

The Neglected Role of Economic Reconstruction in Post-Conflict Societies and Failed States: Strategies, Actors and Instruments

Michael Schmunk

21st century peace-, state- and nation-building – mainly in the Western Balkans and Afghanistan – has alarmed us to the fact that there will be no sustainable human security and stabilization without sound civil and, in particular, economic and social reconstruction. Restoring good governance in failed states and post-conflict societies, and overhauling and modernizing their socio-economic systems is a politically sensitive though indispensable precondition for preventing these societies from failing again. The societies concerned, however, preoccupied as they are with providing safety and establishing new state institutions, feel overstrained by this “secondary” task. Similar to the international community, external state-builders do not command the expertise to kick-start war-torn economies and to create prosperous markets. At best, they are able to provide/impose some elements of a legal and institutional fiscal and economic framework. Furthermore, the role of the international private sector, including Diaspora entrepreneurs in post-conflict peace-, state- and nation-building, has been unsatisfactorily limited – given the fact that they do not feel committed to the public welfare but to profit making. In most cases, this leaves economic development in the hands of post-war governments. Unfortunately, these victorious new elites – as a rule “liberators” and “freedom fighters” – tend to regard the country’s resources and assets as “theirs”. Corruption and organized crime complicate the economic growth in many cases so that the broader population feels cheated out of the peace dividend as a result, and is left out of the country’s overall path to stability and democracy. All the more – the deterioration of the Afghan case has dramatically demonstrated this over the past year – more coherent and effective strategies to provide civil reconstruction and economic prosperity have to be implemented, ideally with a more direct and unselfish involvement of the private sector, the beneficiaries of tomorrow.

1. The importance of socio-economic reconstruction in post-conflict societies and failed states: Another missing chunk of the promised peace dividend

1.1 Failing states, failed states¹ and post-conflict societies are mainly characterized by the lack of efficient statehood and good governance. They are dysfunctional, i.e. they cannot or do not want to perform their state functions properly. There has been common agreement in particular between EU countries and the U.S.² – as one of the central ‘lessons-learned’ of the recent global peace, state and nation-building (PNSB) engagements – that the reestablishment of efficient statehood and good governance in those societies emerging from failure or conflict must be primarily based on a broad security sector reform (disarmament; professional, law-abiding and legitimate armed forces, police and border police; introduction of the rule of law and an independent justice system), and the building of legitimate, democratic institutions. This is also what international organizations and individual governments as external donors and state-builders are best at.

At the same time it has become a truism that state-building and the strengthening of a weak society cannot succeed without profound economic reconstruction, the creation of jobs and both sustainable financial and economic transformation. Time and again, wide-ranging and thorough empirical studies demonstrate that economic recovery and, in particular the reduction of security risks (in the broader sense) are the two major challenges that post-conflict societies face.³

¹ See the annually updated Fund for Peace Failed States Index (last version: 2007); www.fundforpeace.org; also: Bertelsmann Transformation Index, BTI (updated bi-annually; last: 2008). Bertelsmann Foundation, Gütersloh (www.bertelsmann-transformation-index.de).

² See most recently Department of the Army, FM 3-07, pp. 1.16 and 2.5, now evincing complete agreement between the Departments of State and Defense when it comes to state-building objectives.

³ Collier, Paul/Hoeffler, Anke/Söderbom, Mans: Post-conflict risks. Discussion Paper, Oxford 2006, p. 3.

1.2 Unfortunately, the importance of the restitution of public and human security in post-conflict societies since the beginning of the nineties – and thus the role of the external PNSB’s military, partly unwillingly and unintentionally – has been overemphasized to the disadvantage of civil reconstruction in such a way that economic recovery has been deplorably neglected. Economic reconstruction and the role of economic growth have, unfortunately, become somewhat of the PNSB’s stepchild. This neglect poses the real danger of alienating the citizens of the post-conflict society and losing their impetus in the painful transformation process to come. Typically, both on PNSB priority lists and respective conference agendas, economic reconstruction brings up the rear. The markedly deteriorated security situation in Afghanistan has been rightly attributed to a high degree to the lack of radical economic and social progress after a full seven years of vast stabilization and reconstruction programs. Even the international military engaged at the Hindu Kush have begun to publicly demand more civil reconstruction aid rather than simply increasing the number of international peacekeepers deployed.⁴ The socio-economic failure, in particular of the West, within the international PNSB community – characterized by its promises and pledges vis-à-vis the societies concerned – has noticeably disillusioned and dispirited the citizens of these countries, causing mistrust of external state builders and making elements of these societies susceptible to nationalist, extremist and insurgent policies.

