

## **CONFLICT PREVENTION AND DEVELOPMENT COOPERATION**

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## ABSTRACT

Violent conflicts are concentrated in the countries farthest behind in achieving the MDGs. Much work has been done to develop a better understanding of conflicts and their relationship to development, but the development community has yet to engage fully with the need for new policy approaches that can help prevent conflict. Structural conditions that increase vulnerability to political violence and conflict are rarely addressed by current conflict prevention policy work. Without addressing the root causes, sustainable peace cannot be achieved. Surprisingly few studies have analyzed the contribution of aid to the full human security agenda and the current aid policy framework still favors countries with institutional and policy characteristics that are deemed to generate good growth performance. As a consequence, many fragile states (who are also the most vulnerable) have ended up with limited little donor support. A systematic study of aid in relation to conflict prevention is proposed as a policy objective to help fill a significant dimension of the current knowledge gap. Specifically, this project will seek to demonstrate that only by targeting structural risks and state fragility will development cooperation achieve human security. Engagement with fragile states requires a coherent combination of aid and non-aid policies in areas such as international trade and debt.

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## INTRODUCTION

The statistical association between low incomes, low growth and conflict is robust and reflects reciprocal causal links. First, the damage caused by war amounts to development in reverse. Second, underdevelopment exacerbates vulnerability to conflict. Both insecurity and poverty are associated with weak state capacity to protect citizens, manage the economy, deliver services and defuse social tensions. But the last decade's research on the development-conflict nexus reveals that not all development contributes to security and indeed that some development patterns exacerbate risks of conflict when they undermine state capacities, exacerbate group exclusion, generate horizontal inequalities or sustain over-dependence on natural resources.

How can external engagement target conflict prevention? What risk factors and vulnerability indicators should be tracked? Should the mitigation of horizontal inequalities figure on the agenda of poverty reduction strategies? How should aid effectiveness be analyzed if donors wish to prevent conflict? What aid vehicles are best adapted to peace building? What aid allocation criteria would best contribute to peace and stability?

These policy questions are especially relevant to Sub-Saharan Africa, the only region of the world where the share of people living in absolute poverty is rising; where nearly 40 percent of world conflicts are taking place; where the deadliest confrontations of the last decade and a half have been experienced; and (as shown in the latest Human Security report from the University of British Columbia), where the incidence of violent conflict is increasing in stark contrast to trends in the rest of the world which has witnessed reduction in war and war deaths since the end of the cold war.<sup>1</sup>

## CONTEXT

### *Addressing structural conditions*

There is increasing attention to violent conflict in poor countries. This is motivated by concerns for international stability and humanitarian action. It is also driven by the growing public support for reducing global poverty. Violent conflicts are concentrated in the countries farthest behind in achieving the MDGs. They also create major obstacles to their achievement. Since the 1990s, much work has been done to develop a better understanding of conflicts and their relationship to development. Some policy results

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<sup>1</sup> Human Security Centre, 2005.

have already emerged. Building on work that started in the 1990s, the OECD DAC adopted guidelines for effective engagement with fragile states in 2006 (Annex 1).

A rich and diverse academic literature continues to grow. But the development community has yet to engage fully with the need for new policy approaches that can help prevent conflict. Far more attention has been devoted to post-conflict recovery and peace building than to conflict prevention. Policy work on conflict prevention has emphasized the Hippocratic Oath: ‘first, do no harm’. This approach helps to ensure that aid is not diverted to benefit conflict protagonists and that it does not inadvertently exacerbate the tensions that underlie the violence. But they rarely address the structural conditions that increase vulnerability to political violence and conflict.<sup>2</sup>

In fact, it is surprising that many of the factors that have been repeatedly identified by research studies on the economic and social correlates of war are not taken into account in the design of development policies of national governments or in the policy work of donors active in fragile states. For example, while the latest World Bank report on MDGs, *Global Monitoring Report 2007*<sup>3</sup>, focuses on state fragility as a major challenge for achieving the MDGs and identifies violent conflict a key obstacle to poverty reduction, it does not engage with the policy factors that raise the risks of conflict. On the ground, donor approaches to ‘fragile states’ are widely disparate as documented in a recent ODI study for JICA.<sup>4</sup>

