoffs to permanent jobs.

Each project would ideally have a unique public service or rebuilding

objective. Properly designed emergency job creation projects are not unproductive “make work” schemes. Although these projects, or series of projects, may be viewed as buying time until conditions permit jobseekers to integrate into normal labor markets, they should only be undertaken if useful end products can be clearly identified and the funds spent properly accounted for. It may be beneficial to develop and implement several short-term job creation projects concurrently or consecutively in a particular community.

Emergency job creation wages are usually paid completely in cash, but food-for-work programs can be useful in the early stages of an emergency job creation program, provided that the food is not of the kind and quantity that discourages the restarting of farm activities necessary for local, country, or regional food security and rural livelihoods. A mix of food and cash could be appropriate in some postconflict circumstances, especially because food can be sold for cash. Selling too much food, however, could drive down farm prices and discount the value of the labor provided.

Projects designed for emergency job creation by definition use labor-intensive techniques, which are cost-effective for a wide range of community rebuilding needs. Should donors use a prime international contractor for emergency job creation projects, the contractor should in turn use local subcontractors for actual hiring and execution. This reinforces the principle and spirit of ownership initiated with local selection of projects to be undertaken.

Simple, straightforward projects that have multiple impacts are generally the most efficient and cost-effective. An ideal job project would not only provide short-term interim employment, but also result in something of lasting benefit. It should also lay the foundation for an effective long-term labor force and promote employment and development activities. Examples of limited-objective, labor-intensive projects would be debris and trash removal, sanitation, and small-scale community infrastructure rehabilitation such as schools, public buildings, and roads. Agricultural rehabilitation can also provide jobs while restoring local and national food security.

Larger public works projects using labor-intensive techniques, such as

regional road-building, would be useful, but few donors are willing to undertake them. Despite the evident need to use local jobseekers in large reconstruction projects, it is more usual to find donors involved in large public works projects with imported machinery and imported semiskilled and skilled labor. It is reliably estimated that labor-based work methods for infrastructure rebuilding can generate two to four times the number of jobs that using capital-intensive, equipment-based methods does, with same investment or less (Shone 2003).

As emergency postconflict employment winds down, longer-term permanent employment must be planned for and provided. Planning must begin with preliminary assessments of the demo-

Reconstruction Using Local Labor Helps to Jumpstart Economy in Timor-Leste

A modest Transitional Employment Program (TEP) conducted by USAID's Office of Transition Initiatives (OTI) in Timor-Leste (East Timor) in 1999–2000 demonstrates the value of using local labor for reconstruction projects. The TEP, which involved 469 small grants totaling about \$4 million, benefited more than 63,000 people. Other donors financed substantial reconstruction using imported equipment and imported labor, while up to 75 percent of the new country's labor force was unemployed.

The OTI TEP in Timor-Leste was designed to be short, and meet key, but limited, transition objectives. These objectives, all of which were met, included the following:

- create short-term employment throughout the country
- inject liquidity into local economies
- visibly jumpstart reconstruction activities before larger multilateral initiatives commenced
- help provide UN district structures with resources to engage communities

Subsequent OTI programs in Timor-Leste, responding to an improved humanitarian situation, mainly focused on community stabilization with grants to finance building restorations, irrigation and clean water systems, and road repairs. Although the OTI funding did not cover wages, significant numbers of community jobs were created.

Source: USAID 2000a and Mason et al. 2002.

graphic and economic characteristics of the working age population in the principal areas of a country recovering from conflict. Approximate basic demographic information can be gathered and analyzed to establish the main characteristics of the postconflict population, including age, sex, household size, and characteristics of heads of household. This information should be cross-tabulated with education and types of employment experience before and during the conflict and employment status at the time of the survey. The easiest way to make workforce determinations is through coordinated local community surveys.

It is important to measure the results and impacts of emergency job programs. On the results side, the number of short-term jobs created should be tracked and compared to credible estimates of the number of people needing and seeking jobs. The lower the ratio of unemployed in the total work force, the greater the success. The main impact variables are how well the job program succeeds in raising family incomes, with the ultimate focus, as mentioned earlier, on keeping the peace.

Private Sector Focus

In most postconflict societies, private sector enterprises are the principal generators of future economic growth and permanent job creation. The private sector, including international enterprises that can invest on their own account or partner with local firms, is generally “unmatched in its ability to assemble people, capital and innovation to create meaningful jobs and to profitably produce goods and services

Private Businesses’ Contributions to Postconflict Recovery

Besides providing jobs and helping to supply goods and services, a country’s private sector can help it recover from conflict in many other ways:

- *wealth creation*: businesses invest, create wealth, and pay taxes
- *job creation and community stabilization*: postconflict resumption of business activities generates jobs, gives people a stake in their communities, and contributes to community stability
- *capacity building/rebuilding*: businesses bring in capital and equipment from outside and are effective in training and sharing technical and administrative expertise
- *information*: governments and donors learn from businesses’ investment decisions, since they are based on, *inter alia*, evaluations of country risk.
- *governance*: businesses are likely to invest more where there is good governance and a secure environment
- *philanthropy*: it is in the interest of businesses to share in relief efforts and to provide such things as logistical support
- *sensitization*: businesses can contribute to reconciliation and consensus building
- *negotiating capacity*: businesses have negotiating expertise useful in peacemaking

Source: Adapted from Muia 2003, 260–62.

that meet the needs and requirements of people” (Muia 2003, 259). All nationals (resident and expatriate) with investable assets should therefore be encouraged to start or invest in a new business, or invest in the expansion of a business.

