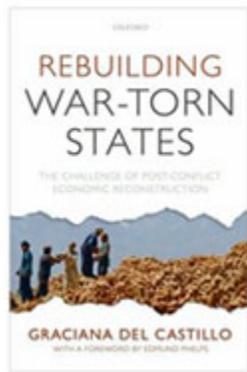




## Rebuilding War-Torn States: The Challenge of Post-Conflict Economic Reconstruction

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June 17, 2010



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### Introduction

**JOANNE MYERS:** Good afternoon. I am Joanne Myers, director of Public Affairs Programs, and on behalf of the Carnegie Council I want to thank you all for joining us today.

Our speaker is Graciana del Castillo. Graciana is a senior research scholar at Columbia University. She will be discussing her book, [Rebuilding War-Torn States: The Challenge of Post-Conflict Economic Reconstruction](#).

The recent conflicts in Afghanistan and Iraq have made us more aware about the many difficulties that countries face in the aftermath of war. It is not easy to install a functioning government, and economic development that is vital for its stability is fraught with challenges. Experience has taught us that what is needed to rebuild one war-torn country does not necessarily apply to another.

Practitioners now understand that a few basic preconditions need to be in place and are required before a country can put itself back together. For example, as Graciana points out, violence must give way to security; the population needs to have a say in government; and, most importantly, reconstruction in war-torn countries must aim towards a commercial society, one in which the population can earn a decent living. All this indicates the need for a multi-pronged, multi-faceted approach to reconstruction, which hasn't always been the case.

*Rebuilding War-Torn States* is an instructive book for those who are policymakers, academics, and students in the field, as well as those who are interested in political economy in peacetime. It is based not only on Graciana's vast experience as a practitioner, but information she has gathered as a meticulous researcher.

In case studies from countries that have experienced recent conflict, such as El Salvador, Kosovo, Afghanistan, and Iraq, along with countries which are currently struggling to rebuild themselves, she has identified the key components to what works and what does not.

She writes that:

"Effective economic reconstruction if properly done can send a number of positive signals in conflict-affected environments. For instance, the resumption of investment can foster

confidence and create a constituency for peace, just as the creation of jobs signals a return to normalcy.

Postwar environments, if not managed properly, can spawn new dangers while threatening the stability of entire regions. In the aftermath of war, if peace is to be maintained, economic development advanced, lives saved, and transnational threats averted, the United States and the international community will have to develop a strategy that will enhance the capacity for post-conflict reconstruction."

While a reading of Graciana's book will tell us why orthodox approaches to rebuilding post-conflict countries have not succeeded in the past, the alternatives she suggests, if put into practice, seem to indicate that future endeavors will succeed.

Please join me in welcoming our guest today, Graciana del Castillo. Thank you for joining us.

## Remarks

**GRACIANA DEL CASTILLO:** I am delighted to be at the Council.

This is a very complex topic to discuss in 30 minutes, so I am just going to give you a taste of it.

I am going to start talking about how dismal and expensive the record has been. Fifty percent of the countries that start the transition from war to peace, some kind of peace, go back to war. The other 50 percent end up highly aid-dependent. So it is not a sustainable model.

When you look at countries, for instance, coming out of war in the early 1990s, like Rwanda or Mozambique, 15 and 18 years after they are still dependent on flows of aid, representing between 20 and 25 percent of GDP. So it is not a sustainable situation.

There was a lot of criticism about UN operations in the early 1990s in Kosovo, later in East Timor, and so forth. But U.S.-led operations in Afghanistan and Iraq have not done any better.

So why do we worry about these countries? These countries have not only political repercussions, but human and financial consequences.

First of all, they have a disproportionate political weight. My economist friends don't care about Afghanistan because it only represents 0.02 percent of the world economy. But it is the country at the top of the policy agenda in this country and elsewhere and it's one of the main topics in the international peace and security agenda. So these countries have a disproportionate political weight.

The other factor is that over a billion people live in conflict and post-conflict countries. Everybody knows about how much the stimulus program is and how much the [TARP](#) [Troubled Asset Relief Program] has been, the banking rescue program in this country. Very few people know that the wars in Afghanistan and in Iraq have cost \$1.1 trillion since they started.

