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Creating Jobs in Africa's Fragile States

Are Value Chains an Answer?

Nora Dudwick and Radhika Srinivasan,
with Jose Cuesta and Dorsati Madani

THE WORLD BANK

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1 2 3 4 16 15 14 13

ISBN (paper): 978-0-8213-9793-0
ISBN (electronic): 978-0-8213-9832-6
DOI: 10.1596/978-0-8213-9793-0

Cover photos: Zongmin Li, Okello Lapar.
Cover design: Naylor Design.

Library of Congress Cataloging-in-Publication Data has been requested.

Contents

Acknowledgments

Preparation of this report was managed by Nora Dudwick and Radhika Srinivasan. Team members Jose Cuesta and Dorsati Madani reviewed multiple drafts and contributed written inputs. Katy Hull, Noorulain Masood, and Shonali Sardesai prepared background notes. The report also draws on a commissioned paper by Karin Ellis and Paul Harvey of the Overseas Development Institute in the United Kingdom. Earlier drafts benefited from comments by Andrew Dabalen, Alastair McKechnie, Grace Morgan, Stephen Ndegwa, Joseph Saba, Emmanuel Skoufias, and Graham Teskey, and from Peggy McInerny's excellent editing. Thanks are due to Jaime Saavedra, Alastair McKechnie, and Christina Malmberg Calvo, and to the Poverty Reduction and Equity Group and Fragile and Conflict-Affected Countries Group for their support, as well as to the World Bank–Netherlands Partnership Program, which, along with the World Bank, funded the preparation of the report.

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Abbreviations

AGI	Adolescent Girls Initiative
AIMS	Assessing the Impacts of Microenterprise Services, USAID
CASA	Conflicted-Affected States in Africa
CDD	community-driven development
CIA	Central Intelligence Agency
CPI	Corruption Perception Index, Transparency International
CPIA	Country Policy and Institutional Assessment, World Bank
DDR	disarmament, demobilization, and reintegration
DDRR	disarmament, demobilization, reinsertion, and reintegration
DFID	Department for International Development, United Kingdom
EPES	emergency public employment services
EU	European Union
FAO	Food and Agriculture Organization
FFW	food for work
FRP	Feeder Roads Program, Mozambique
FWC	fully washed coffee
GDP	gross domestic product
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (German Technical Cooperation)
HDI	Human Development Index, UNDP
HIV	human immunodeficiency virus
IBRD	International Bank for Reconstruction and Development, World Bank Group
IDA	International Development Association, World Bank Group
IDP	internally displaced person
IEG	Independent Evaluation Group
IFC	International Finance Corporation, World Bank Group
ILO	International Labour Organization
IMF	International Monetary Fund
IRC	International Rescue Committee

LCIP	Liberia Community Infrastructure Program
MDRP	Multi-Country Demobilization and Reintegration Program
MEDIC	Medical Emergency and Development International Committee
MFI	microfinance institution
NGO	nongovernmental organization
SDC	Swiss Agency for Development and Cooperation
SME	small and medium enterprise
SOE	state-owned enterprise
SSA	Sub-Saharan Africa
TVET	technical and vocational education and training
UN	United Nations
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WDR	*World Development Report*
WFP	World Food Programme
YRTEP	Youth Reintegration Training and Education for Peace

All dollar amounts are in U.S. dollars unless otherwise indicated.

Overview

Background: Unemployment and Fragility

In no part of the world does the need to generate employment combine more urgently with the need for stability than in Sub-Saharan Africa, home to the world's largest cluster of fragile states. This fragility reflects a history of often brutal colonial rule that imposed foreign institutions on indigenous populations for the purpose of extracting natural resources and tax revenues. Today, many African countries are characterized by weak governments, polarized political systems, undeveloped domestic markets, reliance on one or only a few export commodities, and significant dependence on external sources of funds and legitimacy. Although the number of violent armed conflicts has decreased in the past few decades, many Sub-Saharan African countries remain trapped in a process aptly labelled "development in reverse." (Collier et al 2003)

It is difficult to prove a direct causal link from un- or underemployment to conflict. Yet few African policy makers question the relationship between their ability to support economic opportunity on the one hand, and the maintenance of social and political stability on the other. The large numbers of youth who enter the labor market every year merely compound this challenge. Yet while the challenge is huge, the fact is that Africa possesses considerable natural resource wealth and agricultural potential.

This report builds on recent work by the World Bank (2011), including *The World Development Report 2011: Conflict, Violence, and Security* (henceforth WDR 2011); studies of youth employment in Africa; and work on agribusiness in Africa. The text first reviews World Bank and other donor activities directed at generating employment in fragile and conflict-affected countries, particularly, but not only, those in Sub-Saharan Africa. The concluding section summarizes emerging evidence that shows value chain development, a proactive approach to private sector development, can generate economic opportunity as well as rebuild social cohesion.

Prevailing Approaches to Employment Generation

Most assistance to fragile and conflict-affected states has involved emergency public sector job creation, community-based livelihood support, and training, but there is little evidence such interventions have a sustainable impact. Emergency job creation combines several objectives: restoring infrastructure critical to growth, injecting cash into a community to stimulate private sector activity, and providing skills training to increase people's employability. Most, if not all, of these programs target poor, vulnerable, and war-affected groups. Few such programs, however, have been evaluated sufficiently rigorously to draw firm conclusions about their longer-term impact on employment and incomes. Many interventions have been small in scale and affected relatively small numbers of beneficiaries. And where exclusion and discrimination drive or worsen conflict, targeting will not reduce structural exclusion unless traditional and war-based power relationships are addressed more directly.

In most postconflict countries, assistance includes disarmament, demobilization, reinsertion, and reintegration (DDRR or DDR) programs for ex-combatants to discourage them from rejoining militias. These programs generally combine temporary job creation and training, although employment per se is generally secondary to the primary objectives of reintegrating ex-combatants and reducing the risk of renewed conflict. In part because of their complexity, these programs have at times drawn criticism for inadequate financing, poor administration, corruption, and resentment generated by the targeting of perceived instigators of conflict. Evaluations have pointed out that training and economic opportunities to youth and/or women need to be accompanied by interventions that increase their access to important assets such as land and stronger legal rights. For women, successful interventions must help them enter the cash economy by reducing their domestic burden. Moreover, training programs—although a frequent component of programming in fragile environments—do not always address actual market demand or specific employment opportunities.

Despite some innovative approaches and reported success, community-based interventions often remain at the pilot stage and are not scaled up. Such programs often consist of packages, including local infrastructure rehabilitation, assistance to natural-resource-based activities, capacity building, and support services for local entrepreneurs. Evidence from Indonesia, the Philippines, Thailand, and Timor-Leste, for example, suggests that depending on design, community approaches can be effective in reducing poverty and building community resilience and the capacity to resolve local-level conflicts.

New Thinking Regarding Employment Generation in Fragile Environments

Experience from postconflict countries demonstrates that focusing predominantly on policy reforms rarely increases economic growth or firm productivity (Kleinberg 2008). Attempts to change the business-enabling environment often provoke resistance from vested interests. Even without resistance, however, comprehensive institutional reforms generally take many years to produce an impact. A meaningful argument thus exists for offering more direct support to promising subsectors in order to generate jobs. Such support could entail providing increased access to business support services and finance, restoring damaged relationships by establishing business associations and community groups, or even intervening directly in markets by identifying and supporting specific value chains.

A consensus is emerging among donors that the foundations for restoring the private sector should begin early in the relief-to-development continuum—especially after conflict—rather than waiting for countries to stabilize politically. The first months after a conflict are often critical for setting the tone for rebuilding and reconciliation. During this period, local stakeholders are willing to give peace a chance, and the international community and country have an opportunity to lay the foundation for full recovery. Private sector development in fragile environments can help restore trust and rebuild economic links by promoting dialogue on economic issues and organizing joint economic activities. Developing new enterprises, for example, can provide alternatives to predatory wartime economies. It is important, however, that private sector development avoid strengthening one party to the conflict, or rebuilding inequitable pre-conflict economic structures. Finally, interventions must be designed to respond to market demand.

Agriculture Value Chain Development: An Underexploited Approach for Fragile States

In Sub-Saharan Africa, where 70 percent of the labor force still works in agriculture, agricultural value chains have considerable potential to diversify rural economies and raise incomes. Despite the centrality of agriculture to growth and employment (and food security), this sector has been somewhat shortchanged by governments and donors. World Bank support has been spread thinly across many agricultural activities and has neglected the potential for synergy across subsectors. Nevertheless, a growing number of examples from Africa show that developing value chains soon after the abatement of conflict has the potential to spur economic growth and mitigate conflict. Examples of such value chain projects include those in Rwanda (where economic opportunities linked to coffee processing and export increased dramatically); Northern Uganda (where cotton production and sales expanded despite local insecurity);[1] South Sudan (where shea nut processing and exports benefited impoverished women); and Somalia (where livestock, fisheries, and resin value chain development is underway despite the absence of a recognized state).

Value chain development is feasible even in the absence of well-functioning government institutions and supportive officials and lends itself to a flexible, incremental, and bottom-up approach. The core of value chain development involves strengthening relationships, which are critical in fragile and postconflict environments where trust and social cohesion have been shattered. As they are rebuilt, relationships and networks can provide small and medium actors in a value chain a basis for collective action against predation and rent seeking, as well as greater government responsiveness and accountability. In fragile contexts, there is still a role for governments, but it is a facilitating rather than a leading role.

Conclusions and Recommendations

Donors have an important role to play in nurturing value chains when the private sector is still weak—and this support must be sustained over the long haul. Rebuilding relationships and interfirm links, building capacity, and tackling various constraints and bottlenecks require a consistent commitment of time and resources over many years, which is atypical for most development actors.

The risks of working in fragile and conflict-affected states must be addressed up front. For value chain work, understanding the social and political context is critically important. For example, picking subsectors that were important to the war economy or a source of important rents for particular social groups to the exclusion of others can exacerbate tensions. At the same time, value chains have the potential to restore social capital and provide a basis for collective action to limit rent seeking.

For the World Bank, value chain development will require greater collaboration across units, supported by appropriate staff incentives. The relevant expertise is now dispersed, housed in the International Finance Corporation and the World Bank, across advisory and operational departments, and across sectors within these departments. Closer collaboration among staff working on private sector development, labor markets, social safety nets, the financial sector, agriculture, infrastructure, and macroeconomic policy would capture potential synergies. Consolidation of units in the World Bank's new Global Center on Conflict, Security, and Development, located in Nairobi, would further develop the integrated approach urged here.

By examining the impact of their own policies and preferences for dealing with national authorities, donors could better encourage regional integration within Sub-Saharan Africa. Integration can be approached incrementally by removing trade barriers, simplifying customs procedures, and coordinating investments to improve regional transport and communication links. These measures would reduce transaction costs and widen regional markets.

Note

1. Rwanda and Uganda are no longer considered fragile states, but are important to this discussion. For Rwanda, the restoration of the country's coffee industry began only a few years after the conflict, while implementation of a cotton value chain project in Northern Uganda began when the region was still in conflict.

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CHAPTER 1

Introduction

What is the relationship between employment and conflict in fragile states? Although this question cannot be definitively answered, a large body of research suggests that in countries emerging from conflict, peace is likelier to endure if growth can be rapidly restored and translated into economic opportunities for large segments of the population. But if it is difficult to expand economic opportunities in developing countries, it is particularly daunting in poorly governed, chronically underdeveloped, and conflict-prone environments.

Objectives of the Report

With a focus on Sub-Saharan Africa, this report attempts to address the challenge of employment and conflict in fragile states. First, it reviews employment-creation activities in fragile and conflict-affected environments to see which approaches appear most promising. Second, it presents specific recommendations for an employment-generation strategy over the medium term.

The term “employment” in this document is used broadly to encompass both salaried jobs (whether in the public or private sector) and self-employment. The authors do not make a distinction between “formal” and “informal sector” activities, a dichotomy that is not particularly meaningful in most developing countries. While the report draws on examples of interventions from many regions, it focuses on Sub-Saharan Africa, which is home to the world’s largest concentration of fragile states.

This survey of current practice confirms that there is no silver bullet for quickly establishing decent employment in fragile countries. Thus far, public sector–led interventions and reforms of the enabling environment have rarely translated into sustainable employment or kick-started private sector development; meanwhile, bottom-up livelihood support has generally remained small-scale and fragmented. But emerging work on private sector development in fragile, conflict-affected environments suggests that more direct intervention in market and value chain development may hold promise.

The report argues that in Sub-Saharan Africa, where almost three-quarters of the labor force still works in agriculture, agricultural value chains may have the greatest potential to diversify rural economies, raise household incomes, and thereby contribute to stability. Despite the obvious centrality of agriculture in Africa, until recently attention has been somewhat lacking among governments and donors, including the World Bank (IEG 2007). Yet a growing number of examples from Africa illuminate both the economic and conflict-mitigating potential of value chain development. Examples of value chain projects that were initiated in fragile countries in Africa include those in Rwanda (where economic opportunities linked to coffee processing and exports increased dramatically); Northern Uganda (where cotton production and sales expanded despite local insecurity); South Sudan (where shea nut processing and exports benefited impoverished women), and Somalia (where livestock, fisheries, and resin value chain development is underway despite the absence of a recognized state).[1]

Value chains have particular relevance for fragile and conflict-affected countries because they lend themselves to a flexible, incremental, and opportunistic approach, rather than depending on well-functioning government institutions or systemic reforms. The core of value chain development involves strengthening relationships—a critical task in fragile and postconflict environments, where trust and social cohesion have been shattered. As they are rebuilt, these relationships and networks can provide small and medium actors in a value chain the basis for collective action against predation and rent seeking, as well as support of greater government responsiveness and accountability. In fragile contexts, there is still a role for governments, but it is a facilitating rather than a leading role.

The argument made by this report is developed as follows: the remainder of this chapter briefly defines fragility and summarizes current thinking about its relationship to economic development. It then concludes with a brief discussion of the historical roots of fragility in Sub-Saharan Africa and the implications of this trajectory for the region's current and future development.

The second chapter reviews prevailing approaches to employment in fragile and conflict-affected environments. The interventions based on these approaches have a strong safety net component. They largely comprise direct job creation (in the form of temporary public works programs) and support to vulnerable households and communities (in the form of local infrastructure rehabilitation and livelihood assistance). Another frequent intervention includes skills training, occasionally as a stand-alone project, but more often as a component of other projects. Most of these projects target specific beneficiaries, whether poor individuals; households and/or communities; or members of "at-risk" groups, such as ex-combatants, youth, and women.

The third chapter examines current and emerging practice directed at restoring private sector activity. It briefly reviews the World Bank's approach to private sector development in four postconflict countries and then introduces new arguments for earlier and bolder efforts to restore economies and generate employment. These efforts, ranging from the provision of finance and business services to value chain development, offer examples of successful (and less successful) interventions in fragile environments. Chapter 3 concludes with recommendations for building on this emerging practice.

What Is Fragility?

Fragile states constitute a subgroup of the world's poorest and most challenging countries. Despite their many differences, what they share is the incapacity and/or the political will to fulfill basic state functions.

A Working Definition

Organizations vary in the criteria that they use to define fragility,[2] but there is general consensus that fragile states lack the capacity and/or the political will to fulfill basic state functions. These states are often characterized by chronic humanitarian crises, persistent social tensions, violence, or the legacy of previous civil wars (Fritz and Rocha Menocal 2007; OECD 2007). World Development Report (WDR) 2011 (World Bank 2011b) argues that weak institutions are the hallmark of fragile states; it is their weakness or even absence that allows the typical stresses and strains of political life to escalate out of control. The economies of many fragile states have been damaged by years of economic deterioration or conflict, and there may be high levels of violence and risks of renewed conflict. But war is not the only cause of fragility. Fragility also characterizes some chronically poor countries that have never developed strong state or market institutions.

Of the countries defined as "fragile or conflict-affected" by the World Bank, none has achieved a single Millennium Development Goal. Their citizens are twice as likely to be undernourished and three times less likely to send their children to school as those in more stable developing countries (World Bank 2011b). Conflict-affected countries are likelier to suffer a higher incidence of forced labor; theft and destruction of crops and livestock; the spread of infectious diseases; and the emergence of new vulnerable groups, such as war veterans, wounded and traumatized civilians, child combatants, displaced persons, and orphans. The impact of fragility and conflict is rarely confined within the borders of a single state. Collier (2007) argues that assuming three neighbors, the total cost of a civil war to the neighbors—which he estimates at $60 billion—about equals the cost to the country itself.

Links between Economic Development, Exclusion, and Fragility

The drivers of fragility and conflict are multiple; they cannot be reduced to poor governance, poverty, or inequality. These characteristics are not so much the cause, but often "the consequence of the political and power structures that contribute to patterns of exclusion, discrimination, and patrimonialism at multiple levels and state capture by elites" (OECD 2011, 37). Horizontal inequalities—inequalities between groups with shared identities, whether they revolve around religion, ethnicity, race, or location—are frequently implicated in conflict, according to Frances Stewart. When a particular social group is systematically excluded from political, economic, and/or social life, members' shared identity can become a powerful mobilizing tool, which can call forth a level of group sacrifice that goes beyond the economic self-interest emphasized by economists such as Collier. For Sub-Saharan Africa, Stewart argues that horizontal inequalities, such as inequitable access to political participation, land, decent employment, and public services, were implicated in the conflicts that ravaged Burundi, Mozambique, Rwanda, and Northern Uganda (Stewart 2001, 2005a, 2005b).

A recent survey of six countries and territories afflicted by violence (Bøås, Tiltnes, and Flatø 2010) found that citizens gave "injustice," "inequality," "corruption and poverty," and "poor education" about the same importance as drivers of conflict, consistent with arguments that assert exclusion (or lack of fairness) is just as important as economic factors in conflict. Along similar lines, Collier argues that retarded economic development, sustained by poor and corrupt governance, is at the root of most conflict. And once conflict occurs, it is likelier to re-occur. Significant correlates of risk include primary commodity dependence (which alone raises conflict risk from one half of one percent to 26 percent), economic decline, and fast population growth, together with low levels of secondary education (Collier 2006).

Postconflict economic performance apparently significantly affects the likelihood that postconflict countries will maintain peace. Collier's data shows that in the first decade after peace, a stagnant economy gives a country a 42.1 percent risk of relapse, while a 10 percent growth rate reduces the risk to 26.9 percent. The implications are obvious: "International post-conflict efforts should be concentrated disproportionately in the poorest countries and should focus heavily upon economic recovery" (Collier, Hoeffler, and Söderbom 2006, 10). Likewise, Ghani and Iyer (2010) use conflict data plotted against gross domestic product (GDP) per capita to argue that states are more likely to avoid conflict by raising welfare than by deploying police.

But what exactly is the link between economic growth and the risk of conflict? Collier (2007) thinks that employment is probably the mechanism by which growth reduces risk. Consistent with his emphasis that conflict more often results from opportunity than political grievance, he considers employment particularly relevant to unskilled young men who might otherwise be recruited into militias. In their study of Liberia, Sierra Leone, and Côte d'Ivoire, Richards and Chauveau argue that while impoverished "hyper-mobile" youth—dislocated from their rural environments but unable to integrate into urban environments—don't *cause* conflict, their availability for recruitment when they can't find alternative sources of income helps fuel insurgencies. Therefore, "[c]utting off the supply of recruits to militia factions by providing more suitable employment opportunities attractive to these young people would contribute to peace and stability …" (Richards and Chauveau 2007, 7).

