MIDDLE EAST AND CENTRAL ASIA DEPARTMENT

Boosting Economic Recovery after Conflict: Patterns and Policies

Chapter 2, October 2025 Regional Economic Outlook for the Middle East and Central Asia

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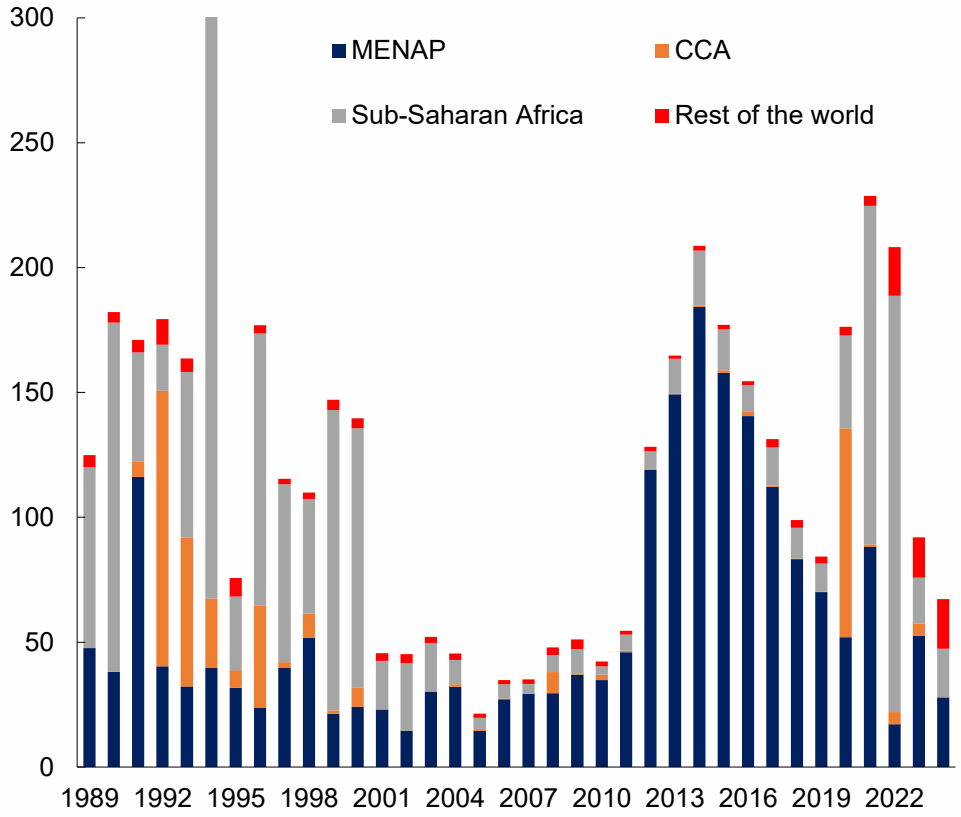
Motivation

- Intense and recurrent conflicts have grown in frequency, particularly in the MENAP region.
- The negative impact of conflicts in MENAP and CCA tend to be larger and more persistent than elsewhere (April 2024 Middle East and Central Asia *Regional Economic Outlook*)
- Recovery after conflict requires a multi-pronged approach with domestic policy and reform actions alongside sufficient external support.
- Objective : Identify key lessons and drivers of successful post-conflict economic recoveries.

Conflict-Related Deaths, 1989-2024
(Per million people, by year)



Sources: Uppsala Conflict Data Program, Georeferenced Event dataset; and IMF staff calculations.

Outline

- Evolution of post-conflict peace episodes over time
- Evolution of key macroeconomic variables during post-conflict peace episodes
- Key drivers of post-conflict recoveries
  - Macroeconomic stabilization, financing and international support, institutions
- Takeaways and policy implications

Characteristics of Post-Conflict Recoveries

Classification of Successful and Failed Post-Conflict Episodes

- **Main data source**: Uppsala Conflict Data Program's Georeferenced Events Database **1989–2024**.
- **In conflict** if total conflict-related deaths > 25 per million in a year.
  - 20 cases in MENAP, 8 cases in CCA.
- **Successful recovery cases :**
  - Return of economic activity consistent with pre-conflict trends within 5 years,

AND

  - No conflict reoccurrence after 5 years.
- **How to measure the pre-conflict GDP trend**? Extrapolate projected real GDP per capita from IMF WEO projections of the year preceding the start of the conflict.