1.3 One side remark: In relation to crisis and conflict, the economy can play very different roles. It can be both the trigger and the consequential damage of the failure of a society or an internal conflict. An expression of social grievances (hunger; inequality; poverty; joblessness, etc.) can provoke civil unrest or armed conflict just as the economic greed of rebels and warlords – directed at the country’s resources

⁴ Among others ISAF supreme commander U.S. General David McKiernan after a meeting with U.S. President Bush on 1st October 2008, quoted by Hamburger Abendblatt; Chairman Joint Chiefs of Staff, U.S. Admiral Michael G. Mullen, quoted by the New York Times, 10 October 2008; also the new U.S. Army field manual for stability operations, FM 3-07, p. 3-14.

(in particular state assets, land property, oil, gas, diamonds, drugs, weapons, etc.) – can.⁵

1.4 In this paper, however, we intend to focus on the economic and development situation in a state after conflict or civil war.⁶ The socio-economic situation of post-conflict societies – and in most cases even of failed states that emerged without violent conflict – is typically characterized by a number of factors which are widely known.⁷ To recreate an efficient, capable state that can once again provide its citizens with basic goods and services (food; jobs; economic prosperity; health care; education; etc.), the following elements of a strategy to jumpstart the overall economy have proven to be key. Bosnia and Herzegovina, Kosovo and Afghanistan, are particular examples of where the international community has taken the responsibility for a far-reaching reconstruction and stabilization program based on trusteeships or similar mandates, immediately following military intervention.

What is generally needed to revitalize a post-war economy? (Table 1)

⁵ See in particular Collier, Paul: Economic causes of civil conflict and their implications for policy. In: Crocker, Chester/Hampson, Fen Osler/Aall, Pamela (Ed.): Leashing the dogs of war. Conflict management in a divided world. Washington, D.C. 2007, pp. 197-218; Sambanis, Nicholas: Using Case studies to expand economic models of civil war. In: Perspectives on Politics 2004/2, pp. 259-279.

⁶ The following analysis is based on the lessons learned from the author's field experience as head of diplomatic missions in Azerbaijan, Kosovo, Afghanistan and Bosnia-Herzegovina – all of them post-conflict societies which figure among the worst on The Fund for Peace's Failed States Index 2008, and Transparency International's Corruption Index 2008.

⁷ See the chapter in this volume contributed by Wolfgang-Peter Zingel.

Table 1: Jumpstarting the Economy

- ‘DDR’: disarmament, demobilization and the reintegration of former combatants into civil life (increasing job opportunities, in particular for young men!)
- Post-conflict census/collection of basic social and economic data
- Elimination of war economies/find substitutes for drug and other illicit economies (Afghanistan, Western Balkans!)
- Creation of jobs/income generation for the broader population
- Measures to increase the national income
- Reestablishment of the basic infrastructure (drinking water; electricity; heating; roads; telecommunications)
- Reestablishment of basic health care
- Reestablishment of the educational system, including vocational training
- Introduction of an independent central bank/creation of a stable currency
- Introduction of a legal fiscal and economic framework (legislation; institutions; tax systems)
- Safeguarding of a sufficient absorption capacity for donor aid
- Transparent privatization (not based on any group interests) and guarantee of property rights
- Transparent management of other state assets (e.g. commodities)
- Reestablishment of an effective state revenue collection system
- Good governance/creation of a professional civil service/building of expert capacity for the financial, fiscal, economic and trade sectors
- Introduction of auditing institutions/fighting corruption
- Introduction of a commercial banking system and banking control
- Provision of micro credits
- Revitalization of the agriculture (reducing the costly import of basic foods)
- Coordination and channeling of external donor funds and other contributions (creation of trust funds; direct donor support for the national budget)
- Mobilization of diaspora engagement
- Mobilization of the international donor community (e.g. through international donor conferences)

2. Who is supposed to do this?

2.1 At first glance, economic reconstruction would seem to be one of the easier tasks of the post-conflict society's ruling institutions, since, for instance, sensitive security matters requiring "neutral" international brokering are not affected. Moreover, external expertise seems to be less essential, than for example, in the security, military and justice sectors. On the contrary, our experience as external actors in such societies has shown that offering both macro and micro economic knowledge, and strong guidance when it comes to the establishment of the fiscal and economic legal framework, is indispensable. This is not only because the respective wars or civil wars have left these societies with highly dysfunctional fiscal systems and economies. Often an even higher obstacle has proved to be the communist-socialist (Western Balkans) or feudal (Afghanistan) economic orders which characterized these societies in the past. Here, the property regime is key. This becomes extremely relevant, politically, legally and economically, when privatization of state assets, (including defense assets), must be dealt with.⁸ Lessons-learned underline that unresolved questions regarding formerly socialist state property slow down or very often block economic reconstruction, reforms and prosperity dramatically. The resulting unemployment can cripple a society dependent for decades on one industry or job provider. Many regions never recover economically, resulting in substantial emigration and demographical unrest. (One example is the complete loss of the timber industry in northern Bosnia after the war.)