Yet even if youth are particularly visible in conflict as combatants, "youth bulges" don't automatically lead to conflict. More compelling arguments attribute conflict to country-specific combinations of severe economic, political, and social exclusion that, in the context of severe shocks or other events (including military incursions from neighboring states), can transform social and political discontent into armed struggle. Cramer (2010), for example, rejects the argument that unemployment per se leads to conflict, proposing instead that conflict is likelier to emerge from a combination of factors, such as abusive labor market conditions and pervasive exclusion. In Liberia, where youth have been identified as a significant important conflict risk factor, Richards (2010) argues that it is not age, but the fact that elders have excluded young men from access to land and economic opportunities—and, consequently, to wives—that is the true conflict risk factor. For this reason, Richards considers youth more of a class than an age group.

If exclusion is, in fact, a major driver of conflict, one reason that growth may correlate with diminished conflict is simply that it creates a bigger pie for everyone, even when it doesn't reduce inequalities. Conflict in Mozambique, for example, was significantly shaped by deep regional and ethnic disparities. Although postconflict policies have not significantly addressed these disparities, rapid growth and falling poverty have blunted them (and external support for the conflict also disappeared) (Stewart 2005a). On the other hand, high growth rates and falling poverty did not prevent the recent explosions throughout the Middle East—these appear to have been driven as much by outrage at unfair, corrupt, and unaccountable governments as by unemployment, although high youth unemployment is indeed a contentious issue.

Given the complexity of the factors that drive conflict and the extent to which exclusion and inequality are linked to stubbornly entrenched allocations of power, it is clear that growth and employment without fundamental institutional change are unlikely to break the vicious cycle of conflict. But to the extent that economic opportunities address prevailing patterns of exclusion, they can be at least part of the solution. Indeed, a growing body of experience suggests that more direct and bolder interventions in rebuilding and diversifying the private sector of countries at risk should not only increase employment opportunities, but also contribute, at least incrementally, to peace building.[3]

Expanding economic and employment opportunities in a way that is inclusive and induces opposing groups to cooperate in the pursuit of shared economic interests can help restore trust, rebuild shattered relationships, and create new ones around shared practical goals. Likewise, as economic activities diversify and expand, they often catalyze grassroots institutions, such as local business associations and producer cooperatives. Particularly with donor support, such associations can develop the capacity to push for needed reforms, greater inclusion of excluded areas or groups, and greater government accountability.

In no part of the world does the need to prevent conflict combine more urgently with the need to create economic opportunities than Sub-Saharan Africa. This report draws on experiences from around the world to identify certain lessons that may be applicable globally. The primary focus, however, is on Sub-Saharan Africa, with the intention to link the analysis and conclusions to the specifics of the region's social, economic, and political landscape. The salient aspects of this landscape and what they mean for development efforts are briefly summarized below.

Fragility in Sub-Saharan Africa

Fragility and poverty in Sub-Saharan Africa is in part an outcome of the often brutal colonial imposition of alien rule and institutions on local populations. Today, this hugely diverse region of 47 countries, almost 900 million people, and 1,000 ethnic groups has seven "distinctly different colonial histories" (IEG 2007, 3).

The Historical Legacy

Authors Acemoglu, Johnson, and Robinson (2001) consider that the particular shape of modern Sub-Saharan African institutions (which they link to Africa's poor economic performance) derive from colonial settlement patterns. These authors contrast patterns of colonization in Australia, New Zealand, Canada, and the United States, where abundant land in combination with a low disease burden encouraged colonists to settle in large numbers throughout the territories. These settlers created "Neo-Europes" that replicated European institutions, such as strong property rights and checks on government power. In Sub-Saharan Africa, however, the inhospitable environment caused huge mortality rates among Europeans, primarily from malaria and yellow fever. European colonists therefore preferred to remain in coastal settlements, relying on local leaders to maintain order in the interior. In return for implementing the colonists' policies, these leaders were allowed to use their offices to accumulate wealth.

One legacy of this form of rule is that the governments of fragile postcolonial states lack the capacity, and often the interest, to exercise control outside of their capital cities. Another legacy of indirect rule, through which colonialists often privileged one or another ethnic group, was the increased salience it gave to ethnic and tribal affiliations, resulting in ethnic hierarchies (such as that between the Hutu and the Tutsi) responsible for later conflict (European University Institute 2009).

The colonial powers maintained a largely extractive relationship with the territories that they colonized, structuring state institutions to manage the extraction of natural resources and taxation. To assist in the process, colonial rulers often replaced traditional African centers of power with new coastal capitals. Accra thus replaced Kumasi, the center of Ashanti rule, and Bamako replaced Timbuktu as the capital of Mali. The colonists built railroads to transfer raw materials from the interior to coastal capitals, not to connect domestic settlements with each other. This pattern of infrastructure still characterizes contemporary Sub-Saharan Africa, which has underdeveloped domestic markets and very poor internal road and rail connectivity.

Decolonization, which began in the late 1950s, resulted in a plethora of small states. Many were so small as to be hardly viable, particularly when landlocked. Split along arbitrary borders drawn by colonial rulers, the new states separated ethnic, linguistic, and clan groups. Meanwhile, the elites created by colonial rule continued to benefit from extractive economies and thus had little incentive to indigenize state institutions or promote widespread local development (European University Institute 2009).

The new states were freed from worry about external threats because international organizations guaranteed their national integrity. This guarantee may have paradoxically slowed state development, since historically, external military threats have played a vital role in the development of strong states. Historians argue that, forced to mobilize resources for armies to protect their borders, states had to develop institutions that promoted domestic development. In this way, external threats often helped consolidate a sense of national identity as well. In Sub-Saharan Africa, however, the weak states that emerged from colonial rule were confronted with threats of internal rebellions and coups, as different groups vied for power. Many leaders responded to these internal threats by deliberately weakening rather than strengthening core institutions in order to reduce challenges to their power (European University Institute 2009).

In the decades following independence, these internal divisions and weak institutions provided fertile ground for the numerous wars that were supported politically and financially by the superpowers. Since the end of the Cold War, conflicts have been characterized by enormous violence, the breakdown of governmental authority, and a proliferation of criminal networks. These internal wars have increased poverty and entrenched state failure in a process that Collier aptly labels "development in reverse." Although the number of conflicts has decreased in recent decades, many countries in the region remain caught in a "poverty-conflict trap": the vicious circle whereby conflict impoverishes states, and impoverished states easily succumb to conflict.

Sub-Saharan Africa since Independence

Using growth data for the period 1960–2000 to understand why Sub-Saharan African economies stagnated while the rest of the developing world grew at an annual rate of 3.6 percent, Collier and O'Connell (2008) compared three "opportunity groups" of African countries: resource rich, resource poor and coastal, and resource poor and landlocked. While resource-poor, landlocked countries have experienced the slowest growth, this was not because they were landlocked per se, but rather because their neighbors have not functioned as markets (unlike landlocked Switzerland, for example). As a result, the "most credible growth prospect" for these countries are currently blocked by the region's internal trade and transport barriers.

But while endowments and geography affected growth rates, according to Collier and O'Connell (2008), the most important reasons for growth failure were the poor policy choices taken by weak, dysfunctional, or captured institutions, which the WDR 2011 identifies as root causes of fragility and conflict. These authors refer to these choices as "syndromes," that is, different kinds of governance failures linked to specific characteristics of Sub-Saharan African history. They range from overregulation of the economy as part of socialist development strategies (the Republic of Congo, Zambia), redistribution of income based on the ethnicity of the group in power (Kenya, Nigeria, South Africa, Chad), looting of funds in anticipation of the loss of power (Angola), excessive borrowing based on unsustainable growth (Côte d'Ivoire, Nigeria), and state breakdown in the form of widespread crime or violent rebellions with spillover effects on neighbors (Mozambique on Malawi, the Democratic Republic of Congo on the Central African Republic). While the prevalence of these syndromes has sharply declined since 1990, "actions at the country, regional, and international level would each be improved by recognizing the distinctiveness of the opportunities and problems that Africa faces" (Collier and O'Connell 2008, 126).

Collier and O'Connell also argue that resource wealth in particular, combined with ethnic diversity and a history of autocracy, was toxic for growth and other indicators of development in Sub-Saharan Africa (table 1.1).[4] However, there is a disparity in the development of resource-rich and resource-poor countries in the region (table 1.2). Whether or not they are fragile, resource-rich countries have lower per capita GDP than do resource-poor countries. Moreover, resource-rich fragile countries lag behind resource-poor fragile countries on most development indicators (except for annual GDP growth for the period 1999–2009). The picture is similar for nonfragile countries globally—resource-poor countries score better on indicators of development than do resource-rich countries. Across the board, natural resource wealth is associated with lagging development in both fragile and nonfragile countries. While labor indicators are similar for resource-rich and resource-poor countries, youth unemployment is higher in the former.

Today's fragile states in Sub-Saharan Africa are characterized by a pervasive lack of both legitimacy and capacity with respect to state structures, many of which were superimposed on rather than integrated with local structures and institutions. In many countries, the power and authority of the national government remains concentrated in capital cities, leading to a huge gap between the policies and programs promulgated in the capital and what happens in the rest of the country. Domestic markets have remained undeveloped, with countries continuing to rely on a few, or even just one, primary export commodities, which results in unstable growth. In turn, insufficient market development has made it difficult for governments to mobilize domestic resources, contributing to a vicious circle of dependence on external sources for funds and legitimacy.

The gap between center and periphery in fragile states is reinforced by a continuing lack of connectivity, which limits social cohesion within national borders and connections to markets outside national borders. Many economists have highlighted the deleterious impact of regional fragmentation on national economies. Not only does Africa have the most landlocked countries of any continent, "poor infrastructure in neighboring coastal countries, incoherent regulations, inefficient customs procedures and 'informal' taxes in transportation corridors slow transit times and raise costs" (Page 2011, 25). According to recent thinking about the benefits of agglomeration economies, restrictions on the movement of goods, capital, and people across borders have prevented the development of prosperous coastal megacities in Sub-Saharan Africa (Collier and Venables 2008). Internal social disparities have also slowed the development of social cohesion. And in fragile states marked by conflict, economies have been distorted by armed groups that have a vested interest in continued conflict because it enables them to pursue illegal but profitable economic activities.

Table 1.1 Growth, Development, and Labor Indicators for Natural Resource–Rich and Resource–Poor Countries in Sub-Saharan Africa, 1999–2009

	Period	*Fragile and natural resource–rich*	*Fragile and natural resource–poor*	*Nonfragile and natural resource–rich*	*Nonfragile and natural resource–poor*
Growth, development, and governance					
GDP per capita (constant 2000$)	2009	204.00	411.10	1,228.80	1,601.80
GDP growth (annual %)	1999–2009	4.8	3.5	3.9	5.5
Urban population (% of total)	2005	38.4	38.1	39.7	35.2
Prevalence of HIV, female (% aged 15–24)	2007	2.1	1.7	5.7	4.7
Life expectancy at birth, male (years)	2008	48.8	54.1	51.9	55.0
Human Development Index (HDI), UNDP	2007	0.394	0.492	0.516	0.553
Literacy rate, adult total (% of people aged 15+)	Latest available	41.9	64.9	62.4	69.7
Total enrollment, primary (% net)	Latest available	59.1	71.4	82.2	80.5
Internet users (per 100 people)	2008	2.6	4.6	4.0	8.2
Roads, paved (% of total roads)	Early 2000s	11.2	24.5	18.4	27.8
Country Policy and Institutional Assessment (CPIA), World Bank	Latest available	2.7	2.5	3.5	3.3
Corruption Perception Index (CPI), Transparency International	2010	1.9	2.2	3.2	3.1
Labor					
Participation rate, total (people aged 15+)	2008	71.6	71.8	68.2	75.0
Participation rate, male (aged 15+)	2008	81.6	81.0	78.8	83.3
Unemployment, total (% of total labor force)	Latest available	0.7	7.8	14.0	10.9
Unemployment, youth (% youth aged 15–24)	Latest available	19.7	8.7	25.9	19.7
Employment in agriculture (% of total employment)	Latest available	83.0	47.5	44.8	58.1
Employment in industry (% of total employment)	Latest available	2.1	12.8	13.2	10.6
Employment in services (% of total employment)	Latest available	14.5	37.2	39.1	30.8
Self-employment (% in nonagricultural employment)	Latest available	53.3	50.8	40.0	51.5

Sources: World Bank databases (Africa Development Indicators, Country Policy and Institutional Assessment, Doing Business, EdStats, Enterprise Surveys, Gender Statistics, Global Development Finance, Health Nutrition and Population Statistics, IDA Results Measurement System, Millennium Development Goals, World Development Indicators, and Worldwide Governance Indicators); Corruption Perception Index 2010 (Transparency International database); and Human Development Index 2007 (UNDP 2007).
Note: Fragile natural resource–rich SSA countries: Chad, the Republic of Congo, Guinea-Bissau. Fragile natural resource–poor SSA countries: Burundi, Côte d'Ivoire, Sierra Leone, Togo, Zimbabwe. Nonfragile natural resource–rich SSA countries: Botswana, Cameroon, the Central African Republic, Madagascar, Mali, Mauritania, Namibia, Niger, Senegal, South Africa, Zambia. Nonfragile natural resource–poor SSA countries: Benin, Burkina Faso, Ghana, Kenya, Lesotho, Malawi, Mozambique, Rwanda, Tanzania, Uganda. GDP = gross domestic product; HIV = human immunodeficiency virus; SSA = Sub-Saharan Africa; UNDP = United Nations Development Programme.

Table 1.2 Growth, Development, and Labor Indicators for Fragile and Nonfragile Countries Worldwide, 1999–2009

Indicator	*Period*	*SSA, fragile*	*SSA, nonfragile*	*Non-SSA, fragile*
Growth, development, and governance				
GDP per capita (constant 2000$)	2009	379	1,474	804
GDP growth (annual %)	1999–2009	3.6	4.9	5.0
Urban population (% of total)	2005	38.2	36.8	41.9
Prevalence of HIV, female (% aged 15–24)	2007	1.8	5.1	0.5
Life expectancy at birth, male (years)	2008	53	54	65
Human Development Index (HDI), UNDP	2007	0.477	0.540	—
Literacy rate, adult total (% of people aged 15+)	Latest available	61.6	67.1	77.1
Total enrollment, primary (% net)	Latest available	68.8	81.1	80.7
Internet users (per 100 people)	2008	4.0	7.0	7.0
Roads, paved (% of total roads)	Early 2000s	22.0	24.3	50.9
Country Policy and Institutional Assessment (CPIA), World Bank	Latest available	2.7	3.5	3.4
Corruption Perception Index (CPI), Transparency International	2010	2.2	3.2	2.3
Labor				
Participation rate, total (people aged 15+)	2008	71.7	72.5	59.6
Participation rate, male (aged 15+)	2008	81.1	81.6	76.5
Unemployment, total (% of total labor force)	Latest available	6.9	12.0	11.9
Unemployment, youth (% youth aged 15–24)	Latest available	8.7	21.5	21.1
Employment in agriculture (% of total employment)	Latest available	53.4	52.7	46.8
Employment in industry (% of total employment)	Latest available	11.0	11.6	14.7
Employment in services (% of total employment)	Latest available	33.5	34.1	38.2
Self-employment (% in nonagricultural employment)	Latest available	57.3	49.0	44.9

Sources: World Bank databases (Africa Development Indicators, Country Policy and Institution Assessment, Doing Business, EdStats, Enterprise Surveys, Gender Statistics, Global Development Finance, Health Nutrition and Population Statistics, IDA Results Measurement System, Millennium Development Goals, World Development Indicators, and Worldwide Governance Indicators); Corruption Perception Index 2010 (Transparency International database); and Human Development Index 2007 (UNDP 2007).

Note: Fragile countries are defined according to World Bank CPIA scores. Natural resource–rich countries are those whose estimated natural resource wealth exceeds the estimated average for the African region as reported by World Bank (1997). Fragile SSA countries: Angola, Burundi, Chad, the Comoros, the Republic of Congo, Côte d'Ivoire, Eritrea, Guinea, Guinea-Bissau, Liberia, Sierra Leone, São Tomé and Príncipe, Somalia, Sudan, Togo, Zimbabwe. While Western Sahara is also considered fragile, no information was available, so it was not included. Fragile non-SSA economies: Georgia, Haiti, Iraq, Kosovo, Myanmar, Nepal, Tajikistan, West Bank and Gaza, Republic of Yemen. Non-SSA countries were selected based on availability of resources. Nonfragile SSA countries: Benin, Botswana, Burkina Faso, Cameroon, Cape Verde, the Central African Republic, the Democratic Republic of Congo, Equatorial Guinea, Ethiopia, Gabon, The Gambia, Ghana, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mayotte, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, the Seychelles, South Africa, Swaziland, Tanzania, Uganda, Zambia. Natural resource–rich SSA countries: Botswana, Cameroon, the Central African Republic, Chad, Guinea-Bissau, Madagascar, Mali, Mauritania, Namibia, Niger, Senegal, South Africa, Tunisia, Zambia. GDP = gross domestic product; HIV = human immunodeficiency virus; SSA = Sub-Saharan Africa; UNDP = United Nations Development Programme; — = not available.

Recent indicators reveal some of Africa's distinctiveness. The incomes of Africa's fragile countries are barely one-quarter of the average for nonfragile countries. Within Africa, the growth rates of the former over the last decade have lagged behind those of nonfragile countries, suggesting that the GDPs of the two groups of countries may be diverging rather than converging. Although fragile states in Africa are not ranked substantially worse than nonfragile states in terms life expectancy, literacy, access to technology (e.g., the Internet), infrastructure (e.g., percentage of paved roads) or urbanization, the gap in primary enrollment and HIV prevalence between the two sets of countries is wide. African fragile countries fare particularly badly in ratings of governance, according to the World Bank's Country Policy and Institutional Assessment (CPIA) ratings and Transparency International's Corruption Perception Index (CPI). African fragile states also lag behind fragile states in other parts of the world in growth, human development indicators, and governance.

History need not be destiny, however. A number of economists have challenged "Afropessimism," according to which chronically poor governance has doomed Africa to failure (see, for example, Draper 2010). Ha-Joon Chang (2009) similarly challenges assumptions that Sub-Saharan Africa's tropical climate and diseases, its many landlocked countries, ethnic fragmentation, resource wealth, "'bad' institutions," and undeveloped human capital are critical constraints to the implementation of the kind of interventionist policies that virtually all developed countries relied on in the past. In his view, "the 'structural handicap' arguments are actually confusing the cause and the symptoms … they are a symptom rather than cause of underdevelopment" and "raise serious questions about the 'structural' explanations of the failures of neoliberal policies in Africa". In addition to critiques of the structural adjustment policies that have been imposed on the continent, other sources note how the protectionist policies of other countries have hurt poor producers in Africa. These policies include crop subsidies in European Union (EU) countries—not least, EU and U.S. cotton subsidies—that have played a major role in depressing crop prices and depriving African countries of millions of dollars in revenue (Gillison *et al.* 2004; World Bank 2007). What are the other constraints?

Job Creation in Sub-Saharan Africa: What Does the Existing Literature Tell Us?

