12. Jobs, Jobs, Jobs! Public Works for Post-Conflict Development

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Introduction

Liberia's remote Maryland County is a microcosm of the country's challenges. These centre on the challenges of peace-building in a war-torn society – creating economic opportunities, healing social trauma and creating a stake in stability. Nestling on the border with Côte d'Ivoire, there is little way of getting to Maryland quickly apart from a two-hour helicopter ride from Liberia's capital Monrovia. Fine for the UN, perhaps, but not for Liberia's 3.5 million people. A boat trip down the 500 km coast would be quicker than going by road, testament to the twenty years of civil war and chronic decay.

Its principal difficulties relate to a lack of jobs. With paltry educations and negligible capital, the citizens of Maryland County cannot take advantage of practical possibilities in agriculture, fishing and rubber. And the state, which was essentially broken by the time of Charles Taylor's exit from power half a decade ago, cannot at this stage be much help either. And yet, for unemployment to persist – in some places afflicting four out of five workers – would carry grave risks. As in the rest of Liberia, more than 70 per cent of the population is younger than thirty. In a region where youth have often been made into instruments of insurrection and war, such a reservoir of undirected energy is a concern.

This is the dilemma: creating employment quickly where ordinary processes of wealth creation may take years to develop. The urgency is this: More than half of post-civil war countries slide back to war within a decade. The lessons of success and failure in post-conflict countries consistently point to the need to stimulate entrepreneurial activities and create employment opportunities especially for demobilised soldiers. The answer may lie partly in developing employment generating public works programmes, a 'New Deal' for post-conflict countries.

For the use of public works programmes (PWPs) to create mass employment attained an emblematic prominence with President Franklin D Roosevelt's New Deal during the Great Depression of the 1930s. Under this programme, more than 3 million unemployed were given work through a variety of measures, notably the Works Progress Administration. Between 1933 and 1939, the Public Works Administration spent $3.3 billion with private companies for 34,500 projects. The Tennessee Valley Authority, which involved dam construction on an unprecedented scale to curb flooding and generate electricity, also modernised agriculture in that region.

Since that time public works has been regularly used as a poverty reduction and political stabilisation tool, from Afghanistan to Ethiopia, Argentina to Korea, and South Africa to Chile,[1] with varying degrees of success. The World Bank[2] notes that PWPs have been important 'counter-cyclical' programme interventions in developed as well as developing countries for many years to counter economic shocks.

Public works programmes are defined here as a means of transferring wealth and skills in exchange for labour.[3] Such programmes typically provide unskilled manual workers with limited-term employment on projects such as road construction and maintenance, irrigation infrastructure (notably dams), reforestation, soil conservation, and mass housing.

This paper examines the role PWPs could play in post-conflict stabilisation efforts, proposes a method for creating them and suggests a possible model in this regard for Africa.

The Importance to Post-Conflict Countries

International experiences of high-growth developing economies illustrate a number of commonalities:

- First, the executive, and especially the chief executive (usually the president), has to grip economic reform and make it a priority
- Second, there are no 'sacred cows' in policy terms; nothing should be excluded. The need for reform and restructuring never ends, and new lessons are learnt continuously
- Third, openness to the global economy is necessary for growth
- Fourth, given the security and stability implications of a hungry and frustrated population, there is a need to align poverty reduction and growth strategies
- Fifth, transitory wealth initiatives such as redistribution and welfare programmes often undermine long-term development policies
- Sixth, money is rarely the key problem – governance, government capacity, skills, and the right policy set are more important
- Seventh, natural resource management is crucial
- Eighth, there is a need for a comprehensive reform vision, from the top-down reaching to individual citizens.