⁸ In Bosnia and Herzegovina, for example, the incomplete process of apportionment, and if necessary privatization, of state and defense property (between the state and its two entities) has been cited by the Peace and Implementation Council (PIC), the politically central Dayton body, as one of the remaining obstacles for the transition from the OHR to the EUSR (see the PIC communiqués from the PIC Steering Board Meetings on Political Directors' level on 25 June 2008 and 20 November 2008; and further: the statement of the PIC Steering Board Ambassadors from 30 October 2008; all documents to be found at www.ohr.int/InternationalCommunity in BiH/PIC/Declarations and Communiqués).

Attempts at ethnically-based privatization in societies still largely ethnically divided complicate the situation even more.⁹ Post-conflict societies' governments in most cases tend to be overtaxed by such privatization tasks and call for the intervention of external state-builders. Other newly emerged power holders try instead to solve the problems internally, making use of their comparative power advantages (winner takes all) at war's end. Consequently, international expertise and involvement is eventually required in order to move forward with economic reconstruction and recovery.

2.2 While it is increasingly self-evident that a police officer from an external nation-builder will train the newly created police force of the failed state, or that the external PNSB military would train the post-conflict society's new armed forces personnel, the active involvement of the donor country's private business or transnational companies in kick-starting the collapsed economy remains the exception. Therefore, the external PNSB government experts (civil servants; commissioned NGOs) have to shoulder this task as well – although they are not really professionally qualified to develop private business. They are also, and rightly so, reluctant to do so, as 'doing business' in principle is not a bureaucratic matter, but rather something to do with entrepreneurship, risk and profit maximization.

Consequently, the external state-builders still tend to concentrate on the provision of security (fully aware of the vicious circle of security and development) and the creation of a legal and institutional regulatory framework for both state fiscal action and private business. The entrepreneurial tasks are mostly left to the failed state's government and the country's remaining businessmen (and women!) who are given some external experts, advisors and instructors as support. Systematically seen, this should not necessarily be a bad solution – at least in this

⁹ In Bosnia and Herzegovina, attempts at an entity-based privatization (separate privatization of state and defense properties in the Republica Srpska and in the Federation for BiH) have also compelled the international community to declare its tasks resulting from the Dayton Peace Agreement as not yet accomplished.

crucial reconstruction sector the post-conflict society would command some relevant ownership.

2.3 The fact that both the international private sectors and the post-conflict society's Diasporas have not (yet) become the major driving force of economic reconstruction, transformation and growth remains deplorable however. The main reason for this deficiency seems to be that international private business does not primarily feel committed to the public welfare of dysfunctional and weak states and societies, but, logically, to profit making. Apart from some international risk-aware gamblers and speculators mostly interested in large intransparent deals with the new power holders concerning former state owned companies or natural resources (key industries and services such as telecommunications, banking, construction/cement production; steel; aluminum; and extraction industries such as oil; gas; minerals), decent private business tends to wait for a more secure and legally reliable investment environment although they should know that courageous investments in the early years after the end of a civil war or breakdown of a state will pay off large dividends in the long run. Getting engaged in post-conflict societies as the 'first mover'¹⁰ is not only about risk – it is also about opportunities.¹¹

2.4 Nevertheless, international state-builders have not given up completely when it comes to at least the 'Corporate Social Responsibility' of private business.¹² Within the framework of the UN 'Global Compact', initiated in 1999, an increasing number of private companies from major donor countries or transnational companies have become engaged in the stabilization and economic transformation of weak or post-conflict states. Germany, for example, has been among

¹⁰ See Engert, Stefan: Ein neuer Track? Zivile Konfliktbearbeitung durch Wirtschaftsunternehmen. In: Weller, Christoph (Ed.): Zivile Konfliktbearbeitung. Aktuelle Forschungsergebnisse. Essen 2007 (INEF-Report 85), p. 56.

¹¹ See Moira Feil's report about the joint German-British Wilton Park Conference WP848 'Investing in peace: Spurring private involvement in post-conflict peace-building. Wilton Park 2007, p. 2.

¹² See the respective debate at the UN Security Council, Meeting 4943, 15.05.2004 (Press Release SC/8058).

those countries politically and financially supporting this process.¹³ Public Private Partnerships (PPPs) have become one of the major instruments of this cooperation model. They help to overcome the high risk aversion on the undecided private sector's side just by reducing such risks through government guarantees.