Eight hundred and thirty billion dollars has been allocated to Afghanistan alone. Of that, about 94 percent has been allocated to the Department of Defense. The rest has been aid, and aid therefore has been about \$20 billion. From the money allocated to the Department of Defense, about \$30 billion went to finance the creation of the civilian police and the modernization of the army. Nothing much has happened in that area with all this money. So it is a big problem.

When we look at how much is spent, we should not look at the United States only, because in addition to all that we have the major peacekeeping operation in Afghanistan. We have all the UN nations and the international financial institutions involved, and hundreds of NGOs.

So we are making big investments in these countries and the results are very poor. We have to think: What is wrong with them?

One of the things is that taxpayers in this country and in other donor countries are wondering: "What are we doing with these type of operations?"

After the serious financial crisis that we have gone through, we have jobless growth not only in the United States but in most G8 countries and we have fiscal and debt situations that are unsustainable. This year we had a fiscal deficit of \$1.5 trillion and debt that has reached 100 percent of GDP, something like \$14 trillion. So it's unsustainable. And then we think how much we need for development and how much we need for the environment and so on.

So we have to think that we have to improve the way we deal with countries in the transition from war, because if these countries become failed states we know they are going to have an impact on terrorism, drugs, pirates, and environmental degradation.

Let me now focus on what are the main issues and policymaking challenges.

First of all, these countries have gone through what I call a multi-pronged transition. It's a political, economic, security, and a social transition all at the same time.

The political transition in a country like Afghanistan is a move from a repressive theocracy to some kind of participatory government in which you have respect for the rule of law, for human rights, and so forth. This has proved very difficult.

It is normal that the political transition is going to be difficult, particularly because you have the security problem.

The security problem in a country like Afghanistan, or any other country in this transition is that first of all, they don't have security forces, so they have to make a big effort to create a civilian police and to improve the army. These things are very challenging.

Another thing that is very important is the social transition. The social transition means that most of the countries coming out of war after the Cold War were countries coming from internal conflicts. So you had to put together people, going back to villages.

For example, people that were involved in genocide and were involved in fighting each other, they have to go back to the same villages and live with each other. So national reconciliation is a very important part of this multi-pronged transition.

In terms of the economy, usually these countries are ruined economies. But also they have all kinds of microeconomic imbalances. Most importantly, war economies are usually illegal economies. So you have to move. In the transition to peace you have to eliminate some of these illegal activities that are very difficult to eliminate because there are great interests involved.

The economic transition is what I call economic reconstruction. The way I envisage this is that you cannot move from war directly into normal development. There is something in between. That is what I call reconstruction.

Why is it that reconstruction is so different from normal development? This is one of the things I have been arguing since the early 1990s, and now it is increasingly recognized.

It is very interesting that after the financial crisis—I think it is even more true than it was before—that policymaking under normal development is totally different from policymaking in countries coming out of crisis. Why?

First of all, because if it is an emergency, you might have to take measures that you know are distortionary, but you have to deal with the emergency. Look at what happened after the financial crisis. You had the central bank, the Federal Reserve, the Bank of England, and the European Central Bank doing things that we would have never thought they would do. I never thought I was going to live to see the [federal government rescuing the car industry](#), for example.

In these situations you cannot plan with the medium and long-term horizon that you do under normal development or under business as usual. Here you have to do what you have to do. You know that this might create a problem in the future, but that's how you deal with the emergency.

The other thing is that under normal development you treat everybody with the same need in the same way. But in these situations you know that there are groups that have been very involved in the war, and you have to do something about them, and reintegrate them into the productive economy and into society, because otherwise you know that they are going to go back to war.

The other issue is that during normal development you have flows of aid that are 3 to 5 percent of GDP. When you have these countries in the transition to peace you have spikes in aid—in the case of Rwanda aid increased to 100 percent of GDP—and then it is going to drop very drastically soon after. So you have to utilize that aid effectively and you have to try to avoid corruption, which is very difficult to do because of the tremendous inflows of aid.

The other things that are very different have to do with the fact that there is political interference. Of course, if foreigners are financing 100 percent of your GDP, you might well expect political interference. At the same time, many countries have to deal with foreign forces, which is difficult to deal with.

As Joanne said, I have been directly involved in a number of operations. But I have also studied others. I have identified a number of premises that are either associated with success or with failure.

One of them is that this is not development as usual. In fact, it's a development-plus challenge. Why?