Overall the challenge is to provide a satisfactory long-term policy and governance framework while ensuring that there is sufficient visible change and economic opportunities to maintain stability. In this regard, economic programmes generally have four main weaknesses: they are externally-driven; they provide insufficient direction on priorities; they focus on 'what' countries should do, rather than the more difficult question of 'how' to do it; and they have relied on overly complex policy prescriptions that do not

[1] For example, the Maharashtra Employment Guarantee Scheme in India, Ethiopia's Productive Safety Net Programme, South Africa's Zimbambele Programme, the Malawi Social Action Fund and Central Region Infrastructure Maintenance Programme.

[2] For example, see Fiona Mackintosh and John Blomquist, 'Systemic Shocks and Social Protection: The Role and Effectiveness of Public Works Programs', World Bank Social Safety Net Primer 1 (2003), available at <http://siteresources.worldbank.org/SAFETYNETSANDTRANSFERS/Resources/281945-1124119303499/SSNPrimerNote1.pdf>.

[3] For example, see Michael Sampson, Ingrid van Niekerk and Kenneth Mac Quene, 'Designing Public Works Programmes', *Designing and Implementing Social Transfer Programmes* (Cape Town: EPRI Press, 2008).

Table 1: Cumulative Decline in GDP in Select African States

Country	Decline	Period		Country	Decline	Period
Liberia	91%	1979-96		Uganda	28%	1977-81
Rwanda	54%	1992-94		Guinea-Bissau	28%	1997-98
DRC	47%	1974-01		Gabon	27%	1977-87
Sierra Leone	42%	1991-99		Angola	27%	1988-93
Zimbabwe	38%	1998-06		Chad	26%	1977-81
Mozambique	28%	1981-86		Burundi	25%	1992-97

Source: Steven Radelet, 'Reviving Economic Growth in Liberia', Center for Global Development, September 2007, unpublished paper.

match on-the-ground reality.

Overcoming the development challenge in fragile states relies on sustaining a virtuous cycle in which economic recovery and political stability are mutually reinforcing. Indeed, economic recovery has a number of political jobs to do: in the short run, it needs to placate or neutralise political opposition and build support for government; and in the medium- and long-term, it is the main driver of a sense of hope for the future. This suggests that the challenge should address, as a matter of priority, politically sensitive infrastructure considerations – notably telecommunications and clean water – as well as those which additionally benefit entrepreneurs, notably electricity and roads.

The recovery process also has an economic dimension. It must at least aim to return per capita GDP to pre-collapse levels in real terms. This is best done by restoring the traditional engines of the economy – notably natural resource extraction and agriculture – to full production. Indeed, the extent of decline is an indicator of the potential for recovery. More than this, it has to be cognisant of the expectations of a population emerging from conflict, fuelled by a potentially volatile cocktail including the promise of peace and global communications.

The recovery process should aim to build the revenue base of the government to levels that allow public investment and service delivery to normalise. It must also increase labour absorption to promote political and social stability and reduce poverty. And it must build the infrastructure base for a modern economy, which requires focusing in the short term on power, roads, airports, customs facilities and ports; and in the longer term, skills.

Thus strategies need to be developed that generate higher rates of growth in the short term whilst mopping up large numbers of potentially destabilising elements within society. For example, in Liberia, Sierra Leone, and the Democratic Republic of Congo, formal employment is estimated at less than 5 per cent of the population. The remainder survive through a combination of remittances, subsistence agriculture, small trading and menial employment.

In simple terms, jobs should be a priority.

Some Criteria: How and where?

The World Bank argues that the rationale for PWPs rests on six considerations.[4]

[4] At World Bank, 'Public Works Programs', <http://www1.worldbank.org/sp/safetynets/Public%20Works.asp>.

- First, they can provide income transfers to poor households during critical times
- Second, they will also allow households to meet any consumption shortfalls they may experience
- Third, they can provide critical and much-needed infrastructure and thus minimise the trade-off between public spending on income transfers versus public spending on development
- Fourth, these assets have the potential to generate 'second-round' employment benefits as infrastructure is developed
- Fifth, they can easily be targeted to specific geographic and social sectors that have high unemployment and poverty rates
- Finally, in many countries, this type of programme has helped many small-scale private contractors to emerge and grow.