Also other joint governmental-private business approaches, such as the various Codices of Conduct, 'Compacts' (e.g. for Afghanistan, London 2006), 'Stability Pacts' (e.g. for South Eastern Europe, Cologne 1999) or, more concretely, the 'Extractive Industries Transparency Initiative'¹⁴ (among others supported by the German and U.S. governments) have proven to be helpful in supporting the creation of a new economy.

Still, as the German Government concluded in its 2008 crisis prevention and management report¹⁵, the involvement of the private business sector remains difficult and a rather long-lasting endeavor.

¹³ See Auswärtiges Amt: Krisenprävention, pp. 72-73.

¹⁴ www.eitransparency.org

¹⁵ Auswärtiges Amt: Krisenprävention, p. 73.

3. Economic reconstruction on the ground: Central lessons learned from Bosnia, Kosovo and Afghanistan

3.1 On the ground of reconstruction reality, however, things look differently – be it in the Western Balkans or in Afghanistan:

Table 2: What usually goes wrong

- Post-conflict society governments tend to be both pre-occupied and distracted by inner security and power questions – the business and labour market situations are given a relatively low priority;
- The well-being of the country’s overall population is not necessarily of primary concern to the new leaders: in particular the victorious forces within the new governments tend to claim a “natural right” to have a share in the distribution of the country’s assets and natural resources;
- The tolerance of or even the active involvement in corruption of the post-conflict society’s officials discourages both national and international investors and business people from investing in the economy of this formerly failed state. Where a symbiosis between parts of the new government/freedom forces/liberation forces and parts of the organized crime network exists, sound economic development faces a tough challenge;
- In cases of ethnically deeply divided societies (in particular in those with “winners and losers” among ethnic groups) also in the economic field, colliding rather than cooperative development strategies can be observed (Federation vs. Republika Srpska in Bosnia and Herzegovina; war-profiteers/warlords/drug barons against central government in Afghanistan!);
- In cases where the conflict produced a high number of freedom fighters and war veterans, their political representatives and “comrades” within the new political institutions tend to reserve economically and fiscally unreasonably high portions of the budget for this group’s social well-being, often making extensive use of ‘red tape’, etc.

3.2 The unchanged poor economic situation in Bosnia-Herzegovina, Kosovo and Afghanistan, despite considerable financial transfers from their respective diasporas, is due not only to war-related destruction of enterprises, agriculture and infrastructure, but also to their communist-

socialist heritage. Enterprises and industries which were only viable under the protection of their communist-socialist umbrellas, mostly vanished – physically destroyed or rendered unprofitable, with the end of the armed conflict. This, however, did not automatically solve the related property rights questions regarding the remaining land, buildings and equipment. The reintroduction of these assets into the economic cycle has required lengthy and legally painful privatization processes – frequently intransparent and unaudited, often misused and instrumentalized for political purposes.¹⁶

3.3. It has also been frequently observed that the newly emerged political cliques and even more so individual strongmen have managed to control certain state assets for party-political or private profit. Corruption in the public sphere (including, e.g., in the education, energy, and health sectors) and misappropriation of public funds (including valuable commodities¹⁷) have been identified as one of the most central obstacles to economic reconstruction and recovery.¹⁸ In some places, privatization has become the synonym for the personal enrichment of the new ruling class. Among other things, this has prevented countless potential foreign investors from becoming economically engaged. Without external assistance, if not intervention, in most cases these societies are unable to establish effective accountability¹⁹ and to at least reduce the system of corruption. All the more reason that external PNSB should insist on the establishment of anti-corruption legislation and instruments, providing, for example, with the help of Transparency International, the necessary expertise and funds. Of course, this goes

¹⁶ See above, fn. 8.

¹⁷ Minerals, but also timber over-exploitation as seen in Afghanistan's Nuristan province and in northern Bosnia. The worldwide unique lapis lazuli deposits in the Afghan Hindukush e.g. have been brutally robbed by warlords. The control over fresh water (agricultural irrigation; hydro-electric power generation) has also increasingly become attractive for bribery.

¹⁸ See in this context the annually updated Transparency International Global Corruption Barometer (last version: December 2007), www.transparency.org.

¹⁹ see, among others, Collier, Paul: Post-conflict economic policy. In: Call, Charles T. (Ed.): Building states to build peace. London 2008, p. 109.

hand in hand with the establishment of an overall system of effective rule of law and strict accountability.

3.4 When in the public sectors of post-conflict societies and failed states corruption and misappropriation are widespread, there is also often a strong connection between the political power holders and typical forms of organized crime.²⁰ This deters external investment even more. In cases where the international community is in control, anti-organized crime units should be established, manned with international investigation and prosecution experts.²¹

3.5 Conclusion: The international community of “the capable and willing” has to recognize that both the establishment of the rule of law, accountability and transparency and the fight against corruption and organized crime are indispensable preconditions for all other strategies to stabilize, reconstruct and transform a post-conflict society, including “democratization” and sustainable economic revitalization.