Thus a wide gap still exists between research findings and policy formation at the crossroads of security and development. In part it is because the research community has been divided on the relative importance of various findings: low opportunity costs for joining rebel forces<sup>5</sup>; horizontal inequalities; exclusion of ethnic and other groups from power and assets<sup>6</sup>; environmental pressure related to migration<sup>7</sup>; the ‘youth bulge’ coupled with unemployment and exclusion<sup>8</sup>; overdependence on (and poor management of) mineral resources<sup>9</sup>; breakdown of the social contract between the state and its citizens<sup>10</sup>, etc.

While disagreements remain, the literature and debates have evolved beyond initial controversies, and these findings are increasingly acknowledged to be more complementary than mutually contradictory. In fact, in many countries, many of these factors coexist. While low per capita GDP and slow growth are correlated with high risks of conflict, not all roads to higher growth will reduce the risks. Some kinds of development exacerbate horizontal inequalities, environmental pressure, over-

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<sup>2</sup> The DAC principles cover other aspects of effective engagement. However, it should be noted that most of the elements are those that the DAC has long promoted for development cooperation in general

<sup>3</sup> World Bank, 2007.

<sup>4</sup> Cammack, 2006.

<sup>5</sup> Collier and Hoeffler, 2002; Collier, et al., 2003.

<sup>6</sup> Stewart, 2002; Stewart, 2003; Stewart and Brown, 2005.

<sup>7</sup> Homer-Dixon, 1991.

<sup>8</sup> Cincotta, et al., 2003.

<sup>9</sup> Collier and Hoeffler 2002; Collier et al., 2003.

<sup>10</sup> Murshed & Addison, 2006.

dependence on mineral resources, youth unemployment and exclusion, and the neighborhood effects associated with conflict spillover etc.<sup>11</sup> Moreover, a common factor underlying these conditions is the nature and the capacity of the state, that is weak and often oppressive to its citizens.

Addressing structural causes implies choices in economic and social policy that are at the heart of growth and poverty reduction strategies, as well as developing a better understanding of state capacity and fragility. Without addressing the root causes, sustainable peace cannot be achieved. About half of peace agreements fail; conflict resumes within five years<sup>12</sup> despite significant outlays and heavy involvement by the UN and/or other actors.

Peace agreements often freeze conflict rather than resolve it. Combatants suspend violence in the hope that the basic issues that led them to violence will be addressed and that they will be given a major stake in the new economic and political order. This recurring pattern in post conflict countries suggests that it would be preferable to nip conflicts in the bud before they escalate into major confrontations.

The fact is that post-conflict recovery programs are necessarily reactive: they take place well after a conflict has gone beyond a threshold of deadly destruction measured in heavy losses of life and property as well as social strife and political cohesion. By contrast, conflict prevention is proactive and seeks to prevent violent conflict through early action by addressing underlying concerns and competing demands. It addresses root causes, i.e. the underlying structural conditions that create incentives as well as the grievances that fuel conflict. At its most effective, conflict prevention addresses competing claims before animosities fester and balloon into full-fledged crisis and the ultimate resort to violence.

### ***Reconsidering development cooperation priorities***

Against this background, the purpose of the JICA/UNDP initiative is to explore the gaps between research findings and development policy, between conflict recovery and conflict prevention, and between the consequences and the nature of state fragility. The initiative therefore focuses on development policies (in economic, social, governance domains) to reduce risks of conflict. It focuses on the role of external policies including development aid and other international policies. These are policies of national governments. But development cooperation plays a significant role in low income and highly aid dependent countries.

Development aid typically finances almost the entire investment budget. The changing global economic environment presents not only opportunities but challenges. Aid displays its own dynamics that can either discourage or encourage conflict. As the example of Rwanda has illustrated, donor aid can unwittingly contribute to social tension

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<sup>11</sup> Illegal flows of arms, refugee movements, infiltration by rebel groups and the prior legacy of inter-state tensions destabilize weak societies and put them at risk.

