

December 29, 2006

The New Post-Conflict Strategy: Building Domestic Capacity for Reform

Aleksandr Shkolnikov
Center for International Private Enterprise

One way to approach the complex challenges of post-conflict reconstruction is to view the process as a balancing act of providing sufficient humanitarian relief without compromising longer-term development objectives. These longer-term objectives include the development of institutions – both physical infrastructure and social structures and mechanisms – that allow free market democracy to take root. Ultimately, the success of countries in building democratic governance and providing economic opportunities will be the determining factor in achieving prosperity, peace, and sustainability.

Building the reconstruction process around local groups gives credibility to the development effort and introduces a sense of accountability, as reformers ultimately become responsible for successes and failures. While it may be more of an art than a science, those involved in a country's post-conflict recovery must identify an effective way to utilize the expertise and commitment of local groups to achieve lasting peace and prosperity.

To comment on this article, visit CIPE's Development Blog: www.cipe.org/blog.



published by the

Center for International Private Enterprise

an affiliate of the U.S. Chamber of Commerce

1155 Fifteenth Street NW • Suite 700 • Washington, DC 20005 • USA

ph: (202) 721-9200 • web: www.cipe.org • e-mail: cipe@cipe.org

Introduction

One way to approach the complex challenges of post-conflict reconstruction is to view the process as a balancing act of providing sufficient humanitarian relief without compromising longer-term development objectives. These longer-term objectives include the development of institutions – both physical infrastructure and social structures and mechanisms – that allow free market democracy to take root. Ultimately, the success of countries in building democratic governance and providing economic opportunities will be the determining factor in achieving prosperity, peace, and sustainability.

Institutional development cannot begin without a viable state structure, which provides a framework for security, rule of law, economic development, and political stability. State-building in countries emerging from conflicts is a daunting task. Experience suggests that although international participation is required, governance structures cannot be simply imposed by outsiders – local groups must be involved in the process to ensure legitimacy and sustainability. Their participation in ensuing institutional reforms is just as important.

Frequently, efforts are needed to engage local groups in the reconstruction process; build the capacity of local stakeholders; and improve feedback mechanisms between the donor community, political actors, and civil society groups. Although ensuring local ownership of post-conflict reconstruction may prolong the reform process, taking these steps early is essential if countries are to achieve consensus on reform and become sustainable democracies. The experiences of CIPE presented in this paper show that with the right support, local groups can lead rebuilding efforts, become drivers of reform, and improve the well-being of citizens in post-conflict countries.

A Framework for Reconstruction: Balancing Short- and Long-term Objectives

Post-conflict reconstruction is a balancing act for all stakeholders involved. There is often pressure to simultaneously provide humanitarian relief and

address longer-term development objectives. The challenge lies in providing sufficient relief to offset the daily pressures of conflict recovery without compromising rebuilding and the development of institutions as a means of sustainable public service provision, peace building, and wealth generation. Unfortunately, temporary institutions put in place to address immediate needs may outlive their purpose and end up running counter to broader development efforts.

Commonly used images of successful post-conflict reconstruction often show new infrastructure projects and thriving street markets. These advances, while significant, can be misleading because booming street markets do not necessarily mean that a market economy is in place, just as rebuilt schools and roads do not mean that a functional democratic system capable of providing public services has been established. Restoration of physical infrastructure is essential, especially during the early stages of recovering from conflict, yet it is only part of a successful post-conflict reconstruction process. Lasting reconstruction can be achieved solely through the rebuilding of political, economic, and social institutions and the development of local capacity to run the government and economy.

Emphasis on Institutional and Economic Reform

In one form or another, economic issues are regularly identified as major concerns of citizens in countries undergoing post-conflict reconstruction. For example, according to a recent survey conducted by the Asia Foundation in Afghanistan,¹ a poor economy, lack of reconstruction progress, weak governance, and unemployment are the main reasons 21% of respondents felt the country was moving in the wrong direction. In addition to unemployment, which was cited as “the biggest problem” at both the national and local levels (32% and 34% respectively), other major national-level problems identified by all survey participants were security and corruption.