²⁰ Narcotics trade; women trafficking; cigarette and gasoline smuggling, etc.

Interestingly enough, the major global heroin route links all three post-conflict societies that we are focusing on – from Afghanistan to BiH.

²¹ As has been done in BiH – much too late though, in 2007, by the OHR.

4. Instruments and resources for external economic reconstruction: Lessons-learned for best practices

4.1 There is no “one concept fits all”-approach to sustainable economic recovery in post-conflict societies. The cases tend to be too different. Take the three societies that we have been mainly focusing on, for example Afghanistan, Bosnia-Herzegovina and Kosovo. Already in terms of geographical size and number of inhabitants they differ significantly,²² but even more so, when it comes to the per capita donor aid.²³ That is why fiscal-economic problem solving policies in post-conflict societies need to be tailored to the circumstances.

However, the analysis of a wide set of post-conflict economic reconstruction cases has identified some recurring factors which are certainly relevant to all of them:

Table 3: How to get the most out of the external reconstruction aid Euro or Dollar?

- cut the humanitarian aid phase (beginning in the end period of the conflict) short in favor of an earlier beginning of the reconstruction phase
- the modernization or transformation phase should already be initiated during the reconstruction phase
- offer favorable conditions for direct foreign investment
- establish one-stop shops for potential foreign and diaspora investors

²² Afghanistan: 647,500 km²/ca. 31,9 Mio.; BiH: 51,129 km²/ca.3,98 Mio.; Kosovo: 10,887 km²/ca. 2,1 Mio.

²³ The respective figures vary dramatically – mostly depending on the donors’ deliberately intransparent, incomplete or even manipulated aid figures, which, in some cases, comprise the costs of their peacekeeping troops, in some cases not. Only the order between the three when it comes to the magnitude of international funds received is undisputed: BiH first, then Kosovo, and finally Afghanistan (with clearly less per capita aid than the former two). For further details see the respective RAND nation-building studies, in particular Dobbins, James, et al. (Eds.): America’s role in nation-building: From Germany to Iraq. Santa Monica 2003.

- convince the international donor community to direct their financial support directly into a central, internationally administered trust fund²⁴
- convince the international donor community to avoid reconstruction ‘beauty contests’ and to double spending, rather than duplicating reconstruction work
- establish a committee of nationals and internationals to approve and oversee all NGOs involved and their projects²⁵
- convince the international donor community to follow the established ‘do no harm’ principles²⁶
- put an end to the situation of lawlessness and arbitrariness in the fields of property, fiscal and commercial law
- reduce/eliminate ‘red tape’
- reduce/eliminate corruption and misappropriation with external help
- fight organized crime in particular there where it has become intertwined with politics
- become aligned with a renowned external business consultant firm
- convince the diaspora entrepreneurs to become involved as key trend setters: an important psychological factor for foreign private business

²⁴ as tested successfully for example in Afghanistan with the LOTFA (Law and order Trust Fund, administered for the international donor community by UNDP)

²⁵ More or less from the beginning of its engagement in Bosnia and Herzegovina’s post-war era, the humanitarian aid and reconstruction assistance oriented NGO community has developed into a global “NGO industry”. Most of these organizations are ethically-politically responsible and professional, in particular those with worldwide standing and organization. However, over the years, and with the increasing number of violent conflicts, a growing number of less principled NGOs have developed, who are interested in attracting donor funds for mere profit purposes. This situation needs attention – and, if necessary, resolute action both from the side of the countries concerned and the international donor community, thereby ensuring that scarce resources are optimally used and that the reputation of all NGO’s do not suffer in the process.

²⁶ See Collaborative Learning Projects (CDA): Do no harm. Cambridge, MA. (www.cdainc.com).

4.2 The allocation of the international donor community's funds has increasingly become a thorn in the eye of post-conflict society's governments. While individual donor countries, unlike, as a rule, international organizations, tend to distribute their aid funds to projects they politically endorse (and which they believe to be endorsed by their citizens and parliaments at home), the governments concerned prefer that those highly welcomed and needed funds be integrated into their regular budgeting process – without any earmarking of such external funds for specific tasks and projects. More and more post-conflict society governments claim to be the only authority that should decide in the end how the money is spent within the framework of its expenditure policies. External donors, however, not only resent such demands because they fear that their individual political (and economic!) interests will not be met, but part of their reluctance to deposit these considerable aid funds directly into the failed society's national budget stems from their concerns about corrupt authorities following intransparent, partisan policies – not an unrealistic fear in many cases.