Because these countries coming out of war in the post-Cold War period—yes, they are indeed at a very low level of development, so development is a big challenge. But in addition they have to deal with the issue of national reconciliation, which I mentioned earlier, and the issue of reconstruction, because they are ruined economies coming out of war. So it is a much more serious challenge than development as usual.

The second issue is that if you have a conflict which normally arises between the political and peace objective, and the economic or development objective, you have to opt for the political and peace objective, because if you go back to war you won't have development anyway. This has proved very difficult.

To give you an example, in El Salvador, after negotiating a peace agreement for a long time, eventually what happened is that because the [land program](#), which is something that was negotiated as part of the agreement, did not start for former combatants, the former combatants stopped demobilization and they almost went back to war. So this is the conflict, and the conflict had to do with lack of financing to start.

The conflict was between the IMF-sponsored stabilization program and the UN-sponsored peace process. These are the conflicts that you face in these situations.

The third premise has to do with the fact that if the authorities or the government do not have enough legitimacy, they shouldn't try to do things that you know are going to create problems—for instance, privatization. So if the government doesn't have legitimacy, they shouldn't attempt to change the whole framework of the country, legal or institutional framework, and even more if it is an occupying country or the United Nations.

The United Nations was involved in East Timor and Kosovo, where it was the United Nations taking executive and legislative measures. So this is a very important thing, and it has been associated with conflict in many cases.

The other thing that I argue—and my friends in the development agencies don't like it very much—is that I think that because this is a political process it should be the United Nations or another political institution, the European Union or whatever, making the key decisions. Why? Because the government organizations have the expertise. So they have to play a major role.

But they have a mandate to collaborate with governments. Because of that mandate, the other part usually in these situations is you are dealing with the government, but you are also dealing with groups that usually were insurgents or guerrilla groups. So in the peace agreement, if they are both signatories of the agreement, you have to deal with them in the same way. Development institutions find that very difficult because of their mandate.

So the first premise has to do with the need for a simple and flexible mandate. Here I would like to mention the mandate in the framework in Afghanistan. The IMF and the World Bank were involved in designing the macroeconomic framework in Afghanistan, and they designed that framework like a developed country, which doesn't make sense at all for a country at the level and with the competencies that Afghanistan has.

Let me explain what I mean by that. For instance, the Central Bank of Afghanistan has more independence than the Central Bank of Brazil. They have in the constitution "no overdraft," which means that the government cannot print money if they need to in case there is a conflict between the peace objective and the economic objective.

This kind of framework, first of all, leads to corruption, because it's too complex for the capabilities and expertise in the civil service. Second, it's not adequate to deal with the crises that occur in this process.

Finally, because the political objective should prevail, what happens is that you cannot expect best economic policies. Therefore, you have to have a different yardstick to judge whether these situations were a success or not.

Let me just mention very quickly what is at stake in these situations—in Afghanistan, for instance, or in Haiti.

Let me start with Afghanistan. Basically, Afghanistan was a main ally of the United States during the Cold War and the fight with the Soviets. When the Soviets left, the United States left. What happened was then 9/11 came and the United States had to go back to Afghanistan. This was a problem. The Afghans felt they were abandoned by the United States. Now they are back.

The situation is now that there are six or seven nuclear powers involved in Afghanistan. If the United States left—as I heard last night in Washington, [many people are arguing the United States should leave Afghanistan](#)—then you are going to have a major regional destabilization problem. You are going to have a problem in Pakistan, you might even have a problem in India, and so forth. So there is a lot at stake in what the international community is doing or is not doing in these countries. The same is true of Haiti.

What is the main problem in my view? The main problem, the way I see it now, is that aid is totally in disarray. Aid is ineffective. Many donor countries argue that they want to channel aid outside the government budget because the governments are corrupt.

I argue that in the case of Afghanistan the only place in which there is no corruption is in the government budget, because the main channel through the government budget is in a trust fund administered with the best practices of the World Bank. So that's not where the corruption is.

The corruption is, first, because the warlords control some of the provinces at the border so they collect Customs revenue. That's a source of corruption. The other source of corruption is very much related to the drug economy. The third big source of corruption has to do with all this money running around in the country and the civil servants and other officials that are making \$50, \$100, \$200 a month and they take bribes. So that's another source of corruption.