An even greater challenge is that, in addition to being one of the top concerns in the reconstruction process, unemployment and poor economic conditions

often perpetuate conflict. As former World Bank President James D. Wolfensohn noted, speaking before the U.N. Security Council in 2004, conflicts are often explained by a lack of hope, particularly among youth, and “hope can be given by business and by jobs.”² In fact, according to a World Bank report, “the lack of economic opportunity and resulting competition for scarce resources, more than ethnic, political, and ideological issues, lie at the root of most conflicts over the last 30 years.”³ While acknowledging the different root sources of conflicts, whether economic, political, territorial, or ethnic, it is also important to recognize that economic issues always play a prominent role in conflicts and post-conflict reconstruction processes. Studies that link conflicts and poor economic prospects often conclude that countries with higher per capita income have a lower risk of civil war.⁴ It is more striking that even minimal economic shocks of several percent can increase the risk of a civil war by as much as 50%.⁵

In this sense, the goals of post-conflict reconstruction may not seem very different from those of general development strategies. These goals encompass generating economic opportunities; creating jobs; eradicating corruption; and establishing grassroots-oriented, transparent institutions of democratic governance that make economic growth possible and provide citizens with a sense of ownership and participation. However, it is the nature of post-conflict environments that makes the path to achieving these goals very different. Surpassing security in significance, the biggest barrier is the absence of an institutional foundation to sustain democratic and free market processes.

It is important to remember that the defining feature of many countries emerging from conflict is total institutional collapse.⁶ Thus, there is a great need to simultaneously create from the ground up the interdependent mechanisms for the development, implementation, and enforcement of reforms. The ability to prioritize key reforms based on available information and early signals from implementation is crucial in this process, as implementing everything at once is not a viable option.

State-building

State-building is the first step of any long-term post-conflict reconstruction strategy. A state has to be in place before democracy as a participatory system of governance that extends beyond elections can take root. The existence of a functional state is also necessary before the private sector can emerge as the engine of sustainable economic growth.⁷ Without a state, there can be no long-term economic growth, job creation, improved security, and public services. This contests one of the common myths of development: if the state gets out of the way, markets will flourish.⁸ It must be recognized that there is a role for the state in creating conditions for economic, political, and social institutions to function. In fact, without a state, institutions will be weak and ineffective, leading to the disenfranchisement of citizens and a lack of development progress.

Acknowledging the role of the state in post-conflict reconstruction is not enough; doing so does not necessarily lead to positive development outcomes. Much more important is the approach to building it. In many reconstruction efforts, there is often a tendency to impose institutional structures borrowed from other countries simply because they work elsewhere. The push to import state institutions is also explained by the inadequacy of local institutions and a lack of local capacity to design and implement reforms. However, as Francis Fukuyama warns, “stateness” cannot be provided by outsiders, as there is a danger of distorting incentives for creating domestic institutions.⁹ The result of a state-building process driven by outsiders is frequently a lack of institutional legitimacy and, consequently, weak performance.

What constitutes an effective state? Fukuyama distinguishes between the two different aspects of the state – its strength and its scope.¹⁰ The scope of the state is related to the government’s involvement in various activities, while its strength reflects its ability to effectively enforce laws and uphold its commitments to citizens. Established states have the luxury to undergo gradual reform and transformation, while post-conflict countries must simultaneously build the strength of the state and define its scope. There is no one-size-fits-

all answer to this balancing of the two facets because the government must have both the reach and capacity to govern the country. The approach has to be flexible enough to absorb feedback from the reconstruction progress and respond accordingly.

Another acute challenge related to state-building is captured in the works of Nobel Prize Laureate James Buchanan. As Buchanan argues, in the process of creating a state, one must be concerned with constraining the power of government to ensure that it does not become a *leviathan* that preys upon economic and political freedoms. In post-conflict environments, there is often a justified need to put in place certain mechanisms that allow the government to establish security, limit criminal activity, jump-start the economy, and provide the basic public services. However, attention must also be paid to the power of the government and whether it can be used in the future to limit the foundations of a democratic market economy.¹¹ Throughout the state-building process, the ultimate goal of creating a sustainable democratic system must be kept in mind.