<sup>12</sup> Collier, et. al., 2003.

by empowering some factions at the expense of others.<sup>13</sup> Well targeted aid can contribute to peace building incentives (just as misguided aid priorities can act as incentives to violence). But here, the gap is not between research findings and policies but the reverse: there has been relatively little research on the kinds of aid that raise or reduce the risks of conflict.

Research on aid effectiveness has focused on economic growth as the main policy goal. The most influential literature on aid effectiveness include the 1999 World Bank study *Assessing Aid* that analyzed the impact of aid on growth, and argued that aid effectiveness depends on the quality of domestic policies and institutions. The current DAC consensus for aid policies is built on this research. However, economic growth is no longer viewed as the overarching objective of the aid community. Since the universal endorsement of the Millennium Development Goals (MDGs), a broader human development agenda has been adopted. But the MDGs do not incorporate explicit security goals. And current aid paradigms have not caught up with these policy shifts and focus heavily on economic growth without adequate consideration of conflict as a factor.

Despite the burgeoning research on conflicts, surprisingly few studies have analyzed the contribution of aid to the full human security agenda and the current aid policy framework still favors countries with institutional and policy characteristics that are deemed to generate good growth performance. As a consequence, many fragile states have ended up with limited little donor support (aid orphans). Yet these countries are precisely those that are most vulnerable. Widespread adoption of misleading assumptions and indicators and lack of consensus on the determinants of state fragility have further reinforced distortions in aid allocation patterns.

To be sure, practitioners have not deliberately neglected the special needs of countries in conflict. But decision makers have not been helped by policy research geared to the incorporation of conflict prevention into the development agenda. Donors have been preoccupied with targeting and reaching poor people effectively. Some donors have worked around governments classified as ‘difficult partners’. Yet it is good practices that strengthen state capacity, nurture social capital and improve security governance that are indispensable to preventing conflict and securing peace. These practices have not been adequately disseminated nor have their potential conflict prevention benefits been estimated.

From this perspective, it is disappointing that professional assessment of military and security services spending is not yet a regular feature of public expenditure reviews. Few if any traditional programs for development cooperation have sought to strengthen democratic systems that facilitate non-violent resolution of conflicts and the protection and inclusion of minorities. Equally, security sector reform has yet to be integrated into poverty reduction strategy papers (PRSPs). Indeed, many PRSPs neglect such risk factors as youth employment, and distributional impacts of growth on ethnic and other identity groups.

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<sup>13</sup> See detailed study by Peter Uvin, 1998.

Why did the international community neglect the conflict prevention agenda? First, prior or during a conflict, mediation activities (let alone military action or conditional aid) tend to be resisted by domestic leaders unwilling to countenance what they perceive to be unwarranted interference in the internal affairs of their sovereign countries. Accordingly, developing countries have resisted the notion that the international community has a ‘responsibility to protect’ innocent civilians that are unprotected or even victimized by their own governments.

Second, the aid allocation protocols of donors have favored countries endowed with good governance and good policies. As a result, the lion’s share of development assistance has been directed either to relatively well off countries or to countries that have already experienced a conflict and must contend with its consequences. Failed, failing and conflict prone states have ended up as ‘aid orphans’ unless endowed with geopolitical significance, and the predilection for well performing and post-conflict countries has diverted efforts and funds away from the actions most needed to reduce the likelihood of violence erupting in the first place.

Third, conflict prevention in fragile states has been neglected because it is complex, demanding and hard to justify in terms of visible ‘results’. A venture capital model of aid allocation that balances risks and rewards would yield much higher aid allocations to fragile states. Even within the constraints of available knowledge, the justification for a shift in priority is clear: just as in public health, prevention is far cheaper than the cure. On average, the cost of a civil war is two and a half times the value of the country’s GDP at the time the conflict starts. Preventing a single war saves USD 64 billion a year<sup>14</sup> on average.