Every opportunity to jumpstart the local private sector must be exploited, beginning with establishing local priorities for community-level projects that can use local private initiative and talent. Postconflict reintegration and reconstruction should be combined whenever possible, even if longer time frames are necessary. When serious reconstruction projects are underway, incentives should be provided to international contractors to subcontract with domestic and local companies that employ local labor. Lo-

cal governments may find it efficient to contract with small local entrepreneurs to provide many of the services that are often provided by local or regional governments.

Funding should also be provided for the recovery of local small and medium enterprises (SMEs), which will probably be the principal local sources of long-term employment in most postconflict communities. There are a variety of ways to revitalize SME activity. For example, funds could be lent to local firms and the loans repaid in kind for use in other projects. This kind of stimulus was successfully used by USAID’s Office of Transition Initiatives (OTI) in its Kosovo Transition Initiative Program (ReliefWeb 2000, USAID 2000b).

Working with the Gjakova community improvement council, the program provided a grant to a local brick factory for the purchase of spare parts. The factory hired people to produce bricks and then provided bricks—equivalent in value to the spare parts grant—for use by local businesses to repair their buildings. Similarly, in 2002, an OTI Afghanistan Transitional Initiatives Program grant financed the construction of a brick factory in Dar-I-Suf, Samangan province, which created employment opportunities for the local population and provided bricks to construct or rehabilitate schools, public buildings, and houses (ReliefWeb 2002).

Farming can often be usefully targeted in encouraging microenterprise; it may provide benefits in terms of food security and community building as well as economic gains. Self-employment in agriculture was successfully promoted in Bosnia and Herzegovina after many ex-soldiers expressed a desire to engage in small-scale farming rather than work for a company (Heinemann-Grüder, Pietz, and Duffy 2003, 22). Ex-soldiers received livestock and equipment (with minimum holding periods to assure that they would not be sold on the local market) and counseling. This made it possible for individuals and families to benefit from self-employment in rural areas characterized by extended households (ibid.).

Agricultural cooperatives may be given support as well. Not only do they offer a mechanism for more efficient community purchasing of inputs and equipment and for marketing of small farm output, but they also provide an institutional

basis for community cooperation and healing.

Microfinance institutions and community credit unions can finance self-employment in many kinds of small businesses. These institutions provide financial services, principally savings and borrowing, to small, informal businesses that do not have access to commercial bank services. Microfinance can help jumpstart economic development processes for the disadvantaged, even under severe conditions (Doyle 1998), and thus is particularly appropriate for postconflict situations.

Timing can be crucial in launching postconflict microenterprise activities. Activities should not be started until hostilities have moderated enough so that security is not a large concern. On the other hand, waiting too long can

result in losing first-mover advantages: markets may be lost to less desirable (i.e., shorter-term and more expensive) informal sources of finance (Nagarajan 2003, 228).

With the help of microfinance, the small entrepreneur can rapidly be equipped to purchase the machinery, equipment, and raw materials necessary to be economically productive. This is a proven way to create access to critical resources in communities where other sources of credit are restricted or unavailable. Under the circumstances of postconflict economic sluggishness, micro- and small enterprise is much more than a safety net: it also widens participation in postconflict recovery.

Microfinance is far from a panacea. It must be approached in a businesslike way, not used as an entitlement or hand-

The Many Uses of Microfinance

Postconflict microfinance can be viewed as a tool with multiple characteristics:

- *an economic development strategy* that focuses on rebuilding and restarting local economies by providing financial services for self-employment and enterprise creation
- *a relief and survival strategy* in the immediate aftermath of conflict or disaster
- *a tool for peace and reconciliation*
- *a launchpad for financial system reconstruction*
- *a means of support for transition from humanitarian assistance to longer-term development*
- *a way of assuring that some of the needs of the poor are taken into account*
- *a vehicle that—in the short term—requires few preconditions to start up* other than reasonable security or stability of access, reemergence of some market activity, and reasonable stability of the entrepreneurs receiving loans
- *a way to access financial services* when and where other providers are not operating

Source: Doyle 1998; Frasier and Saad 2003.

out, and donors need to incorporate capacity building and other safeguards, as needed. A case study of postconflict microfinance in Mozambique serves as an apt cautionary tale. After its civil war ended in 1992, Mozambique's social indicators were among the worst in the world. Most early microfinance programs were started as NGO projects or as components of larger projects. They were ad hoc and intended mainly as safety nets serving low-income people. In the mid-1990s, donors and NGOs reevaluated their microfinance activities and began to think more in terms of building sustainable institutions.

Restructuring, however, proved difficult. After five years of restructuring, no microfinance institution had achieved financial or operational sustainability. The biggest problem was the initial use of microfinance as a vehicle for dispensing charity. It was difficult to change expectations from emergency handouts to a market-based system. Another problem was the lack of financial and management capacity (Frasier and Saad 2003).

In addition to startup funding for implementing organizations, the donor should provide technical assistance to microenterprise, including training, networking, and marketing support. Although postconflict loan default rates can be expected to be higher than in more usual circumstances—because of the higher risks endemic to postconflict economies—having better business skills and more contacts can improve small firms' prospects and their ability to service debt.



Job Promotion

Job promotion involves counseling, training and retraining, and providing information about required job skills, location of jobs, and placement services. Such activities can start early: for example, some training, primarily on-the-job, may be required for labor-intensive emergency job creation programs. However, long-term job promotion institutions and activities must also be expeditiously put in place for permanent jobs in postconflict societies.

Advocacy and social assistance NGOs can take the lead in job promotion activities at the community and regional level.

Projects should use a variety of ways to inform the public of the availability of these services and how to take advantage of them, e.g., posters, radio ads, and announcements at churches, mosques, cooperatives, relief stations, and other gathering places. Civic education programs directed at ex-combatants and others previously engaged in conflict-related activities can be an important part of a job promotion services menu.