In particular the Karzai government in Afghanistan has criticized the international community's standpoint from the very beginning, supported by some scholars and practitioners.²⁷ Looking at the deplorable “beauty-contests” and even “rival projects” initiated by individual external donors, which resulted, in many cases, in double spending and thus the unacceptable waste of scarce PNSB resources, one can at least understand his point. At the very least, there must be a much better agreed and coordinated expenditure strategy among donors and between the post-conflict society and the donor community from the very beginning.²⁸ The middle course could be trust funds administered

²⁷ See above all Carnahan, Michael/Lockhart, Clare: Peacebuilding and public finance. In: Call, Charles T. (Ed.): Building states to build peace. Boulder/London 2008, pp. 82-94 (see specifically figure 4.3, p. 93).

²⁸ I have made the proposal to establish a ‘Joint Transatlantic Nation-Building Taskforce’, where major external donors (U.S., Germany, UK, Canada, the Nordic countries, the EU, etc.) could, among others, also coordinate their respective reconstruction efforts. See Schmunk, Michael: Afghanistan: Elements of a transatlantic nation-building strategy. In: Daalder, Ivo/Gnesotto, Nicole/Gordon/Philip (Eds.): Crescent of crisis. U.S.-European strategy for the greater Middle East. Washington, D.C./Paris 2006, pp. 170-174; Schmunk, Michael: ‘A Joint Transatlantic Nation-

by international trustees such as, for example the UNDP.²⁹ An oversight committee for ongoing monitoring and disbursement of NGO project funds should be another matter of course.

4.3 The three most important conditions for successful, sustainable economic reconstruction in post-conflict societies are the establishment of the general rule of law, including specific monetary, fiscal, commercial and trade legislation; a transparent privatization policy; and the rehabilitation/modernization of the overall infrastructure.³⁰ Next in line are, of course, the creation of job opportunities³¹ and livelihoods. As mentioned above, most of this has to be state-led, meaning that the post-conflict society's government has to adopt the respective agendas, programs and budgets, ideally in close cooperation with international finance institutions and the donor community. Where trusteeships³² or a similar involvement of the international community has been established, these institutions should be involved as well – at least as

Building Task-Force. In: Schmidt, Peter (Ed.): A hybrid relationship. Transatlantic security cooperation beyond NATO. Frankfurt a.M. 2008, pp. 265-274.

²⁹ A good example is the Afghan 'Law and Order Trust Fund' (LOTFA), which helps to finance the salaries of Afghan police.

³⁰ Roads, railroads, airports, harbors, energy and in particular electricity supply; telecommunication, educational and health facilities, etc. Both, in Afghanistan and in the Western Balkans, two actually natural infrastructural tasks, road building and electric power supply, have proven to be surprisingly complicated, time consuming and corruption troubled. BiH, Kosovo und Afghanistan from the end of violent conflicts onwards have been characterized by the never ending sound of individual generators or the pungent smell of brown coal. The political-economic importance of the so-called ring-road in Afghanistan and the absence of internationally relevant and linked freeways and fast railroads in Bosnia-Herzegovina and Kosovo have been drastic examples in this context.

³¹ It is particularly important to engage /employ the high number of generally unskilled young men who throughout their life have never known anything else but fighting. Rightly so, the 'R'-part of 'DDR', the reintegration of former combatants, has become a major task both for the domestic and external state-builders. Paul Collier estimates "that if the proportion of young men in the population is doubled the risk of civil war is increased from 4.7% to 31%". In: Collier, Paul: Post-conflict recovery: How should policies be distinctive? Discussion Paper. Oxford 2007, p. 4.

³² As in Kosovo (at least until independence) and BiH (OHR).

neutral brokers or supervisory authorities.³³ Understandably, when confronted by the daunting tasks of reconstruction, domestic governments ask for international support. This is where the international financial institutions³⁴, the EU, UNDP and individual donor nations regularly come in. The German government, for instance, has been concentrating its economic reconstruction aid in post-conflict-societies in the fields of drinking water and electric energy supply. Other areas for German support have traditionally become, depending on the society concerned: the dispatching of high ranking financial and economic experts directly to the respective governments as financial and economic capacity-builders; the provision of legal experts to help reform the legal-commercial framework,³⁵ and help with environmental problems and tourism. Beyond that, to reiterate what has been said above, individual donor nations in particular, tend to perform a wide variety of financial and economic tasks through their partly state-run or non-government organizations – perhaps always with the best intentions³⁶, but not always coordinated among donors and agreed with the national reconstruction and development plan.