MENAP & CCA
(percent of total MENAP & CCA post-conflict peace episodes)

	Recovery gap closed	Recovery gap open
Peace maintained within 5 years	32%	63%
Conflict reoccurrence within 5 years	0%	5%

Rest of the World
(percent of total Rest of the World post-conflict peace episodes)

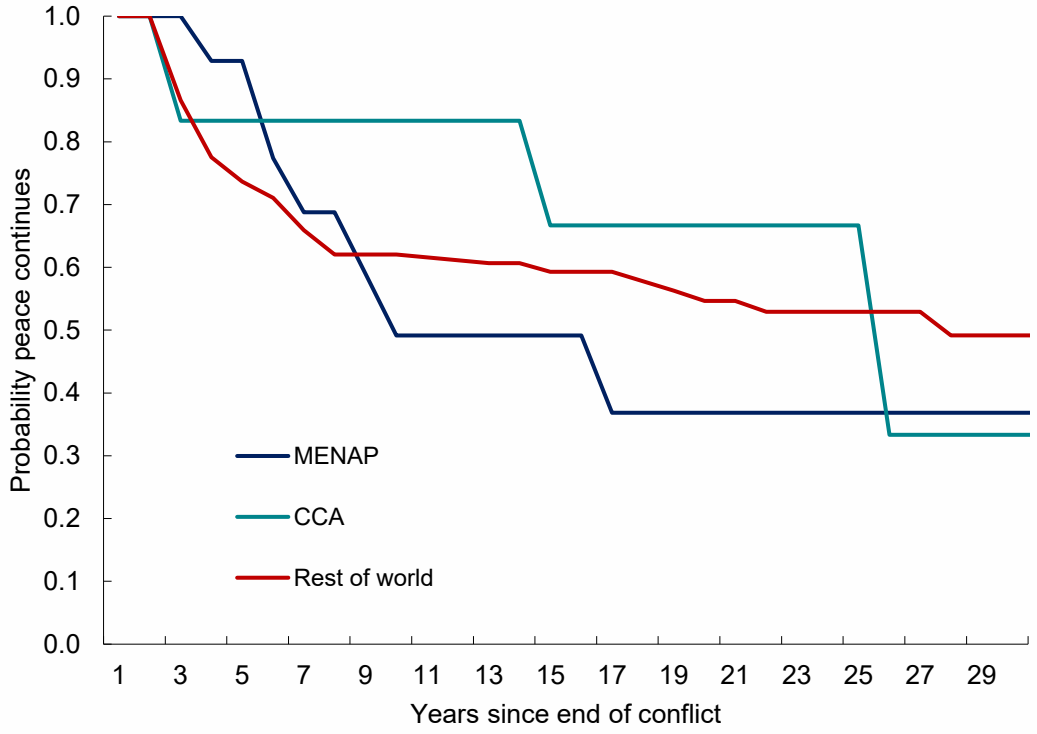
	Recovery gap closed	Recovery gap open
Peace maintained within 5 years	32%	41%
Conflict reoccurrence within 5 years	10%	17%

Sources: IMF, World Economic Outlook database; Feenstra, Inklaar, and Timmer (2015); Penn World Tables; Uppsala Conflict Data Program, Georeferenced Event dataset; and IMF staff calculations. Note: Green refers to post-conflict episodes classified as successful, yellow refers to post-conflict episodes in economies that did not reach pre-conflict implied counterfactual GDP per capita five years after the end of conflict, while red refers to post-conflict episodes in economies that failed to maintain peace during the first 5 years after the end of conflict. CCA = Central Asia and Caucasus; MENAP = Middle East, North Africa, Afghanistan and Pakistan.