Evidence shows that even rapid economic growth—6 percent between 2004 and 2007—has not translated into employment generation. Unemployment in the region has remained stubbornly high for the last 25 years, especially for youth (table 1.1; UNECA 2010). Analyses of employment in Africa, moreover, provide little guidance on how to translate the continent's recent growth into jobs.

The existing literature consists largely of exercises in growth accounting: examinations of the contribution of total factor productivity and factor accumulation over time (e.g., Tahiri *et al.* 2004); comprehensive cross-country regressions (e.g., Atardi and Sala-i-Martin 2004; Ndulu *et al.* 2008); and context-specific frameworks, such as the "growth diagnostic" literature (e.g., Lea and Hanmer 2009; World Bank 2005).[5] Accounting and cross-sectional studies, however, do not typically look at sectoral issues; rather, they try to identify what factors determine growth. They have concluded that by and large, for Sub-Saharan Africa, factor accumulation explains all the growth of the last few decades. Cross-country studies have stressed that physical and human capital accumulation are critical for growth, while growth diagnostic exercises have pointed to factor scarcity and lack of resources for acquiring those factors as common obstacles to growth and employment generation (UNECA 2010).

According to this literature, bottlenecks tend to be country specific. Thus, when it comes to explaining low investments, access to domestic financing is not a binding constraint in Morocco or Kenya, but it is in Tanzania, Uganda, and the Arab Republic of Egypt. Lea and Hanmer (2009) find that the most important binding constraint to growth in Malawi is the real exchange rate, which sharply limits the access of smallholders to formal financing. In most fragile countries, the degree to which investors can expect a return on their investments is also a problem, although the reasons—rampant crime and corruption, market failures, or a combination of both—differ from country to country. Other constraints include lack of reliable power, low educational levels, and underdeveloped export value chains.

Even recent comprehensive works on the links between growth and employment in Sub-Saharan Africa (e.g., UNECA 2010) provide little insight into which sectors are likely to generate the most employment. Because sectors based on natural resource extraction are typically capital rather than labor intensive, the UNECA study points out that they are unlikely to generate many jobs. The study argues for a strategy of investing export rents in agriculture and agroprocessing industries, as well as the light manufacturing and service sectors. It also calls for at least some domestic processing by multinational corporations engaged in resource extraction and expanding social service provision to generate employment.

Could Sub-Saharan Africa compete in the global manufacturing market? A close look at recent business developments in fragile countries reveals little movement in this direction, mainly due to cheap imports. Instead, mining and primary commodities are most likely to grow rapidly in these countries. Examples include iron ore in both Sierra Leone and Liberia, rubber in Liberia, and oil in Sierra Leone and Sudan. Investments in palm oil, timber, and forestry in Liberia, and in increased domestic rice production in Sierra Leone, may provide some degree of diversification in the near future. In other fragile countries, agroprocessing, such as that of sugar in Sudan, coffee and tea in Burundi, and palm oil in the Democratic Republic of Congo, appears to be the only kind of manufacturing with some growth potential (EIU 2010).

This rather gloomy assessment of Africa's prospects, however, is being challenged by recent research that finds adding value to Africa's agricultural resources is a promising and not yet fully exploited avenue of development. According to a 2011 report of the United Nations Industrial Development Organization (Yumelka *et al.* 2011), the pattern of growth to date has depended largely on energy and mining expansion, neither of which has reduced poverty. They argue against continuing reliance on extractive industries and for greater intervention and investments in agribusiness value chains, thereby accelerating agriculture's contribution to economic growth, jobs, and poverty reduction. This report will return to this argument in Chapter 3 where it considers the potential of value chain programming in fragile states to generate sustainable employment.

Conclusion

Beginning with definitions of fragility and its relationship to growth and employment, this chapter has outlined some of the historical factors that have contributed to an array of development challenges faced by Sub-Saharan African countries. Foremost among these challenges are an ongoing risk of conflict, weak institutions, poor infrastructure, and underdeveloped markets, all of which contribute to a vicious circle of poverty, underemployment, and political and social instability. Although Sub-Saharan Africa lags behind other developing regions in many respects, it also possesses considerable resources that could be the basis for generating employment and reducing poverty. The following chapters look at different responses to this challenge in fragile environments.

Notes

1. Rwanda and Uganda are no longer considered fragile states, but are important to this discussion. For Rwanda, the restoration of the country's coffee industry began only a few years after the conflict, while implementation of a cotton value chain project in Northern Uganda began while the region was still in conflict.
2. In accordance with other multilateral development banks, the World Bank defines countries as "fragile" if they have an average rating of 3.2 or less on Country Policy and Institutional Assessments (CPIAs; a CPIA rates countries on the quality of policies and institutions) or have had United Nations and/or regional peace-keeping or peace-building missions on their territory during the previous three years. The World Bank is considering expanding its definition to reflect the impact of conflict on subnational regions. For more information on how the World Bank views fragility and conflict, see "FAQS," 2009, Fragility and Conflict webpage, World Bank, Washington, DC, http://go.worldbank.org/ZGWRG7LSG0 (accessed July 2010).
3. See, for example, the informative website of the Donor Committee for Enterprise Development (http://www.enterprise-development.org; accessed July 2010), which provides links to relevant work on private sector development in fragile and conflict-affected environments.
4. Natural resource wealth is defined here as above-average per capita natural resource wealth, as estimated by the World Bank (1997) for a sample of 92 countries; it comprises estimates of pasture lands, crop lands, timber resources, nontimber forest resources, protected areas, and subsoil assets.
5. Growth diagnostics is an analytical approach used by economists to identify the most important, or "binding," constraints that prevent a given economy from growing and developing. For further details, see Hausmann, Rodrik, and Velasco (2008).

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CHAPTER 2

Prevailing Approaches to Job Creation in Fragile and Conflict-Affected States

Perhaps the best way to characterize the prevailing donor approach to job creation is to say that it has focused primarily on providing immediate but generally temporary support in the form of cash or food to individuals, households, and communities—generally those most affected by conflict or fragility. Particularly in postconflict settings, the choice of interventions and beneficiaries has been driven by a desire to reduce the risk of renewed conflict. This support is often offered through either large-scale public sector employment schemes or services and inputs to restore rural livelihoods. Training is often included as part of a larger program.

These categories of activities are reviewed below, followed by a discussion of their effectiveness. As will be noted, there are few robust evaluations of these kinds of interventions. This is not so surprising—in many cases, the interventions have been hastily designed and implemented in emergency situations. As a result, however, claims of success cannot be accepted uncritically.

Direct Creation of Short-Term Employment

In very fragile and postconflict countries, creation of temporary, low-skilled, low-wage jobs is generally one of the first measures that governments implement to help their populations. Whether payment is in food or cash, the jobs often involve large-scale reconstruction of major infrastructure and may last anywhere from three months to a year (Harvey 2009; Lamade, Börgel, and Harvey 2010; McCord 2009). In addition to creating jobs in the short term, these projects have additional objectives: restoring infrastructure critical to growth, promoting local private sector activity, and providing skills training to make individuals more employable. These projects also inject cash into local economies. They are usually implemented by governments and/or donors, less often by nongovernmental organizations (NGOs) or the private sector. Despite the popularity of these schemes, however, they have only rarely resulted in longer-term employment or the greater employability of trainees.

Temporary Jobs: Cash Infusion, Peace Dividends, and Risk Mitigation

Short-term job creation usually targets the poor and vulnerable, for whom it provides a short-term safety net, whether it takes the form of large-scale demobilization, disarmament, and reintegration (DDR) programs or community-driven development (CDD) initiatives. In postconflict settings, these programs are thought to contribute to peace building, first, by offering a visible "peace dividend," and second, by engaging ex-combatants and/or youth in employment, with the assumption that employed youth will be less drawn to violence. Despite an earlier concentration on male youth and ex-combatants, many recent such programs have expanded their targeting to include women as well.

Job creation programs that do not target specific population groups tend to use self-targeting, setting wages below market rates so that only the poorest people will take the work. Self-targeting can be effective, but it has several drawbacks. First, it may limit the degree to which needy households actually benefit, particularly when the high demand for such jobs leads to rationing. In Afghanistan, for instance, a German Technical Cooperation (German acronym, GTZ) cash-for-work project in two districts provided work to 15,000 people, benefiting over 100,000 people annually. However, since most workers were restricted to an average of 15 days of work a year, their wages did not contribute significantly to household food security (Lamade, Börgel, and Harvey 2010). For self-targeting to be effective, moreover, wages must often be set so low that they often fail to achieve other objectives, such as poverty reduction or food security (Barrett and Clay 2003). In Tajikistan, for example, an evaluation found that "in food-insecure areas WFP (World Food Programme) rations are too valuable to be self targeting and FFW (food for work) participation tends to be monopolized by the stronger and more enterprising households" (WFP 2006). In Afghanistan, for similar reasons, local elders selected beneficiaries of such a program (WFP 2004).

The Pros and Cons of Labor-Intensive Design

Since an important objective of job creation in fragile and conflict-affected states is putting as many people back to work as soon as possible, public works are often designed to be labor intensive (McCutcheon 2008). The experience of a range of countries shows that labor-intensive, as opposed to equipment- or capital-intensive, methods not only generate more jobs, but also have greater multiplier effects on other sectors of the economy (Herr and Muzira 2009). In Africa, labor-intensive public works have generally had positive welfare outcomes. In Madagascar, for example, the labor-intensive approach was 30–80 percent less expensive and created 2.5 times more jobs than an equipment-intensive approach, and it increased national income and household consumption by a factor of 2.5. Such programs generally cost less and generate more tax revenue than equipment- or capital-intensive programs. Finally, using local materials for construction and maintenance reduces dependence on imported inputs, a key consideration for countries burdened by large balance of payments deficits (World Bank 2011).

Comparing the economic advantages of equipment- versus labor-intensive road construction methods, Taylor *et al.* (2008) examined road construction projects carried out in Ethiopia between 1997 and 2007. Using an input-output simulation model to estimate employment generation, they found that for the same expenditure, labor-intensive methods produced nearly 1.7 times more jobs than did equipment-based methods, and that for each job directly created through a labor-intensive method, 10 jobs were created in the wider economy. In addition, labor-intensive methods were 54 percent cheaper than equipment-intensive methods. Despite these advantages, the authors found that labor-intensive methods were less widely used than one might expect because of decision makers' negative attitudes towards them and the lack of appropriate skills and capacity to carry out well-organized and efficient labor-based works, particularly in the private sector.

Labor-intensive road building projects undertaken in Kenya and Botswana in the early 1980s resulted in better quality (and quantity) of roads, employed large numbers of local workers and engineers, and used local resources. In both countries, around 60 percent of funds were disbursed domestically, whereas it was estimated that capital-intensive projects would have retained only 23 percent of the funds at home. Labor-intensive jobs also led to longer-term jobs, but these jobs remained in the public sector and hence were dependent on government funding (McCutcheon 2008).

Public works programs that are more technically complex require higher levels of funding, particularly if countries are to provide these programs adequate technical and management support. A WFP study of programs in Angola, Kenya, and Sierra Leone stresses the recurring difficulty of financing the nonfood, or salary, costs of public works, as well as insufficient budgets for tools and a lack of technical capacity (WFP 2005, 2007a, 2008). A World Bank study carried out in 1970 found that for labor-intensive construction to compete with equipment-intensive construction technically and financially, it usually took about three years of preparation to mobilize and train staff, as well as to develop the appropriate institutional arrangements. More recent research confirms the importance of allocating adequate time to train staff and build effective institutions.

Labor-intensive public works are not appropriate for every undertaking. Although they often have short-term positive welfare impacts, these projects frequently result in poor-quality infrastructure due to inadequate resources, tools, and poorly skilled workers (box 2.1). Such an outcome wastes scarce resources and curtails the potential long-run growth benefits of these programs. Thus, where there is a serious dearth of skilled labor, public works programs that involve technically undemanding activities may be more successful. An evaluation in Pakistan concluded that food-for-work activities were particularly appropriate following the 2005 earthquake. These activities included short-term infrastructure repair, such as clearance of rubble from housing and simple repairs to walking paths, damaged terraces, and irrigation channels (WFP 2007b).

Box 2.1 The Liberia Community Infrastructure Program

Funded by the United States Agency for International Development (USAID), the Liberia Community Infrastructure Program (LCIP) began in 2004, shortly after the conflict ended, and ended in early 2010. It included employment generation, vocational training, and infrastructure rehabilitation. With risk mitigation an important objective, the project was implemented in areas with the greatest number of ex-combatants. The three-stage project began by creating jobs and offering ex-combatants training in the reconstruction of essential infrastructure. During the second stage, government buildings and roads were reconstructed. The third phase added smallholder agricultural development, small business development, and apprenticeship programs. During the project, 25,000 people participated in labor-intensive construction works and over 7,000 people participated in vocational training. Unfortunately, lack of technical and managerial capacity among Liberian implementing partners slowed down implementation and resulted in poor-quality infrastructure. Moreover, because the vocational training did not take place on the job, it did not give ex-combatants and youths the skills they needed to find other jobs.

Source: USAID, Liberia, and Chemonics International 2008.

Finally, designing efficient and effective labor-intensive public works programs demands considerable government capacity for strategic planning and organization—both of which tend to be absent in very fragile situations. Thus, while there are lessons to be learned for the medium and longer term in such environments, there is an unavoidable tradeoff between addressing the short-term need to create jobs rapidly and longer-term strategic goals (World Bank 2010a).

Do Short-Term Jobs Lead to Longer-Term Employment?

With the exception of information on a few large-scale public works programs that have been integrated into national strategies and structures, there is relatively little information available on the longer-term impact of these programs in fragile and postconflict environments, aside from direct measures of short-term jobs created. More information is needed about the extent to which they affected participants' long-term employability (i.e., helped them develop skills with long-term market value), whether public sector jobs crowded out other activities, the value and durability of the assets created, and the number and quality of jobs created indirectly (for example, through the use of local inputs).

One exception to the short-term nature of public works programs, the Norwegian-funded Mozambique Feeder Roads Program (FRP), is frequently cited as a successful public works program that resulted in permanent jobs. Piloted in 1981, it used labor-intensive methods to build and repair rural feeder roads. When conflict disrupted the program in 1983, it moved to less conflict-affected regions (ANE *et al.* 2002; McLeod and Davalos 2008). After the peace agreement of the early 1990s, the program was quickly scaled up to repair war-damaged roads and employ ex-combatants. Over the course of a decade, FRP employed more than 40,000 mainly rural workers and generated about 8 million worker-days of employment. The program also provided about 5,000 person-weeks of training. By 2002, FRP had opened or repaired about 7,900 kilometers of feeder roads and become a permanent, publicly funded program under the Directorate of Regional Roads (ANE *et al.* 2002).

FRP exemplifies the potential of labor-intensive public works to rapidly generate large numbers of low-wage jobs through pilot projects that are scaled up after a conflict has ended. The program remedied the loss of technical and managerial skills during the conflict by training project managers and laborers; it also used private contractors, who were required to maintain the roads that they constructed (thus providing an incentive for good-quality work). The evidence suggests that training can have positive outcomes, especially when a program is linked to national priorities in a coherent plan for infrastructure reconstruction and redevelopment. Integrating short-term emergency measures into longer-term development strategies is often not viable in fragile environments, however, given limited government capacity and an underdeveloped policy framework.

Since most fragile countries are not able to continue public works programs on a permanent basis as was done in Mozambique, there have been efforts to use short-term asset creation as a springboard for longer-term livelihood opportunities. Using local labor and materials, for example, has the potential to help stimulate a local economy, generating growth and employment over the long run (DFID 2009). As with the Mozambique FRP, some public works programs encourage the use of local private contractors, working with them on procurement guidelines, monitoring tools, and contractor training programs (Haider 2009). Mercy Corps, for example, provides financial education to participants in its cash-for-work projects and delivers cash through banks or mobile banking services to encourage people to use the banking system.[1]

Another example of a labor-intensive public works program that provided the basis for longer-term employment, albeit on a smaller scale, comes from Sierra Leone. There, GTZ supported Klin Salone, a labor-intensive waste management program for unemployed youth. As of 2009, it had employed 710 young people and created 450 sustainable jobs within the project itself. Although GTZ provided the initial investment for waste-handling equipment and funding for wages and services, the project generated income by collecting fees for refuse collection,[2] giving it the potential to become the central, financially self-sustaining part of Freetown's waste disposal system (Grossmann *et al.* 2009; GTZ 2008).

Some job creation schemes have been designed from the beginning to impart skills that workers could then apply in the private sector (box 2.2). In Haiti, USAID and CHF International used an $87 million short-term infrastructure employment generation program (Créole acronym, KATA), which employed over 100,000 youth, to lay the basis for private sector development. Since infrastructure is generally the sector with the greatest potential for rapid growth and job creation in an immediate postconflict environment, donors used infrastructure projects to improve the competitiveness of Haitian construction firms. Donors worked with the firms to increase their capacity to respond to bids, prepare

Box 2.2 From Relief to Long-Term Recovery: The UNDP's Early Recovery Program

The early recovery approach of the United Nations Development Programme (UNDP) spans the gap between humanitarian relief and support for longer-term recovery. One objective of the approach is to stabilize livelihoods by focusing on short-term or temporary jobs that provide income and an immediate "peace dividend" through emergency public employment services (EPES). EPES funds small, rapidly implemented projects that deliver a quick peace dividend to target groups in exchange for restoring vital public infrastructure and services; it also helps match job seekers with vacancies in other public works programs. These services provide short-cycle skills training to help workers benefit from such early temporary employment opportunities. In addition to funding small public works programs, EPES offers targeted start-up grants to people who have been most affected by conflict in order to remonetize local economies and help people develop livelihoods and self-employment in sectors such as trade.

An example of the UNDP's early recovery strategy in Africa includes a program implemented in Kenya following postelection violence and displacement. The program helped reestablish small businesses hit by the crisis and trained youth in construction skills so that they could rehabilitate their own homes, as well as other structures. It also supported job creation initiatives for the unemployed to address community needs in slum areas and revived rural banks and microfinance institutions. Early recovery programs have been implemented in many conflict and postconflict environments, including the Central African Republic, Chad, the Democratic Republic of Congo, Côte-d'Ivoire, Liberia, Somalia, and Uganda.

Sources: Authors; UNDP 2008b.

appropriate budgets, and uphold quality standards and transparency (Blum and LeBleu 2009), while also promoting workforce development (i.e., career preparation, development, and transition) and short-term employment initiatives. KATA also supported the formation of local business councils to focus their efforts on priorities and strategies for developing a workforce that could meet market demands. Again, this kind of programming may not work in countries whose economies have been severely affected by many years of conflict, because moving from public works to long-term private sector employment requires the existence of business opportunities external to the program, as well as a reasonably enabling basic macroeconomic environment.

Even if short-term employment does not reduce conflict risk, it appears to improve short-term welfare. Yet tradeoffs remain among different kinds of employment-generating activities. Targeted, sustainable social safety net programs might be more justified, for example, than blanket public works programs that create jobs at high cost, particularly when these jobs result in poor-quality infrastructure. There are also dangers in creating publicly funded jobs to reduce underemployment, as employees may come to regard their jobs as permanent.

By the same token, programs designed to employ former militia members in national security forces may create permanent jobs, but result in poor-quality security forces. Even when such programs do succeed in reducing the short-term risk of renewed conflict, it is important to ask whether lower-cost alternatives were available. Unfortunately, prioritizing stabilization or peace building often leads to a concentration on short-term benefits while ignoring the longer-term costs of financial entitlements or policy distortions.