Thus, conflict prevention involves high risks at the level of individual transactions but it generates extraordinarily high rewards in the aggregate. The opportunity cost of only five years (1983-88) of civil war in Sri Lanka has been estimated at 20 percent of GDP (\$1.5b)<sup>15</sup>. In Mozambique, production losses have been estimated at \$20b due to the deaths of some 1.5 m people and the displacement of about half of the population from its customary sources of livelihood<sup>16</sup>. In Rwanda, Bosnia and Lebanon, GDP fell to 46 percent, 27 percent and 24 percent of the pre-conflict peaks<sup>17</sup>.

As indicated above, not all conflict prevention investments pay off: according to the Bradford study, only 58 percent succeed but their average expected net values are excellent and vastly compensate for the costs of failed operations. This is because the estimated requirements for conflict prevention (aid, security support, and so on) average about USD 23 billion while a major conflict costs much more to the country concerned (an average of USD 188 billion); to its neighbors (USD 57 billion); and the international community (USD 122 billion), for a total cost of USD 367 billion.

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<sup>14</sup> Collier and Hoeffler (2000) estimate that less than USD 5 billion of peacekeeping yields nearly USD 400 billion in benefits.

<sup>15</sup> Grobar and Gnanaselvam, 1993.

<sup>16</sup> Green and Mavie, 1998.

<sup>17</sup> World Bank, 1998b.

This means very high returns in the aggregate even if individual conflict prevention operations are risky. Using notional probabilities of outcomes, Bradford University has estimated the cost-benefit ratios of investments in conflict prevention at more than three to one for the international community and ten to one for the world as a whole. By any standard, these are attractive returns on investment.

### ***Filling a global policy gap***

The main policy gap has to do with proactive prevention and avoidance of development patterns that raise the risks of conflict. The project is especially concerned with aid priorities and development strategies in fragile countries not currently affected by widespread conflict. It rejects the mental model underlying current aid allocation practices that treats violent conflict as an exogenous variable, thus evading the need to confront the security dimension. It proposes a systematic study of aid in relation to conflict prevention as a policy objective to help fill a significant dimension of the current knowledge gap.

Of course, aid is not the only instrument of international support for conflict prevention. Policy coherence is critical to the effectiveness of aid in all circumstances, and thus it makes sense for development cooperation activities in trade, finance, investment, foreign affairs, and security to be guided by a single engagement strategy coordinated closely within the entire donor community.

At the global level, Millennium Development Goals (MDGs) now guide the policy priorities of development cooperation. Since they reflect universal human aspirations, they have acquired incontestable legitimacy and it is appropriate that they should be used as benchmarks for the efficacy of the development enterprise. As noted above, the MDGs do not incorporate explicit conflict and security goals. Yet, such objectives were part and parcel of the Millennium Declaration that was solemnly endorsed by all heads of states at the turn of the century. While conflict management matters, conflict prevention (the cost effective option) matters even more and it would be one of – and by no means the only – the elements of a more proactive and coherent policy agenda.

## **ANALYTICAL FRAMEWORK**

Three central premises will be tested by the project: (i) intra-state wars are more likely to erupt in countries where development patterns exacerbate conditions identified as socio-economic correlates of war, when combined with; (ii) a state that is not equipped with the capacity to deliver public services or the institutions needed to mediate and resolve conflict in a peaceful manner; (iii) development cooperation policies and practices need substantial adjustment to help prevent conflict and contribute to peace building. Specifically, the project will seek to demonstrate that only by targeting structural risks and state fragility will development cooperation achieve human security.

### ***Towards a human security perspective***

There are many reasons to be concerned with conflict prevention. For some, conflict prevention is an important dimension of the global security agenda including the threat of transnational terrorism. For others, it hinders the global poverty reduction agenda and constitutes an obstacle to progress towards the MDGs. Yet for others, it is an essential dimension of human well being. In this project, our overall concern is human well being. We adopt the human security and human development<sup>18</sup> perspective that emphasizes both intrinsic and instrumental importance of conflict prevention. Human security takes a holistic approach to human livelihoods, including freedom from physical violence and protection against the multiple threats to social harmony and political participation that violence induces.