Long-term peace is more fragile, and recovery slower in MENAP, but faster in CCA

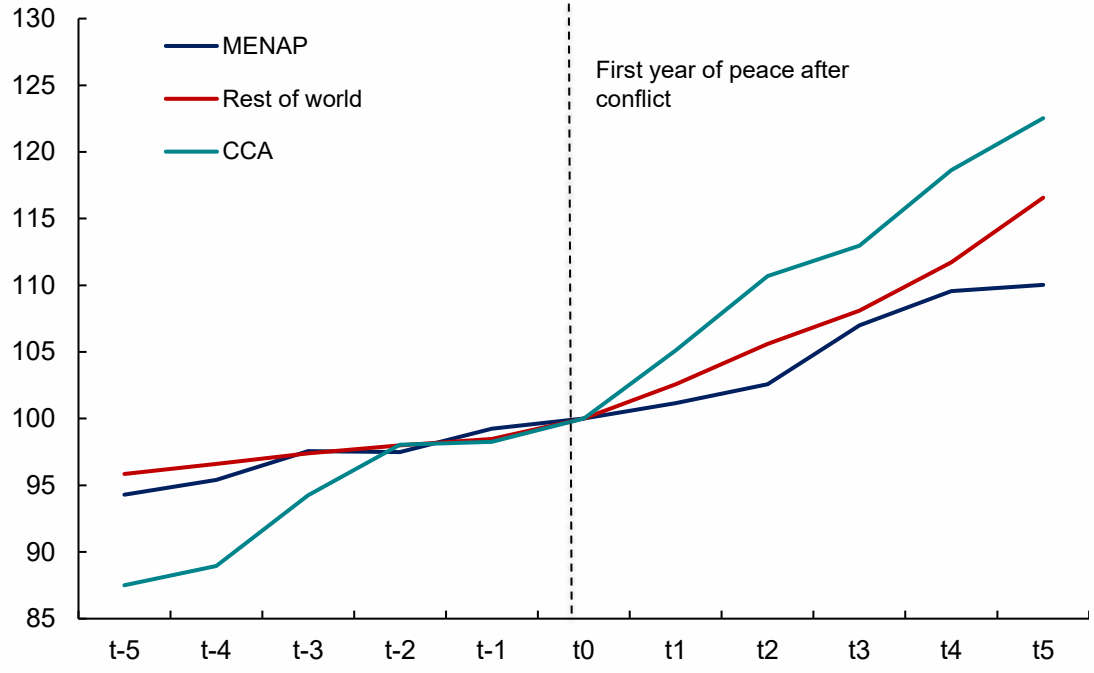
The MENAP region tends to have less lasting peace than other regions

MENAP & CCA vs. Rest of World: Peace Duration Curve
(probability of peace survival)



MENAP sees more sluggish post-conflict recoveries than elsewhere, while CCA economies recover more strongly

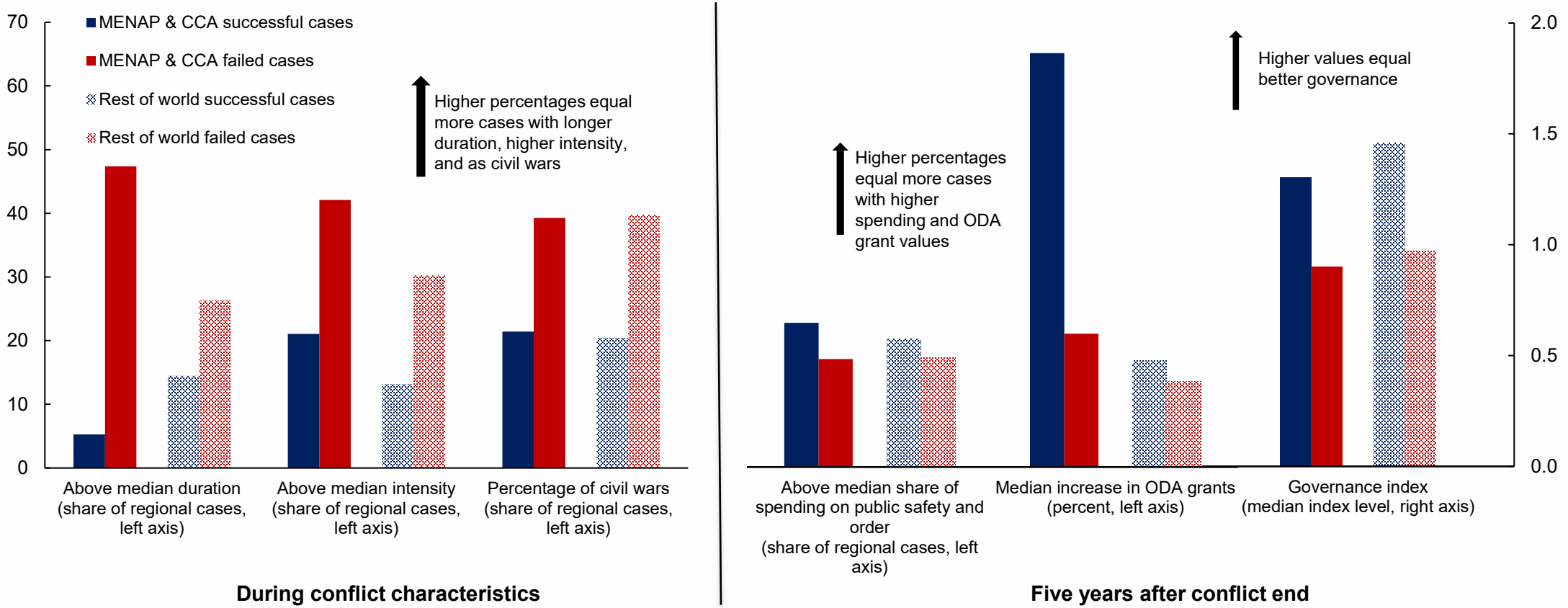
MENAP & CCA vs. Rest of World: Level of Real GDP Per Capita
(Index 100 = first year of peace)



Sources: IMF, World Economic Outlook database; Uppsala Conflict Data Program, Georeferenced Event dataset; and IMF staff calculations. Note: The "rest of the world" category includes all countries except those in the MENAP and CCA regions. CCA = Caucasus and Central Asia; MENAP = Middle East and North Africa, Afghanistan, and Pakistan.