Finally, when donor projects designed to increase employment bypass public institutions, the damage they cause in terms of legitimacy may not be worth the typically small gains achieved in employment. In such cases, a more measured approach aimed at larger-scale, more sustainable employment that helps build the capacity and legitimacy of state institutions may ultimately have better long-term results.

Creating Employment by Supporting Livelihoods and Entrepreneurship

Often in parallel with large-scale public works programs, both international and bilateral aid agencies, together with NGOs, oversee community-based programs to rehabilitate local infrastructure such as roads, bridges, irrigation infrastructure, schools, and clinics.

Livelihood Support and Community-Driven Development

Community-based programs for livelihood support create short-term employment and, in some cases, include measures to help restore natural resource–based livelihoods. Often carried out as pilot projects, their activities may comprise assistance to agriculture (e.g., distribution of seeds and promotion of improved land management techniques and crop diversification), access to credit, capacity building of local officials, and skills training for individuals (box 2.3).[3]

Despite innovative approaches and reported successes, these community-based projects are only rarely replicated or scaled up regionally or nationally. Given their focus on the microlevel, their activities often neglect the potential to influence the policies and strategies that drive development. At the country level, moreover, efforts are often fragmented rather than coordinated. Few such projects have been evaluated sufficiently rigorously to draw firm conclusions about their longer-term impact on employment and incomes.

CDD projects in fragile environments often combine components that strengthen local governance and social capital, promote dispute resolution programs, and stimulate local economic recovery (UNDP 2008a). In conflict-affected environments, evidence suggests that CDD projects are cost-effective not only in reducing poverty, but also in increasing community resilience and the capacity to resolve local-level conflicts. CDD projects may also be less likely than others to lead to violent conflict over project resources, according to evidence from Indonesia, the Philippines, Thailand, and Timor-Leste. Success in this area depends on the performance of local facilitators and a flexible project design that responds to feedback gathered through monitoring and supervision activities. However, although well-designed CDD projects can have institutional effects at the local level, they are unlikely to have broader ramifications unless they are

Box 2.3 Examples of Livelihood Activities in Postconflict Environments

A review of livelihood activities implemented by the United Nations and bilateral aid agencies and international NGOs during or after cessation of conflict in Africa reveal a variety of interesting community-based approaches, largely in rural areas. Many interventions have combined a package of activities, including support for agriculture (e.g., provision of inputs, training, financing, and promotion of market linkages), microenterprise (through business support services and microfinance), and the development of community groups that can manage service provision.

Given the extreme marginalization of young people in Sierra Leone, an innovative GTZ project (noted in the previous section) provided 18-month vocational training courses to urban youth near the capital, as well as training in rural areas to youth, artisans, and small entrepreneurs in 5 of the country's 14 districts via small mobile units. One outcome of this program was the self-sustaining waste disposal program (Klin Salone) run by youth groups. In addition, USAID funded an innovative small-scale project that provided grants for value-added cassava processing and bicycles for transporting produce to markets.

In Liberia, a project of the Food and Agriculture Organization, Vegetable Production Project for Community Empowerment (2009–11), trained unemployed youth as well as poor people in crop and livestock production, aquaculture, the recycling of biodegradable materials for compost and organic fertilizer, the construction of simple agricultural equipment, and the development of small businesses.

Most livelihood projects in Sudan have targeted specific population segments. One example is the People with Disabilities Capacity Building Program (2009–14) funded by the U.K. Department for International Development, a $78,000 project aimed at improving the living conditions and quality of life of 6,500 people with disabilities in Mundri County. The program provides beneficiaries with assistance in asserting their social and economic rights, training to become economically self-sufficient, measures to foster positive and/or inclusive community attitudes, and advocacy efforts to secure disability rights.

Source: Masood 2011.

made part of a broader reform process to build greater accountability between state and society (Barron 2010).

Financing Local Entrepreneurship

As described above, donors use a multiplicity of aid modalities in fragile circumstances. Since an important objective of public works programs is to revive consumer demand for local products, donors have also looked for more direct ways to help local entrepreneurs. For this reason, many livelihood interventions during and immediately after conflict include business and financial services, such as those offered by microfinance projects. Many CDD projects package training, information, and financial services, targeting micro and small enterprises, particularly in the agricultural sector. In the last decade, despite initial skepticism among microfinance experts, microfinance has expanded its role in postconflict environments.

In addition to financing, the provision of information and training to small businesses reportedly increases employment and incomes. One example of this type of intervention is GTZ's Small Enterprise Assistance Program in West Bank and Gaza which began in 2003. The program established a Small Enterprise Center that provided information and training services to enterprises with fewer than 20 employees. By 2006, the center had assisted 160 businesses and reportedly increased employment and incomes in the region by 19 and 16 percent, respectively (SEEP Network 2006).

Depending on the level of prior economic development, it is also possible to implement projects successfully in active conflict environments. In Iraq, USAID's Tijara program for provincial economic growth offered a package of complementary interventions. It provided small and medium enterprises (SMEs) with business management training and specialized financial management courses and helped set up trade and employment fairs. Simultaneously, the program tackled the legal environment, making efforts to bring Iraqi trade and commerce laws in line with international standards in order to attract foreign investors and promote the growth of SMEs within the country.[4]

Tijara also offered microfinance services to small businesses and helped link businesses to investors and donors, with private banks helping implement the program. By 2009, over 5,800 people had received business training through the program's business development centers, and a third had started their own microenterprises. The microfinance projects supported by Tijara made loans totaling $77 million to over 50,000 clients. Given changing requirements, a USAID analysis stresses the importance of ongoing market analysis, and establishing powerful allies in government and the private sector to ensure the success of broad-based interventions (USAID 2009b).

According to findings from countries such as Peru and the Philippines, both of which have experienced regional conflict, microfinance projects increased the number of days of waged employment that an enterprise could generate. A survey undertaken in Peru showed that loans taken by enterprises to finance working capital and/or purchase fixed assets generated an additional 9 days per month of waged employment per enterprise, or an additional job for every 2.3 outstanding loans provided by MIBANCO (Dunn and Arbuckle 2001).[5] Dunn (2005) also found that microfinance had a small but positive impact on employment opportunities in Bosnia and Herzegovina, although he acknowledged that the study had some methodological problems. A case study from a village in Afghanistan's Balkh province found that the introduction of a microfinance institution (MFI) resulted in 2,506 loans from 2004 to 2008, resulting in an increase in the number of village shops (Andersen and Sim 2008). Other studies of microfinance in Afghanistan demonstrate that despite a lack of security, there is potential for many MFIs to become sustainable over time—although uninterrupted and timely funding from donors and the government remain critical (Greeley and Chaturvedi 2007).

The successes of microfinance in Iraq and Afghanistan thus challenge assumptions that this type of intervention cannot succeed without relative political stability and security, population stability, and a cash economy. Yet defining and measuring success in such environments is not straightforward. While microfinance interventions have succeeded in providing efficient service to large numbers of poor people, there is less evidence regarding the degree to which they contribute to peace building and longer-term economic recovery. Research suggests that longer-term impacts are likelier when efforts are made to link microfinance projects to other forms of business support, including access to business information. The same research also shows, however, that integrating specific conflict-mitigation components is costly and reduces profitability (see, for example, Parker 2008).

Microfinance is less likely to succeed when it is not designed to be sustainable. Beasley (2006), for example, discusses the experience of MFIs in Mozambique after its civil war ended in 1992. Most early microfinance programs began there as NGO projects that essentially functioned as safety nets for the poor. In the mid-1990s, however, donors and NGOs re-evaluated their microfinance activities and tried to turn them into sustainable institutions. But this restructuring proved very difficult; after five years of effort, no MFI had achieved financial or operational sustainability. Because the MFIs had initially been used as vehicles to distribute emergency aid, it proved difficult to change people's expectations of them.

The experience of the Balkans demonstrates the pitfalls of microfinance provision when it is not linked to other forms of business development and market analysis. Bateman (2008) found that in the postconflict Balkan environment, microfinance was ineffective due to the relatively short loan periods and high interest rates demanded by MFIs, causing them to end up funding simple microbusinesses for which a long period of investment was not required. This practice resulted in saturating the market in certain sectors (e.g., bread, milk, and egg production), which drove down profits, increased indebtedness, and worsened many participants' economic situations. The study suggested that the way in which microfinance was implemented in the region diverted effort and attention away from investments in potentially higher-value-added industries, such as manufacturing and technology-based industries that required longer investment cycles.

Increasing Employability: Training and Skills Development

Training, whether standalone or as part of other projects, is a frequent component of employment-related programming in fragile environments. Such training includes literacy and numeracy instruction for youth and adults, as well as financial literacy, vocational, and technical training; on-the job training; and internships. The impact of training programs, however, has not been well measured, and the evidence of their success is very mixed. For example, while classroom vocational training with local instructors has the potential to reach large numbers of people, it does not necessarily lead to employment. Enterprise-based or apprenticeship models, on the other hand, have been more successful in linking beneficiaries to employment, but are more expensive; their success is also limited by local capacity to absorb an increased supply of trainees (USAID 2009a).

Particularly in Sub-Saharan Africa, technical and vocational education and training (TVET) courses confront supply-side challenges of damaged or nonexistent infrastructure and a shortage of skilled educators. Given pervasive low levels of human capital, the African Union has argued that for trainees to get the most out of TVET, this training should not be limited to vocational skills, but should also include basic numeracy and literacy, as well as languages that could help improve communication between conflicting groups (African Union 2007).

One of the biggest weaknesses of training programs is that they are often not designed to meet actual market demand. In Liberia, for example, a TVET program offered training to about 66,000 ex-combatants. But there were few long-term employment opportunities for recipients of these courses. Because participants were trained in only a few specific skills, the market was then flooded with people with the same skills, while skills shortages remained in other sectors. The TVET courses were also linked to short-term employment opportunities in road building (which employed around 10,000 ex-combatants) and small infrastructure projects (which employed around 1,000 ex-combatants). The jobs were temporary, although the government subsequently made efforts to develop longer-term work strategies with the International Labour Organization (ILO) and the government of the Netherlands.

Training is likelier to be successful when linked to specific employment opportunities. A GTZ-funded vocational training program for women and youth in Sri Lanka (1995–2004), for example, worked in three provinces and targeted low-income women. The program linked them to employment on plantations by training them in carpentry, construction, and plumbing—all skills for which there was a high demand in the area. The program also included training in baking skills for women, non-Christians, and older men—all groups that had experienced discrimination. That training proved popular because it allowed participants to choose both the duration of training and the courses that they were most interested in. It also gave them firsthand experience of self-employment and provided a national certificate enabling them to work anywhere in Sri Lanka. The latter training was also cost effective because selling the bread that students baked provided them a steady income while they were being trained (Grossmann *et al.* 2009).

In the absence of opportunities for wage labor, efforts have been made to train people in entrepreneurship, sometimes in combination with small start-up grants or microloans (Grossmann *et al.* 2009). But programs built on the assumption that trainees will start their own enterprises have met with mixed success. In South Sudan, because of the dearth of employment opportunities, TVET training centers incorporated business management and entrepreneurial training courses to prepare graduates to earn a living based on their newly acquired skills. However, an evaluation found that if the success of TVET courses were based on the number of people able to earn a living from the skills that they learned, rather than the number of trainees, the program would not have been judged very successful. People who trained in traditional skills, such as agriculture and fishing, were more successful, moreover, than those who trained in carpentry or masonry skills (UNESCO-UNEVOC 2007).

When packaged with multiple forms of assistance and financing, training programs have demonstrated some success (box 2.4). For example, the Swiss Agency for Development and Cooperation (SDC) implemented a USAID-funded training program for internally displaced people in Colombia. The program identified potential income-generating activities and offered participants the necessary classes and on-the-job training. In addition, the program provided grants, technical assistance, and credit to encourage self-employment. Between 2002 and 2006, the program trained around 20,000 people and created over 35,000 jobs, with over 94 percent of the microenterprises set up through the program still running two years after their creation (SEEP Network 2006).

Training programs are particularly relevant to postconflict or fragile environments, where skills are the binding constraint to employment. In these situations, training initiatives can be implemented early on as part of efforts to promote reconstruction and create a peace dividend, or later as a component of longer-term private sector development initiatives. Collier (2007, 15), for example, has argued that after war, "a construction boom will follow the arrival of peace as night follows day," resulting in potential employment for unskilled youth. Since lack of skills and organizations often become binding constraints to the expansion of construction work, he suggests that postconflict planning include establishment of training facilities in basic construction.

What is clear about training programs in fragile states is that their design must be informed by analysis of both market demand and the implementation

Box 2.4 Lessons from the Jovenes Programs in Latin America

The Joven (Youth) Program for disadvantaged youth has been implemented in Chile, Argentina, Colombia, Peru, and Uruguay, where it improved participants' labor market outcomes. The program provides a package of services, including training (often on-the-job vocational training, as well as instruction in more general skills, such as literacy, personal relations, communications, and self-esteem), work experience, and job search assistance. Among the key reasons for the program's success are its integrated approach and the coordination among state, civil society, and private sector actors in both identifying training needs that respond to market demand and delivering the services.

The programs are expensive because of the intensive package of services that they offer, as well as their careful targeting, which limits coverage and makes them less suitable for fragile environments, where larger-scale, more inclusive, and affordable interventions are needed. Nevertheless, certain Jovenes findings are applicable to fragile states. For example, a comprehensive package of basic and vocational training (ideally on-the-job) and employment services has proven very effective. Of note, evaluations have found that private training providers performed better than did public providers.

Sources: Betcherman, Olivas, and Dar 2004; Godfrey 2003; ILO 2003.

constraints specific to these states, including social cleavages and endemic exclusion. Particularly when designing programs for ex-combatants, internally displaced persons, youth, women, or people in particular areas, the impacts of targeted training (political, economic, and psychological) should be considered carefully. Finally, evaluations of training programs should assess their impact on not only short-term, but also long-term employment, wages, incomes, and development prospects that result from building human capital and increasing economic diversification.

Targeted Programs for Increasing Employment and Employability

Because fragility and conflict often create new forms of vulnerability, many, if not most, short-term interventions in fragile environments are targeted, whether at vulnerable and conflict-affected groups or at war-affected and/or marginalized communities. Targeting is thought to help the neediest, particularly when resources are limited, by providing social protection to those least able to help themselves and reducing exclusion. In conflict environments, targeting is thought to reduce risk—although evidence for this correlation is limited. This section begins with a brief discussion of the employment creation aspect of DDR programs, which are particularly prominent in postconflict environments, and then briefly reviews efforts to target youth and women.

Disarmament, Demobilization, and Reintegration Programs

DDR (sometimes referred to as DDRR—disarmament, demobilization, reinsertion, and reintegration) programs have been implemented in most postconflict countries, particularly where there has been a negotiated peace agreement. Because the main objectives of DDR programs are to reduce the risk of conflict via the social and economic reintegration of former combatants, they generally include significant training and employment components. The programs operate on the premise that most combatants have financial motivations to engage in war, so that failure to provide them with legitimate economic opportunities could increase their likelihood of rejoining militias.

There is some evidence to support this link. For example, a 2008 U.S. Institute of Peace survey in Liberia found that one-third of respondents (many of whom were women) would fight again due to poverty and lack of opportunity (Hill, Taylor, and Temin 2008). A study of ex-combatants' experiences of DDR programs in Sierra Leone and Liberia found that the majority had experienced extreme economic deprivation before joining militias. Many of those who had been abducted into militias as children rejoined civilian life, but were recruited for later wars when unemployed. They used the money that they obtained as militia members to cover rent and school and medical fees for their extended families and to engage in petty trade (Human Rights Watch 2005).

First developed in Central America in 1988, DDR programs have been implemented in African and Asian countries that have a strong United Nations (UN) presence. As of 2007, 14 of 19 DDR programs worldwide were in Africa.

Many such programs are funded by multiple donors. For example, the Multi-Country Demobilization and Reintegration Program (MDRP)—sponsored by the UN and bilateral aid agencies, NGOs, and the World Bank between 2002 and 2009—reached approximately 300,000 ex-combatants in the Great Lakes Region of Sub-Saharan Africa. This region covered the Democratic Republic of Congo, the Republic of Congo, Rwanda, Uganda, Angola, Burundi, and the Central African Republic.[6] Even single-country DDR programs are generally highly complex operations that are both difficult to monitor and have uncertain outcomes. As the final evaluation of the MDRP wryly observed, "[A]vailable information suggests reasonable results overall, especially if one considers the objective of reintegration, which is to put ex-combatants on par with other community members. In many places, this implied being reintegrated back into poverty" (MDRP Secretariat 2010, 2).

DDR planning generally begins with peace accords, sometimes in tandem with security sector reform that can integrate former combatants into a national police force or reformed militaries (Mendelson-Forman and Mashatt 2007). DDR programs usually consist of (a) collecting, documenting, and disposing of arms and ammunition (disarmament); (b) formally discharging active combatants from armed groups (demobilization); (c) providing short-term support (reinsertion); and (d) socially and economically reintegrating demobilized soldiers back into communities by providing services such as vocational training, apprenticeships, formal education, financial and start-up support for agriculture and alternative livelihoods, and temporary employment opportunities (Klem and Douma 2008; Maier 2009; Specker 2008; UNDP 2008b; Van de Goor and Ball 2006). The actual nature of programming depends in part on the capacity of the postconflict governments. Mozambique's DDR program, for example, benefited from a functioning government, while the Liberia and Sierra Leone programs lacked the advantage of viable governments.[7]

DDR programs have often been complemented by other donor-sponsored projects aimed at short-term job creation and training, such as the above-mentioned public works and training programs in Liberia and Mozambique. The previously discussed USAID-funded LCIP, (box 2.1) targeted ex-combatants to help restore infrastructure. Intended to support conflict prevention and mitigation, the LCIP also included psychological counseling.

DDR programs face extremely complex economic and political challenges. A review of such programs in a number of African countries (Klem and Douma 2008, 27), for example, commented that they were weakened by their

> lack of proper socio-economic baseline surveys … absence of local labour market assessments, and … lack of knowledge of the basic features of the local formal and shadow economies. The training offered was often too short and starter kits were insufficient to kick-start earnings and compete with existing economic actors. Economic sectors that could absorb labor (e.g., agriculture in Sierra Leone) were not always exploited properly.

As a result, many ex-combatants remained unemployed despite receiving training and assets (Klem and Douma 2008). Some donors consider the emphasis on steering ex-combatants toward self-employment as misplaced. For this reason, USAID does not encourage programs that help ex-combatants and rural workers to start businesses (apart from farming), because they usually lack business skills, have a high failure rate, and are in danger of becoming indebted (USAID 2009a).

A number of programs have suffered from a combination of corruption, inadequate attention to child combatants, and funding shortfalls. These problems characterized the Sierra Leone and Liberia DDR programs, which also failed to provide training in skills that were in demand (Human Rights Watch 2005). This disconnect between supply and demand also characterized the Liberian TVET program described above. Although 66,000 people took part in the courses offered by that program, there was little private sector employment available for the trainees.