Support for local civil society organizations, particularly advocacy and social assistance NGOs that can take the lead in job promotion activities at the community and regional level, is a good way to build local capabilities to

accommodate the local private sector's future labor requirements. Local civil society groups, through their social commitment and networking capabilities, can substantially improve a community's ability to respond to crises and longer-term development requirements, including employment promotion activities. Over the longer term, early support of local civil society groups with an interest in economic development and community livelihoods could result in reduced future external assistance requirements as communities increase capacity and initiative.

There are strong, mutually reinforcing linkages between education/training, job creation, and local economic development. These linkages have been recognized and capitalized on in projects carried out by a variety of multilateral, bilateral, and NGO programs.

- In Timor-Leste, the International Labor Organization (ILO) has worked since 1999 on several job promotion projects in skills training, capacity building, inclusion of the disabled, and improved labor relations mechanisms (ILO 2000).
- NGOs provide postconflict vocational and educational training to vulnerable groups in many countries. In Kabul, for example, there are some 30 NGOs working with Afghan women to create opportunities to gain or improve vocational skills and

commence or restart their education (ADB 2003, 21).

- In 2001 and 2002, OTI had an integrated program in Sierra Leone geared to help end the civil war that had been going on for most of the previous 10 years. This program supported reconciliation and reintegration, and focused specifically on young people, many of whom had not attended school since before the civil war began (see box).

Four demobilizations in Bosnia and Herzegovina during 1995–2003 provide insights and lessons on the need for employment promotion, including retraining, job placement services, and information on business opportunities for demobilized or downsized armed forces in postconflict societies (Heinemann-Grüder, Pietz, and Duffy 2003). The overwhelming majority of soldiers were not prepared for postmilitary life while still in service, leading to a widespread sense of disempowerment and demoralization. Lessons learned from the Bosnia and Herzegovina programs with relevance for programs elsewhere include the following (ibid.; Walsh 1997):

- demobilization concerns should be spelled out in framework agreements for peace
- prior to discharge, soldiers should receive reliable information on their benefit package, retraining, job placement, and job opportunities
- demobilization and reintegration programs should analyze the educational, economic, and social needs of soldiers being discharged, and assistance should be customized accordingly
- assistance should be demand driven and explicitly take local socioeconomic conditions into account
- small and medium enterprises should be promoted, because they can generate significant employment
- special employment entitlements should not be provided in reintegration programs
- sustainable structures should be created and developed that can provide employment opportunities equally for everyone

- special consideration should be provided for the most vulnerable: disabled, women, dependents, and persons suffering from war-related stress disorders and mental illness

Although focusing training on target groups is sometimes desirable, there can be higher social returns if vulnerable groups are included in more general training programs that include a wider range of trainees. Inclusive approaches that mix people provide important opportunities for sharing experiences and encouraging reconciliation (Barcia and Date-Bah 2003).

Rapid-Response Schemes

The unemployment generated by the closing of state-owned enterprises in Hungary in the early 1990s was similar in some respects to postconflict unemployment. Well over a quarter of the workforce was out of work, and many local economies were severely affected. In a number of transition countries like Hungary, the U.S. Department of Labor (DOL) and USAID have successfully combined programs of rapid-response worker adjustment and local economic development to assist people dislocated by mass layoffs and plant closings.

In Hungary, the successful DOL-USAID rapid-response program included both prelayoff services to forestall long-term unemployment and the development of strategies to promote local economic development and renewal (Keune 2004b, Fazekas and Ozvald 2004, Hansen and Heidekamp 2004). The prelayoff services component would be analogous to developing services for soldiers before they are actually demobilized. The program was set up in county

After War, Young Sierra Leoneans Learn Job and Life Skills

In 2001, near the end of the civil war in Sierra Leone, OTI created a remedial education and skills development network for over 46,000 young adults at some 2,000 locations. Participants in OTI's Youth Reintegration Training and Education for Peace program (YRTEP) gained literacy and math skills; learned about self-reliance, conflict resolution, and civic participation; and received training in such areas as agriculture and health. The YRTEP program was followed by a skills training and employment promotion program (STEP) and a skills training and employment generation program (STEG). STEP and STEG built on the successes of YRTEP, providing job skills and employment and facilitating cooperation between ex-combatants and other community members (USAID 2003, 40–41).

labor centers throughout the country. Regional employment counselors were trained, and reemployment assistance committees that included employee representatives were created. Program activities that would be applicable to a postconflict situation included the following (adapted from Hansen and Heidekamp 2004, 132):

- establishing on-site centers where dislocated workers could go for peer support, information, and job listings
- arranging information sessions and workshops on training programs, entrepreneurship, financial and legal questions, job search skills, and other topics
- communicating with dislocated workers and the community at large through newsletters, the press, small group meetings, interviews and discussions, etc.
- developing employment opportunities by holding job fairs, advertising worker skills, contacting local employers, and identifying jobs not listed with the employment service
- serving as advocates for dislocated workers
- encouraging partnerships with other agencies and organizations that may have resources to assist in employment promotion activities, such as local enterprise agencies, municipal governments, chambers of commerce, NGOs, and other civil society organizations
- monitoring the status of dislocated jobseekers, tracking placement rates, collecting feedback, etc.



Special Group Needs

In the aftermath of conflict, many specific groups of people may have particular need for immediate aid. However, peace preservation objectives call for providing assistance impartially. Moreover, international law forbids distributing humanitarian aid on a discriminatory basis, even in a situation of active hostilities (Dungel 2004, part 2.2). No preference or exclusion based on nationality, race, religious belief, class, or political opinion is acceptable. Nonetheless, relative need can be a

In Angola, El Salvador, and Eritrea, 30 percent or more of the combatants were female.

justifiable basis for discrimination. Therefore, age, disability, sex and other characteristics can be used as criteria for distributing humanitarian assistance, including job creation programs.