Successful recoveries more frequent after shorter and less intense conflicts, and where safety spending, ODA grants, and governance higher

Successful vs. Failed Post-Conflict Recovery Cases: Conditions During Conflict and Post-Conflict
(percent on left axis, index value on right axis)



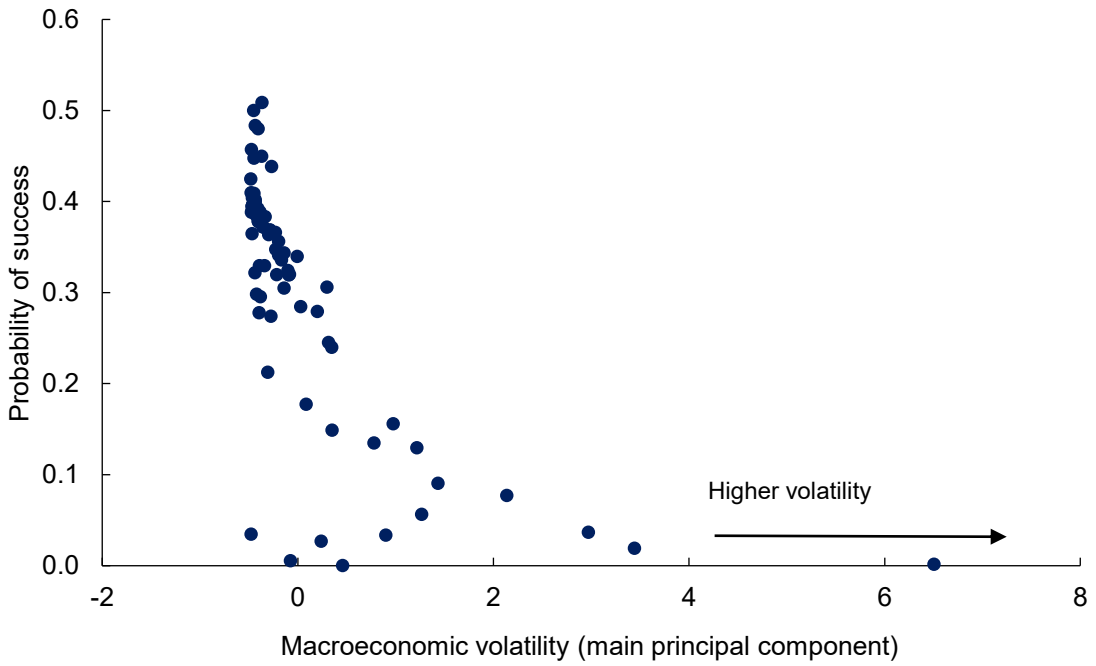
Sources: IMF, World Economic Outlook database; Feenstra, Inklaar, and Timmer (2015); Penn World Tables; Organization for Economic Cooperation and Development; Uppsala Conflict Data Program, Georeferenced Event dataset; World Bank, Worldwide Governance Indicators; and IMF staff calculations. Note: Conflict intensity is measured as the average annual deaths per capita for each conflict. Civil wars fall under the state-based category in the Uppsala conflict database, where one or more rebel groups challenge the state. The median increase in ODA grants shows the median change five years after the first year of peace. The Governance Index is calculated as the average of the six Worldwide Governance Indicators subindices, normalized to a minimum value of zero. The "rest of the world" category includes all countries except those in the MENAP and CCA regions. CCA = Caucasus and Central Asia; MENAP = Middle East and North Africa, Afghanistan, and Pakistan; ODA = official development assistance.