Rebuilding Institutions and Developing Local Capacity

State-building is a departure point to the development of an institutional base for political stability, sound economic growth, and social progress. Many different studies have outlined these priorities, which are: establishing the rule of law and a proper security environment; building the institutions of a stable democracy, governance, and participation; rebuilding infrastructure and putting in place mechanisms of a competitive market economy; and ensuring social well-being. In light of this, rather than asking “*what* needs to be done?,” one should focus on the question of “*how* can it be accomplished?”

The Role of Foreign Assistance

The topic of donor assistance can not be avoided in discussions on post-conflict reconstruction and its effectiveness is frequently debated. On the extreme ends of the spectrum, there are claims that foreign aid

either does not have a significant positive impact on countries’ development prospects or that more aid is what countries really need to help the poor move up the development ladder. Proponents of aid suggest that aid mechanisms have evolved over recent years and that there are programs that successfully reduce poverty, improve standards of living, and facilitate access to resources. The opponents of aid argue that it distorts the incentives in recipient countries and does not facilitate the development of free market economies and governance mechanisms that allow people to lift themselves out of poverty. Instead, they argue, countries grow dependent on aid, much of which does not reach the intended recipients and is captured by well-off elites who face few transparency and accountability pressures.

In the case of post-conflict countries, however, few would stand against the need for international assistance, both financial and technical. In fact, such assistance is instrumental in helping post-conflict countries to establish the basic foundations of peace, provide daily necessities, and offer key public services.

However, not all international assistance mechanisms are the same – there are a wide variety of programs and approaches. Some may be effective in addressing the daily needs and necessities in post-conflict reconstruction, while others may target longer-term development priorities. Similarly, some programs may focus on smaller, local reconstruction projects, while others may support initiatives on the national level.

Ultimately, while foreign assistance is an integral component of the reconstruction process, its success comes down to the establishment of a state and the rebuilding of key political, economic, and social institutions. From a sustainability perspective, while projects should address short-term needs, they also must focus on structural reforms so that countries can take ownership of problems and resolve those problems on their own. Thus, truly effective foreign assistance must be forward-looking and prepare local actors to take control of reconstruction in the long term.

Focus on the Long Term: Civil Society Development

Herein lies another set of challenges. How does one transition from humanitarian relief efforts to broad-based development? How does one introduce accountability into the international assistance framework and ensure that countries are not flooded with more money than they have the capacity to absorb? How does one ensure that the *means* of development, as well as the *ends*, become the focus of reconstruction efforts?

Part of the answer is that reconstruction assistance has to develop the capacity of local groups to design and implement reforms. In many instances, this means that these local groups must be created from scratch. It also means that groups already in existence must be given the opportunity to participate in the reconstruction process. As Larry Diamond has noted, reconstruction efforts must “proceed with some humility and a decent respect for the opinions of the people” who are ultimately on the receiving end of reconstruction.¹² This is what helps to build *legitimate* institutions that are grounded in local realities, needs, and concerns. Francis Fukuyama brings up a similar point in his interview with CIPE. When talking about reconstruction in Iraq and Afghanistan, he notes that “the secret is to give [countries] enough governance to get things going again, but to figure out a way to have it be Iraqis or Afghans that are doing this.”¹³

The caveat here is that such programs must come with the understanding that there is significant potential for corruption. As Peter Eigen highlights in Transparency International’s *Global Corruption Report 2005: Corruption in Construction in Post-Conflict Reconstruction*, corruption in public contracting is present in post-conflict environments because of “weak government structures, thriving black markets, a legacy of patronage, the sudden influx of donor funds, and the need to buy the short-term support of former combatants.”¹⁴ Furthermore, it is essential to fight corruption because it undermines the legitimacy of reconstruction and prevents humanitarian relief from reaching its target recipients. This requires the development of institutions of transparency and governance, which is another example of how important institutional development really is.