Groups that may require special consideration in designing jobs programs may include people with prior conflict-related employment; displaced persons seeking reintegration; and women, youth, the disabled, people with obsolete or redundant skills, and other vulnerable groups. No group should be singled out for apparent favoritism, because it could regenerate problems that led to the initial conflict. Nevertheless, appropriate job opportunities should be available for differently situated people.

Women

The need of ex-combatants for jobs is generally evident. Not so evident is that women may have been among the combatants. In Angola, El Salvador, and Eritrea, for example, 30 percent or more of the combatants were female (Bannon 2003, 20; Kingma 2001, 36). Even women who do not become fighters during conflict often acquire new roles and responsibilities. Unfortunately, once conflict ends, female ex-combatants suddenly become invisible, and “women and girls are generally expected to quietly revert back to their pre-conflict roles, giving up freedoms, social capital, labor market participation, political influence or networking capabilities they may have gained as a result of the conflict” (Kingma 2001).

It is therefore important not to ignore women in designing postconflict job creation projects; in fact, their circumstances may require special attention. Many women have been left as household heads, without the cultural support or personal skills to take on increased responsibilities. Moreover, women are just as likely as men to have lost homes and livelihoods. Not only should they participate in emergency job projects, but particular attention should be given to creating sustainable employment opportunities for them.

Should a country’s legal system discriminate against women, efforts should be made to help them protect and validate

their new roles and responsibilities. Strengthening women's financial base and economic contribution to their families and communities is an important means of empowering them (Cheston and Kuhn 2002, 11–57). Microenterprise opportunities afforded by making loans to women enhance women's participation and status in household affairs and decisionmaking, improve their self-confidence, provide a mechanism for their increased involvement in the community, and make them more aware of their rights. Microenterprise is an ideal way for women to retain some of the social and economic gains they may have made during conflict.

Emphasizing women's participation in postconflict microenterprise projects makes particular sense because women have demonstrated worldwide that they are hardworking, responsible, and generally better credit risks than men. For example, Sinapi Aba Trust, Opportunity International's partner institution in a microenterprise project in Ghana, found significant differences in the repayment record of men and women, with men's arrears averaging 2.5 times those of women (*ibid.*, 9–10). Postconflict job and enterprise projects that leave out women thus sacrifice some of their best chances for effectiveness. Moreover, when women are left behind economically, the country as a whole suffers; several recent studies have shown a strong correlation between gender-based discrimination and poor development indices (*ibid.*, 7).

The Asian Development Bank (ADB) makes postconflict empowerment of women an integral part of its programs

in Afghanistan and other countries (ADB 2003, 21). For example, the ADB's Kandahar–Spin Boldak road rehabilitation project near the Afghanistan–Pakistan border—which strongly encourages subcontracting with local firms to provide jobs to locals and displaced persons—includes livelihood training and credit facilities to create income-generating activities for homebased returning women refugees (*ibid.*, 21; ADB 2005). The project offers childcare and promotes community-based girls' education (ADB 2003, 21).

Other examples of appropriate work opportunities for women addressing their reintegration and livelihood challenges include the Knitting Together Nations project in Bosnia and Herzegovina, which produces, markets, and sells knitwear, and a women-oriented UN Development Program (UNDP) project, Community Action for the Reintegration and Recovery of Youth and Women in the Democratic Republic of the Congo (Bannon 2003, 21).

Empowerment does not happen automatically. Cheston and Kuhn's survey of microfinance projects targeting women found that “several programmatic factors . . . can make a positive contribution to women's empowerment and holistic transformation, including business training, discussion of social issues, support and advice for balancing family and business responsibilities, [and] experience in decision making and leadership” (Cheston and Kuhn 2002, 5). Projects need to approach this challenge systematically, examining factors ranging from the selection and training of loan officers to guidelines for internal

governance of local microfinance groups (*ibid.*, 42–44).

Children and Youth

The lives of children and youth are often severely disrupted by conflict. They may have been recruited as combatants, missed out on an education, lost families and homes, seen friends and neighbors die, and endured injuries, illness, hunger, and fear. Just as with women, young people at risk are often ignored. Rebuilding their lives may require substantial support, counseling, and assurances of security.

Moreover, according to Achio and Specht (2003, 154–8), conflict changes the position of youth and children in society: they are active survivors, and, as is the case with adult women, they need postconflict equivalents of the roles played during conflict. Unfortunately, even where there are viable jobs for older experienced workers when the conflict is over, jobs for young people may be scarce. It is especially important to give them opportunities for appropriate training for productive employment. In addition, restarting education programs when conflict ends and encouraging young people to return to school will prepare them for better jobs, provide businesses with better-trained people when they will be needed, and take young people out of a possibly unfriendly, volatile labor market.

A remarkable program in Colombia illustrates the benefits of taking a holistic approach to postconflict reintegration needs. In 2001, when several thousand child soldiers were serving in Colombia's three largest armed rebel groups, OTI

initiated a program to reintegrate escaped or captured Colombian child soldiers into society (USAID 2003, 20–21). Implemented through the International Organization for Migration, in coordination with the *Instituto Colombiano de Bienestar Familiar* (Colombian Family Welfare Institute) and several local NGOs, the program worked to meet the medical, counseling, education, and vocational training needs of ex-combatant children.

Some 450 children were accommodated in five special OTI-sponsored centers during the first year. The program also undertook a comprehensive review of Colombian laws pertaining to children as ex-combatants, which led to the development of legislation allowing their decriminalization and to special training for judges and public defenders. In addition to helping children recover from wartime trauma and prepare to support themselves through jobs, the reintegration program strengthened the capacity of local NGOs concerned about the welfare of children and helped build linkages between civil society and government.