Drivers of Successful Post-Conflict Recoveries

Early macroeconomic stabilization is key for post conflict recovery

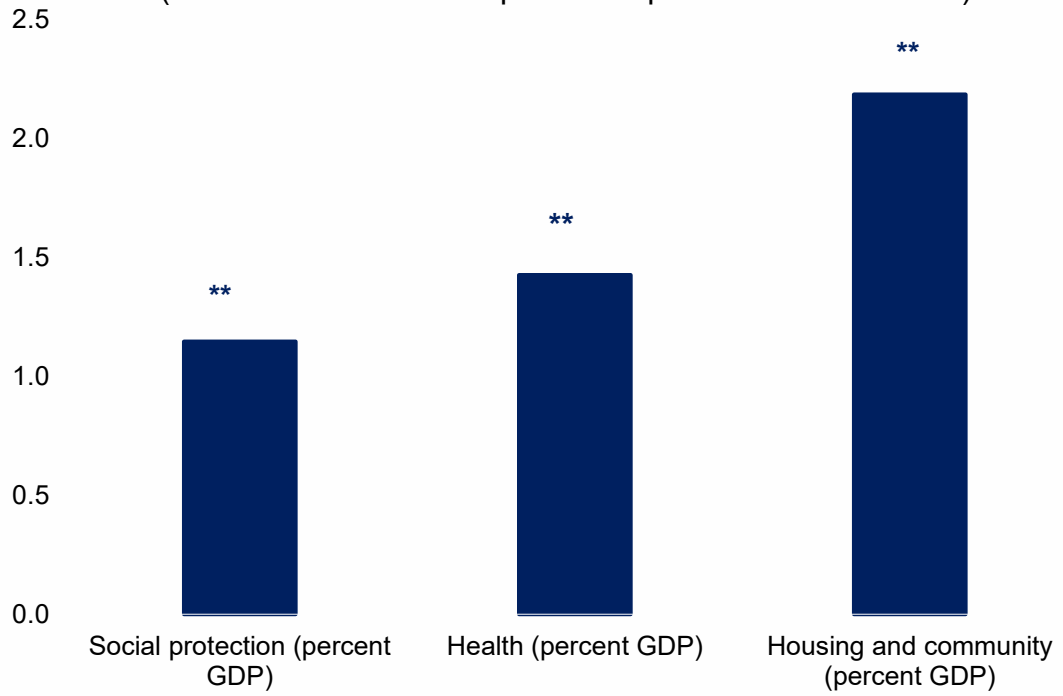
Economies experiencing higher output and inflation volatility in the first five years of peace are less likely to recover successfully….

Macroeconomic Volatility and Successful Recoveries
(estimated probability of success)



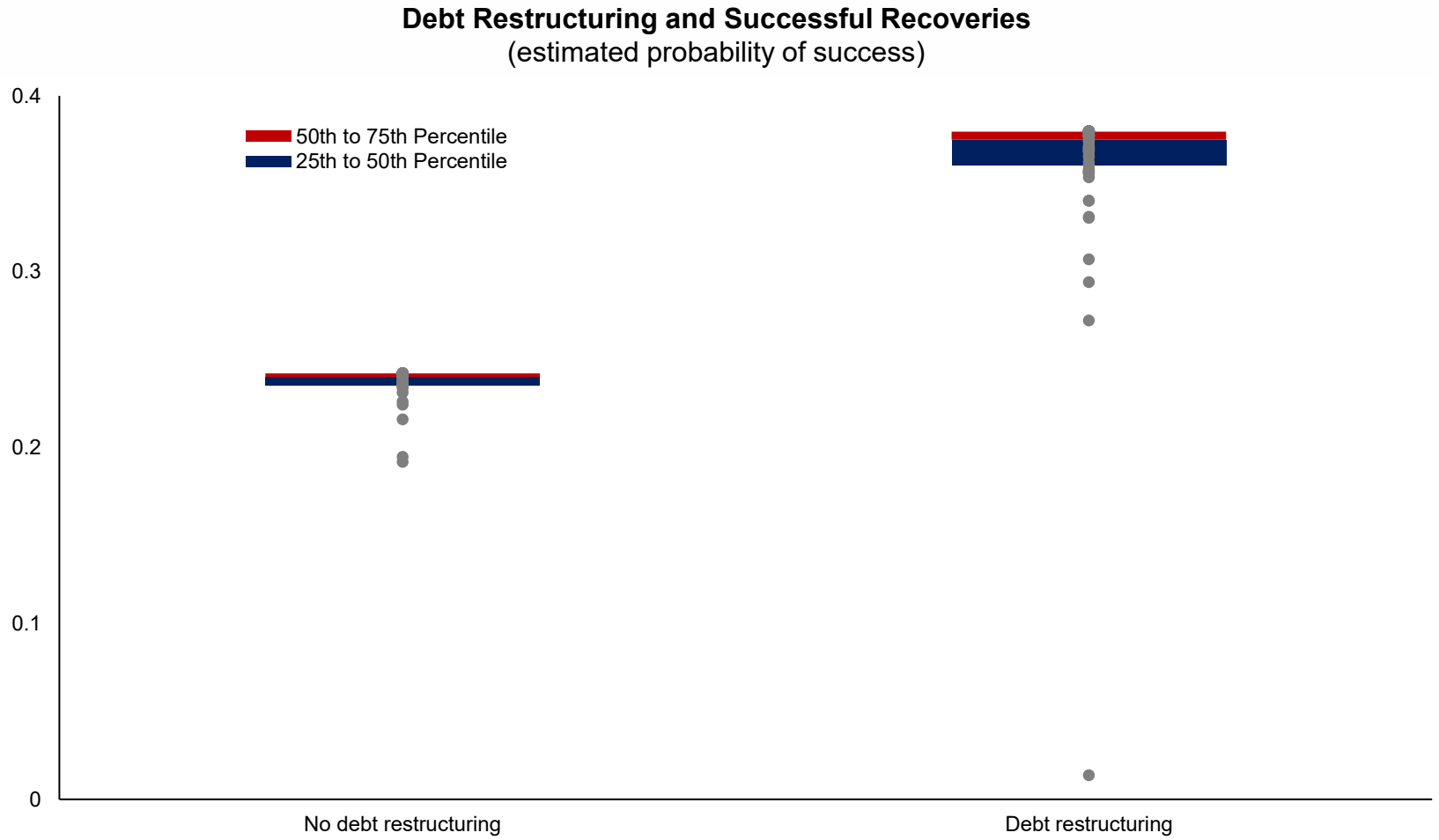
… while public spending on social protection and health can support macroeconomic stabilization and increase the likelihood of successful recovery