4.4 In the end, of course, it remains for the local entrepreneurs and business men/women to make the economy flourish. Financial stability, confidence in the currency and economic growth cannot happen by government or trusteeship decree. Confidence of the potential international investment community in the calculable perspective of the new post-conflict state is as much a part of this as is the general image of the country and the psychologically important avant-garde role of the more prosperous Diaspora.

Being embedded into the overall stabilization, reconstruction, transformation and reform process, economic prosperity in a post-

³³ In BiH, for example, the OHR also had to become the driving force in order to assure that the necessary legislation or reforms would be adopted.

³⁴ Kosovo presents here a special case because of its still limited sovereignty.

³⁵ For example to draft commercial law statute books or to establish a land register.

³⁶ Some of this aid has, of course, been linked to certain conditionalities and red lines – this is in particular true for international financial institutions and multinational organizations such as the UNDP or EU.

conflict society remains a dependent variable in the overall success or failure story. We have, hopefully, demonstrated that there will be no security, stability and overall successful and sustainable transformation of a failed society if the economy, being at the heart of it all, runs the risk of repeated failure because it does not get the support it needs to contribute to prosperity. The dysfunctionality of post-conflict societies needs a functioning economy in order to heal itself. In a post-conflict society, economic development remains the “inseparable brother” of security and vice versa.

Bibliography

Auswärtiges Amt: Beyond Cold Peace: Strategies for economic reconstruction and post-conflict management. Conference report. Federal Foreign Office, Edition Diplomatie. Berlin 2004 (www.auswaertiges-amt.de).

Auswärtiges Amt: Krisenprävention als gemeinsame Aufgabe. 2. Bericht der Bundesregierung über die Umsetzung des Aktionsplans 'Zivile Krisenprävention, Konfliktlösung und Friedenskonsolidierung'. Federal Foreign Office. Berlin 2008 (www.auswaertiges-amt.de).

Beisheim, Marianne/Liese, Andrea/Ulbert, Cornelia: Governance durch Public Private Partnerships in schwachen Staaten – Beispiele aus den Bereichen Wasserversorgung, Ernährung und Gesundheit. In: Beisheim, Marianne/Schuppert, Gunnar Folke (Ed.): Staatszerfall und Governance. Baden-Baden 2007, pp. 326-345.

Carnahan, Michael/Durch, William/Gilmore, Scott: Economic impact of peacekeeping. Final Report for the UN DPKO Best Practices Section (PBPS). New York, NY. 2006.

Carnahan, Michael/Lockhart, Clare: Peacebuilding and public finance. In: Call, Charles T. (with Vanessa Wyeth) (Ed.): Building states to build peace. Boulder/London 2008, pp. 73-102.

Chauvet, Lisa/Collier, Paul: What are the preconditions for turnarounds in failing states? Discussion Paper, Oxford 2007.

Collier, Paul/Hoeffler, Anke/Söderbom, Mans: Post-conflict risks. Discussion Paper, Oxford 2006.

Collier, Paul: Economic causes of civil conflict and their implications for policy. In: Crocker, Chester/Hampson, Fen Osler/Aall, Pamela (Eds.): Leashing the dogs of war. Conflict management in a divided world. Washington, D.C. 2007, pp. 197-218.

Collier, Paul: Post-conflict recovery: How should policies be distinctive? Discussion Paper, Oxford 2007.

Collier, Paul: The bottom billion. Why the poorest countries are failing and what can be done about it. New York 2007.

Collier, Paul: Postconflict economic policy. In: Call, Charles T. (with Vanessa Wyeth) (Ed.): Building states to build peace. Boulder/London 2008, pp. 103-117.

Department of the Army: Field Manual No. 3-07: Stability Operations. Washington, D.C. 2008 (http://downloads.army.mil/docs/fm_3-07.pdf).

Dobbins, James, et al. (Eds.): America's role in nation-building: From Germany to Iraq. RAND. Santa Monica 2003.

Dobbins, James, et al. (Eds.): The UN's role in nation-building: From Congo to Iraq. RAND. Santa Monica 2005.

Dobbins, James/Jones, Seth G./Crane, Keith/DeGrasse, Beth Cole: The beginner's guide to nation-building. RAND, Santa Monica 2007, pp. 161-188.

Doyle, Michael W./Sambanis, Nicholas: Making war and building peace. United Nations peace operations. Princeton/Oxford 2006.

George S. Dunlop: Economic empowerment tasks for stability operations. In: Kaufmann, Greg (Ed.): Stability operations and state-building: Continuities and contingencies. Strategic Studies Institute, U.S. Army War College, Carlisle, PA 2008, pp. 180-213.

Eberly, Don: The rise of global civil society. Building communities and nations from bottom up. New York/London 2008.