Targeting in and of itself can become a contentious issue during the reintegration phase of DDR programs if other members of a community resent the special treatment received by people seen as perpetrators of violence (UNDP 2008a). While former combatants may receive cash, counseling, skills training, educational opportunities, access to microcredit and/or land, the people they have victimized may receive nothing at all. For example, the 2002–07 DDR program that the Bank financed in Rwanda provided ex-combatants cash benefits of about $700 each. As of 2007, however, genocide survivors in that country had received none of the compensation funds promised by the Rwandan government in 1998 (UN/OSAA 2007). For such reasons, some practitioners think it preferable to target communities rather than individuals. USAID, for example, found that in Liberia, although assistance targeted both ex-combatants and war-affected returnees, "antagonism between the groups tended to boil over into direct personal conflict at the worksite" (USAID 2009a, 35).

When designing special reintegration programs for ex-combatants, donors should consider implementing parallel programs for poor displaced youth, whose economic and social situations are often similar to those of young ex-combatants. Examining the experience of displaced youth who sought employment in a war-affected town in the Democratic Republic of Congo, Raeymaekers (2011) points out that there, as in many countries, young people are now rejecting agricultural lifestyles in preference for urban life. In both cases—that of youth in Africa in general and youth in war-affected towns—young people are blocked by gatekeepers who restrict their access to land and valued trading networks. Livelihood interventions, he argues, must be based on much better analyses of the specific markets involved and the power relationships that dominate them. Recent work from Liberia finds that concerns over security threats from reintegrated ex-combatants—in this case, motorcycle taxi drivers linked to violent incidents—are part of a larger pattern of violence committed by youth, who "behave like ex-combatants" and face shared problems with the latter group: lack of economic opportunities and employable skills (Tamagnini and Krafft 2010).

Interventions to Promote Job Creation for Youth

Many of the assumptions underlying reintegration programs for ex-combatants also govern programs that target youth more generally. These assumptions include the fear, shared by governments and many donor agencies, that youth in fragile and conflict-affected countries will engage in asocial behavior if and when they cannot find employment. In West Africa, youth marginalization is widely seen by politicians and scholars alike as a driver of conflict. Throughout the region, high fertility and low growth rates have created a huge gap between the supply of and demand for jobs. While everyone is affected by the lack of economic opportunity, young people are particularly disadvantaged by gaps in schooling because of conflict; lack of relevant skills, including "soft" skills; and lack of experience (World Bank 2010b).

Donors argue that emergency employment programs can improve the image of young workers; provide valuable experience and satisfying work; and be complemented with on-the-job, vocational, or small business training, as well as part-time education. Mentoring, internships, and apprenticeships can also help increase youth employability, as can support to youth organizations and advocacy groups. According to the UN (2009, 42):

> Youth employment and reintegration programmes must both build on the strengths of young workers, such as their mobility and willingness to learn, and address their particular needs for part-time education, vocational training, and business start-up[s] or job search skills. These linkages should be articulated in the initial post-conflict needs assessment analysis and subsequently in national development strategies.

While there is consensus that young people face huge hurdles, evidence about what actually works in creating jobs for youth is scarce. A recent review of available literature on youth programming in conflict environments found that evaluations often failed to compare program participants with a control group of youth who had not been in the programs. They also failed to include relevant information, such as participant gender, class, educational attainment, war experience, household stability, or ethnicity, with the "regrettable result is that it is still mostly unclear what particular program approaches work or do not work" (Sommers 2006, 25).

Many youth interventions have been faulted for relying heavily on skills training without increasing job opportunities for trained youth, which is a recipe for frustration. A number of studies on youth employment programs in Sub-Saharan Africa (see, for example, Johanson and Adams 2004) concluded that there is too much focus on helping youth enter highly skilled waged employment, and insufficient attention to creating employment for youth with low levels of education. Many programs show no evidence of a prior needs assessment, with the result that neither the market niche for which youth are being trained nor the aspirations of youth themselves have been identified (Sommers 2006).

Many of the interventions described earlier in this report have youth components, particularly public works projects and training programs. The Liberian Emergency Employment Plan and the Liberian Employment Action Plan are among many such examples. These interventions were designed to reduce unemployment through labor-intensive construction projects (for public infrastructure and roads) and targeted youth, ex-combatants, and conflict-displaced people. Together, they are estimated to have created 76,000 jobs directly and 130,000 jobs in the wider economy by boosting micro, small, and medium enterprises and improving the transport infrastructure (ILO 2008a, 2008b).

Particularly in countries such as Sierra Leone, where youth marginalization is viewed as a key driver of conflict, young people have been targeted by many interventions, including some innovative pilots. The USAID-funded project, Promoting Linkages for Livelihood Security and Economic Development, for example, targeted farming households and marginalized youth with the objective of helping both groups reintegrate economically. After 15 months, 7,880 farmers had participated in training activities, 1,600 participants had trained in business management, 3,100 loans had been disbursed, and 1,500 grants had been provided to vulnerable entrepreneurs (SEEP Network 2006).

The Youth Reintegration Training and Education for Peace (YRTEP) Program in Sierra Leone is an interesting example of a training program that sought to integrate practical skills with peace building. It offered psychological counseling, skills training (in such topics as literacy, soft skills, and vocational skills), and civic education in an effort to build community support for reconciliation and the reintegration of ex-combatants. Implemented in 2000 and 2001, during intermittent civil unrest and insecurity, YRTEP nevertheless trained over 45,000 ex-combatants and unemployed, marginalized youth for periods of 6–12 months. The project evaluation praised the rapidity with which the program was launched, its scope, and its success in "sparking community enthusiasm" for rebuilding and generating hope and energy among young people, but acknowledged that it was ultimately unable to help them implement what they had learned. While employment was not the primary objective of YRTEP, it did aim to increase participants' ability to generate an income. Lack of follow-up to the training led one of the trainers to acknowledge, "You cannot sensitize people and then have them live in the streets" (Creative Associates International 2002, 37, 3).

Interventions that Target Women and Girls

Women in postconflict environments often find themselves de facto household heads, having taken on the role of breadwinner during a conflict and often maintaining this role afterwards because so many men are absent, disabled, or deeply demoralized. In some contexts, women who previously worked mainly in subsistence activities have expanded into the cash economy once dominated by men. Yet as conditions stabilize, they are often pressured to vacate these sectors. In addition, economic reconstruction efforts in postconflict environments often favor men as ex-combatants, or young men in general, to the relative exclusion of women. The review of youth programming described in the previous section notes an "alarming tendency to provide assistance to more male youth than female youth" (Sommers 2006, 25).

Women have also been frequently excluded from DDR programs. According to Tamagnini and Krafft (2010), this oversight was due to the number of weapons that a person had to hand over to qualify for a program. The two authors note that when the Liberia DDRR program relaxed this requirement, 22,300 women and 11,700 children who had been "associated with fighting forces" were able to qualify for the program. The Liberian program was, however, unusual in the extent to which it covered women and children.

Even when women are not explicitly excluded, they may find it hard to take advantage of available opportunities because they are less mobile, less informed, and less flexible due to their domestic responsibilities (UN 2009; World Bank 2010a). As new economic opportunities arise, women often lack the training, experience, and the legal basis (i.e., land ownership or rights to collateral) to make use of them. A study in Northern Uganda found that although many programs targeted women during the emergency and the return of ex-combatants, "opportunities to foster women's entrepreneurial potential are ignored in the rush to design long-term development initiatives" (International Alert 2010, 46).

Without addressing gender norms and practices, then, the long-term impact of job creation interventions on women is limited. In Eritrea, for example, the formal sector did not recognize or absorb women who had acquired skills working as mechanics or barefoot doctors (UN 2009). Other programs, such as the Liberia TVET initiative described earlier, initially offered training in construction, agriculture, and business skills only to men, and in domestic skills and small business management skills only to women, ultimately incurring criticism for reinforcing stereotypical gender roles.

Recognizing that women's economic opportunities are only part of a broader empowerment agenda, the recent multicountry Adolescent Girls Initiative (AGI) launched in Liberia, Rwanda, and South Sudan (as well as in postconflict countries outside Africa) addresses social and economic empowerment as a package.[8] Pilot projects—to be scaled up if successful—provide comprehensive support services to 3,000 beneficiaries, including livelihoods training, life skills training, financial literacy training, and access to savings and credit facilities. In Liberia, AGI has been providing classroom training in business development and job and life skills, followed by placement and support services to smooth the transition to wage or self-employment, to some 2,000 young women between the ages of 16 and 27 (World Bank 2012). Because AGI pilots are being carefully evaluated, they should offer valuable lessons on what does and does not work in difficult environments. The challenge will then be to take these interventions to scale.

Some market development projects have built-in mechanisms to help women work around local cultural and religious constraints. The USAID-funded From Behind the Veil project in Pakistan, for example, used women sales agents to link housebound women to the market for embroidered goods. The project also linked women producers to designers, who helped them improve the quality of their products and thereby access higher-value markets. The project reached

9,000 embroiderers, as well as several hundred female sales agents. An evaluation of the before and after impact of the intervention (unfortunately, no control group was considered) found significant pro-poor effects, including a substantial increase in the incomes of the poorest and most socially isolated women (Humphrey and Navas-Aleman 2010; SEEP Network 2006).

The World Bank's Postconflict Portfolio: A Snapshot of Four Countries

The preceding section drew on the activities of many donors and aid organizations. To better understand how the World Bank in particular has tackled employment in the first few years following the cessation of conflict, the authors reviewed Bank-financed projects in Côte d'Ivoire, Liberia, Rwanda, and Sierra Leone that had either direct or indirect employment-generation components. The review encompassed approximately 25 projects that were designed in the immediate aftermath of conflict, using project documentation supplemented by discussions with task team leaders and project social scientists.[9]

Initial interventions in Côte d'Ivoire, Liberia, and Sierra Leone focused on creating temporary employment, providing social services, and rebuilding social capital through community-based initiatives. The rationale was that addressing the needs of war-affected groups (especially women and unemployed youth) and encouraging groups to collaborate would reduce the risk of renewed conflict in the short term.

In Côte d'Ivoire, Liberia, Rwanda, and Sierra Leone, the Bank supported DDR programs to assist demobilized soldiers in reintegrating into society. Even though no systematic evaluation and monitoring efforts were made to measure the impact of the reintegration programs of specific projects, available data suggest that they did not consistently separate the more politically driven, security-focused activities of disarmament and demobilization from the more broad-based, developmentally focused activities of reintegration. The main constraining factor in these countries was the economic context into which ex-combatants were reinserted. At least in Liberia and Sierra Leone, DDR programs did not successfully identify sectors with the potential to create sufficient numbers of jobs. And despite raising expectations that training would increase participants' opportunities to find jobs in the local economy, the programs did not provide training that matched local market requirements.

Infrastructure projects that targeted unemployed youth and demobilized soldiers were launched in Côte d'Ivoire, Liberia, Rwanda, and Sierra Leone to meet immediate needs. However, these projects used labor-intensive techniques, even when these techniques were neither the most efficient nor effective way to generate temporary employment (see box 2.1 on the LCIP in Liberia). Concurrently, CDD programs were also launched in these four countries in order to rebuild social capital and deliver social services to war-affected communities, with particular attention given to women, internally displaced persons, returning refugees, and ex-combatants. The CDD projects encouraged communities to work together to prepare and implement subprojects (e.g., the repair of schools, health centers, and small-scale infrastructure) as a way to rebuild relationships and trust. While the projects proved useful for speeding up delivery of much needed services and short-term jobs, there is insufficient evidence to conclude that they helped contribute to the development of employment opportunities over the medium term.

As the situation in each country stabilized, a second wave of interventions promoted an enabling environment for private sector development. These interventions included investments in roads, ports, and airport facilities to provide the infrastructure and connectivity essential for economic growth. Agricultural projects tried to revive growth and diminish the countries' reliance on primary commodity exports. Postconflict investments in the agricultural sector thus included direct support to farmer-based organizations and efforts to improve domestic and export distribution channels for agricultural products. To further enhance the enabling environment for private sector–led investment and employment generation, the Bank promoted governance reforms, including improved management of public resources, and the fiscal and administrative decentralization of government structures.

Overall, with the exception of specific investments that addressed youth unemployment, the second wave of projects in the four countries did not include employment or livelihood generation as key components. Rather, country strategies during the decade or so of postconflict programming covered by the portfolio review reflected an implicit assumption that better economic and governance environments would stimulate growth and result in more employment. At best, however, it can be concluded that job creation was a secondary outcome of this specific postconflict portfolio. Either projects allocated only minimal budgets for the purpose of creating employment, or they overlooked the potential to generate employment entirely. While the sudden food price increases in 2008 compelled governments to initiate programs that provided temporary work, these programs, similar to many public works programs implemented immediately after conflicts ended, were primarily conceived as social safety nets and were not designed to promote long-term employment.

What Are the Lessons of This Experience?

To date, then, the prevailing concerns of donors working in fragile and postconflict environments have been scale and speed of implementation, often in the form of public sector infrastructure rehabilitation. A secondary concern has been the revival of local (i.e., rural) economies, generally in the form of community-based umbrella projects that restored small infrastructure and revived local agriculture and commerce via loans, grants, training, and support services.

As has been repeatedly observed in this report, understanding the effectiveness of these programs has been considerably hampered by the lack of careful monitoring and evaluation. For the most part, even postproject evaluations that considered before and after effects failed to compare treatment and control groups, making it hard to know, for example, whether people who did not receive program benefits might have found other ways to access opportunities. Nor did evaluations compare different types of programs to determine which was most cost-effective and sustainable over time. Therefore, one clear lesson of this survey is the need to improve program and project monitoring. It isn't realistic to include impact evaluations as a standard part of project design, since they are complex, time-consuming, and expensive. But clearer specification of relevant objectives and some attention to verifying results would go a long way toward producing a more reliable evidence base for interventions (Humphrey and Navas-Aleman 2010).

It is fairly clear that sustainability has been a problem in many of these projects, which only very rarely were embedded in government sectoral or thematic programs covered by a national budget. As a result, maintenance was not funded from a national budget because sector ministries had little ownership of the projects. The Mozambique roads project stands out as a good lesson of how an organization created for humanitarian or peace-building purposes transformed into a permanent government institution. Yet given the capacity constraints of many fragile and postconflict states, this lesson may not be easily transferable. Certainly, more thought needs to be given to whether and how organizations built by humanitarian or UN agencies can be transformed into enduring institutions once their original purpose winds down.

Clearly, prolonged conflict results in a poorly skilled workforce. In many cases, basic education may have broken down during a conflict, resulting in extraordinarily high levels of illiteracy and innumeracy. The work ethic of young people involved in predatory militias may not, moreover, be initially suitable for regular employment. Generally, higher-paid industrial jobs will grow slowly, and the initial focus of employment generation is likely to be on construction and agriculture, with specific implications for the most essential kinds of training and support.

In this context, targeting is unlikely to reduce structural exclusion unless traditional and war-based power relationships are more carefully factored into project designs. For example, providing training and new economic opportunities to women and/or youth will have limited impact unless these interventions are accompanied by measures to increase their access to important assets, such as land, and expand their legal rights (particularly in the case of women). Additional measures are needed to help women ease their way into the cash economy by reducing their domestic burden.

Few of the projects described in this section appear to have reached national scale. While some have resulted in decent jobs and/or prepared people for the labor market through well-designed training, there is little evidence to suggest that they had a measurable impact on either the risk of conflict or the overall employment situation. Stocktaking of smaller-scale livelihood activities reveals a number of interesting but modestly funded pilots that were not followed up by larger, fully funded programs.

A related characteristic of interventions in fragile environments has been their lack of coherence and the consequent loss of potential synergy from multiple activities, whether such activities are implemented in the same geographical area or address similar issues (e.g., SME development) from different angles, such as training and finance provision. The small scale of interventions examined here argues for a well-funded programmatic approach—government coordinated where possible—rather than large numbers of small discrete projects implemented by donors and NGOs. Value chain development, discussed later, offers another way of creating this coherence among different interventions.

The project approach, moreover, has often ignored policy changes that could make employment interventions more effective and long lasting in their impact. Although policy reforms that threaten vested interests can be destabilizing, it is also true that the strong desire for change that accompanies the end of a conflict offers an opportunity to push through well-chosen reforms that have wide popular support. For example, support to agriculture could be complemented by addressing agricultural pricing or marketing reforms that increase the demand for labor. In the same way, the success of road projects could be enhanced by inaugurating charges for road users (e.g., levied through a fuel tax) to help fund ongoing labor-intensive road maintenance.

Many interventions described in this section were predicated on the assumption that the insecure and volatile environment of countries in or emerging from conflict is not conducive to private sector development. This thinking has recently been challenged by a number of development actors, who argue that along with emergency job creation, private sector development should receive earlier and more direct support, even before the end of conflict. The next chapter presents these arguments and cites examples of this new approach.

Notes

1. Lindsay Murphy, 2010, "Trilogy, Unibank, and Mercy Corps, a Team Effort to Launch Mobile Money in Haiti," Mercy Corps press release, September 21, Mercy Corps, Portland, OR, http://www.mercycorps.org/pressreleases/22104 (accessed December 2012).
2. See the fee structure of the organization at Klin Salone, Freetown, Sierra Leone, http://klin-salone.org/service_1.html (accessed July 2010).
3. See "Employment Generation for Early Recovery," UNDP project webpage on community-based employment approaches in Somalia, UNDP Somalia office, Nairobi, Kenya, http://www.so.undp.org/index.php/EGER.html (accessed October 2012).
4. See the program's webpage at: USAID Iraq, Baghdad, http://www.tijara-iraq.com/?pname=welcome&t_t=Home (accessed May 2010).
5. MIBANCO conducted a USAID AIMS (Assessing the Impacts of Microenterprise Services) survey of enterprise households in 2001.
6. See the MDRP website for links to reports and evaluations of the program (http://www.mdrp.org/doc_rep.htm; accessed July 2010); see also ILO 2008a, 2008b.
7. See the UN webpage on "Disarmament, Demobilization, and Reintegration" (http://www.un.org/en/peacekeeping/issues/ddr.shtml) and the document, "DDR in Peace Operations: A Retrospective" (http://www.un.org/en/peacekeeping/documents/

DDR_retrospective.pdf), Department of Peacekeeping Operations, UN, New York (both URLs accessed October 2012).

8. See "Adolescent Girls Initiative," Gender and Development Group, Poverty Reduction and Economic Management Network, World Bank, Washington, DC, http://www.worldbank.org/gender/agi (accessed October 2012).
9. The intention of the portfolio review was to shed light on the Bank's approach to programming following a conflict. For this reason, as well as the availability of relevant documentation on the outcome of later investments, only the first few years of post-conflict programming were reviewed. Current portfolios demonstrate that employment generation has become more central to many country strategies; see, for example, Côte d'Ivoire's Country Partnership Strategy for FY10–13 (IDA, IFC, and MIGA 2010).

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CHAPTER 3

New Directions in Employment Generation in Fragile Environments

This chapter discusses emerging thinking about the relationship between relief assistance and economic development. Although these modes of assistance often overlap, a growing core of practitioners believe that the foundations of private sector development should begin earlier in the relief-to-development continuum, rather than waiting for countries to stabilize.