### ***Root causes of conflict***

As mentioned earlier, there has been considerable research on the root causes of conflict. Excellent detailed surveys of this literature include, among others: Humphreys 2003, and Centre for Human Security 2003. The main objective of this project is not to add to this research, but to explore its policy implications which have been neglected. It thus adopts available research findings as explanatory hypotheses for past, present or potential wars in Africa (horizontal inequality, youth bulge and unemployment, low incomes, environmental pressure, neighborhood spillovers, overdependence on mineral resources, lack of basic social and security services) as dominant risk factors. It takes for granted that each country at a given point in time is unique, requiring qualitative analysis to identify relevant risk factors. The purpose of the country studies therefore is to first test the hypothesis and identify the relevant root causes specific to the country, and second to assess the policy implications against current economic, social and governance policies.

### ***State fragility***

Current concerns over ‘fragile states’ in the development community reflects such a diversity of views among different donor agencies, leading to diverse definitions. For example, DFID’s development-oriented model of state fragility deliberately excludes countries’ political characteristics<sup>19</sup>. This is at odds with USAID’s approach, which gives

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<sup>18</sup> While human security is not the same as human development, the two concepts are consistent. Human security focuses on the capability to live a life free of threats. This initiative focuses on the threat of violence. See *Human Security Now; Human Development Report 1994; Human Development Report 2005* on concept of human security and human development.

<sup>19</sup> DFID’s model of state fragility measures (i) *Capacity*, looking at safety and security (control of external borders and internal territory, juridical statehood); political power (checks on executive powers, engagement with the population); economic management (effective public expenditures planning and management); and service delivery (more than 15 percent of GDP is raised in taxes); and (ii) *Willingness*, looking at safety and security (equitable access to security services and justice); political power (inclusion of major groups in political processes); economic management (transparency in management of revenues from natural resource extraction); and service delivery (equitable access to public services by regions and groups). By contrast, the British Government’s strategy for ‘countries at risk of instability’ is informed by security criteria that make specific reference to the characteristics of domestic political institutions and such external factors as bilateral relationships and participation in regional groupings.

pride of place to political legitimacy criteria. By contrast, the Center for Global Development adopts an eclectic approach that combines conflict incidence, social services delivery weaknesses and governance factors<sup>20</sup>. At the multilateral level, the typology that was once proposed for use by the United Nations Development Programme (UNDP) takes account of domestic political characteristics but it avoids references to policy performance indicators<sup>21</sup>. This approach does not match that of the World Bank, which excludes explicitly political variables from its ‘low-income countries under stress’ (LICUS) classification while giving major emphasis to assessments of policy performance. Specifically, the World Bank’s LICUS criteria give major weight to macroeconomic management, the strength of institutions, and the quality of governance<sup>22</sup>. To further complicate matters, fragile states were once called ‘difficult partners’ in the OECD lexicon. The need for more consistent definition is reflected in the divergent lists that have been drawn up – see annex 1.

Such a diversity of definition amongst actors within the international community makes moving towards coherent policy approaches difficult.<sup>23</sup> But another problem is that the criteria focus on weak achievements in development and governance – poor policies, development indicators and so on. These criteria therefore do not engage with the real concept of state fragility that produces such outcomes. We propose that the concept of state fragility can be defined by specific characteristics; a state where the society is fractured, the economy is mismanaged and social service delivery is weak, and the impunity is so systematic that the social contract between the state and the people has been undermined or has broken down altogether.

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<sup>20</sup> It uses three criteria for defining state weakness: (i) security gap measured by the incidence of conflict during 1998-2003; (ii) capacity gap measured by immunization rates for measles and diphtheria-pertussis-tetanus; and (iii) legitimacy gap measured by voice and accountability ratings derived from World Bank Institute sources.