Engert, Stefan: Ein neuer Track? Zivile Konfliktbearbeitung durch Wirtschaftsunternehmen. In: Weller, Christoph (Ed.): Zivile Konfliktbearbeitung. Aktuelle Forschungsergebnisse. Essen 2007 (INEF-Report 85), pp. 52-60.

Feil, Moira: Investing in peace: Spurring private involvement in post-conflict peace-building. Report on Wilton Park conference WP848/15th Forum Global Issues. Wilton Park 2007 (www.wiltonpark.org.uk).

Feil, Moira/Fischer, Susann/Haidvogel, Andreas/Zimmer, Melanie: Bad guys, good guys, or something in between? Corporate governance contributions in zones of violent conflict. Peace Research Institute Frankfurt, PRIF Reports No.84. Frankfurt am Main 2008.

Fritz, Verena/Rocha Menochal, Alina: Understanding state-building from a political economy perspective. An analytical and conceptual paper on processes, embedded tensions and lessons for international engagement. Overseas Development Institute. ODI Report for DFIDs Effective and Fragile States Teams. London September 2007.

Ghani, Ashraf/Lockhart, Clare: Fixing failed states. A framework for rebuilding a fractured world. Oxford/New York 2008.

Hippler, Jochen: Afghanistan: Kurskorrektur oder Rückzug? Die politischen Folgen aus der Gewalteskalation. Stiftung Entwicklung und Frieden, Policy Paper 29. Bonn September 2008.

Lieser, Jürgen/Padberg, Andrea/Runge, Peter/Schmitz, Peter: Linking relief, rehabilitation and development. VENRO-Working Paper No.17. Bonn 2006.

Mashatt, Merriam/Polk, Bob: Domestic agencies in reconstruction and stabilization: The '4th D'. USIP Peace Briefing, Washington, DC June 2008.

Mendelson-Forman, Johanna/Mashatt, Merriam: Employment generation and economic development in stabilization and reconstruction operations. USIP Stabilization and Reconstruction Series 6/2007. Washington, DC 2007.

OECD: Concepts and dilemmas of state building in fragile situations. From fragility to resilience. OECD/DAC Discussion Paper. Paris 2008.

Office of the High Representative (OHR): Declarations and Statements of the Peace and Implementation Council. Sarajevo, [www.ohr.int/International Community in BiH/PIC/Declarations and Communiqués](http://www.ohr.int/International%20Community%20in%20BiH/PIC/Declarations%20and%20Communiqués).

Pam, Jeremiah S.: The Treasury approach to state-building and institution-strengthening assistance. Experience in Iraq and broader implications. USIP Special Report 216, Washington, DC October 2008.

Rashid, Ahmed: Descent into chaos. How the war against Islamic extremism is being lost in Pakistan, Afghanistan and Central Asia. London/New York 2008.

- Sachs, Jeffrey D.: *Common Wealth. Economics for a crowded planet.* London 2008.
- Sambanis, Nicholas: Using case studies to expand economic models of civil war. In: *Perspectives on Politics* 2004/2, pp. 259-279.
- Schmunk, Michael: Afghanistan: Elements of a transatlantic nation-building strategy. In: Daalder, Ivo/Gnesotto, Nicole/Gordon, Philip (Eds.): *Crescent of crisis. U.S.-European strategy for the Greater Middle East.* Brookings Institution/European Institute for Security Studies. Washington, D.C./Paris 2006, pp. 163-181.
- Schmunk, Michael: A Joint Transatlantic Nation-Building Task-Force. In: Schmidt, Peter (Ed.): *A hybrid relationship. Transatlantic security cooperation beyond NATO.* Internationale Sicherheit, vol. 7. Frankfurt a.M. 2008, pp. 265-274.
- Suhrke, Astri: Reconstruction as modernization: The 'post-conflict' project in Afghanistan. In: *Third World Quarterly*, 7/2007, pp. 1291-1308.
- United States Institute for Peace (USIP): *Peacebuilding Toolkit. Framework for success: Fragile States and societies emerging from conflict.* Washington, DC 2007 (www.usip.org).
- UN Secretary General: Security Council discusses the role of business in conflict prevention, peacekeeping, post-conflict peace-building. UN Press Release SC/8058, New York, NY 15.04.2004.
- UNDP: *Post-conflict economic recovery. Enabling local ingenuity.* UNDP Bureau for Crisis Prevention and Recovery. New York, NY 2008.
- Vielhaber, Burkhard/Becker, Sabine: *Die Rolle der deutschen Privatwirtschaft in Konflikt- und Post-Konfliktsituationen – ausgesuchte Beispiele.* Bonn/Berlin, GTZ, 2005 (www.gtz.de).