Lebanon’s experience is illustrative of civil society’s role in promoting long-term institutional reform. Corruption was one of the permanent features of Lebanon’s reconstruction following the 1975-1990 civil war. As rent-seeking behavior paralyzed the political system in the early 1990s, the country’s development also stalled. The Government’s increased role in the reconstruction process and the large number of large scale reconstruction projects also proved to be a breeding ground for corruption, as the public grew increasingly unhappy with the country’s governance institutions. Early efforts to tackle the corruption problem through administrative reform led by the government resulted in the dismissal of thousands of civil servants, but had only a small impact on the magnitude of corruption.

It was not until civil society groups emerged and began to focus on building a consensus and implementing a national anti-corruption agenda that effective anti-corruption measures began to be put in place. The private sector came forth as one of the key advocates for transparency and good governance, as it had become aware of the damaging effects of corruption on competitiveness. At the same time, international stakeholders, including the United Nations, the World Bank, and the European Union exerted pressure on the Government to address widespread corruption. Eventually, citizens began to demand change, and Lebanon witnessed the election of a more reform-oriented government in 1998. Private sector organizations such as the Lebanese Transparency Association were able to rescue the debate on corruption from political deadlock and refocus it on corruption’s damaging effects and possible solutions.¹⁵

The Importance of Local Ownership and Incentives

When integrating local groups into the reconstruction effort, there has to be enough tolerance for “learning by doing.” In many cases, local organizations may lack certain skills, and their inability to complete certain project with due quality should not serve as a deterrent. Rather, their capacity to do better must be developed. This also means that local reformers should not be overwhelmed with an

overambitious scope of activities or too many financial resources.

Overall, Douglass North, who won a Nobel Prize for his pioneering work on institutions, captures best the importance of local focus on institutional reforms. He argues that institutions cannot be transferred wholesale; something that functions well in one country will not necessarily work well in another.¹⁶ He also warns that local culture should not be ignored, and most importantly, incentives play a fundamental role in the reconstruction process. If incentives are not there for citizens and the government to improve governance, commit to fair play, engage in competitive market activities, and support rule of law, then institutions are unlikely to take root.

In her evaluation of post-conflict reconstruction in Bosnia, Sanja Omanovic ponders why, after billions of dollars in aid, a market economy and democratic governance have yet to fully develop.¹⁷ What she observed over the years in Bosnia goes back to the point on incentives and legitimacy – much of the institutional development has been driven by outsiders and there are no incentives for local leaders to design and implement reforms. Politicians, she notes, are more focused on:

...nationalistic rhetoric instead of developing serious economic and reconstruction programs. This can be easily understood ... since there is almost no need for them to think about economic issues: the World Bank and IMF will do that for them at the macroeconomic level, and other international institutions will act at a lower, microeconomic level. Even if local politicians want to do something on their own, they have to ask these foreign institutions for approval.¹⁸

Putting reconstruction in the hands of local groups is not an easy task, but it is required if reconstruction efforts are to be successful and if countries are to assume ownership of and responsibility for institutional reforms and humanitarian relief. Where local capacity to implement reforms and lead humanitarian relief is weak, efforts should focus on building it up, rather than substituting for it. At the end of the day, it is more art than science – in each case, there has to be

just the right amount of assistance to jump-start the reform process, yet at the same time not too much as to distort incentives, undermine legitimacy, and thwart long-term development at the expense of short-term needs.

Taking the Next Steps: Consolidating Democracy

Once the reform process is underway and basic institutions are in place, how does a country maintain a stable democracy and market economy? According to a recent study, democratic institutions that allow political competition and checks and balances within the government are the determining factors of political stability.¹⁹ The authors conclude that in order to develop a liberal democratic regime, factionalism should be avoided at all costs. This means that political parties, as representatives of citizens in the democratic policymaking process, must be able to compromise with each other, participate transparently in the governance process, and develop grassroots support to represent the interests of various social groups rather than a close circle of elites.