<sup>21</sup> A UNDP commissioned review of country classifications used a needs-based approach rather than a normative policy stance. It proposed eleven indicators of state weakness: (i) negative economic growth; (ii) natural resource dependence; (iii) excessive debt; (iv) low human development index value; (v) severe political disruption; (vi) HIV prevalence; (vii) armed conflict incidence, (viii) literacy level of less than 50 percent; (ix) low levels of democracy; (x) corruption; and (xi) regional conflict. Out of 46 countries that fall below four or more of these thresholds, 27 are classified in the ‘special development needs’ category. Particular mention is given to a subset of countries that meet six or more criteria.

<sup>22</sup> The World Bank uses its Country Policy and Institutional Assessment (CPIA) index to allocate lending resources, to shape policy directions, and to establish debt relief targets. The CPIA is a synthesis of staff assessments arrayed along 20 criteria grouped into four clusters: (i) *economic management*: management of inflation and current account; fiscal policy; external debt management; quality of development program management; (ii) *structural policies*: trade policy and foreign exchange regime; financial stability and depth; banking sector efficiency and resource mobilization; competitive environment for the private sector; factor and product markets; policies and institutions for environmental sustainability; (iii) *policies for social inclusion*: gender equity; economic opportunity; equity of public resource use; building human resources and safety nets; poverty monitoring and analysis; and (iv) *public sector management and institutions*: property rights; rule-based governance; quality of budgetary and financial management; efficiency of revenue mobilization, efficiency of public expenditures; transparency, accountability and corruption of the public sector.

<sup>23</sup> See Cammack, et al., 2006.

In such circumstances, the state is prone to disintegrate once threatened by a hostile and disciplined force. When it does, the economy collapses, major violence erupts, human rights violations multiply and civilians are victimized through systematic terror, rape, property destruction, large scale population displacement and forced conscription of young people. As health conditions deteriorate and refugee numbers soar, the conflict may spillover to neighboring states and cause international stability: failed or rogue states can be used as platforms for transnational criminal and terrorist networks. Thus, fragile states are the weakest link of the international security system. Fragile states also represent the core of the poverty reduction challenge. They are home to about one billion people and a third of the absolute poor. In fragile states, malnutrition, affects one of every three people – twice as many as in other developing countries<sup>24</sup>.

To deliver its side of the social bargain, a state needs *capacity*. To overcome the social tensions that its development efforts will inevitably generate, the state also needs *resilience*. Without the resilience associated with legitimate authority, it cannot mediate among various interest groups, settle disputes or meet the felt needs of its influential constituents. But institutional solutions vary because the inevitable tensions between security and development goals must be resolved on a case by case basis.

Capacity is critical to the delivery of development performance, while resilience is central to the mediation of conflict and therefore it promotes security. Thus, development is integrally linked to state capacity while security is correlated with state legitimacy. Of course, failure on one front can lead to deterioration on the other. In particular, deficits in capacity or resilience, or more often in both, can lead to large scale conflict and – given other aggravating factors such as a natural disaster or an external threat – to the breakdown of the monopoly of violence that defines the state.

Poor, fragile, debt-burdened states cannot generate fiscal resources for providing basic social services and maintaining law and order. The state gradually retreats from basic public functions and sometimes from parts of the country. Local chiefs, mafia leaders, or warlords eventually fill the political vacuum, sometimes in collusion with corrupt officials. Given the incapacity of the state to deliver services and ensure security, loyalty to the regime withers and the locus of authority shifts to minority groups, indigenous movements, ethnic or religious leaders, or criminal syndicates that are able to deliver security services to those who can pay. The state becomes fragmented and low intensity or large-scale violence eventually ensues.