Public Spending and Successful Recoveries
(estimated odds ratio impacts of 1 percent GDP increase)



Sources: IMF, World Economic Outlook Database; Gethin (2024), Database of General Government Revenue and Expenditure by Function; Feenstra, Inklaar, and Timmer (2015); Penn World Tables; Uppsala Conflict Data Program, Georeferenced Event dataset; and IMF staff calculations. Note: On the left panel, Output growth volatility is estimated as the average squared deviation of real per-capita GDP growth relative to its mean in the first five years of peace, while inflation volatility is captured by the average squared deviation of CPI inflation relative to a 5 percent benchmark in the first five years of peace. The estimated probability of success conditional on macroeconomic volatility is derived from a logistic regression that controls for conflict duration and intensity. On the right panel, odds ratios are estimated from a logistic regression of success on each public spending category (measured as the average spending in that category as a percentage of GDP during the first five years post-conflict) separately, controlling for conflict duration and intensity. Robust standard errors, with levels of significance *p < 0.10; **p < 0.05.

International financial support, including through debt relief, can help boost recovery efforts



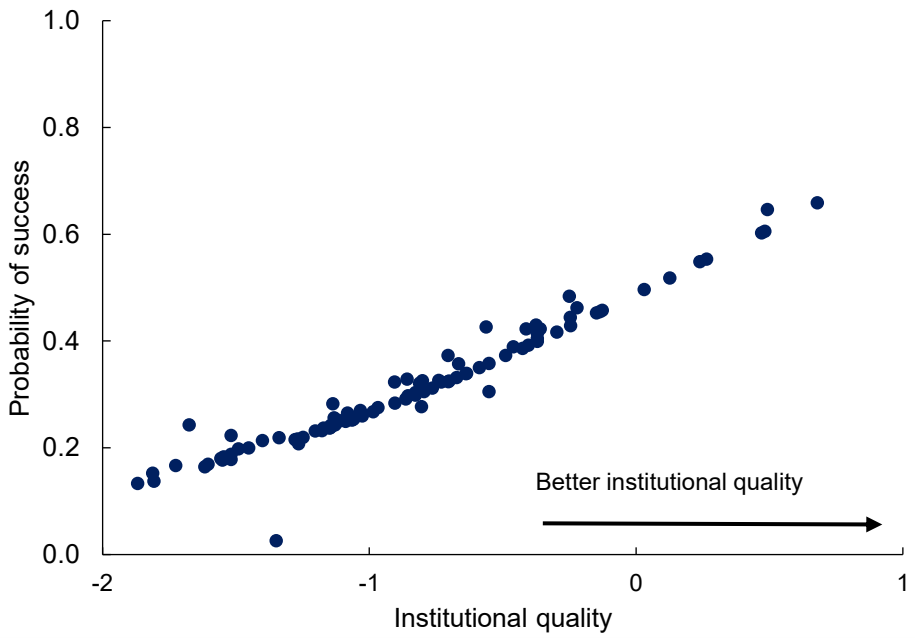
Sources: Asonuma and Trebesch (2016); Asonuma, Niepelt, and Ranciere (2017); Horn, Reinhart, and Trebesch (2022); datasets on sovereign and private debt restructurings; IMF, World Economic Outlook database; Feenstra, Inklaar, and Timmer (2015), Penn World Tables; Uppsala Conflict Data Program, Georeferenced Event dataset; and IMF staff calculations. Note: Debt restructurings encompass bilateral official restructurings (including those by China and the Paris Club) and private creditor restructurings, while excluding symbolic official restructurings. The estimated probability of success conditional on an indicator variable for the occurrence of debt restructuring is derived from a logistic regression that controls for conflict duration and intensity.