Disabled People

People with impairments of various kinds are often far more numerous in the aftermath of conflict than in more normal situations. Their ranks may include wounded ex-combatants, injured civilians, civilians mutilated to terrorize their neighbors, landmine victims of all kinds, people with war-related mental illnesses, children physically and mentally disabled by malnutrition, and people crippled by untreated disease or infections.

Even where there is no conflict, the disabled are among the most vulnerable and discriminated-against people in developing countries. Discrimination against the disabled takes three basic forms: institutional (e.g., excluding disabled children from school), environmental (presence of physical barriers to using public transportation, to entering buildings, and the like), and attitudinal (fear and embarrassment in the presence of disabled persons) (DFID 2000, 8).

The most vulnerable of all are women and children with physical impairments. Disabled children are among the most likely to be ignored and neglected, and accordingly they suffer high death rates, with mortality as high as 80 percent in some countries where overall under-five mortality is less than 20 percent (*ibid.*, 5). Impaired women and girls suffer discrimination due to both their gender and their disabilities, being severely socially and economically marginalized as a result. Disabled women are two to three times as likely to undergo physical or sexual abuse as their nondisabled counterparts (*ibid.*, 3).

Although as many as 20 percent of poor people around the world may be disabled, development policy and practice aimed at poverty reduction rarely focus on them; the disabled “usually remain invisible and excluded” (EDF 2002, 6). Recognizing the plight of the disabled and addressing the problems they face are key issues for donor attention in all development and humanitarian assistance programs.

The Swedish Disabled International Aid Association emphasizes five basic principles that constitute good practice

in government and NGO policy for the disabled (adapted from DFID 2000, 8). Briefly, the disabled should have

1. social protection in terms of access to housing, health care, rehabilitation services, and access devices (prostheses, crutches, hearing aids, etc.)
2. access to education, credit, information, and opportunities to earn an income
3. consciousness of their own needs and rights and of the consequences of society's attitudes
4. equal opportunities to influence decision- and policymaking through participatory processes
5. the right to take initiatives to assert their influence and promote awareness of their rights, thereby increasing control over resources and benefits

A promising approach to overcoming discrimination against and exclusion of the disabled is community-based rehabilitation, or CBR (DFID 2000, 9). CBR combines physical rehabilitation through medical care with empowerment and social inclusion through the joint participation of the disabled individual and the community. It has been found to be both cost-effective and successful in improving social integration (*ibid.*). Boyce (2003) indicates that CBR is not only adaptable to conflict situations, but when successfully done may play a part in postconflict community healing and health/social sector reform.

It is especially important for donors not to overlook the needs of the disabled after conflict ends. Postconflict situations exacerbate the vulnerability of disabled members of a community at a time when their numbers have grown much larger. They are often less able than other survivors to compete for scarce jobs or aid benefits. Those disabled as a result of conflict may suffer further discrimination because they are held to blame or, at best, are a reminder of a painful time.

Excluding disabled adults from job creation and promotion efforts is especially shortsighted, since they are typically eager to work, and recovery is harmed when the economy is needlessly saddled with large groups of unproductive survivors. As the European Disability Forum points out, “Reconstruction efforts in post-conflict situations need to include [the disabled] in the re-building of their society” (EDF 2002, 6). The employment needs of disabled persons should be accommodated with supported temporary community-based jobs and related on-the-job services, such as counseling, rehabilitation, training, and placement in appropriate long-term jobs (GPCDD 1989).

USAID recognizes that the problems of the disabled must be considered if its international development and humanitarian assistance programs are to be effective. In 1997, it published groundbreaking policy guidance on inclusion of the disabled as beneficiaries and participants in all development activities (USAID 1997). Generally, when implementing an assistance activity, it does not cost significantly more to assure that the disabled are not dis-

criminated against, or that the activity’s managers make a proactive, conscious effort to include them. The main thrust of USAID’s policy on the disabled is therefore not to mandate discrete projects and funding (although some missions do have them) but to mainstream appropriate attention to the disabled in all of its programs and activities.

USAID appropriations for famine and disease prevention already work to prevent and correct the impairments associated with malnutrition and disease. In addition, USAID has designated significant funding for programs offering rehabilitative assistance to civilian victims of war and torture, as well as aid to vulnerable children. There is special funding for

- grants and cooperative agreements for domestic, foreign, and international NGOs working with vulnerable children affected by conflict or otherwise deprived of appropriate caregiving (Displaced Children and Orphans Fund)
- direct, cost-effective assistance to war victims and the disabled (Leahy War Victims Fund)
- work with torture victims and their families to treat physical, psychological, and other effects of torture (Victims of Torture Fund).

Proposals to obtain funding from the above sources, or to provide support to specific USAID programs with an emphasis on health issues and the disabled, may be unsolicited. They should be submitted directly to USAID missions in countries where USAID has assistance

programs, or to USAID/Washington for programs in other countries.

Other sources of assistance to the disabled include Handicap International, the Red Cross Special Fund for the Disabled, and UNICEF. The United Nations Mine Action Service and the Landmine Survivors Network address disabilities caused by landmines.

Local Economic Development

It is critically important to stimulate economic growth and development after conflict.⁶ Economic development and permanent job creation occur in concert. On one hand, new jobs help to stimulate economic growth. On the other hand, only renewed, sustained economic growth can generate the economic and social foundations that assure stable, long-term employment and steady improvement in household livelihoods and wellbeing.

It is often useful to foster the formation of business clusters—groups of interrelated, competing firms with links to information, suppliers, markets, and services of all kinds.