Rationale for Private Sector Development in Very Fragile Environments

Fragile and conflict-affected countries tend to cycle in and out of conflict if and until the causes or drivers of conflict have been resolved (Curtis *et al.* 2010). Rather than moving in one direction, from conflict to peace, countries oscillate between latent conflict (periods of significant political, social, and economic instability), open armed violence in all or parts of the country, and conflict settlement or resolution as they transition out of armed conflict. Given this oscillation, practitioners argue against waiting until security is fully established and basic institutions of government are fully operational before funding private sector development. New research in fragile environments provides some evidence that private sector programming can begin even during active conflict, as long as some secure pockets exist in a given country or region (Sweeney 2009).[1]

Supporters of earlier and more direct private sector intervention after conflict compare the year immediately following peace settlements to the "golden hour" in medicine—the hour immediately following traumatic injury during which treatment to prevent irreversible internal damage and optimize survival is most effective. In their view, the first months after a conflict may be the most critical for setting the tone for rebuilding and reconciliation. During this period, local stakeholders are willing to give peace a chance despite postconflict hardships, and the international community and the country have the opportunity to lay the foundation for full recovery—or for continued conflict (Mendelson-Forman and Mashatt 2007).

Research on postconflict trajectories also supports rapid movement on private sector development and, by implication, economic growth. Several studies (Collier 2007; Collier, Hoeffler, and Söderbom 2006; Collier and O'Connell 2008), for example, link slow growth to the increased risk of violence, while scholars such as Frances Stewart (2001, 2005) emphasize the importance of *equitable* postconflict growth to a durable peace. By supporting small and medium enterprises (SMEs) and microentrepreneurs, private sector development has the potential to lead to broader economic opportunities and poverty reduction, especially in resource-rich countries where wealth too easily becomes concentrated in the hands of a small elite. To date, however, postconflict assistance has often gotten stuck in the emergency assistance phase. Thus, when temporary jobs end, participants again find themselves un- or underemployed and unemployable (Gerstle and Meissner 2010).

The push for earlier donor support for private sector development in order to generate employment is reflected in a United Nations (UN) policy paper (UN 2009). The paper summarizes the UN's three-track approach to postconflict assistance, which combines simultaneous relief and emergency interventions with longer-term economic planning. Track A targets war-affected and vulnerable people (particularly ex-combatants and youth); it concentrates on consolidating security and stability, as well as implementing highly visible short-term, labor-intensive public works programs to rebuild social and economic infrastructure. Track B is intended to consolidate the peace process by rebuilding local communities through such initiatives as investing in local infrastructure, promoting local-level employment opportunities, restoring the natural resource base, and rebuilding local government capacity.

If the UN's first two tracks reflect the donor approaches reviewed in chapter 2, the model breaks newer ground with Track C, which starts concurrently with Tracks A and B. The third track comprises measures to nurture the local private sector and labor markets, encourage foreign investment, strengthen links between sectors, and build market-relevant institutions, thus laying the basis for long-term employment and decent work (Grossman *et al*. 2009; UN 2009). Track C thus emphasizes the importance of planning for long-term economic development at the same time that short-term emergency measures are underway. In addition, it prioritizes long-term employment creation, achieved in some cases via direct intervention in markets.

Track C recognizes that in very fragile environments, including postconflict environments, economic development can be a two-edged sword that can contribute to peace building or deepen social cleavages. Both the peace-building potential and risks of private sector development, however, have been relatively neglected. Development agencies are only now starting to integrate conflict analysis and conflict sensitivity into their economic development programs. There is still a tendency in international aid discourse to conflate pro-poor growth with equitable growth and to prioritize economic efficiency and gross domestic product (GDP) growth without considering the social and political risks of such policies. In fragile environments, for example, it is important for interventions to avoid strengthening one party to the conflict, rebuilding preconflict economic structures, or reinforcing inequities that may have exacerbated the conflict.

Conflict-sensitive economic development, however, is more than avoidance of conflict. It refers to the private sector's potential to restore social capital and trust and rebuild economic links, whether by promoting dialogue around economic issues or by organizing joint economic activities. New enterprise development can provide alternatives to predatory wartime economies based on trafficking and smuggling. In some contexts, private sector development can even address pervasive regional or social inequities by targeting marginalized regions or groups (International Alert 2006; UNDP 2008; USAID 2009).

Business associations such as chambers of commerce or apex (lending) organizations can facilitate and channel collective action in support of peace entrepreneurship. Indeed, a recent study of civil society and accountability in Africa (Devarajan, Khemani, and Walton 2011) suggests that within civil society, business associations are best placed to take collective action in the business sector. For example, such associations can push governments to become more accountable to their constituents by providing public goods (e.g., law and order, roads, electricity) that favor production.

Despite this new thinking about earlier and more aggressive efforts to restore private sector activity in fragile states, until recently, donors such as the World Bank and individual governments have preferred to kick-start economic recovery with macroeconomic and governance reforms, better regulations, and improvements in the rule of law and property rights. How effective has this indirect approach proven? Based on an examination of World Bank strategy and project documents, the following section examines whether—and to what extent—the World Bank's private sector development portfolio in Rwanda, Liberia, Sierra Leone, and Côte d'Ivoire (with a few other examples, where relevant) addressed employment creation during the first five years after the cessation of conflict.

The World Bank's Postconflict Private Sector Development Portfolio: The Role of Employment Generation

Côte d'Ivoire, Liberia, Rwanda, and Sierra Leone all emerged from violent conflict with collapsed growth, high inflation, and massive unemployment. Liberia, a middle-income economy before 1989, was one of the poorest countries in the world by the end of its civil war; today, estimated per capita GDP is \$190. Genocide reduced Rwanda's real GDP by 50 percent, while inflation rose from 1.24 percent in 1993 to 62 percent in 1998 (World Bank 2001a). Between 2000 and 2006, annual average real GDP growth in Côte d'Ivoire became negative (–0.4 percent)—well below Africa's annual average of 4.9 percent—and poverty in the country grew from 38.4 percent in 2002 to an estimated 48.9 percent in 2008 (World Bank 2009).

All four countries experienced severe social tensions as a result of massive casualties and population displacement. Around 250,000 Liberians were killed during the conflict, while an estimated 500,000 were internally displaced (Hull 2010). Over 800,000 people died in the Rwandan genocide, while 2 million fled to the Democratic Republic of Congo, Tanzania, and Burundi. The return of refugees created friction in each country when returnees found that their lands and properties had been occupied by others during their absence. This contestation over land compounded an already sharp competition for resources in these small, densely populated countries.

Death and displacement of civil servants, doctors, engineers, judges, technicians, artisans, and other skilled personnel severely weakened government capacity in each of the four countries. Outdated laws and dysfunctional institutions combined with heightened violence and crime to complete the breakdown of the rule of law. Badly damaged electricity, water, sanitation, and transportation infrastructures severely reduced production and trade. And people were reluctant to use the remaining roads and transport systems because of frequent attacks on civilian transport.

At the end of each conflict, however, the individual country experienced the type of rapid growth rebound typical of postconflict periods. Liberia's annual GDP growth averaged 7.25 percent between 2005 and 2008 and as of 2010, the country had the highest ratio of foreign direct investment to GDP in the world.[2] The Rwandan economy grew by 7.0 percent annually in the period 1994–99 (World Bank 2002). This rebound resulted in part from the resumption of commercial and subsistence agriculture, and in part from the easing of constraints to trade and service provision. Given the degree of conflict-related damage, however, growth did not significantly improve Rwandan living standards in the immediate postconflict period.

Private Sector Development as the Engine of Growth in Postconflict Countries

The World Bank has long argued that the private sector is the engine of growth and that governments should only play supportive regulatory and supervisory roles. Private sector development in the World Bank is not specifically geared toward employment creation, although it is assumed that sustained and inclusive private sector–led growth will lead to greater employment. In the past 15 years, the World Bank has articulated a more explicit interest in promoting pro-poor and inclusive growth, defined as growth whose benefits are shared by a majority of citizens.

In the countries discussed here, World Bank documents stress the level and depth of poverty and the consequent importance of reviving economic activities in sectors such as agriculture, which affect poor people the most. In Rwanda, for example (see box 3.1), the World Bank started to explore options for poverty reduction in 1998 (World Bank 1998). For Liberia, the World Bank's 2004 Re-Engagement Note observes that the "revival of agriculture is vital, since this sector represents around 50 percent of GDP and 75 percent of the labor force in Liberia" (World Bank 2004, 11). It also calls for investments in forestry and infrastructure.

Box 3.1 Rwanda: Postconflict Poverty Reduction Strategies

The Rwanda Poverty Note of 1998 described the situation of poor households in Rwanda three years after the 1994 genocide. The note focused on the immediate constraints to and priorities for poverty reduction, with an emphasis on agriculture and access to primary health care and education. Based on the poverty profile, it proposed short-term poverty reduction initiatives to help poorer households increase their agricultural output and market their produce at fair prices, improve the quality of primary education while lowering its cost, and improve the access of poor households to basic medical care. The overall goals of medium-term equitable growth included (a) promoting growth in sectors that would directly benefit the poorest people in the country; (b) ensuring that legal and institutional frameworks for economic activities enhanced the access of poor people to these activities; (c) equipping poor households with the skills and knowledge necessary to take advantage of new economic opportunities; and (d) providing the social and economic infrastructure to help poor households move into nonagricultural employment (particularly by improving urban infrastructure and services).

Source: World Bank 1998.

The World Bank adopted a two-pronged approach in these countries in the years immediately following conflict. In addition to interventions that provided temporary work, it first pursued easily achieved policy reforms intended to reduce significant constraints to the private sector. Second, it focused on policy reforms and investment projects that would restore human capital and develop the institutional, legal, and regulatory frameworks deemed essential for restoring growth and employment. Key sectors, such as mining and agriculture, were targeted in particular. Efforts were made to fit local realities and strategic priorities into the support strategy for each country. Not all available instruments were fully used in each country, however, and the strategies were implemented with only partial success.

The First Prong: Short-Term Job Creation and Arrears Payments

Short-term interventions produced peace dividends in the form of short-term jobs, increased incomes, and reconstructed infrastructure. Although the deficits of the multidonor disarmament, demobilization, and reintegration (DDR) program in Liberia have been noted earlier, it created 600 kilometers of roads and 75,000 jobs (2.3 million work days) between 2006 and 2009—although only 20 percent of the jobs were held by women. Many of the participants reportedly invested their earnings in farming and petty trading, with the result that income gains were maintained even after the labor-intensive projects were completed (Tamagnini and Krafft 2010). The Sierra Leone National Social Action Project generated 800,000 person days of temporary employment, mainly for demobilized soldiers and youth, and built 1,700 housing units for displaced persons. The project's community development component transferred funds directly to communities to manage and monitor some 1,000 smaller projects (World Bank 2003).

In a postwar environment, the private sector has difficulty finding capital to restart activities. The World Bank addressed its financing needs by tackling arrears, including the money that governments owed both domestically and internationally. The logic was that if governments could repay their debts to commercial banks, the banks would be able to lend more to the private sector. Paying arrears to the private firms that had provided goods and services to the four governments during wartime would allow the firms to restart or expand their activities. In Côte d'Ivoire, a domestic clearance plan was therefore prepared for 2009–11. Funding from the International Monetary Fund (IMF) and the World Bank allowed the government to reduce its arrears from 2.7 percent of GDP at the end of 2008 to 1.9 percent of GDP by the end of 2009. Priority was given to small claims, followed by claims based on their maturity (World Bank 2010a).

In Sierra Leone, a component of the Emergency Reintegration and Recovery Credit budget support operation was allocated to the settlement of private sector claims against the government. A committee for private debt was created to settle domestic arrears and develop a manual for classifying and verifying claims. Participating businesses received their payments by late 2000 (World Bank 2001b). In Liberia, the World Bank provided financial support to give the government enough liquidity to stabilize its financial and fiscal situation. As of January 2007, there were $304 million valid outstanding domestic claims against it. The government adopted a resolution strategy to settle both salary arrears and the bulk of vendor arrears before the end of 2008; it began implementing the strategy in 2007 (World Bank 2010b). In Rwanda, total domestic debt was estimated at $310 million in 1996 (World Bank 1997b). The government did not remain current in debt servicing, however, and accumulated additional domestic debt service arrears in the estimated amount of $62 million by the end of that year (World Bank 1997b). By July 2000, the government had identified domestic arrears representing about 4 percent of GDP (RF 27 billion), most dating from before and during the conflict, and intended to settle them.

Payment of arrears to international partners opens up opportunities for further funding, which in turn supports the private sector, whether through investments in critical infrastructure, health, or education. Therefore, the World Bank also provided bridge loans to Côte d'Ivoire to clear its arrears to the IMF so it could receive further international funding. Liberia likewise received a $376.6 million bridge loan from the World Bank in 2007 to clear its arrears to the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA), enabling the World Bank to reengage with the country (World Bank 2010b).

The Second Prong: Privatization and Governance Reform in Key Sectors

The second prong of the World Bank's strategy for postconflict private sector development comprised a range of instruments, including microfinance; privatization; and the building of institutional, regulatory, and incentive frameworks. These measures achieved mixed results, due in part to the sheer number of challenges in rebuilding the shattered economies of the four countries.

Microfinance was introduced to reach micro and small enterprises, where most job creation was likely to take place. The results of these efforts were, however, weak at best. In Liberia, the central bank took the initiative to extend financial services by creating a microfinance unit and adopting a national microfinance policy. There is not enough information, however, to judge the degree to which micro, small, and medium enterprises actually benefited from these reforms.

In Côte d'Ivoire, a 2009 World Bank project provided $11.3 million of direct support to SMEs, seeking to strengthen them by providing financial and nonfinancial services, including microfinance.[3] The project is still too recent to fully judge the results, particularly after setbacks due to postelection violence (World Bank 2010a). In Rwanda, some success was achieved through a project that created 2,235 jobs: 380 as the outcome of the implementation of an apex line of credit and 1,855 jobs as the result of the implementation of a private sector support fund (World Bank 2001a). In Sierra Leone, it is not apparent whether the World Bank provided active support to SMEs.

Another important area of World Bank activity involved improving the governance and regulatory framework of state-owned enterprises (SOEs) in these countries, privatizing them where possible. The World Bank had two aims in pushing for privatization: to remove loss-making productive enterprises and utilities from the government books and improve the financial liquidity of the governments through the sale of unprofitable enterprises. It was anticipated that new private owners would invest in the enterprises and so improve productivity.

World Bank support for privatization, however, was not always successful. Nor is it clear to what extent privatization resulted in jobs. While privatization efforts have achieved some spectacular successes (particularly in mobile telephony), governments have generally struggled with this agenda. In Rwanda, for example, the privatization effort that immediately followed the conflict had very limited results, with one liquidation and four privatizations (of small enterprises). There was no tangible social and economic impact on the Rwandan economy from these privatization efforts. In the medium to long term, privatizations that were designed to start in 1996 actually kicked off in 1998 and ended in 2006. Nonetheless, the implementation completion reports from Rwanda's Public Enterprise Reform Project (World Bank 1997a) and the Economic Recovery Credit (World Bank 2002) note that between 1998 and 2002, 35 of 72 remaining SOEs were brought to the point of sale. The cabinet approved about 25 divestitures, and by early 2001, 19 of the privatized SOEs had become operational. Rwandatel, the publicly owned telephone company; Electogaz, the electricity and water company; and nine publicly owned tea factories were put up for sale. The background notes describing the privatizations, however, provide no information about the employment impact of this wave of divestitures (World Bank 1997a, 2002).

In Liberia, the mobile telecommunications sector was successfully privatized right after the nation's conflict ended, with lower prices causing access to surge to 40 percent in 2009 (Foster and Pushak 2011). By early 2007, four mobile telecommunications operators in Liberia served over 350,000 customers, or over

10 mobile subscriptions per 100 residents. Such astronomical sectoral growth is bound to create a substantial number of jobs, although the exact number in this case is not available. As of 2010, the government's strategic objective was to dissolve or privatize SOEs and agencies that were either moribund or more appropriate for private ownership, as well as to improve the efficiency and economic governance of the remaining SOEs. This task remains a challenge, since little or no progress has been made in managing SOEs and other regulatory agencies (World Bank 2010b). In Côte d'Ivoire, the World Bank focused mainly on improving the governance and regulatory framework for managing SOEs, especially those in the electricity and petroleum sectors (World Bank 2010a).

Although the programs of the International Finance Corporation (IFC) are not systematically addressed in this report, it should be noted that the IFC has worked closely with the World Bank (i.e., IBRD) in many countries. Since 2008, the World Bank Group has been ramping up its programs in fragile and conflict-affected states to help these states rebuild their private sectors, increase stability, and create employment (box 3.2).

The World Bank has also supported several interventions to revive critical value chains in key sectors, with varying levels of engagement and results. In Rwanda, these ongoing interventions were largely successful. Coffee, grown mostly by subsistence farmers, has long been an important source of rural incomes and foreign exchange in that country (Mutandwa *et al.* 2009). By 1996,

Box 3.2 The IFC's Conflict-Affected States in Africa Initiative

With the support of several bilateral donors, the Conflict-Affected States in Africa (CASA) Initiative, a five-year program, was launched in 2008. The aim of CASA is to accelerate private sector growth as a way to restore employment and stability. Through CASA, the IFC has implemented a range of integrated strategies that support regulatory reform and thus improve the business environment, strengthen SMEs and institutions such as chambers of commerce and business associations, rebuild financial markets and broaden access to finance, increase private sector involvement in providing and rebuilding infrastructure, and support public-private partnerships in selected sectors.

In Côte d'Ivoire, for example, the IFC has focused efforts on the agricultural sector (the main driver of the economy), infrastructure, the investment climate, SME development, financial markets, and access to finance. In Sierra Leone, the lending body supports improvements in the investment climate. The IFC has also been active in Liberia, where, among other interventions, it helped create the country's first microfinance bank, first commercial court, and a modern business registry that has dramatically increased business registration. The IFC also provides advisory and capacity development services to SMEs. A recent comparative impact assessment of its investment climate projects concluded that between 50,300 and 61,900 jobs were created in Liberia, Rwanda, and Sierra Leone during the period 2008–10, mainly in connection with enterprise formation.

Sources: Economisti Associati srl 2011; CASA webpage, IFC, Washington, DC, http://www.ifc.org/casa (accessed December 2012).

however, coffee production was only at half its 1993 level. Between 2002 and 2006, USAID implemented a project to boost export-ready coffee production and created several thousand seasonal jobs (the intervention is described in more detail below). The revitalization of coffee production and export benefited from major government policy reforms supported by the World Bank. In 1999, for example, the government eliminated a 30 percent tax on coffee exports. Subsequent reforms liberalized the marketing and processing of coffee and limited the responsibilities of two existing parastatal organizations in the sector to regulation, monitoring, and promotion—leaving production and marketing open to private sector engagement. The government also instituted market-based pricing and distribution of inputs and privatized coffee processing plants; it then privatized tea factories in 2001 (World Bank 2002).

In 2009, the Ivorian government planned to reduce levies and taxes in the cocoa subsector to stimulate economic activity and reduce poverty. Export duty, quasifiscal levies, and registration duties were lowered in 2009 to reduce total indirect taxation of the cocoa sector to 22 percent. This policy reform was accompanied by improved allocation and targeting of financial resources (World Bank 2009).

In Liberia and Sierra Leone, the World Bank assisted the mining sector, but mainly in the area of governance, where it focused on strengthening the institutional and regulatory framework to make the management of national resources more transparent. As part of this assistance, the project in Sierra Leone trained artisanal miners to improve their efficiency (World Bank 2001c, 2010c). Liberia's agricultural sector appears to have recovered on its own, fueling the country's postconflict economic growth. This counterexample raises the question of when and how policy interventions should be made at the sectoral level.