But it's not through the government budget. I think it is important to understand why we are doing this. The fact that donors are channeling all this money outside the government budget leads to a fragmented approach.

So in most countries—in Afghanistan, but also in Haiti—people don't know what donors are doing, because you have the Spaniards doing something here, you have UNDP [United Nations Development Programme] doing work somewhere else, and there is no integration. Even the governments don't know what the international community is doing in these countries. This is a really big problem.

The other big problem is that it is very easy for donors to give humanitarian aid but not to give reconstruction aid. What's the difference?

The difference is that humanitarian aid is food aid. Food aid makes farmers in these countries very happy because they produce the food, their prices go up and all that. But when you give these countries food it distorts prices, it takes the incentive away from producing, from creating food security. This is a big problem. And the same applies in other areas.

So reconstruction aid has been very small, and reconstruction aid is necessary to lead to investment. If you don't have investment, then you are not going to have dynamic growth.

The growth that these countries have is directly related to the large volume of aid and directly related to the presence of the international community in these countries. That increases prices and rents, and creates all kinds of distortions, the most important being that they take the best people away from the government. So that is a major problem.

I want to say that I feel we are beyond the point of analysis. I think all analysis, if you look at the amount of—I don't even have space for the number of reports on Afghanistan. Everybody knows what is wrong.

The issue is: how do we move into action? I think that's the big challenge.

How are we going to create employment? We as the international community have been totally a big failure in creating jobs in these countries.

The other issue that I think we have to focus on is to make aid more effective.

Thank you.

**JOANNE MYERS:** Thank you very much.

## Questions and Answers

**QUESTION:** Thank you for a wonderful, brilliant presentation. Very interesting.

One question on the analysis you mentioned. Have there been any studies on what the impact might be of reallocating—you mentioned how much money is invested in Afghanistan in the military versus real aid—and what would be the consequences of redirecting significant funds—not 4 percent, but 10-20

percent—and the externalities that that could have on the reconstruction process?

**GRACIANA DEL CASTILLO:** That's a very good question. I wish I could be more enthusiastic in saying that there is any hope that the United States would move from a strategy of peace through military to a strategy of peace through reconstruction.

Unfortunately, I have been invited to discuss these issues with people in the State and Defense departments and I don't see it coming. First of all, in part, because they have focused on an area that is very insecure, so it is very difficult to do development there. But I don't see that they have started doing development in other areas in which there can be development, and there are very interesting experiences there.

I wish they would do it. I can't figure out why, but my impression is that they and other donors are going to continue with a very fragmented approach. For instance, the State Department now has invited people from the Department of Agriculture.

But what I think should be done is each country should have a matrix. In the matrix they should put on one axis what needs to be done in terms of infrastructure, job creation, business climate that you need to create to be able to have investment, in terms of attracting different actors, and so forth. On the other one you should have the donors.

Then allocate and say, "Well, such-and-such donor is going to do the dam here that we need, because if we don't have the dam it doesn't matter how many agricultural experts we have, we are not going to have production." These things have to be very well integrated.

I am even more discouraged by Haiti. I have been talking to the [IDB](#) [the Inter-American Development Bank], which has increased—last year they gave Haiti \$100 million in loans. This year they have \$200 million in grants and they have committed themselves to \$200 million a year for ten years. They do not know what they are doing.

Unless you have this matrix, you are going to have a problem. Look in Afghanistan. President [Bush](#) liked to say how many kilometers they had built of roads and how many schools. This year they had 1.3 million graduates and they don't have jobs. So these people are either going to join the insurgency or leave the country. Both things are very bad.

You cannot just build schools or build roads, because the roads might be used to transport drugs.. So you have to have an integrated strategy. If you are going to focus on agriculture, you have to make sure that you have the irrigation, the roads to take the things to market, and the storage because otherwise the price is going to be very low when you take all your products at the same time. This is the way it should be done and it is not being done.

**QUESTION:** There was a point that you made which finds an echo in what [Clare Lockhart](#) [and [Ashraf Ghani](#)] said in the book *Fixing Failed States*, which is the issue of corruption and the link between that and the poor salaries that public servants receive. What in your opinion would be the optimal way of giving higher salaries to public servants in Afghanistan and sustaining it? That is the first question.