Local economies are the economic engines of national economies and must be a cornerstone of postconflict development work. However, after a conflict it is not always feasible to rely on a central government to organize development activities in local communities throughout the country. Moreover, local economic development ultimately depends on local knowledge and commitment and on the participation of community leaders, businesspeople, and civil society. Countrywide strategies for long-term

growth and job creation should therefore emphasize support for adequate decentralization and for building local capacity to promote economic development. *Appropriate autonomy and reliable, sustainable sources of funding are essential.*

Mechanisms of Local Development

Local economic development improves local standards of living through increased jobs and incomes resulting from business investment. Although it is not always necessary, local governments must often take the initiative to organize and plan economic development activities in the aftermath of conflict. Alternatively, a local development council may take the lead; such a council can be organized by donors, a national government, or a community civil society organization.

Local governments or development councils can focus on growing businesses by providing or identifying sources of startup support, training, and technical support services. Priority local economic development objectives include attracting new local, national, and international investment; working with local banks and donors to develop mechanisms giving access to investment capital for local entrepreneurs (especially micro, small, and medium enterprises); and job counseling, training, and placement services.

⁶ See, for example, Suhrke et al. 2004, Collier 2002, Collier et al. 2003, Burnside and Dollar 2000, and Collier and Hoeffler 2000.

It is often useful to foster the formation of business clusters—groups of inter-related, competing firms with business-generating linkages. Clustering provides synergy and access to information, suppliers, markets, and services of all kinds, including association building for networking, professional and specialist services, joint purchasing and marketing, and so on (Fairbanks and Brennan 2004).

Partnerships are fundamental to local economic development and job creation. The best response of local authorities to a cessation of hostilities is to organize partnerships among local government institutions, private businesses, and community civil society organizations to promote economic development. Such partnerships may take a tremendous range of forms. USAID, for example, has made it a priority to engage private corporations, foundations, trade associations, and NGOs to work with it in different kinds of assistance programs. USAID and ChevronTexaco formed an alliance to co-invest in projects in small and medium-sized enterprise development and agriculture in Angola. The alliance's initial activities have assisted families affected by civil war (former soldiers and internally displaced people) by providing agricultural support and training, thereby consolidating the peace. It has also launched programs in microcredit and distance learning, as well as a Center for Enterprise Development (ChevronTexaco 2004). The most important idea is to work together, mobilizing and sharing resources to solve common problems.

Implicitly, partnerships' efforts must rely on the private sector as the source of new jobs. Donor input would include training programs and placement services for workers, as well as technical assistance and training in finance and management for micro and small business owners.

Postconflict economic recovery should not be assumed to be rapid. Employment opportunities may seem to expand more slowly than economic activity does, even if this is not the case. One reason for this is that although nominal growth rates may seem robust, they may be from a much smaller economic base than what existed before the conflict.

Decentralization Caveats

Successful local economic development requires adequate decentralization—the reassignment of responsibilities and revenue streams from higher to lower levels of government. Besides the fact that local officials frequently prove more dedicated and successful promoters of local economic development than central government authorities, decentralization is generally considered desirable in itself as a democracy-enhancing undertaking.

Nevertheless, decentralization can lead to unintended results, especially in the most underdeveloped areas, where good local government managers are scarce. For example, according to the OECD, many postconflict African countries “have experienced increased corruption, disinvestment in public goods, and increasing regional disparities as a result of devolving powers too quickly away from the central state” (OECD 2004).

This is partly because of unqualified local managers, and partly because the opportunities for bureaucratic rentseeking are often irresistible.

Bureaucratic corruption is a failure of governance at whatever level it is practiced. In postconflict situations, it may also threaten the peace. In many cases, local governments can manage some resources dedicated to promoting local economic development and job creation, but how well this can be done will vary greatly. As early as possible, donors should assess the capacity of local government units or other local organizations expected to carry out community and local economic development activities. Both strengths and weaknesses of likely recipients should be carefully evaluated, particularly their ability to manage and account for transfers of funding. Such assessments will help donors estimate the level of oversight and technical assistance local actors will need and to plan for preproject and inservice capacity building, as required. In addition, as activities progress, it is crucial to conduct regular audits of financial transfers and their uses.

Creating an Enabling Policy Environment

When conflict ends, it is usually the private sector that is best able to drive economic growth and new employment. How successful the private sector is in creating jobs directly affects long-term stability. But the quality and capacity of a country's political governance (national and local), its social and economic policies, and its institutional foundations are all critical determinants of the private sector's vitality.

It is important to recognize that employment usually takes longer to recover after a crisis than the general economy does.

Responsive political and economic governance institutions that adhere to the rule of law and are impartial, predictable, and trusted are key to stimulating private sector businesses to quickly engage in postconflict investment that puts people to work. An honest, transparent regulatory framework is also vital. Particularly important are viable legal institutions that guarantee property rights and the sanctity of contracts, along with at least rudimentary financial intermediation services to channel funding for investment into more efficient

economic activities. Functioning financial markets and supporting institutions can be useful for funding components of the initial recovery and rebuilding, but they are essential to efficient future economic development, sustained rapid growth, and job creation.

Balancing Social and Economic Policy

Social and economic factors do not work in isolation from each other. After a conflict, there should be a dialogue between social partners, the private sector, and government on ways to restore or establish private sector confidence and capabilities. Postconflict social and economic policies should be crafted and carried out together to maximize the likelihood that the peace will be kept and to encourage the economic growth needed for long-term job creation. Such a jointly determined policy environment will focus on enabling productive private enterprise to operate efficiently while favoring responsive, reassuring social policies.

On the economic side, three factors are generally considered prerequisites for sustainable growth: good economic policies, economic governance institutions that facilitate business operations, and responsible macroeconomic management. Early implementation of

well-conceived economic reforms allows a more stable, faster, broader-based recovery. So does swift action to assure that basic economic governance institutions are operational.