The success and impact of such programmes depends on their design features, such as the wage rate. Self-selection can be encouraged if the wage paid by the PWP is set slightly below the market wage for unskilled labour. Clearly, too, the impact is dependent on the jobs on offer elsewhere in the community – what economists call the 'net wage gain', the relative improvements in household income from participating in such PWPs.

There is a bind, however, between providing longer-duration employment and structuring such programmes in a way that creates the greatest short-term political impact. Strategies that prioritise employment can raise both the incomes and skills level of some of the poorest segments of the workforce. By occupying an increased number of poorly-educated and under-employed young men, such strategies can also have a positive influence on the long-term security environment.

However, the speed at which key assets are created has a developmental impact of its own. Moreover, evidence about the cost-effectiveness of PWPs suggests that they are worthwhile only if planners give careful attention to the quality of the assets to be created and to the potential of such assets to create so-called 'second-round' employment benefits. Future benefits from PWPs are more likely to be substantial if the programme is thus both well designed and implemented, given the impact on cost-effectiveness.[5]

Thus the key consideration for setting up PWPs rests in their development impact: The combination of security, political, poverty alleviation, skills creation and infrastructure delivery. This is ultimately a political decision shaped, too, by funding availability and the ability to manage and deliver against national infrastructure demands.

Focus on Economic Competitiveness

The projects chosen for labour-intensive strategies can range from canonical public works, like roads and building construction, to schemes to increase agricultural productivity. Government can also consider incentives, such as tax rebates, that promote labour-intensive practices in private-sector projects as well. Foreign donors should be encouraged (or perhaps required) to adopt labour-intensive policies in the implementation of their own projects.

The problems with PWPs relate to making them both sustainable and competitive against more capital-intensive models.

Structuring a project to employ more citizens than it otherwise would have is beneficial in and of itself, however a more ambitious approach would focus on skills transfer. Workers who at the beginning of a project are capable of nothing more than digging a ditch could, by the end of it, be on their way to qualification as a mason apprentice. Such strategies can also be linked to wider efforts

[5] *Ibid*.

to educate citizens about the value of banking services and entrepreneurship. Indeed, labour-intensive public works strategies that are not closely linked to private-sector needs and entrepreneurship-promotion are unlikely to make real contributions to long-term poverty reduction. Instead, like similar schemes implemented by Western development agencies in the 1970s and 1980s (or related 'food-for-work' schemes), they will be little more than elaborate welfare programmes, with few benefits for the economy's competitiveness.

The skills these workers acquire have value in the market. If the labour market is flexible enough, contractors will compete over the newly-skilled worker, and he will earn higher wages.

The flip side of that coin is that designing a project so that it is labour-intensive can backfire if the labour has to be imported from abroad because local workers are not skilled enough. In Afghanistan, for example, much of the labour for construction and infrastructure projects was imported from abroad, primarily from Pakistan and Turkey. In poor regions in desperate need of income, residents found it hard to understand why Turks would be brought to lay bricks. From the point of view of the Turkish contractor, the extra expense made sense: he needed to complete a project on time, and to a certain standard, otherwise he would pay substantial penalties. Using Turkish labour even for relatively mundane tasks reduced his risk. He could also compel them to work longer hours. The structure of the US contracts allowed for none of the flexibility that would have made it less risky to use Afghan labour.

Maximising employment within infrastructure projects is a choice, and it involves trade-offs in terms of budget, quality, and timelines. It may also be more difficult for cost estimators and construction managers to accurately predict cost and time, introducing more risk into contracts. Accordingly, contractors will likely insist that government bear most of the risk for cost overruns and will resist the imposition of the penalties that are now common in the industry for late delivery. Labour-intensive strategies may also not be appropriate for projects that must meet 'first-world' quality specifications. Since it is government that will ultimately bear the risk from the increased uncertainty, thorough, quantitative analysis of the cost/time trade-offs and risk profile is essential if government is to make choices that strike the best balance amongst employment, cost and speed.