Institutional weaknesses in the security sector compound the problem and lay the foundations for an expansion of parallel trading, illegal trafficking, and international crime. Based in fragile states, a wide range of criminal organizations take advantage of

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<sup>24</sup> Low-income, fragile states number 46 countries according to the Department for International Development of the United Kingdom. These countries are home to 32-46 percent of the children who do not receive a primary education in developing countries; 41-51 percent of the children who die before their fifth birthday in developing countries; 33-44 percent of maternal deaths in developing countries; 34-44 percent of people living with HIV/AIDS in developing countries; and 27-35 percent of people deprived of safe drinking water in developing countries.

modern communications technologies and management methods to engage in illicit trade in agricultural, forestry, and wildlife products as well as in drugs, arms and weapons, diamonds, antiquities, stolen cars, toxic waste, and counterfeit goods. Some crime syndicates also engage in illegal trafficking of women and children to satisfy a booming sex trade.

State resiliency is achieved through *voice and accountability* that define responsive policy options and reconcile conflicting views in combination with the authority of a legitimate hierarchy that can take timely decisions and make them stick. These prerequisites of sound democratic governance are embedded in institutions. Specifically, for authority to be sustained over time, it must be backed by a social contract between the government and the governed, embedded in democratic institutions and practice. Its terms vary from country to country; village democracy in China and Viet Nam, participatory budgeting in Porto Alegre are among the wide ranging institutions that build on voice and accountability.

Finally, the accumulation of private wealth in the midst of penury and misery creates social tension, contributes to criminality, and leads to a booming demand for private security services and property rights protection. Foreign companies, aid agencies, and voluntary organizations must also resort to private security services contracted out to specialized companies manned by former police and military personnel. Inevitably, the privatization of security services without adequate state oversight undercuts the monopoly of violence on which the state's legitimacy ultimately rests.

Some states maintain a narrow range of core functions (e.g. defense, law and order, protection of property rights, and delivery of basic social services) and create an enabling environment for private and voluntary enterprise. Others adopt a more activist role including wealth re-distribution, industrial policy and social safety nets. But all states have one thing in common: they aspire to a monopoly of violence. In return, they undertake to protect their citizens from external threats and internal chaos and deliver a range of public goods to meet basic human needs.

In sum, development has to do with building capacity fast enough to keep up with change in the external environment and in popular expectations. But without the resilience conferred by legitimacy (often achieved through the glue of national identity), the increment in capabilities that is needed to maintain social cohesion may be too demanding for the domestic actors - unless supplemented by aid. Similarly, in a state that cannot demonstrate capacity, by providing human security and delivering services, the patience of citizens wears thin. As a result, state legitimacy is undermined and conflict becomes more likely.

All told, the state fragility model presented 1 relies on published measures of state *capacity* and *resilience*. It eschews judgments about precise forms of democratic government and distinguishes between government performance (which domestic authorities are responsible), structural conditions (about which country authorities can do little in the short run) and ultimate security and development outcomes (which are the object of donor country engagement). In other words, the state fragility concept proposed

for the project helps to connect security and development strategies by focusing on the factors that guide development cooperation actions and donor engagement.

### ***Comprehensive international engagement towards conflict prevention***

More and better aid of the traditional variety is important but on its own it cannot deal with the factors that feed violent conflict and international instability. Engagement with fragile states requires a coherent combination of aid and non-aid policies in areas such as international trade and debt. Fragile states and almost every country in Sub-Saharan Africa are aid dependent; in 2005, net ODA accounted for 5.2% of GNI on average for the region compared with 1.3% for all recipient countries.

In brief, we argue that:

- *External resources as incentive and disincentive instruments for peace/violence:* By virtue of the financial importance of resources and political power as international actors, development cooperation resources have an important political impact and influence the dynamics of peace and violence in a country. Aid needs to be analysed as an instrument of incentive or disincentive for violence, not just as a resource input into a development project.
- *Social and economic policies and conflict risk factors:* Addressing horizontal inequality, youth bulge and unemployment, environmental pressures, neighbourhood effects all require priority to certain economic and social agendas that are often ignored. Accelerated economic growth remains a key development priority since it is critical to poverty reduction. Good macroeconomic performance is necessary but it is not sufficient. Without attention to distributional impact, macroeconomic policies, public investments and social policies can exacerbate '*horizontal inequalities*'. Without attention to pro-poor growth that creates employment for the poor and the youth, youth exclusion and income impact could worsen. Without attention to the need for population and reproductive health policies (girls education, family planning, women's rights), key determinants of demographic transition could be neglected exacerbating the risks of the youth bulge and unemployment.
- *Globalization challenges:* Fragile states because, by definition they have low capacity to develop policies that can exploit their advantages. Debt reduction policies are highly restrictive. Declining terms of trade have meant that capital has flowed out of rather than into Africa. Economic liberalization and openness to world markets can accelerate economic growth and poverty reduction. But they also influence conflict risk factors. Trade policies can have negative effects on employment. The distributional impact of liberalization can exacerbate inequality, both vertical and horizontal. It can provide conditions for rapid enrichment of market-savvy minorities that exacerbate social resentments and ethnic tensions. Such vulnerabilities are amplified in countries in an early phase of the demographic transition. It is often argued that the poor and oppressed do