Stronger institutions and efforts to improve them raise the likelihood of successful recovery

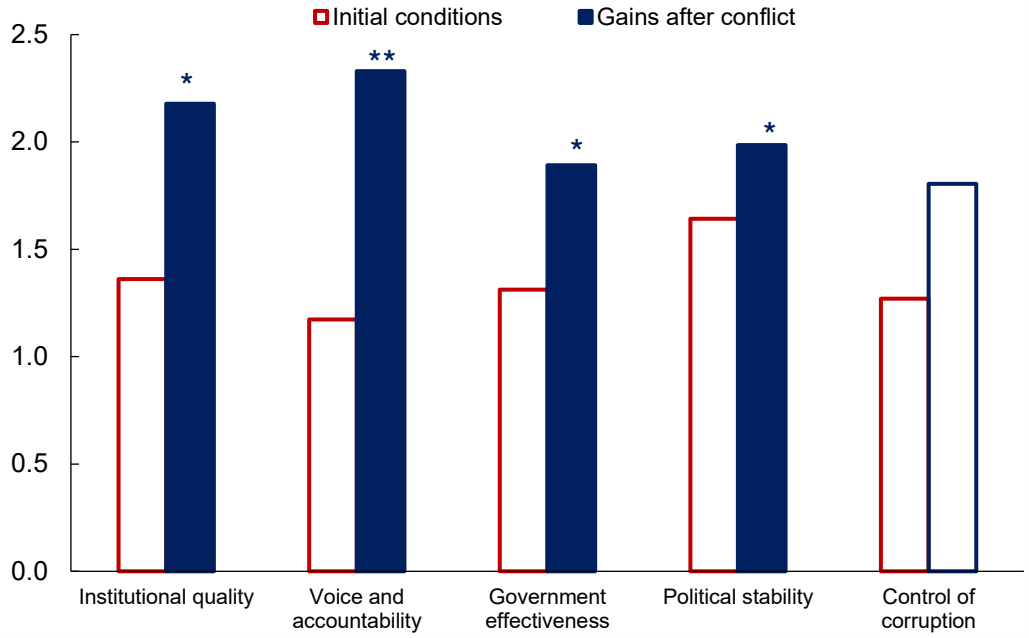
Economies with stronger institutions at the end of conflict are more likely to recover successfully …

… but efforts to strengthen them following the return to peace are associated with larger increases in the likelihood of success

Institutional Quality at Conflict End
(estimated probability of success)