Have the World Bank's Private Sector Development Activities Generated Employment?

The two-pronged approach described above, while comprehensive and strategic on paper, was situation driven rather than systematically operationalized and implemented. It focused on overall private sector growth rather than employment generation per se. This conclusion raises the question of whether World Bank interventions were directed at the right objectives in postconflict environments. Even if the World Bank has tools to deal with private sector needs, are these tools adequate to address the challenge of sustainable employment creation in such difficult environments?

From the review of the private sector development portfolio in Côte d'Ivoire, Liberia, Rwanda, and Sierra Leone, it is clear that the World Bank used the same set of tools that it would use in any developing country—with only partial success. Beyond support for short-term postconflict stabilization through DDRs, community-based infrastructure, and service delivery projects, together with medium-term support for microfinance, the World Bank has not, in fact, specifically directed its efforts at employment creation. The second prong of its strategy, which covers a wide array of measures for reinvigorating private sector growth overall, was relatively unfocused.

Lack of an explicit employment focus may be appropriate in developing countries that have not experienced conflict. But in very volatile or postconflict environments, continued tensions resulting from high unemployment; large numbers of unemployed youth; and unresolved social, political, and economic tensions make this neglect riskier. It is therefore timely to consider whether more direct attention to employment, perhaps by revitalizing value chains sooner in the postconflict period, would bring greater benefits in terms of income creation.

The Argument for Earlier and More Direct Intervention in Private Sector Development

The first part of this chapter highlighted the importance of intervening in private sector development and employment generation earlier in the relief-to-development continuum. But simply starting sooner isn't sufficient. The experience of a broad range of low-income and fragile countries has demonstrated that limiting interventions to policy reforms rarely increases firm productivity, economic growth, or poverty reduction (Kleinberg 2008). Indeed, attempts to change the business-enabling environment in fragile states often elicit considerable resistance from vested interests (Gunduz and Klein 2008). Even without such resistance, comprehensive institutional reforms generally take many years to implement in practice (Pritchett and de Veijer 2010). Some economists therefore argue against relying mainly on the arsenal of private sector and governance reforms traditionally favored by donors in favor of more direct support to promising sectors as a way to generate jobs.

Concerns about the global financial crisis have encouraged a reexamination of the adequacy of government control and influence on domestic economic activity. This section considers what such a reexamination might mean for fragile countries, where the need to revive economies and put people back to work is imperative, but where governments are often too weak and fragmented to act.

Rather than beginning with policy reforms and short-term job creation, as the World Bank has done in the four postconflict countries examined above (i.e., Cote d'Ivoire, Liberia, Rwanda, and Sierra Leone), perhaps greater efforts could be made to identify and more actively support promising sectors of the economy (Piffaretti 2010). To achieve and maintain an economic turnaround and avoid a relapse into violence, Piffaretti argues, the international community should reverse the sequencing of economic policies that it usually advocates. The conventional sequencing begins with governance reforms to tackle rent seeking and moves next to investment climate reforms; only after these reforms are in place does it provide limited support to productive sectors of the economy. But in fragile states characterized by structural rent seeking, reforms to limit this practice may be strongly opposed or even captured by rent seekers. Since rents may help hold together coalitions in fragile, "limited-access orders," forceful attempts to reduce rents may be destabilizing (North *et al.* 2007).

The challenge, then, is to make productive activity more attractive than predatory activity. Piffaretti defines the desired economic turnaround as the point at which incentives for profit seeking outweigh incentives for rent seeking. She suggests that actively supporting promising growth sectors is likely to be more effective than directly fighting rents. Promising sectors can be identified by looking for a country's "latent comparative advantage" (Lin and Monga 2010). Active support can take different forms: increasing access to business support services and finance, restoring damaged relationships by establishing business associations and community groups, or even intervening directly in markets by identifying and supporting specific value chains. In fragile states, of course, donors may have to take the lead.

The Rationale for Market and Value Chain Development

Despite governmental lack of capacity, value chain development is feasible in fragile environments because value chains don't depend on government institutions or officials, but rather "lend themselves to a fragmented social and political landscape" (Sweeney 2009, 52). Advocates acknowledge the critical importance of functioning institutions, but argue that institutional reform should be pursued *in tandem* with bottom-up efforts to rebuild the networks and structures that contribute to social resilience and better local governance. As they are rebuilt, these networks can also provide small and medium actors in the value chain a basis for collective action against predation and rent seeking.

Over the last decade, bilateral aid agencies such as the German Technical Cooperation (German acronym, GTZ) and the United States Agency for International Development (USAID), together with multilateral agencies such as the International Labour Organization, have pushed the agenda on value chain development in environments previously thought inhospitable to private sector development. The following text discusses recent thinking on the economic and noneconomic relevance and benefits of value chain development in fragile and postconflict countries.

A subset of market development more generally, value chain development represents a holistic and interventionist approach to private sector development. As long as there is a modicum of security and some market activity beyond a black market, market development can begin immediately after a crisis or conflict. Even during the relief phase, promising economic sectors can be identified and their structure, dynamics, and relationships analyzed (Saperstein and Campbell 2008). Given that most people in fragile states rely on the private sector to meet their basic needs and provide livelihoods, the sooner markets are developed, the sooner people can get back to work (SEEP Network 2006).

By helping restore legitimate market links and relationships of trust among different social groups in fragile and postconflict environments, value chain development offers both economic and peace-building benefits. Supporting local business development also plays an important symbolic function after a conflict ends by signaling the return of normalcy and providing employment (UNDESA 2010).

Market development can thus begin in tandem with relief activities. Indeed, by quickly identifying the economic structures and mechanisms that have survived a conflict, donors can avoid unintentionally undermining them in the process of rendering assistance. During and after conflict, for example, food aid can drive down local prices and reduce incentives for local producers. Examples of postcrisis programming that inadvertently distorted local markets include a cash-for-work program in post-tsunami Indonesia that paid workers much higher wages than those earned by small-scale producers and farmers. As a result, the latter stopped farming and producing, thereby reducing the availability of local food and other items (SEEP Network 2010).

Relief interventions can also create new opportunities, not least because the relief community itself constitutes a well-resourced local market. In the Horn of Africa, for example, relief operations and international forces created new markets for processed and prepared food items. The construction industry also has experienced a boom, one that is further aided by donors who hire workers from local communities, or organizations such as CHF International, which supports emergency housing initiatives in ways that strengthen sustainable construction value chains through forward and backward linkages (Saperstein and Campbell 2008).

In Sub-Saharan Africa, where 65 percent of the population is still located in rural areas and 70 percent of the labor force still works in agriculture, agricultural value chains appear to hold the most promise. According to a recent study of value chain programming (Webber and Labaste 2010, 2), development and business communities now see value chains as a way to "add value, lower transaction costs, diversify rural economies, and contribute to increasing rural household incomes in SSA [Sub-Saharan African] countries." Yet as of 2005, despite the importance of agriculture to household and export income, productivity per African worker in the sector was by far the lowest in the world. Years of private sector development initiatives to improve the access of businesses to training, skills development, finance, and business services, and more recently, efforts to reform business environments and link SMEs to global markets, could have had more impact had they been integrated to increase productivity, efficiency, and value at key points along relevant agricultural value chains (Webber and Labaste 2010).

A 2011 report of the United Nations Industrial Development Organization (Yumelka *et al*. 2011) also emphasizes the huge potential of agribusiness for Sub-Saharan Africa and its direct impact on improving the livelihoods of the poorest. Despite agriculture's centrality to growth and employment (not to mention food security), agriculture has been neglected by governments and donors, including the World Bank. An Independent Evaluation Group (IEG) review of World Bank assistance to agriculture in Africa found that "lending support from the World Bank has been 'sprinkled' across various agricultural activities such as research, extension, credit, seeds, and policy reforms in rural space, but with little recognition of the potential synergy among them to effectively contribute to agricultural development" (IEG 2007, xxiii). The importance of agroindustrial activities in national accounts may well have been underestimated because of the predominance of women in the sector, whose economic activities are often less visible than men's (Yumelka *et al*. 2011). Addressing this neglect, *The World Development Report 2008: Agriculture for Development* argued for a cross-sectoral approach to improve access to markets and establish modern, efficient value chains (World Bank 2007).

Agricultural value chains can be effective in promoting pro-poor growth when they succeed in linking poor producers to well-functioning local or even global markets. How people are integrated into global value chains, however, can make a difference between creating economic opportunities and increasing systematic exclusion (Ponte 2008). Even in nonfragile environments, smallholders are vulnerable to exclusion, depending on size of their landholdings, herds, and/or productive assets (e.g., irrigation, greenhouses, storage facilities) and their degree of geographical isolation and dispersion (Louw, Ndanga, and Chikazunga 2008; Vorley and Proctor 2008; Huang and Reardon 2008).

Clearly, there are strong arguments for intervention in value chains. Louw, Ndanga, and Chikazunga (2008, v) argue, "Empowerment of smallholder farmers is a public good; thus governments and donor organizations in the region should prioritize designing policies, programs, and projects that enable integration of smallholder agriculture into formal agribusinesses" (see box 3.3 on recent work on selecting promising export products). The first or best point of intervention, however, is not necessarily primary production. It may be the provision of roads and rural transport, market infrastructure, and extension services, or more equitable land policies. In addition, efforts must be made to remove policy biases against small farmers (Vorley and Proctor 2008).

Box 3.3 How to Pick a Winner

A recent body of work by Hausmann, Rodrik, and Hidalgo (see, for example, Hausmann and Rodrik 2003) on "product space" offers some provocative ideas about how to select and develop new export products. Traditional explanations of growth and development assume that the aggregate endowments of land, labor, and capital largely determine a country's ability to produce a given export product. Product space research finds that a country's product mix results from the local convergence of specific capabilities, accumulated over time by industries already operating in the location. It follows that new products developed by a country will be similar to those it already produces and for which it already has the needed capabilities. Products not yet being exported but which require similar capabilities thus represent opportunities. Applying this model to five neighboring African countries (Kenya, Mozambique, Rwanda, Tanzania, and Zambia), Hidalgo (2011) found that most of their exported products demanded relatively unsophisticated production techniques, with potential new opportunities clustered mainly in agriculture and garment production. Greater integration among these five economies would expand their range of complementary capabilities and broaden their opportunities. For Rwanda, he suggests that sugar cane, guavas, and ginger are on its "production frontier," as are beans, legumes, coffee, and rice for Mozambique.

Sources: Hausmann and Rodrik 2003; Hidalgo 2011.

Selecting a subsector involves balancing its growth potential against expectations of how the sector and the fragile context may influence each other. For example, information on the economic dimensions of conflict will shed light on whether violence has been financed by the control of specific sectors. Conflict analysis may help identify why the functioning of certain value chains has been impeded by particular bottlenecks. To maximize both the economic and peace-building potential of value chains, selection of a sector should consider its potential to create jobs, particularly for youth and conflict-affected populations; broaden overall access of poor people to markets, products, and services; and diversify economies to reduce dependence on primary commodities. Given the ongoing volatility of many fragile states, selection should also be based on an assessment of how resistant the value chain project would be to future shocks (Grossmann *et al.* 2009; Gunduz and Klein 2008; Humphrey and Navas-Aleman 2010).

In this context, import substitution can be used as a selection strategy. USAID recommends using an "import substitution lens" to identify products with strong, consistent domestic demand (currently satisfied by imports) that would be commercially feasible to produce locally. USAID also recommends looking for links between basic livelihood activities that contribute to food security and profitable market opportunities. Additional selection criteria are modest start-up costs, the existence of adequate human capacity, and a supportive enabling environment (McMahon 2008).

Value chain programming is not, however, risk-free, particularly in fragile environments. For although "relief and development programs often operate on the pretext of political or social neutrality," in practice, they can encounter strong political or social resistance if they affect important vested interests (SEEP Network 2006, 27). Alternatively, they may alienate portions of the population if they inadvertently strengthen the position of powerful groups linked to the war economy. While profitable undertakings attract rent seekers, value chains are unlikely to initially generate sufficient profits to attract rent seeking, although creating mechanisms to protect against corruption should be integrated into value chain development efforts. For the same reason, care should be taken to avoid sectors already associated with rent-seeking behavior, such as cocoa in Côte d'Ivoire.

Value chain programming in volatile environments thus demands a long-term perspective. In disrupted and volatile environments, programs are likelier to succeed by initially targeting markets that are easier to penetrate, using them as testing grounds while working gradually toward higher-value markets (Parker 2008). Most practitioners concur that value chain programming is not well suited to the usual short-term project cycle; rather, it demands a longer implementation period and a progressive, flexible approach adaptable to changing market and political conditions. Even after 10 years of intensive intervention and considerable successes, for example, Rwanda's washed coffee value chain is still not fully self-sustainable (USAID 2012). Value chain programming also benefits when donors can collaborate along several fronts to strengthen related services, from banking to education to the provision of new agricultural techniques.

There are relatively few rigorous evaluations of the impact of value chain programming in fragile environments. In 2010, however, USAID, which has implemented value chain projects in fragile and conflict-affected countries, commissioned evaluations of four value chain projects (in Ethiopia, Ghana, Kenya, and Rwanda). The goal of the evaluations was to identify the impact of the projects on household incomes and their cost-effectiveness in reducing household poverty. They concluded that all four projects raised the incomes of significant numbers of smallholders, although the Ghanaian pineapple project was not cost effective (Oehmke 2012). Evaluations should also consider the impacts of such projects on

- Participants' long-term employment and livelihood opportunities;
- The kinds and extents of skills developed;
- Wages and incomes, both within the chain and more generally;
- The sustainability of changes achieved and markets developed;
- The extent to which the opportunities supported may have crowded out other activities; and
- Whether and to what extent the vulnerability of individuals and the economy as a whole declined as a result of diversification.

A range of approaches for measuring impact more systematically are already available, and methodologies should improve as they are applied to ongoing projects (see, for example, DCED 2012).

There does exist a growing body of detailed case studies of value chain programs and their effect on private sector growth and job creation. Not surprisingly, they find that the speed and scale of economic results in fragile countries is generally lower than in ordinary countries that have not suffered a disrupted business environment or destroyed infrastructure. For the same reason, value chain programs launched well after the conclusion of conflict are likely to have better results than those initiated immediately after conflict resolution, when the operating environment is more volatile (Parker 2008). Yet even when conditions remain too volatile to launch a program, evidence argues for starting analysis and planning, so that when temporary jobs and other forms of emergency relief dry up, other longer-term development activities are already underway.

Examples of Value Chain Development in Fragile States

The examples described below suggest the potential that value chain programming can offer in unstable environments. They also illustrate different ways of improving value chain performance and outcomes. These include strengthening existing links in a chain (or finding new or alternative ones), as well as relationships between links, by building trust and facilitating the flow of information and resources (Humphrey and Navas-Aleman 2010). Indeed, creating trust has been described as the "heart of value chain development work"

(Webber and Labaste 2010, 16), one of the reasons that it seems particularly salient in environments where social cohesion and trust have eroded.

Rwanda Coffee Value Chain

Due in part to a postconflict government strongly committed to private sector development, a number of encouraging value chain development examples come from Rwanda, including gorilla tourism and coffee production, of which the latter is described here. Coffee was a principle source of foreign exchange until the 1990s, when its importance declined. Government control of the sector meant that growers had few incentives to improve bean quality; low yields and poor prices steered coffee growers away from coffee production. Until 1994, the government fixed the farm gate price using a stabilization fund to avoid price fluctuations. In that year, the fund was abolished, allowing the international coffee market to determine prices. By 1998, the government had developed a coffee sector strategy focusing on production, coffee quality, and farmer revenues (Mutandwa *et al*. 2009). Together with USAID and other donors, the government considered that Rwanda had the environment and capacity to become more competitive and was strongly committed to private sector development.

Beginning in 2000, USAID-supported interventions in Rwanda helped the government develop a coffee strategy, upgrade technical capacity, build coffee-washing stations, and encourage the further expansion of these stations by providing private investors a guarantee fund and other forms of support (e.g., feasibility studies, business plans, and training in coffee processing). These measures were complemented by government deregulation of this formerly highly regulated industry. In addition, donor projects supported rural cooperatives for everything from business planning to building to processing, marketing, and fair trade certification. Participants in the coffee value chain attended trade fairs and buyer conferences in Africa, the United States, and Europe to establish contacts and acquire more information about the industry. So significant was the role of donors in providing financial assistance and help in penetrating foreign markets that Easterly and Reshef (2010) have termed the revitalization of the Rwandan coffee industry a "foreign aid success."

Success in upgrading the coffee value chain significantly expanded job opportunities and raised incomes. As of 2006, the establishment of coffee-washing stations in Rwanda had created some 5,000 jobs, and the prices that these stations paid the 500,000 coffee farmers for their beans had increased by almost a factor of three: from 60–80 Rwandan francs in 2004 to 160–180 francs in 2008 (Chemonics 2006; Parker 2008; Webber and Labaste 2010). By 2008, 80 coffee-washing stations were functioning in the country and a partnership had been established with Starbucks. According to a USAID impact assessment, between 2000 and 2010, the mean incomes of participants in the coffee value chain had increased 82 percent faster than incomes of a comparison group, at a cost of $12.24 per year for each person emerging from poverty. But the assessment also concluded that "despite enormous progress to date, continued growth is needed before the FWC (fully washed coffee) value chain becomes fully self-sustaining" (USAID 2012).

Reconciliation was not an explicit part of the coffee value chain project. Several scholars, however, have used survey data on interethnic contact and attitudes to argue that increasing contact in the pursuit of shared economic interests reduced perceptions of interethnic distance and increased positive attitudes toward reconciliation among Hutu and Tutsi in the country (Tobias and Boudreaux 2009).

Burundi Coffee Value Chain

Like neighboring Rwanda, Burundi also produces potentially good-quality coffee. Yet efforts to revive the coffee value chain there encountered far more hurdles. After the genocide in Burundi, low-intensity conflict continued for several years until the peace process succeeded in bringing rebel groups into the government. In contrast to the unified and reform-minded government of postconflict Rwanda, the Burundi government was weak and fractured. The Burundi coffee industry, moreover, was managed by a parastatal organization that controlled most of the chain. In addition, one ethnic group controlled the coffee-washing stations (and extracted rents), while the other ethnic group was represented by poor farmers. The World Bank pushed for privatization of the coffee industry to encourage greater private investment in coffee production, but strong vested interests stymied government action.[4]

Pakistan Dairy Value Chain

In 2004, USAID began a program to increase the quality of marketed dairy products domestically in Pakistan, as well as to extend their marketing reach in formal markets. The private sector played an important role in designing the strategy for the project, forming a stakeholder group to help implement the strategy. Based on an industry analysis of the main market players, the program established model farms to spread new technologies and provided five-year, interest-free loans to producers so that they would invest in new dairy processing equipment. As in Rwanda, what was notable in Pakistan was the long-term vision of the program. In terms of measured results, it had created 7,000 new jobs in dairy processing by 2008, with the expectation of reaching 20,000 by 2015 (Arocha 2008).

