

Economic Policymaking Premises in the Aftermath of Crises

UNU-WIDER Conference on
“Responding to Crises”

Helsinki, September 23-24, 2016

Dr Graciana del Castillo

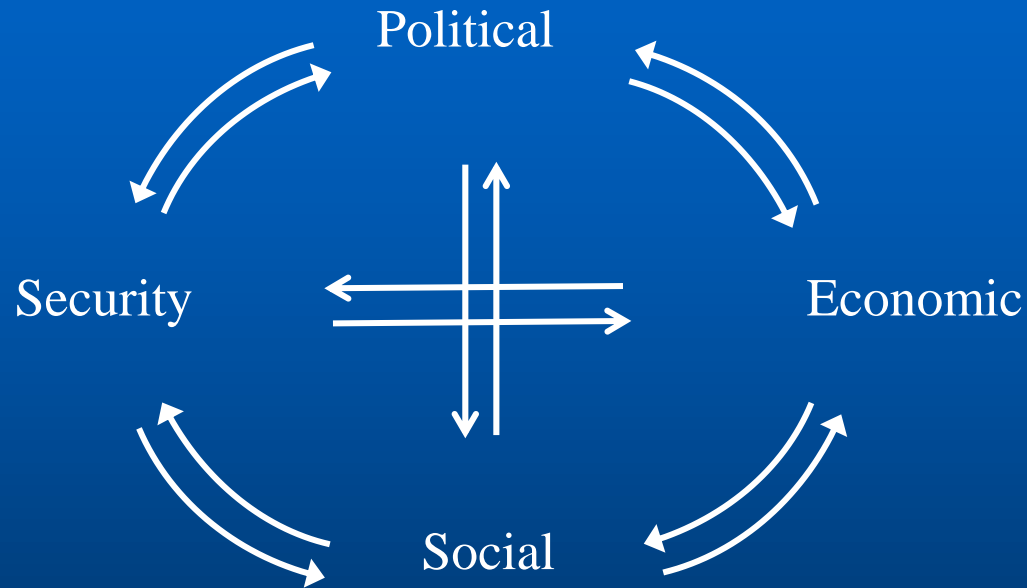
Ralph Bunche Institute for
International Studies, Graduate
Center, CUNY

Table 1: Transition From War to Peace

Transition:	From:	To:
Security	Violence and insecurity	<ul style="list-style-type: none"> • Improving public security • Creating or improving security institutions (civilian police + army)
Political	Lawlessness and political exclusion	<ul style="list-style-type: none"> • Developing a participatory and inclusive government • Promoting respect for the rule of law and for human, property, and gender rights
Social [National reconciliation]	Sectarian/ethnic, religious, ideological or class confrontation	<ul style="list-style-type: none"> • Promoting national reconciliation to reintegrate war-affected groups into society and rebuilding the social fabric of the communities after civil war or other • Developing an institutional framework to address differences through peaceful ways
Economic [Economic Reconstruction, Economics of Peace, Political Economy of Peace]	Ruined and underground war economies, state-controlled policies and large macroeconomic imbalances	<ul style="list-style-type: none"> • Establishing basic macro/micro framework • Rehabilitating infrastructure and services • Creating a viable economic environment for rural development and entrepreneurship • Eradicating illicit activities (drugs/corruption)

Source: del Castillo, G., *Obstacles to Peacebuilding* (London: Routledge, 2017)

REVERSE CAUSALITY



PREMISE 1: Economic reconstruction is not development as usual

Political (peace) > Economic (development)

First-best (optimal) economic policies not possible/desirable

**PREMISE 2: Policymaking
during crises is distinctly
different from normal
development**

Table 2: Economic Policymaking

In Countries in Normal Development	In Countries in Post-Conflict or Other Crises
Medium and long-term framework	Requires (distortionary) emergency programs
Low and stable foreign assistance	Sharp spikes in foreign assistance
Application of the “development principle”	Application of the “reconstruction principle”
Government establishes rule of law	Foreign troops and police support rule of law
Political involvement of international community considered interference	Intensive and often intrusive political involvement

PREMISE 3: Economic policies and institutions must be simple, transparent, flexible, sequenced, and realistic

Avoid corruption, inefficiency, foreign consultants

Reflect legitimacy and financial resources

Flexibility necessary to deal with aid delays ⁷

PREMISE 4: The private sector must be effectively engaged in the peace process

Economic expertise needs in peace negotiations

Private sector key actor in economic reconstruction

PREMISE 5: The impact of aid must be maximized through effective, integrated, sequenced, and non-corrupt practices

Spikes in aid: minimize corruption

Channel aid through budget

Do not conflate Hum Aid/Rec Aid

Move from aid to FDI

PREMISE 6: Peace processes must contemplate a fair use of natural resources

Compensation to losers from
peace agreements to avoid
“spoilers”

**PREMISE 7: Rapid
growth is not enough;
growth must be
inclusive, dynamic, and
sustainable**

Level-playing field for large majority
From subsistence to higher productivity
Production sustainable once aid withers

PREMISE 8: Create an appropriate yardstick to measure success

Policies and projects must be judged qualitatively by whether they contribute or not to peacebuilding, rather than on purely economic/financial criteria.