The second question has to do with the issue of legitimacy that you mentioned in the middle part of your presentation. As you may remember, [Paul Collier](#) said that one of the ways for the international community to support post-conflict countries is, to use his phrase, to infringe on their sovereignty so as to bring stability. I would wonder what your response would be to that.

Thank you.

**GRACIANA DEL CASTILLO:** You might not like my response, but I will try.

With regard to the issue of high salaries to Afghans, higher salaries by themselves are not the solution. When I worked in Venezuela, [Chavez](#) doubled the salaries of teachers. That was very nice because teachers were getting miserable salaries. But that is not going to necessarily improve education.

Here it is the same. It would be good to have higher salaries. Maybe that would be a discouragement to bribes on every occasion. So it would be very nice. But can the government afford it?

Let me tell you the situation with the government. For the first five years, the government of Afghanistan got 5 percent of GDP in revenue and, being aid, 75 percent was channeled outside the government. So I don't think it's possible for them to increase salaries very much. So that's the first question.

Even if you increase salaries, is that going to decrease corruption? I don't think so.

I find it very amusing when I read in the papers all the time that [Karzai](#) should get rid of corruption. But it has been the United States who supported these warlords, first to fight the Soviets, then to fight the Taliban. So these warlords that control some of the provinces at the border are very strong.

There is not much I think that Karzai can do about that. Those are the ones that collect the Customs revenue. That's the main source of revenue for governments. So there is not much that can be done unless you get these people on board and they start being willing to share the revenue with the government.

People all over the world don't like to pay taxes unless they see there is something in return. Here people pay very high taxes, but they send their kids to public schools, they go to public hospitals, and so forth. People would start, and maybe the warlords would start, sharing if they thought that they would get something in return. I think for me that's the challenge.

The challenge is for the government and the international community that supports the government to show that they can make a difference in these places.

The other issue is of legitimacy—of course I am a democrat and I like elections. But elections can be a real problem now in Haiti. Of course we want to have elections. I can't imagine anybody saying we shouldn't have elections. But the issue is that elections are going to be very disruptive and they are going to be a distraction from a reconstruction program that really is off-track. You have to deal with these things.

How can governments get legitimacy? Only if they provide basic services and basic infrastructure. It is really important that governments do that.

If donors channel all the money outside and they do whatever they want—in Afghanistan, in Haiti, in all these countries, people are used to the ones who give them the services being NGOs. So it is really difficult for a government to get legitimacy under those conditions.

**QUESTION:** I certainly agree with you that we've got a lot of analysis on this subject all saying the same thing. One of the standard raps, as you laid out, is this coordination issue. But I think there's a much stronger argument that several people have made, which is it really isn't a coordination issue; it's the fact that there are real disagreements as to what exactly we should be doing with this money, regardless of how much there is.

I'm not clear from what you've said about where you think these funds should be directed and who should in fact control them, given that we are, as you say, talking about a burst of money over a five-year period and you know it's going to drop off the edge.

**GRACIANA DEL CASTILLO:** Are you talking about aid specifically or about the whole big question?

**QUESTIONER:** I think there's the whole question of whether we know what the hell we're doing in terms of trying to—

**GRACIANA DEL CASTILLO:** I fully agree with you. I was at a working dinner last night on the issue of Afghanistan. I was amazed by the polarization among people. People are saying we should get out tomorrow, we should be there forever, and anything in between. So I think you are absolutely right, that these situations have become so polarized. But what to do about that I'm not sure.

With respect to the aid itself, I don't think the problem is how to utilize it. I think each one of the donors wants to recruit their own contractors, people, and firms. That's a problem. It's all tied aid. That's a very serious problem and it's not easy to deal with it.

For instance, when I was in Kosovo, the European Union, which was the main donor, did not allow for the purchase of domestic wood and things like that, which would have facilitated the construction of houses. Seventy-five percent of the houses had been destroyed and they couldn't buy local inputs to fix the houses. They had to bring everything down one road from [Skopje](#), all trucks coming from Skopje with things from the European Union. That is a serious problem.

But I think [**inaudible**] so much in these countries that eventually they have to do something about it.

**QUESTION:** I wanted to come back to the issue of legitimacy. I come from a peacekeeping operation myself. I know this daunting problem of trying to help a country build its legitimacy and credibility, and if you don't do that for them, then it collapses when you leave.