Having labour-intensive project strategies 'ready-to-go' gives government a valuable tool it can deploy quickly in a national emergency, such as a prolonged drought. Government can take labour-intensive strategies off the shelf to get unskilled workers (paid in a combination of food and cash) employed on pre-designed projects, such as anti-erosion and irrigation structures, that are more amenable to low-tech, unskilled labour. However, contrary to the strategies of the 1960s-1990s, which saw labour-intensive strategies primarily as humanitarian initiatives, the main focus should always be on increasing the economy's overall competitiveness and on helping unskilled workers upgrade their skills in a permanent way so they can climb the value chain out of extreme poverty.

Be Aware of Unintended Consequences

The design of PWPs is critical to maximising the positive impacts and avoiding, as best as possible, the downsides. The pitfalls of such programmes usually include:

- PWPs can rarely offer employment to all who require it[6]
- They are not a substitute entirely for other welfare schemes, for example given their targeting (the able bodied) and geographic specificity

[6] Sampson et al, *op. cit.*, p. 104.

- Just as the New Deal involved much more than public works in radically reforming the US business and social landscape, modern PWPs are also no substitute for a range of business competitiveness reforms required to encourage long-term private sector investment and operations. The programmes should be packaged together
- Care has to be taken to avoid creating a climate of dependency and, on the other extreme, taking a longer time to deliver essential infrastructure and services that may have been delivered quicker through competitive private-sector tendering
- There is no guarantee that lower wage employment will attract the poor, or dissuade richer households from seeking employment in this sector – this depends on the alternatives on offer and the 'culture' of employment in the country in question (for example the balance of time available between subsistence and wage-employment activities) or whether the wage can meet basic household subsistence demands, even though marginal may in many cases be better than nothing[7]
- Payment arrangements have to ensure that there is minimal disruption to the project and that the transfer conveys the maximum possible value to the programme. Piece-rate, task-based or time-related systems are most usually employed[8]
- Programmes should be designed to minimise shock, either through market distortions or expectations
- Programmes have to be of a significant duration to maximise the impact on chronic poverty – usually around eighteen months
- Significant financial and administrative resources are required. However, programmes should be explicitly designed to empower local communities rather than donors
- PWPs should be designed fundamentally with an exit strategy in mind: a point at which formal sector employment grows and the labour scheme can be overtaken by the provision of social grants for those who cannot offer labour
- There is a need for harmonisation between the timing and focus of programmes and the needs of specific communities
- The projects and programmes should aim at creating long-term employment opportunities elsewhere
- Location near or in the communities in need will minimise transport costs though may increase the likelihood of other disruptions
- Incorrectly scheduled PWPs can have a deleterious impact on other important initiatives, such as diverting labour from subsistence tasks and other opportunities for improving human capital
- Programmes should not be established in isolation from other development needs and initiatives, which will risk the impact to the life of the particular scheme.

Key Questions and Establishing Suitable Methods

Such a strategy to meet these aims and avoid the pitfalls could proceed in the following way.

[7] For example, the Malawi Social Action Fund initiated in 2004 set a wage of US$0.30 per day, barely a subsistence level for a single person and with consequent negligible take-up and impact. If the programme is to have the right impact, this may require a degree of community involvement in wage-setting. See Anna McCord, 'The Social Protection Function of Short Term Public Works Programmes in the Context of Chronic Poverty' in Barrientos A and Hulme D (eds) *Social Protection for the Poor and Poorest: Risk, Needs and Rights* (London: Palgrave, 2008).

[8] Sampson et al, *op. cit*., p. 106.