Appropriate social policies are also important to postconflict rebuilding and recovery. In fact, recent research indicates that they are more critical than is often assumed (Bannon 2003, 27):

Social policy is relatively more important, and macro policy relatively less, in postconflict settings than in similar countries without a recent history of conflict. The effect appears quite large and suggests that if opportunities exist for modest tradeoffs that improve social policies at the expense of a small deterioration in macro balances, growth is, on average, augmented.

Responsive, inclusive social policies in the aftermath of conflict, such as ensuring access to healthcare and food supplies for all groups in need, send strong signals of a government's commitment to peace and reconciliation. They may also "reassure the private sector and reduce its risk perceptions, thus encouraging investment and the repatriation of capital" (ibid., 28). Such policies need to include emergency job creation, should there be widespread unemployment, coupled with good employment promotion policies and activities for the longer term.

The foregoing cautions about the need for responsive social policies do not mean that economic policies should be lax. It is especially important to assess the postconflict relevance of policies and controls that may have been introduced to meet the special needs of wartime,

because the pace of economic recovery and the distribution of productive assets can be affected far into the future should dirigiste restrictions continue in effect after conflict ends.⁷ (Examples include wage and price controls, export restrictions, and restrictions on the use of certain materials.) Following sound economic principles is always timely and appropriate, and postconflict rebuilding is a good time to assure that the reasonably orthodox national economic policies needed to permit effective private sector-led economic recovery are in place and understood. These would include prudent, liberal policies to ensure

- fiscal discipline, including setting public expenditure priorities with favorable benefit-cost ratios (with, of course, adequate attention to health, education, social safety nets, and poverty reduction measures)
- a broad tax base with low rates
- minimal price controls on goods and services as well as on interest rates and exchange rates
- reasonably free trade with minimal nontariff controls on imports and exports of goods and services (competition from abroad is usually good, but should be monitored in postconflict, fragile states)
- minimum controls on foreign direct investment (except perhaps on short-term or speculative investment inflows and outflows)

7 See Tony Addison, "Communities, Private Sectors, and States," (2003) pp. 263–287 for a discussion of the problems and impacts of postconflict policy issues and decisions, including consequences for vulnerable populations and resolving conflicts between private and community interests.

- a focus on the private sector to drive growth and permanent job creation in a facilitative regulatory environment, including a flexible labor market
- minimal barriers to new businesses

One caveat to bear in mind: basic economic governance institutions are just as important as sound economic policies. Policies mean little if they cannot be implemented. For instance, should economic governance institutions be particularly weak, as may be the case in some postconflict failed states, the advantages of an open trade regime and other private sector incentives that foster economic growth and job creation may also be weak. This situation calls for priority attention to political and economic governance issues.⁸

The economic policy framework should be calibrated to stabilize macroeconomic financial structures, with the goal of keeping inflation within acceptable bounds. However, implementation should not be so rigid that it becomes a serious obstacle to social and economic recovery and job creation. It is important to recognize that employment

8 USAID's strategic priorities for fragile states (see USAID 2005, 5) recognize the importance of good political and economic governance in creating stability. The strategy document points out that "while governance is clearly a linchpin to recovery, reforms may well be required early on in multiple sectors, such as the critical social and economic areas," adding that "building the capacity of institutions that serve key social and economic sectors . . . will reduce stress and vulnerability, especially among poorer populations, [and] will also speed recovery from conflict." The strategy also underlines the importance of generating employment in conditions of fragility, noting that "support for economic activities that lead to job creation, improved family incomes, and better-functioning markets can, in most cases, contribute to greater economic stability."

Increased trade rewards countries with more jobs, but this requires getting and keeping prices right. Realizing this objective usually means minimizing interference in prices.

usually takes longer to recover after a crisis than the general economy does. It is especially important that a government not announce far-ranging reforms that it cannot carry out. Credibility is an indispensable asset that governments cannot afford to waste, especially those presiding over postconflict rebuilding activities.

While a low inflation rate of, say, 3 percent a year or less is attractive to investors, there may not be a need to aim for full elimination, or even drastic reduction, of inflation within a short timeframe. Should inflation be on the order of 10–20 percent a year, achieving a steady decline should be the principal policy objective, with targets for the first year in, say, the 5–10 percent range, and 3–5 percent by the third year. On the other hand, should inflation be very high and chaotic, say 10–20 percent per month, temporary recourse to a currency board or adoption of a third-country currency may be credible options for stabilizing an economy and reviving trade and investment. This is particularly the case if the basic institutions of political and economic governance are weak.

Carefully assessing the patterns and magnitudes of public sector spending should be a priority as soon as possible after conflict ends. Significant reforms may be necessary. Particularly important is caution about the kinds and timing of

initiatives donors may be planning, as well as the immediate and longer-term impacts of donor programs on national budgets. There should be a concerted effort to prioritize and evaluate the spending of national and local governments and donors in the context of a coherent framework for postconflict economic policy.

The economic policy framework should explicitly take into account the likely impacts of limited revenue collection and the need for relatively high spending by the government and donors on extensive programs of humanitarian relief, social protection, and reconstruction. Donor budget support can have an important role in this situation. Budget and balance of payments support with limited conditionality can be designed as a single package.

A major objective of postconflict economic policy is to encourage the revival of the country's local and national markets and to restore its participation in regional and international export markets. The breadth and depth of economic recovery in terms of market participation conditions the pace of job growth. Increased domestic and international trade rewards countries

with more jobs. Accordingly, getting and keeping prices right is an important policy objective. Realizing this objective usually means minimizing interference in prices, whether the prices are for domestic or imported goods and services, money markets (interest rates), or foreign exchange.