This is a major problem linked to the one that you described with aid, which creates a parallel structure on the ground, and the peacekeeping operation does the same sometimes, because they have the capacity and the government doesn't have it.

So how do you see breaking the vicious circle between the amount of time, which is short, for some of these people to help—like a peacekeeping operation for instance—and getting some results, at the same time really making sure that the government is engaged and whatever we do is helping them to build that capacity? Because yes, we could stay in Afghanistan for years, and then when we leave it collapses again. So what's the point? We have learned those lessons.

But then the question of corruption comes also. You were talking about the World Bank having some kind of financial oversight over a central fund and so on. But how can we have a concerted strategy on this so that on one hand you don't have some of the NGOs or some of the financial institutions having this money go to the government and then others which do it themselves?

There is a total cacophony at the end and this doesn't work. For me this is really the essence of helping a country. We've got to help them to help themselves. If you do it for them, then it doesn't work.

**GRACIANA DEL CASTILLO:** You are absolutely right. It is probably the most difficult challenge.

I think the international community has failed, first of all, in believing that you can build institutions in these countries and that then things will get accomplished. You cannot do that. You don't have the time to wait to build institutions. You have to start doing things with the institutions you have and expect that in the process institutions will be built.

I think that's a mistake that the World Bank has done, and I think they are revising it. This year they are having their [World Development Report](#). They are looking at the issue of conflict. I think this is going to be a major factor.

Before we thought "Oh, we have to build the institutions and then we will get things done." I think that was a big mistake in the past.

The other issue is that governments have to restrict the number of NGOs. There are a lot of people that are in Haiti now creating all kinds of problems.

I was talking the other day to somebody who was telling me that if you want to rent a van in Haiti it was \$800 for the day, because you have all these crazy NGOs running all over the country and creating all kinds of distortions, because all these people need a place to sleep, eat, and to have some fun.

We have to revise that. It doesn't make any sense. It's ruining the countries. Afghanistan is still one of the poorest countries. After nine years of involvement of the international community, it's one of the poorest countries. If you look at the [Human Development Index](#), it is ranked 181st out of 182 countries. We should be ashamed of that after all the involvement of the international community. We have to really have a dramatic change in the way we operate in these countries.

On the issue of corruption that you mentioned, it's a chicken-and-egg problem. If you channel the money through these trust funds, you know that there is not going to be corruption. But at the same time the disbursement, because of all the accountability and transparency, is so slow that that creates other problems.

In fact, I was yesterday at the World Bank discussing this issue with regard to Afghanistan, because that's the problem, that even the 25 percent that is channeled through the trust fund and the government budget is very difficult to disburse.

**QUESTION:** I'm curious. It was very interesting to hear your analysis. But one thing I was curious to maybe have you elaborate on a little bit is this issue of who should be the lead actors in undertaking this reconstruction responsibility in the volatile window basically between conflict and post-conflict.

In Afghanistan you mentioned the European Commission and the UN as good actors. But in Afghanistan you have a UN mission, the [UNAMA](#) [United Nations Assistance Mission in Afghanistan] mission, that is actually a political mission to prop up the government. And at the same time, like you mentioned, we have this issue of reintegration and basically making peace with the other side of the conflict, the Taliban.

To do those things at the same time, supporting a government while making peace between the government and another actor, do you see it as the UN having taken on a role it shouldn't take on, or is it just the specific context where development actors who are bound by the impartiality clause basically have a role in fact?

**GRACIANA DEL CASTILLO:** Obviously, UNDP and the World Bank and the other development organizations have the technical expertise to deal with the economic issues. So definitely they should play a critical role.

What I am saying is that if you have to decide between the peace objective and the development objective, the peace objective should prevail. That is a decision that only the UN or somebody at the political level can make.

Let me give you an example, going to donors' meetings, for instance. UNDP is going to go and they are going to ask for their development projects. But there are some peace-related projects that are very difficult to finance.

We have had problems like that. You go to a consultative group meeting. UNDP knows everybody there. Sometimes they even helped organize the meeting. So of course it's much easier for them to finance these projects.

But there are other projects which are key in terms of national reconciliation, in terms of building up the security forces and so forth, that are much more difficult to finance. So it has to be the UN, somebody at

the political level, that makes the decision "These are important projects and we should find financing for them."