First steps
This process requires an appreciation of the short- and longer-term constraints (security, infrastructure, bad policy, skills, and so on) on economic growth. To achieve this, one would need to have a clear idea of what the different economic drivers were in each area. It requires an identification of catalysts/multipliers for short-term growth – such as reinstating the traditional areas of growth, building job-dependent infrastructure (especially roads), and reinstating electricity generation and grids. This would be based around four sets of questions.

Outcomes: The projects and programmes must be geared around local needs, and the wage set according to the criteria identified above. This includes the size and general allocation of state budget; the size of annual donor allocations and focus areas; the size and location of the population; scale of unemployment and focus (gender, age, location and urban/rural); location of poverty; the security situation; and the minimum wage and prevailing wage.

Infrastructure Needs: Key questions here are whether there is a national strategy for infrastructure development, and if so, what the budget might be; the size of the budget, funding modalities and major donors; the line ministries responsible; if there is no national strategy, how is infrastructure rehabilitation addressed?

Experiences: Have there been similar programmes conducted previously? If so, did they work or did they fail and why? Were there security concerns or problems, what was the attitude of beneficiaries/population, which line-ministries were involved, who owned the projects (donors or government)?

Agency: There must be an assessment of the likely local and foreign private, public, governmental and non-governmental institutions available to implement and manage these programmes, and sustain their benefits.

Second steps
Devise the mechanics for an employment-generating, skills-creating public works programme aimed simultaneously at addressing infrastructure constraints. Whilst this would have to be carefully planned and sequenced, it is not rocket science. (Indeed, consultancy-driven high-altitude rocket science is to be avoided at all costs!) This could, however, intelligently integrate those readily available funds to post-conflict peace-building operations. Such a new deal would have to come in behind the restoration of security and public safety. It would have to be clearly articulated as part of an international partnership and thus comprehensible to the bulk of the population. Domestic and international branding, as well as the method and substance of private sector engagement, will be vital.

A Tentative Model for Post-Conflict Countries

What might a post-conflict public works programme look like?

Employ the UN: In immediate post-conflict environments, the UN and especially its engineering units of peacekeepers can be expeditors of this process. In Liberia, for example, Pakistani and Bangladeshi battalions have played an important role in road-making and bridge-building, creating more than 100,000 man hours of work through funding from the World Bank (channelled through the UNDP) mobilised by in-country UN leadership.

Use the Private Sector: Since PWPs have two aims – to provide employment and key infrastructure – significant managerial, technical and administrative inputs are essential.[9]

[9] *Ibid.*, p. 106.

The private sector is usually where such skills are to be found. A model for private sector employment is to employ 'person-day-employment' (PDE) credits in devising a scorecard for tenders on critical infrastructure projects. The greater the local person-days employed, a higher the price allowed. Donors should not only accept the principle but employ practices which encourage such a formula in competitive bidding.

Work with NGOs: NGOs are an important conduit for assessing which communities may be most in need in assessing the correlation between employment and infrastructure. They may also be used to train workers for such schemes.

Align Donors: A single line-ministry or specialist agency should be given responsibility for establishing and managing PWPs. One of their key tasks is to ensure that donor funding is carefully co-ordinated and aligned to national needs.

Link to Economic Needs: For example, road construction can be closely coupled to agricultural extension initiatives, and dams to large-scale community needs and agriculture schemes. It is insufficient, however, to rely only on the poverty reduction programmes and benchmarks in this regard. What is required is detailed project planning to meet these broad objectives.

Do more than roads: Roads are a critical aspect in opening up the country, communities and markets, but the provision of mass housing is essential, too, in changing the daily living conditions and increasing the individual household's stake. This should be linked, however, to the development of mortgage markets to ensure local ownership and a move away from slum landlords.

Reduce disruption and maximise positive impacts: Plan for programmes of longer (greater than eighteen months) rather than shorter duration.

Minimise overheads: The greater the amount spent on wages the better the impact and likely the longer the duration of PWPs.