Evidence suggests that parties can best achieve this when they transition from being parties of slogans and personalities to parties of programs and platforms.²⁰ In fact, Thomas Carothers captures this point in what he calls “the standard lament” about political parties. He notes that citizens are most frequently disappointed with their parties because they are corrupt and self-interested organizations, do not stand for anything, waste too many resources on meaningless political battles, are active only during elections, and are generally not prepared for governing the country.²¹

A multifaceted approach is needed to build effective political parties and engage them in democratic governance and substantive reform. In addition to building their capacity, efforts should also focus on developing civil society and feedback mechanisms between parties and their constituents. Developing governance institutions helps to ensure continued interaction with civil society groups and forces parties to respond to the needs and concerns

of the population. Such a relationship is an integral part of sustaining reconstruction and ensuring that subsequent reforms benefit all segments of the population.

Successful Approaches to Grassroots Reform

CIPE has faced many of the problems discussed above throughout its work in post-conflict countries. In Iraq, one issue that stood out was the disconnect between policymakers and civil society. Surveying the Iraqi business community, CIPE discovered that more than 70% of Iraqi small- and medium-sized enterprises from across the country could not identify a political party that represented their interests.²² To address this crucial issue, CIPE organized roundtables between political parties and business associations, bringing them together to discuss reform issues. Preceding the roundtables were programs to develop voluntary business associations that would be the voice of business in the policymaking process. This means not only helping set up organizational structures, but building their capacity to identify problems, sort out reform priorities, come up with policy recommendations, communicate those reform proposals to policymakers, and monitor implementation.²³

Overall, CIPE's approach in Iraq has been to build the capacity of the private sector to become an active participant in the reconstruction process, while at the same time helping to establish working communication channels between policymakers on the one hand and economic and social institutions on the other. Recently, CIPE participated in the launch of the Iraqi Business Council (IBC), a coalition formed under the most challenging of circumstances, to serve as the voice of the Iraqi private sector both inside and outside of the country. The IBC comprises representatives from the twelve largest and most established national business associations, chambers of commerce, and economic think tanks in the country. Gathering from all regions of Iraq, members of the IBC exemplify the resolve of the business community to contribute to the country's development. IBC members participate in the research and review of legislation pertaining to commerce and trade, put forth a National Business

Agenda, and contribute to the overall economic and democratic development process.

CIPE undertook a similar approach in Afghanistan, developing the capacity of the private sector to become a vested participant in the reconstruction process. The business community's input was invaluable because it provided concrete reform recommendations, instead of just pointing out failures and criticizing. The need to do this was identified early in the reconstruction process, when members of the expatriate business community traveled to Afghanistan and met with entrepreneurs – people who ultimately carried the burden of creating jobs, supplying goods and services, and improving standards of living. Businesspeople in Afghanistan complained about barriers to doing business, ineffective banking system, weak rule of law and, most importantly, exclusion from the policymaking process and little accountability in government.

CIPE facilitated the creation of the Afghanistan International Chamber of Commerce (AICC), Afghanistan's first business federation. Founded by four Afghan business associations, AICC was created in response to the demand of the business community for a transparent and effective national business association. AICC's membership drive netted nearly 2,000 dues-paying members in the first few days of the organization's launch. The federation now includes 21 national, regional, and local business associations, as well as three international affiliates.

CIPE's efforts were instrumental in AICC's formation, but AICC soon took the initiative to develop solutions to problems its members faced. One program that AICC launched to help integrate the private sector in reconstruction is the Procurement Technical Assistance Center (PTAC), which distributes information on government tenders and provides hands-on assistance to member companies throughout the procurement process. To date, PTAC has provided assistance to 58 companies and has distributed more than 85 government tenders to its members, resulting in more than \$2.5 million in contracts for Afghan companies, ultimately helping to create jobs and provide opportunities for Afghan citizens. AICC also

facilitated over \$20 million in investment through its International Trade and Investment Promotion Office (ITIPO), creating over 300 jobs.