I can give you several examples, but in El Salvador and many other places this was often a problem. For instance, the financing of the land program, which was one of the key programs in the [Chapultepec Peace Accords](#), was very difficult to finance. It was the UN that had to make the decision that "We need financing for this and we are going to use budgetary support or whatever to finance this program."

**QUESTION:** I just wanted to follow up on the last question about integration. You talked earlier about the difficulties. You have a twin problem of (1) a lack of depth of good talent in the country and (2) the question of loyalty—somebody is loyal until somebody pays a higher price to get the service done from the other side.

What do you do, particularly when you had such a disaster in Iraq in the old days with [Paul Bremer](#), basically de-Baathification, which did not work? Is there an answer to find good, honest people and make it work?

**GRACIANA DEL CASTILLO:** This is a very serious problem, in part because during the war the most educated and more experienced people usually leave the country. So there is a big challenge in trying to get them back. We know how difficult that is. When people make their lives somewhere else, it is very difficult to bring them back. So that's one of the problems.

The other problem is that the NGOs and the UN agencies and everybody else there pay such good salaries in comparison to what the governments pay that it is really attractive for people to get jobs, even as drivers and translators, when they are civil engineers or pediatricians. This is affecting not only the current capacity of the government, but it is affecting future generations.

I think the solution is that the international community as a whole has to make a commitment to bring in as few expatriates as possible, but to bring Afghans back to Afghanistan and Haitians back to Haiti with the right expertise.

I am sorry. I am not trying to sound nasty or anything. But this area has become probably the most attractive area to work on now. All my students are really getting jobs in this area. You can't get a job in the financial sector and there are few places where you get a job nowadays if you finish university. This is a major job-creating industry.

**QUESTION:** You've described very well all the things that are done wrong. Can you give us one case history in the last 20 or 30 years where it was done right?

**GRACIANA DEL CASTILLO:** First of all, I don't say that everything has gone wrong. There are lots of pockets of good experiences and there are lots of things that work in Afghanistan.

For instance, there is a program called the [National Solidarity Program](#). It is an integrated development project. They are channeling through communities and the communities decide on consensus how to use the money and what to do. Unfortunately, it is not enough. But this project has worked very well and more money should be going that way.

There are also lots of NGOs that work very well. For instance, there is one called the [Global Partnership for Afghanistan](#). It's amazing. Just see what they have managed to do. Not only have they managed to reactivate agriculture in several parts of the country, but they have involved women, so they have been working to improve the gender problem in Afghanistan. So there are lots of successful experiences even in a country in which aid in general is working really badly.

But the other question is in which countries has it worked. There are countries like El Salvador in which the implementation of the peace agreements worked very well. Unfortunately, it was in the early 1990s

and the lessons have been kind of forgotten. But that is a country that didn't go back to war and didn't become aid-dependent. If you look at them, they are not dependent at all on aid.

If you look nowadays, you have countries like Rwanda that have a vision. They went through the worst genocide. But they have a vision. They have really made great progress in terms of information technology. They are making very good progress with regard to agriculture. They have specialized in their [coffee](#) now. It is now very well marketed. Coming out of a horrible situation after the genocide, it is a country that has put themselves in a path of normal development. So they are moving ahead.

There are other cases. For instance, Sierra Leone is a country that also went through very difficult times. Now it is trying, but it still finds it very difficult.

The difference between Afghanistan and some of these countries in Africa is that Afghanistan, because of what I mentioned earlier—there are so many nuclear powers involved, they are at the crossroads between Asia and Europe—because of that, there is much more interest. But many countries in Africa find it very difficult to get the international community involved. But much more could be done in every situation.

To give you an example, I worked on DRC [Democratic Republic of Congo] in 2002. At that time they had accomplished a [major stabilization program with the IMF](#). So this is something easy to do. Even in countries coming out of war, they can stabilize the economy. But that is not enough.

In 2002 the GDP per capita was \$85 a month and now it is \$100 a month. But even within the DRC you have a part of the country that is in conflict and you have another part that they could be doing much more in terms of development than what they are doing.

**QUESTION:** Is the basic problem the kind of aid and where it's directed? For example, the money should be given specifically to structural problems—roads, bridges, water supply—and aid to the economy, jobs, should be given directly to the communities. Instead of giving them money, you give to the village head the tools—seeds, tractors, reapers, and things like that.