Sustainability, not only creation: Such schemes must be tied in closely with maintenance funding and requirements, which is an additional generator of employment.

Increase productivity not consumption: The focus of activity should be on building infrastructure for the future, and not simply providing a quasi-grant to the needy.

Branding, leadership and delinquency: People have to be encouraged to sign up to PWPs. Such schemes should not be branded as charity or pity, but rather as a scheme for national renewal in which workers are playing a critical part. The government should seek to actively discourage a culture of youth delinquency.

Financing: If these activities create a social good or public good, there should be some effort by the local government to finance them. One approach would be for the donors to match the government 5:1 (or similar ratio) to give the government a stake in the outcome and keep it focused on the productivity of the effort and not just a 'keep the potential trouble makers fed and under control' approach.

Design to Exit: This can be achieved in a gradated way through wage subsidies to the private sector.[10]

With the above in mind, a PWP for post-conflict countries could be as follows.

[10] Such as through the Argentine 'Proempieo Experiment' which employed the use of vouchers entitling the private sector employer to a limited wage subsidy.

While analogies are instructive, the design of PWP in post-conflict environments will differ in important respects from programmes intended to combat general economic stagnation or to combat poverty in stable but poor countries. First, the focus of the PWP must evolve over time. In early phases of the stabilisation effort, the primary focus will be on absorbing excess labour, particularly amongst young men. In this period, calculations of the economic rate of return of a programme will likely be less important than a calculation of the number of people employed. As the risk of insurgency or disorder decreases, PWPs can be tied more firmly to the wider economic growth agenda, both in terms of the effects of the infrastructure built to reducing the costs of commerce, and in terms of how effectively the PWP upgrades the skills of the employees. After all, as Paul Collier has demonstrated, economic growth is the single most important factor in reducing a return to civil conflict after a war ends.

Conclusion

Most post-conflict countries are not akin to the conditions of 1930s America. There is plenty of under-occupied labour but it has few skills; there is little physical capital, there are few engineers, even fewer managers, a scarcity of accountants and overseers, and too few people with the strategic capacities to determine precisely what can be done and how over what time period. What most of these countries face is not a 'bounce back' recovery or 'catch-up' growth but redevelopment. The conditions have to be recreated that will enable these countries to reach their pre-conflict per capita incomes – the personnel have to be re-trained, the infrastructure has to be rebuilt, the physical capital has to be re-acquired and the population has to be re-engaged and re-inspired to rebuild what was lost/destroyed. This is where the challenge lies.

But just as the 1930s equivalent mopped up America's despairing unemployed, today's New Deal would assist in managing a groundswell of high expectations always present in a post-conflict setting. These expectations seldom subside, but increase the more the government delivers. It is imperative that governments maintain momentum, without which they slip quickly backwards in the minds of the populace.

What are the elements of a contemporary New Deal?

First, it has to be a locally-led and owned scheme. Sustainability derives from local ownership.

Second, it needs to address key obstacles to past attempts to create jobs through public works – a lack of domestic capacity and guaranteed funding to ensure delivery.

Third, multilateral agencies, including the United Nations, have to align their responsibilities to this need, seeing it as an investment in peace. No peace process is possible without external funding, but incorrectly used it can serve to break it altogether. For example, at the average civil service salary, the annual cost of employing Liberia's 100,000 ex-combatants in this way would be $120 million. Real money, no doubt, but less than one-fifth of the annual UN peacekeeping bill for its 13,500 troops and much smaller than the costs of conflict and the benefits of stability.

Fourth, it needs to address the huge gap between popular expectations, peace requirements and government capacity.

Fifth, such a Deal must not only deliver infrastructure, but must offer jobs through labour (and not capital) intensive techniques, and incorporate training programmes so that it has a life beyond donor largesse.

Today's New Deal is not about overcoming a Great Depression, but about reinforcing stability where we most need to.