To become involved in the policymaking process, AICC organized more than a dozen large scale public policy roundtables to address private sector reform issues. At the roundtables, the business community had the opportunity to engage in dialogue with public officials such as President Hamid Karzai, First Vice President Ahmad Zia Massoud, and a host of ministers and senior government staff. With an average attendance of more than 250 business and government leaders, these events galvanized the business community in Kabul, Kandahar, and Jalalabad behind AICC's public policy positions. The results were impressive, including a number of policy successes in the area of customs reform, the creation of a feedback mechanism between the private sector and government, and changes to the Private Investment Law.

Riinvest Institute in Kosovo is also a stand-out example of the commitment of local civil society groups to rebuilding after conflict. From the beginning of the reconstruction process, Riinvest advocated for humanitarian relief measures to address pressing day-to-day problems while remaining focused on the future.

Riinvest emphasized the need for institutional reform to build a private sector capable of lifting Kosovars out of poverty and despair through job creation, investment, and trade. In fact, when reconstruction began, Riinvest was the only organization that had conducted a detailed study of the Kosovar private sector and developed policy suggestions for improving the business climate. The organization's emphasis on building the region's economic capacity was even more important in light of a decision by reconstruction stakeholders to require a percentage of the funds to be contributed by Kosovars, in order to avoid the aid dependency problem that plagued rebuilding efforts in Bosnia.

The recommendations of Dr. Muhamet Mustafa, president of Riinvest, voiced at the early stages of reconstruction and throughout the process, capture best the working approaches to rebuilding countries after conflict. What he called for, as a means of attaining stability and sustainability, was establishing more active programs to engage a broad cross-section of Kosovars in the international reconstruction effort. Specifically, he advocated creating, with Kosovar input, an economic framework that reflects Kosovar needs and aspirations while discouraging informal and illegal economic activity; strengthening civil society and democratic institutions, as well as

For more 'on the ground' post-conflict reconstruction perspectives, read these Economic Reform Feature Service articles by CIPE partners, available at www.cipe.org.

- "Women Entrepreneurs in Post-Conflict Economies: A Look at Rwanda and Afghanistan" by Gayle Tzemach
- "Addressing Iraq's Economic Challenges" by Kamal Field, Ph.D.
- "Assessing the Development of Business Associations in Transitional and Post-Conflict Countries" by Mark McCord
- "The Iraqi Constitution from an Economic Perspective" interview with Noah Feldman
- "Post-Conflict Reconstruction in Serbia: A Political Economy View" by Boris Begovic
- "State-Building: Capturing Lessons Learned" interview with Francis Fukuyama
- "State-Building in Afghanistan: A Civil Society Approach" by Omar Zakhilwal
- "Accepting Responsibility: Moving Beyond Political and Economic Dependence in Post Conflict Bosnia and Herzegovina" by Sanja Omanovic
- "Bosnia: Post-Industrial Society and the Authoritarian Temptation" by the European Stability Initiative

Kosovars' involvement in the reconstruction process; and continuing the commitment of the international community to transform Kosovo from an "aid-based" economy to a self-sufficient economy.

Conclusion

Dr. Mustafa's recommendations extend far beyond Kosovo and will be echoed by many other reformers around the world engaged in rebuilding their countries after conflict. As they begin to identify problems, devise solutions, and build local consensus for reform, civil society groups and political leaders eventually take ownership of the reconstruction process. This gives credibility to the rebuilding effort and introduces a sense of accountability, as reformers ultimately become responsible for successes and failures. While it may be more of an art than a science, those involved in a country's post-conflict recovery must identify an effective way to utilize the expertise and commitment of local groups to achieve lasting peace and prosperity.

Notes

¹"Afghanistan in 2006: A Survey of the Afghan People," The Asia Foundation, <http://www.asiafoundation.org/pdf/AG-survey06.pdf>

²James D. Wolfensohn, "Remarks at the United Nations Security Council," New York (15 April 2004), <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/contentMDK:20193283~menuPK:34472~pagePK:34370~piPK:34424~theSitePK:4607,00.html>

³Ibid.

⁴For example, see Paul Collier and Anke Hoeffler, "On Economic Causes of Civil War," *Oxford Economic Papers* 50 (1998): 563-73.