And in Haiti you are absolutely correct. There are a million NGOs over there. They're throwing all sorts of money at the government, which is absolutely inept. Why don't they simply give them building materials and show them how to build houses so they can create an industry, give them textile machines and show them how to make clothing? That's the kind of thing? Could you comment on that?

**GRACIANA DEL CASTILLO:** Yes, absolutely.

I have been in touch with the people from [Techo Para Mi Pais](#). It's an NGO from Chile. It is the main NGO involved in building houses now in Chile after the earthquake. They are very much involved in Haiti. They involve young professionals. I think that is a very good idea.

What I tell them is instead of bringing these young people—which it's very good for them because they feel good, they do something good—but they should involve the Haitians to do that. So instead of bringing 100 people from abroad, they should bring 20 and involve the Haitians. I hope they move in that direction.

But let me tell you, for instance, what happened in Kosovo. I went to Kosovo. I was the economic policy adviser to [Kouchner](#), who was the administrator of Kosovo right after the bombardment. This was late June. We knew that by September the villages at the top of the mountain would have snow. Seventy-five percent of their roofs had been destroyed. The issue was how to make sure that these people were not going to freeze and could spend the winter. We tried everything.

In fact, there was a fascinating project. There was this company. I forget what—they were Europeans, but they weren't from the European Union. With metals from Kosovo they were producing metal logs and

with that they prefabricated houses. Amazing! Because the European Union would only involve companies from the European Union, we couldn't do that. But that would have solved the problem of emergency housing.

What was done instead, which was very sad, was that they had to bring some kind of kits, which was basically plastic to surround one room in each house so that people could spend the winter in that room. But by the spring they had to throw that away and start rebuilding the houses. So it was tremendously sad.

Let me mention one other thing, I think that's the matrix I have in mind, where you say, "To produce in this area we need to build a dam."

We know that it doesn't matter how many seeds and fertilizer you give these people; if you don't have the dam, you are not going to grow anything there. So you have to have this matrix where you put things together, because giving seeds and fertilizer if you don't have water doesn't help. So that's why I insist that it should be very integrated what you do.

**QUESTION:** I haven't heard you mention the [UN Peacebuilding Commission](#) yet. My understanding is that when it was created some four years ago it was created because there was a consensus that looking back, the international community did not handle these transition periods that you referred to before very well—it usually pulled out too quickly and the efforts that were undertaken during that period were not integrated and coordinated. So my question is: How effective has the Peacebuilding Commission been in your view?

**GRACIANA DEL CASTILLO:** If you look at my book, I was appalled by this new infrastructure because I thought it was adding to all the duplication that already existed. And most importantly, the UN Peacebuilding Commission was not to be involved in current operations that were under the control of the Security Council.

Then what happened was that they started working on Sierra Leone. Sierra Leone was a country that had had, first, two big peacekeeping operations since the end of the conflict, and then they had what they call an integrated operation, with 300 people in the field.

The first thing the Peacebuilding Commission did was to look at Sierra Leone. For that they sent nine people from New York to look for information, which I found appalling. Why did they need to send people from New York to look for information in Sierra Leone when you have 300 UN people in the field? So I thought it was really a waste.

There is another aspect of the Peacebuilding Commission that I think is very useful and the Peacebuilding Commission should focus on that. That is when a country—you know, the problem with the Security Council is that their activities are financed through assessed contributions. Therefore, the [Permanent Five](#) members have a larger assessment than under the regular budget. So they don't want to get involved in development. They just want to in the case of Guatemala or El Salvador or Mozambique and close the peacekeeping operation as soon as possible.

There the Peacebuilding Commission could have a very important role in the transition from the peacekeeping. You can't hold the hand of a child all the time and one day drop him, just leave him alone in the middle of the street. This is what happened in the case of El Salvador and in the case of others.

In a sense it would be very useful for the Peacebuilding Commission to support the country once the peacekeeping operation is closed. So I see a very important role for the Peacebuilding Commission. I don't see any role for the Peacebuilding Commission in countries like Sierra Leone, for example.

**JOANNE MYERS:** I thank you very much for identifying the problem. Let's hope the solutions aren't that far off. Thank you very much.

**GRACIANA DEL CASTILLO:** Thank you so much for the invitation.

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