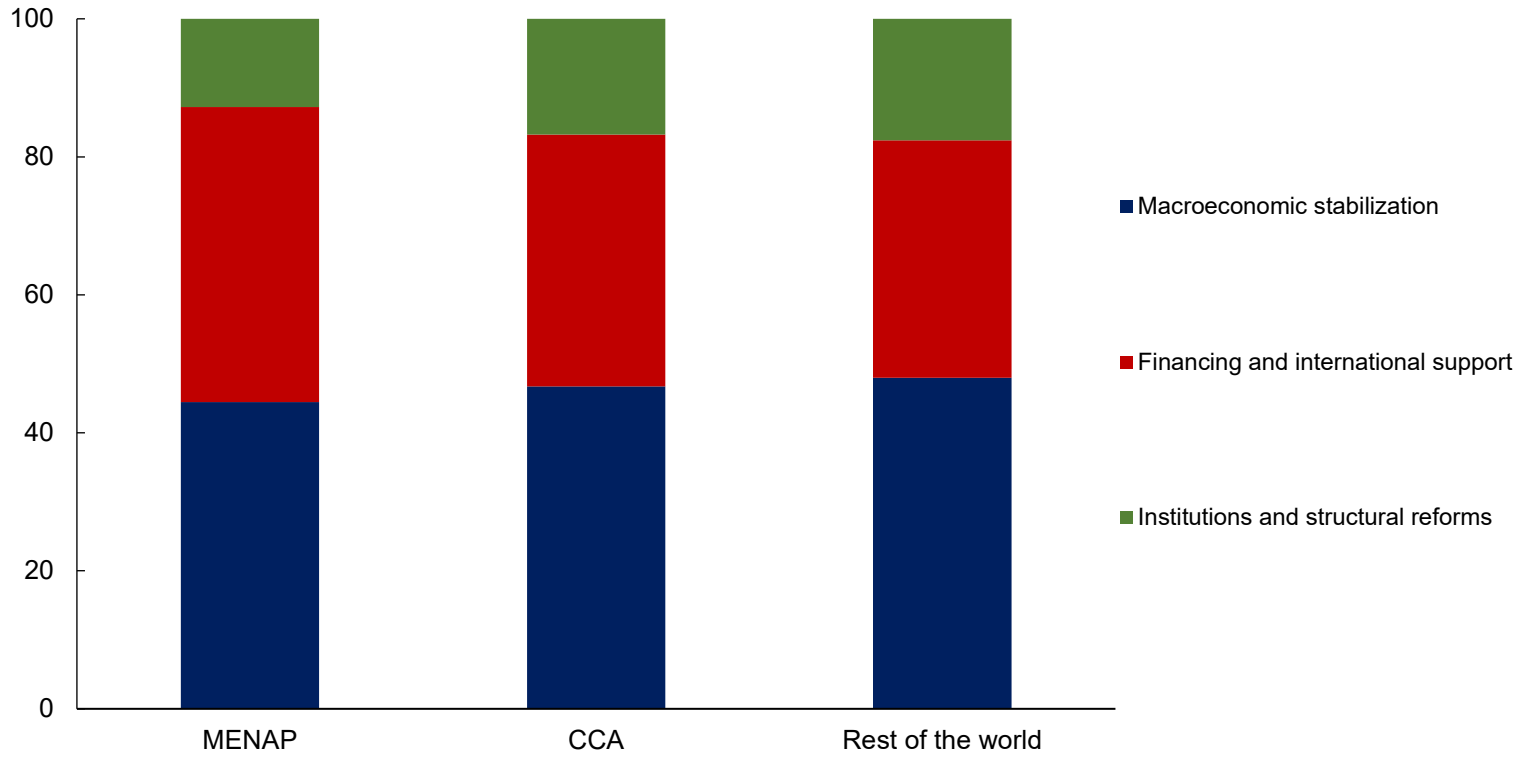
Improvements in Overall Institutional Quality
(estimated odds ratio impact of 1 SD increase)



Sources: World Bank, Worldwide Governance Indicators (WGI); IMF, World Economic Outlook Database; Feenstra, Inklaar, and Timmer (2015), Penn World Tables; Uppsala Conflict Data Program, Georeferenced Event dataset; and IMF staff calculations. Note: Institutional quality is measured as the average of the six WGI subindices. The left panel estimates the probability from a logistic regression of success on average institutional quality during the last year of conflict (onset of peace). For the right panel, odds ratios are estimated from a logistic regression of success on a measure of institutions (overall institutional quality and WGI subcomponents) during the last year of conflict, and changes in these measures over the subsequent five years post-conflict. The right panel displays odds ratios associated with a one-standard-deviation increase in the measure of institutional quality at conflict end, and a one-standard-deviation increase in the gains in institutional quality after conflict. The regression coefficients for Control of Corruption, Regulatory Quality, and Rule of Law are not significant at the 10 percent level. All regressions control for conflict duration and intensity. Hollow bars indicate a lack of significance. Robust standard errors, with levels of significance *p < 0.10; **p < 0.05.

Lessons from successful post-conflict recoveries elsewhere are also relevant for MENAP and CCA economies

Correlates of Successful Recoveries across MENAP and CCA Economies, and the Rest of the World
(percent of policy-related variation explained)



Sources: Feenstra, Inklaar, and Timmer (2015), Penn World Tables; Gethin (2024), Database of General Government Revenue and Expenditure by Function; IMF, World Economic Outlook Database; Asonuma and Trebesch (2016); Asonuma, Niepelt, and Ranciere (2017); Horn, Reinhart, and Trebesch (2022); datasets on sovereign and private debt restructurings; Uppsala Conflict Data Program, Georeferenced Event dataset; World Bank, Worldwide Governance Indicators; and IMF staff calculations. Note: The relative contributions of policy-related variation explained are computed following Sterck (2019), using multivariate logistic regression estimates for the log odds of a successful post-conflict recovery. See the Online Annex for further details. CCA = Caucasus and Central Asia; MENAP = Middle East and North Africa, Afghanistan, and Pakistan.

Summary and Policy Takeaways

Takeaways and policy implications

- Early macroeconomic stabilization is key for post-conflict recovery
  - Reducing output and inflation volatility can bolster confidence and support recovery
  - Safeguarding priority spending is associated with a greater likelihood of success
- Strengthening institutions increases the probability of successful recovery
- Critical role of external financial support (ODA and debt restructuring) and early coordination in supporting post-conflict recovery
- Case studies also emphasized the importance of:
  1. well-coordinated donor support
  2. sequencing of policy actions
  3. political stability
  4. technical assistance

Thank You