⁵House of Commons International Development Committee, "Conflict and Development: Peacebuilding and Post-conflict Reconstruction," Sixth Report of Session 2005-06, Volume I, <http://www.publications.parliament.uk/pa/cm200506/cmselect/cmintdev/923/923i.pdf>.

⁶For more, see Rolf Schwarz Conference Report on "Post-Conflict Peace Building: How to Gain Sustainable Peace? Lessons Learnt and Future Challenges" (October 2004).

⁷Francis Fukuyama, "'Stateness' First" *Journal of Democracy*, Vol. 16 No. 1 (2005).

⁸John D. Sullivan, et. al, "Democratic Governance: The Key to Political and Economic Reform," CIPE Issue Paper #0405 (January 2004).

⁹Francis Fukuyama, "'Stateness' First" *Journal of Democracy*, Vol. 16 No. 1 (2005).

¹⁰Francis Fukuyama, *State-building: Governance and World Order in the 21st Century* (Ithaca, NY: Cornell University Press, 2004).

¹¹For more see James Buchanan, *The Limits of Liberty: Between Anarchy and Leviathan* (University Of Chicago Press, 1977).

¹²Larry Diamond, "Lessons from Iraq," *Journal of Democracy*, Vol. 16 No. 1 (2005).

¹³Francis Fukuyama, "State-Building: Capturing Lessons Learned," Economic Reform Feature Service, (CIPE, 25 April 2005).

¹⁴Transparency International "Global Corruption report 2005: Corruption in Construction and Post-conflict Reconstruction," http://www.transparency.org/publications/gcr/download_gcr/download_gcr_2005#download.

¹⁵For more on the private sector's role in post-conflict reconstruction in Lebanon see Charles Adwan "Corruption in Reconstruction: The Cost of National Consensus in Post-War Lebanon," *Economic Reform Feature Service* (CIPE, 1 December 2004).

¹⁶Douglass North, "Local Knowledge and Institutional Reform," *Economic Reform Feature Service* (CIPE, 26 August 2004).

¹⁷Sanja Omanovic, "Accepting Responsibility: Moving Beyond Political and Economic Dependence in Post Conflict Bosnia and Herzegovina," *Economic Reform Feature Service* (CIPE, 9 February 2005).

¹⁸Ibid.

¹⁹Jack A. Goldstone and Jay Ulfelder, "How to Construct Stable Democracies," *The Washington Quarterly* (Winter 2004-05).

²⁰John D. Sullivan and Aleksandr Shkolnikov, "Addressing the Underlying Problems," *International Business Times* (29 September 2006).

²¹Thomas Carothers, *Confronting the Weakest Link: Aiding Political Parties in New Democracies* (Washington, DC: Carnegie, 2006).

²²For more information, see CIPE/Zogby International Survey "Business Leader Attitudes Toward Commercial Activity, Employee Relations, and Government in Post-Saddam Iraq," http://www.cipe.org/regional/mena/iraq/pdf/Resource_3.pdf.

²³For more information, see CIPE's *National Business Agenda Guidebook*, <http://www.cipe.org/publications/papers/pdf/NBAGuidebook.pdf>.

Aleksandr Shkolnikov is the Program Officer for Global Programs at the Center for International Private Enterprise and a doctoral student in the Department of Economics at George Mason University.

The views expressed by the author are his own and do not necessarily represent the views of the Center for International Private Enterprise. The Center for

International Private Enterprise grants permission to reprint, translate, and/or publish original articles from its Economic Reform Feature Service provided that (1) proper attribution is given to the original author and to CIPE and (2) CIPE is notified where the article is placed and a copy is provided to CIPE's Washington office via mail, e-mail, or fax.

The Center for International Private Enterprise is a non-profit affiliate of the U.S. Chamber of Commerce and one of the four core institutes of the National Endowment for Democracy. CIPE has supported more than 1000 local initiatives in over 100 developing countries, involving the private sector in policy advocacy and institutional reform, improving governance, and building understanding of market-based democratic systems. CIPE provides management assistance, practical experience, and financial support to local organizations to strengthen their capacity to implement democratic and economic reforms. CIPE programs are also supported through the United States Agency for International Development.