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## The Rules of Reconstruction

*by Graciana del Castillo*

Lebanon's reconstruction, so painstakingly carried out in the 1990's, is now at risk of being undone. But Lebanon is not alone in that respect: according to the UN and several independent studies, countries in transition from war to peace face roughly a 50% chance of sliding back into warfare. Indeed, in East Timor, Iraq, Afghanistan, Kosovo, and many other countries, the transition to peace seems to be failing.

Likewise, there is unfinished business in many other countries undergoing reconstruction. The Democratic Republic of Congo (DRC), for example, just held its first elections in 40 years. The stability of the Great Lakes region of Africa, perhaps that continent's most violent area, will depend on the success of its transition and reconstruction.

When wars end, countries confront a multi-pronged transition. Violence must give way to security for inhabitants; lawlessness and political exclusion must give way to the rule of law and participatory government; ethnic, religious, or class/caste polarization must give way to national reconciliation; and ruined war economies must be transformed into functioning market economies that enable ordinary people to support themselves.

These multiple tasks make economic reconstruction fundamentally different from "development as usual." To succeed, the transition to peace requires demobilization, disarmament and reintegration of former combatants, as well as reconstruction and rehabilitation of services and infrastructure.

To meet these goals, the objective of peace should prevail over that of development if the two come into conflict. Often, optimal economic policies and best practices are not attainable – or even desirable. This also means that peace-related programs should get priority in budget allocations.

Of course, the legitimacy of the government or other policymaking body will determine what is possible in economic policymaking. A weak interim national government – or a United Nations or foreign occupying administration – should not attempt to implement policies such as privatizing national resources when doing so might incite political resistance.

Indeed, early privatization is likely to be destructive in its own terms, because property rights will remain in question for some time. Thus, a new yardstick is needed to measure success. Projects must be judged by whether they contribute to peace and reconciliation, rather than on purely economic grounds.

Effective demobilization and reconciliation in El Salvador, for example, ensured the consolidation of peace after that country's brutal civil war of the 1980's. Elsewhere, however, disregarding the primacy of politics in a transition to peace has had tragic consequences.

The failure to demobilize and reconcile factions in Lebanon, where Hezbollah remained armed despite its transformation into a political party, meant that belligerency was always bubbling below the surface. Likewise, the collapse of peace processes in Angola and Haiti and the various setbacks in Cambodia and Nicaragua during the 1990's reflect a failure to demobilize and integrate.

On the surface, the UN seems ideally placed to lead reconstruction efforts because, unlike development

institutions like the World Bank, it can integrate the political and economic objectives that are equal parts of a transition to peace. Yet, time and again, the UN has shown itself to be incompetent in this role. In Kosovo, for example, the transformation of the Kosovo Liberation Army into a civilian peace force has caused great insecurity over the years, which the UN administration might ultimately regret if the resolution of the province's final status does not lead to independence.

Treating the transition to peace as "development as usual" has, moreover, led to new violence in East Timor, a country that the UN once trumpeted as a success story. The commercial exploitation of rich oil and gas reserves in the Timor Gap could have facilitated reconstruction and created jobs for the 30% of the labor force that is unemployed. Instead, with the strong approval of the IMF, East Timor created a Norwegian-style "petroleum fund" to save the money for a rainy day. But in East Timor, that rainy day is now.

Iraq provides numerous examples of the dangers created by misplaced priorities. Early efforts to privatize Iraq's oil industry proved disastrous, confirming for many Iraqis that the occupying Americans were determined to "steal" the country's wealth and thus fanning the flames of violent resistance. Indeed, privatization was all the more bizarre as a policy choice because it was doomed in advance: investors clearly would not be attracted to buy assets where property rights might change once a legitimate Iraqi government took over – a huge impediment to investment in Kosovo as well.

But the United States has not learned its lesson. On the verge of civil war, Iraq just announced a restructuring of its foreign debt. Rather than improving services and living conditions in areas where it could have helped consolidate peace, the government, at America's behest, will allocate hundreds of millions of dollars to pay investment banks, accounting firms, and legal advisors who assist with that refinancing.

Any transition to peace may well prove ephemeral unless policymakers make political reconciliation and integration – not optimal economic policies – the bedrock priority. Despite its failures, the UN is probably still the best-placed organization to oversee such efforts. But the complexity of the tasks that post-conflict countries face underscores the urgent challenge of providing the UN with the capacity to meet them.

***Graciana del Castillo, a Director of the Centennial Group, is writing a book entitled *The Political Economy of Peace: Lessons, Best Practices, and Policy Guidelines for Post-Conflict Economic Reconstruction.****

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