Kosovo Dairy Value Chain

While the actual rebuilding of Kosovo's dairy industry value chain began in 2002, it was preceded by several years of preparatory work. The selection of an appropriate sector for value chain development reflected a compromise based on political analysis. While there was considerable regional demand for milk and dairy products, it was actually the coal and lead mining sectors that had been the most profitable sectors prior to the local conflict. The location of the larger mines in or near minority areas, however, made the sector too politically sensitive. In 2000, just after cessation of the violence, 5,500 milking cows and

45 breeding bulls were airlifted to households that had previous dairy experience. While the so-called "flying cows" may have provided a sign of recovery and temporarily boosted home consumption of milk, they were all dead within a few years. By contrast, the value chain work that followed avoided livestock subsidies, organizing farmers and linking them to information on better production techniques and market requirements.

Restoration of the dairy industry in Kosovo did not, of course, face the same constraints as value chain development in Sub-Saharan Africa, with its far lower level of basic market development and human capital. Nevertheless, the project still offers some useful lessons. Conditions after the war were dire—destruction had pushed most households into subsistence survival. Delays in privatization, land ownership conflicts due to displacement, and uncertainty about Kosovo's final status further reduced investment in the dairy value chain. The quantity and quality of raw milk was deficient, crop producers lacked the inputs for improving both feed quality and quantity, and dairy processors needed to upgrade their equipment and processes to meet international standards.

In 2002, Chemonics International began working on the dairy value chain with the ultimate objective of linking dairy producers to buyers in other countries in the region. Perhaps most relevant for practitioners in Sub-Saharan Africa, the nongovernmental organization (NGO) decided to work "from the micro to the macro." That is, it began by working with individual farms to make inexpensive changes that increased productivity, then helped larger groups and associations expand their reach. Concurrently, it worked with processors to upgrade their processes and products based on end-market demand and helped rebuild links between processors and producers. Within three years, dairy sales had grown by €36 million and created 624 full-time jobs.

Has economic cooperation affected interethnic attitudes? While the evidence is inconclusive, producers' associations did bring Albanian and Serbian Kosovars together. Even more importantly, the need for milk to be handled quickly meant that it was not feasible for Serbian Kosovar producers to supply their milk only to Serbian-controlled processing facilities. The USAID (2007) case study thus argues that economic interests helped reduce conflict.

Northern Uganda Cotton Value Chain

Despite its small scale, the cotton value chain project implemented in camps for internally displaced persons (IDPs) in the Kitgum region of Northern Uganda stands out, as the project was implemented among IDPs in a region still insecure after a 20-year conflict. Most assistance in this area had consisted of humanitarian relief or NGO training in carpentry, tailoring, and bricklaying, despite a lack of market demand for these services. Cotton had long been one of Uganda's most important crops, but production had seriously declined by the 1990s, with most ginneries operating far below capacity. When the value chain project began in 2005, many displaced civilians were returning home, although the conflict had not yet been resolved. The project was implemented from 2005 to 2007 by the International Rescue Committee (IRC), which sought to identify sustainable employment activities that responded to local market demand. IRC persuaded local landowners to give displaced farmers in the district access to unused land at no cost. Having found a local cotton processor, Dunavent Uganda Ltd., IRC then supported local farmers with inputs and training.

Despite its limitations, the project demonstrated the feasibility of increasing economic opportunities in an insecure environment. While the short-term nature of the pilot made it less feasible to link cotton production to global markets, production and sales did scale up. After the pilot ended, IRC sought to link farmers returning home from IDP camps to new buyers, and Dunavent entered into a partnership with USAID to further expand cotton production through direct support to 12,000 farmers (Locke and Byrne 2008).

It is worth noting the many ways in which the pilot was adapted to the conflict setting. The highly insecure environment restricted the ability of farmers to individually market their goods in town. Because the cotton processor Dunavent needed additional sources of raw cotton, it was willing to collect it from the camps, rather than forcing farmers to individually undertake the dangerous trip to town. Cotton was a politically sensible crop to focus on because income from the sector had not played a role in the conflict, and in contrast to edible food crops, cotton was not attractive to local militias. Because cotton production has a cleansing function on land, farmers were also willing to let IDPs use fallow land at no cost. Dunavent began to invest heavily in organic production as a way of countering a lack of inputs and low production rates, although major efforts had not been put into developing a national cotton value chain as of the time the project case study was written (Locke and Byrne 2008; Parker 2008).

Afghanistan Grape and Raisin Value Chain

Despite its location along historic trade routes, Afghanistan has limited natural resources, industry, and commerce. Devastated by decades of "chronic economic desperation" (McMahon 2008, 5), the country remains fragile, highly insecure, and severely underdeveloped. In 2007, USAID commissioned a study of value chain development in the grape and raisin sector. The basis for such a value chain had been laid in 2002–03 with a cash-for-work program that rehabilitated irrigation canals and built secondary farm-to-market roads and commercial wells. The second project (2003–06) took a market-driven approach that identified the agricultural products in highest domestic and regional demand and directed interventions to improve their production, processing, and marketing. This second project included infrastructure and finance components that contributed to agricultural production beyond the targeted value chains (McMahon 2008).

The value chain programming succeeded in its objective of significantly increasing the market value of production of grapes and raisins, in part by embedding value chain development in a broader effort to benefit agriculture as a whole by restoring critical infrastructure and agricultural services. At the same time, at a very early stage in the process, efforts began to identify crops that had previously been important in the region, seemed viable to revive, and would also contribute to the food security of vulnerable groups—particularly widows.

Throughout the period of implementation, the two projects seized available opportunities for strengthening different links in the value chain and removing blockages. In some cases, this approach called for assisting specific firms closer to end-markets, in other cases, for providing subsidies that provided incentives and minimized risks for changing behavior.

Somalia Fisheries and Gums and Resin Value Chains

Despite conventional wisdom that private sector development requires at least some minimum state structures to be in place, the World Bank recently began a program of direct private sector support in Somalia, usually considered an example of a failed state. Although Somalia lacks an effective national government, Somaliland, a self-declared independent region of Somalia, has functioned with reasonable effectiveness since 1991, in part because of a social structure that provides social cohesion. Despite postconflict destruction, insecurity, low levels of human and physical capital, and lack of infrastructure and services, the private sector has thrived, aided by the Somali business diaspora. Based on client input, the private sector re-engagement program initiated value chain work in fisheries and in gums and resins, areas of activity where the private sector is already active, and that hold potential for further development. In order to maintain momentum, the World Bank team designed interventions to get around the severe constraints of the fraught security situation. Project design, including ongoing public-private dialogue, recognizes the risks—and potential conflict mitigation potential—that economic reform and development offers Somaliland. A recent description of the project (Tonison 2011) concludes that the next phase, which will include support to private companies, could bring social benefits as well as enhance regional stability.

Indonesia Cacao Value Chain

After the 2004 tsunami devastated cocoa production in Indonesia, GTZ supported the cocoa business through two different value chain operations. The first involved creation of the Center Cocoa Organic Cooperative to promote the growth of organic cacao, while the second consisted of technical assistance to cacao producers. By upgrading the products offered by the Indonesian cocoa industry, the value chain project helped producers increase their incomes by reaching new or higher-value markets. Like many postconflict and postdisaster projects, the program involved targeting, but reflecting GTZ's do-no-harm approach, project design ensured that beneficiaries passed on their skills to other farmers in order to avoid jealousy. To avoid conflict with soldiers and other stakeholders, the program operated with a great deal of transparency and continuous dialogue with stakeholders. By 2009, the Indonesian cacao producers were shipping their products to European markets (Grossmann *et al.* 2009).

South Sudan Shea Butter Chain

Gender analysis has been the most neglected part of most value chain projects. Women and men tend to dominate different stages of a value chain, with women frequently occupying less visible roles because they work from home or on a temporary basis. Inadequate gender analysis can thus mean that upgrading strategies bypass or further marginalize women, as when upgrading processes lead to the replacement of relatively unskilled women by more highly skilled men. Analysis of constraints should thus specifically consider the significance of gender, and whether there are possibilities for expanding opportunities for women (Gamberoni and Reis 2011; Mayoux and Mackie 2007). Like the Behind the Veil project described in chapter 2, the value chain project in South Sudan is notable for targeting women, who were already primary producers, and building their capacity during the upgrading process.

Like the cotton value chain in Northern Uganda, this project was implemented in volatile circumstances. Initiated in 2000, its objective was to help women in communities isolated by years of conflict. Although women had traditionally managed shea nut products, these products had not been commercialized until the involvement of the Medical Emergency and Development International Committee, a very small international NGO. The sector was not involved in the conflict, and market research revealed strong international demand for shea butter, a popular ingredient in skin care products and cosmetics. The approach was incremental. Initially, women produced in order to satisfy local demand (including relief agencies that supplied people with oil), but they also developed a higher-end product for interested international agency staff. Over time, the project helped the women produce to the standard required for export, first to African markets, and finally, to U.S. markets, although the project team estimated that a minimum of 7 years would be needed to see a return on investment and up to 10 years before external support and subsidies could be phased out. A progressive and flexible learning approach was adopted, guided by the pace and capacity of participants as they learned the necessary skills required to enter new markets (Parker 2008). Between 2000 and 2008, the number of women participants grew from 187 to 1,035, and yearly returns from local and international sales increased from zero to almost $80,000 (Armstrong *et al*. 2008). As of 2011, Luluworks was still operating, although it was struggling to survive.

Conclusion: Value Chain Development Has Received Insufficient Attention

Value chains are only one form of direct market support; they are highlighted in this report because they have been surprisingly underexploited. Certainly, there are many competing priorities in fragile countries; immediate relief, conflict mitigation, active peace building, and state building vie with each other in urgency. Rebuilding destroyed infrastructure, working with governments to restore key functions and capacities, and crafting good policies may appear the surest ways to lay the foundation for economic growth and, by implication, employment. Yet these strategies have not proven particularly successful in averting recurrent conflict and misery in the handful of countries where conflict and instability are endemic.

The foregoing examples demonstrate that value chain programming can be undertaken in many different environments, but that final interventions depend heavily on context. Fragile countries are quite diverse; even those that appear similar in terms of governance and development indicators may turn out to have quite different trajectories based on their location and neighbors, vagaries of climate and weather, or accidents of leadership. As Stepputat and Engberg-Pedersen (2008, 28) remind us, "[T]here is no shortcut circumventing a detailed analysis of the historical evolution and specific characteristics of individual situations."

Notes

1. Useful websites that provide links to this research include those of the Donor Committee on Enterprise Development, Cambridge, U.K. (http://www.enterprise-development.org) and USAID MicroLinks, Washington, DC (see http://microlinks.kdid.org/search/apachesolr_search/post-conflict%20environments) (both accessed July 2010).
2. See "Liberia," in CIA (Central Intelligence Agency), 2010, The World Factbook 2010 (Washington, DC: CIA), https://www.cia.gov/library/publications/the-world-factbook/geos/li.html (accessed July 2010).
3. The total amount of support included an IDA credit of $8.1 million and private sector lending of $3.2 million.
4. This information is based on discussions with D. Madani, former World Bank country economist for Burundi.

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CHAPTER 4

Conclusions and Recommendations

This survey on job creation in fragile and conflict-affected states is based on the premise that a strong relationship exists between economic opportunity and social and political stability. Even without making arguments about causality, it is evident that a strong correlation exists between low growth, stagnant opportunities, and political instability. Sub-Saharan Africa, home to 20 out of 33 fragile states worldwide (as defined by the World Bank's Country Policy and Institutional Assessment), has suffered disproportionately from a vicious cycle of conflict, devastation, and retarded development. If even Africa's most stable countries have difficulty producing enough jobs to meet the demands of young and expanding populations, the challenges for this group of countries is even more daunting.

To date, the international development community and national leaders have sought to create "quick wins" for postconflict governments, using packages of interventions to support coping strategies and reduce vulnerability. Quick wins have generally taken the form of labor-intensive public works projects that have a secondary (and not always fully achieved) objective of restoring infrastructure vital for longer-term economic development. Community-based development approaches have also been implemented (sometimes alongside public works) that combine job creation—albeit on a smaller, local scale—with support for agricultural livelihoods and microenterprises. In many cases, community-based programming has incorporated training in basic literacy and numeracy, vocational training, and instruction in "soft skills" to make people more employable.

Large-scale job creation programs usually have risk-mitigation objectives; many target ex-combatants and youth to preclude their (re-)engagement in conflict. Many of these programs include training components to ease beneficiaries' transition from temporary to permanent employment. In several cases, governments have been able to finance and institutionalize public works programs, but few postconflict governments have the resources or capacity to do so. While the importance of such short-term emergency interventions is not disputed, it seems more appropriate to view them as social safety nets rather than bridges to permanent employment. Other job creation interventions have been limited by fragmentation, lack of synergy, and failure to scale up. Aside from assumptions about the link between youth and conflict, many such projects lack an in-depth understanding of the conflict drivers specific to the context in which they are implemented, which limits their potential peace-building contribution.

Although public works and many community-based programs often incorporate the restoration of infrastructure and the provision of training and business skills, most have been short-term efforts. The implicit assumption guiding these programs appears to be that until governance improves, serious attempts to promote employment through private sector development are premature. In the last few years, however, some donors have begun to argue more forcefully that private sector development can be pursued even in volatile, poor-governance environments. They convincingly argue that by carefully picking sectors of the economy in which a country has an advantage and offering direct support, it is possible to kick-start private development, increase incomes, and make a dent in poverty.

As noted earlier, among the different private sector development approaches that have been explored by the international community, value chain development has been underexploited. Because it can be implemented incrementally, it is more suited to the poor-governance environments of fragile societies than are systemic governance reforms. By definition, it focuses primarily on relationships among different economic actors, and thus can help rebuild links of trust and cohesion that were ruptured by conflict. Although value chains ultimately impact many different groups of people along a chain, they can also incorporate elements of targeting, depending on the particular sector and/or region with which they begin.

The value chain approach also appears consistent with new thinking in the World Bank. According to the new strategy for Sub-Saharan Africa (World Bank 2011), while direct support to specific sectors—that is, "picking winners"—was ineffective in the past and therefore dismissed as a viable development policy, new research attributes its ineffectiveness to the poor selection of sectors. As noted earlier, a number of influential economists argue that active industrial policies were the key to success in many developing (now developed) countries. Value chain development lends itself to an incremental, flexible, and bottom-up approach to institution building. This approach is consistent with the recent work of Banerjee and Duflo (2011, 266), that declares that

> … it is possible to make very significant progress against the biggest problem in the world through the accumulation of a set of small steps… The political constraints are real, and they make it difficult to find big solutions to big problems. But there is considerable slack to improve institutions and policy at the margin… These changes will be incremental, but they will sustain and build on themselves.

A solid body of evidence on which to base the design or timing of value chain programming in fragile and conflict-affected states has yet to emerge. But there is sufficient reason to be optimistic that value chain development represents a new opportunity worth exploring. Certainly fragile countries will find it difficult to achieve stability or social and economic development without restoring markets and growth. And value chain programming, at its most basic, is simply a way of moving beyond piecemeal approaches—approaches that attempt, for example, to restore production without evaluating demand, or that overlook bottlenecks and gaps that impede the flow of goods between producers and markets. The value chain approach need not be "one size fits all"; the human and institutional environment will shape its parameters, and implementation can occur in stages. But what value chain development does dictate is an approach that should contribute to development in any environment—one based on a thorough understanding of the market context and a coordinated way of working.

What does this mean for the World Bank? As successful examples demonstrate, donors have an important role to play in nurturing value chains at a point when the private sector is still weak. Yet support to value chains must be sustained over the long haul—it cannot be completed during the typical project cycle. Rebuilding relationships and interfirm links, building capacity, and tackling various constraints and bottlenecks as they are identified demands a consistent commitment of time and resources over many years that is atypical for most development efforts.

When engaging in value chain development, the risks of working in fragile and conflict-affected states have to be addressed up front. For value chain work, understanding the social and political context is critically important. In a postconflict environment, picking subsectors that were important to the war economy or a source of important rents for particular social groups to the exclusion of others can exacerbate tensions (Saperstein and Campbell 2008). At the same time, value chains have the potential to restore social capital and provide a basis for collective action to limit rent seeking. If the World Bank is to devote resources to value chain development in risky environments, it must improve monitoring and evaluation to make this work more systematic and ensure that it goes beyond purely economic measures, such as jobs created or changes in income, to include indicators of peace and state building. Even where rigorous impact evaluations are unfeasible, well-targeted surveys and better use of qualitative data collection methods can provide useful feedback for project implementers and policy makers alike (Muller-Praefcke 2010).

Since fragile and conflict-affected states differ considerably among themselves, it may not be surprising that value chain development can succeed in postconflict environments such as Kosovo, with its relatively high levels of human capital and market development. But the examples discussed in this report show that value chain development can also succeed in environments such as Afghanistan and Northern Uganda, where long-standing conflict has wreaked great destruction and insecurity remains high.

The value chain approach also has organizational implications for the World Bank Group. The expertise to implement agricultural value chain programming is currently dispersed across many units, from the advisory and transaction departments of the International Finance Corporation to regional and central departments of the World Bank. Attention to agriculture, "by virtue of its interconnectedness and multifaceted nature," has suffered from staff disincentives to work across sectors (IEG 2007, 35). A more effective approach to agribusiness in Sub-Saharan Africa "must capture the synergies" between agricultural technologies, support services (whether extension, infrastructural, or financial), human capital development, and market development (World Bank 2007, 20).

This type of approach demands closer collaboration among private sector development, labor market, social safety net, financial sector, agriculture, infrastructure, and macroeconomic policy interventions. Whether this can be achieved without a common World Bank Group country director or country manager is unclear. The consolidation of a number of units, as has been done in the World Bank's new Global Center on Conflict, Security, and Development in Nairobi, may provide an opportunity to develop the more integrated approach described here.

Greater regional integration within Sub-Saharan Africa, even in the incremental form of removing trade barriers, simplifying customs procedures, and coordinating investments to improve regional transport and communication links, would help reduce transaction costs and widen regional markets (McCarthy 2010; see also Draper 2010). John Page, the World Bank's former chief economist for Africa, considers that donor preference for dealing with national authorities has hindered integration. In his view, the European Union "squandered" its opportunity to use partnership arrangements to push for greater regional integration, while the eligibility criteria of the U.S. African Growth and Opportunity Act discourages the formation of regional value chains (Page 2011).

This report makes the case that value chain programming offers unexploited opportunities in fragile and conflict-affected environments. As the World Bank and other donors move forward with such programming, however, it is important that they refine their objectives and develop a better understanding of how to adjust value chain interventions to different contexts and conditions so as to ensure that their money is well spent.

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Nowhere is the need to generate employment more urgent than in the fragile states of Sub-Saharan Africa. In this region, where the majority of the labor force still works in agriculture, the potential of agricultural value chain development has been underexploited. Because value chain development lends itself to a flexible and incremental approach, it appears to be feasible in the absence of well-functioning government institutions. As value chain development involves building and strengthening relationships along the chain of productive and value-adding activities, it also has the potential to restore social relationships eroded by conflict.

Creating Jobs in Africa's Fragile States considers how fragility has affected economic development and job creation in Sub-Saharan Africa and how the World Bank and other donors have addressed job creation in fragile and conflict-affected environments. It examines value chain projects that have proved successful in Sub-Saharan Africa and other fragile environments.

This book is primarily addressed to donors, nongovernmental organizations and policy makers, all of whom have a unique role to play in nurturing value chains. For the World Bank, increased collaboration across the institution, rather than a strictly sectoral approach, has the potential to catalyze value chain development and expand job opportunities in Africa.

ISBN 978-0-8213-9793-0
SKU 19793

THE WORLD BANK