Encouraging Trade, Investment, and Hiring

Trade restrictions, including high tariffs and quotas, should be kept to a minimum.⁹ During the early postconflict period, it would be attractive to investors should the exchange rate be slightly undervalued. However, investors also like exchange rates that are relatively stable and flexible. Accordingly, the exchange rate should at least have the flexibility to move freely within a band defined by the currency or currencies of principal trading partners soon after conflict has ended. If there is a currency board, of course, the exchange rate is fixed with respect to a reference currency, or a small basket of currencies, and would fluctuate automatically as the reference fluctuates with respect to all other currencies. In addition to a facilitative exchange rate and relatively open economy, targeted official and private sector export promotion activities will usually result in faster permanent job creation.

Although there must be vigilance to prevent human trafficking, abuse, and exploitation, minimum wage regulations are unlikely to be productive. For their part, emergency employment programs should target wages at levels that are low enough not to interfere with emerging

⁹ For some excellent discussions of U.S. involvement in postconflict reconstruction and the power of an open trade regime in postconflict societies, see Lewarne and Snelbecker 2004.

market-clearing wages of the private sector, but that are still competitive with the actual or in-kind remuneration earned in conflict activities, either as a regular soldier or as a rebel.

Generally speaking, it is reasonable to assume that local subcontractors know the “acceptable” wage ranges for the unskilled and semiskilled laborers who would be offered the bulk of employment under an emergency jobs program. Donors should, however, assure regular monitoring of local subcontractors (e.g., make sure laborers are receiving the full wage reported by the subcontractor), especially if corruption is known to be significant in the country’s experience and culture.

Postconflict economic policies at all levels should provide a generally liberal environment oriented specifically to facilitate and support private sector investment and job creation. Starting new businesses should be encouraged by keeping red tape to a minimum. There should be overall consistency and constancy in policies toward businesses: the rules of the game should be clear and not subject to frequent changes or administrative caprice. Tax policy should emphasize a business-friendly tax system that can be relatively easy to apply, and does not impose taxes on labor that would serve as a disincentive to private sector hiring.

The effectiveness of long-term private sector job creation can be expected to vary in accordance with the sophistication of political and economic governance institutions; the country’s core economic policy framework; the flex-

ibility of the basic incentives framework of business taxes; the legislation, rules, and regulations affecting the formation of new businesses; and the conditions of employment, worker compensation, and the like.

Conclusions

In the preceding overview, we have seen not only the urgency of setting up specific programs to create jobs in the wake of conflict, but also the complexity and many pitfalls attending such efforts.

Common flaws in donor responses to this situation include the following:

- donors overlook the need for active job programs altogether, assuming that general programs to stimulate economic regrowth will automatically generate substantial employment

Research shows that assistance is most effective if it rises in tandem with the recovering economy's ability to make good use of it, usually from the fourth to the seventh year.

- donors wait too long to start, not realizing that job creation can begin in one part of a country even while fighting is continuing in another
- donors stop too soon, limiting their programs to short-term, stopgap programs that cannot remedy the structural unemployment common after a conflict
- donors commit money for recovery programs shortly after a conflict ends (or after it shrinks enough to justify undertaking recovery efforts), but

come through with only a fraction of the sums originally promised

- donors use expatriate labor and imported heavy machinery in postconflict reconstruction work instead of using local labor and more labor-intensive technology

It is impossible to overstate the need for donors to commit job creation funds for the long haul—a decade or more if the conflict has been severe. Projects offering short-term jobs must segue into programs that promote longer-term, less ad hoc, more stable opportunities. This principle, however, is out of synch with the relatively short attention spans of many developed countries. Even donors who fund job programs, and postconflict aid in general, for several years following a conflict often allow aid to dwindle after the first year or two. Yet research shows that assistance is most effective if it rises in tandem with the recovering economy's ability to make good use of it, usually from the fourth to the seventh year.

Donors embarking on job creation programs must incorporate a daunting variety of elements into their work with affected populations. These may include surveys and censuses; training and counseling; health and rehabilitation programs; community and cooperative development; support for democratic governance; diverse funding modalities,

from budget support to microcredit to food for work; and attention to the special needs of ex-combatants, women, youth, and the disabled.

In addition, donors must look to the enabling environment for the country's economy. This means assessing and supporting changes as needed in business and trade law, finance, monetary policy, infrastructure, anticorruption systems, and information technology and access. It also entails ensuring a level playing field for participants without regard to gender, ethnicity, religion, region, disabilities, and similar traits that may mark people for discrimination.

Issues for USAID and other donors to consider include the following:

- How can donors best plan and budget for long-term as well as short-term job creation programs after a conflict—and persuade other donors to do so?
- What is the best mix of food for work, cash for work, microcredit, farm cooperative credit, and/or other payment mechanisms for beneficiaries of a job creation project?
- How can postconflict reconstruction efforts be planned to make maximum use of local labor, preferably in combination with training, community building, and other elements that make long-term success likelier?
- How can donors handle job and microcredit programs so as to avoid the “entitlement” trap?
- What mechanisms already exist for donors to coordinate their work and to exchange lessons and best prac-

tices? What additional platforms, networks, or clearinghouses may need to be set up?

As even this abbreviated discussion makes clear, job creation requires serious, sustained attention to a broad and varied range of factors to have any chance of succeeding. Yet when it does succeed, its benefits often flow into a number of different domains as well. Good jobs programs can help to fight hunger and disease, raise capacity, restore infrastructure, protect or repair the environment, and set the country on the road to economic independence. On the social level, they can heal traumatized survivors, knit communities closer together, and give participants dignity and hope.

Conversely, when the need for jobs after conflict goes unmet, it may well pave the way for disaffection, mistrust, and renewed violence. Short- and long-term job creation should be an important part of the training of all professionals working in postconflict relief and reconstruction—and an automatic part of all plans to deal with the formidable challenges of postconflict assistance.

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