not take up arms against the state; it is when there is growth that does not benefit them that gives cause to mobilization. State capacity and resilience depends at least in part on the financial resources. Aid and debt relief has a major impact on state capacity. Subsidy reductions, fiscal reforms, and reallocation of public expenditures are important in strengthening state capacity and reducing fragility. On the other, the process of reform can have enormous political repercussions and hence should be subjected to critical scrutiny from a conflict-prevention perspective. Donor aid conditionality needs to take these issues into account. Where states have collapsed (as in Somalia), aid agencies a modified concept of sovereignty should be adopted to allow official interaction with de facto entities over a period of time. The human cost of awaiting the restoration of territorial integrity may be too high. In general, aid should be conceived not only as incentive for good policy performance but also as an instrument for capacity building and conflict management.

- *Mineral resources (oil, minerals, metals, diamonds, timber, and drugs), war and state fragility:* Resources have been at stake in a quarter of 50 recent wars. Without finance, rebellions cannot survive. Illicit resource extraction has supplied warlords with resources to purchase arms and recruit combatants. The lure of easy profits has also induced military incursions by neighbors, as in the Democratic Republic of Congo. Conversely, external intervention may hold the key to their resolution, as in Angola and Sierra Leone. The involvement of foreign companies in natural resource extraction has led to scrutiny by advocacy groups that have promoted public awareness of the links between natural resources, conflict, and corruption. The resulting public pressures have made multinational companies more sensitive to their social responsibilities. Safeguard policies have been designed to ensure that project finance by development agencies and banks is contingent on compliance with social and environmental sustainability safeguards. As illustrated by such countries as Botswana, there is no reason why mineral resources need to be a curse. They can be a blessing under governance systems able to mediate competing claims and provide a suitable enabling environment for their profitable extraction, processing, and use.
- *Governance and the state:* A central issue that defines state fragility is the failure of the state to deliver services. This covers not only services such as education and health but also basic protection of the law. Poor and marginalized populations often suffer from impunity of state authorities; too frequently they have no recourse to the police and court systems when they are evicted from land or raped. Powerful politicians, traditional chiefs, landowners, and the state collude. Governance reforms to secure civil and political rights are fundamental to human security.

This presents a broad agenda for development cooperation and international support to fragile states. It means exploring opportunities for new development priorities in a somewhat more comprehensive set of areas including economic policies, social policies and judicial sector reform. It also suggests exploring timing; too often, during low level

conflicts which are contained in limited areas of the country, both government and the donor community turn a blind eye. Government sees such conflicts as purely internal political matters and resists international involvement. Donors are also hesitant to interfere in internal politics. Only when the conflict reaches the capital city and threatens the survival of the government, does the international community react. By then, it may be too late.

Thus, in Nepal today, exclusion and the highly unequal development of the last 3 decades is now finally recognized as a root cause of the Maoist insurgency even though donors should have been well aware of the highly unequal development process that was underway. Donors are now rushing to the West and Far West which were neglected regions, regions where the insurgency originated.<sup>25</sup> Had this been done earlier, a great deal of human misery might have been averted.

In sum, to facilitate conflict prevention, the poverty reduction strategy process should give primacy to structural stability, democratic governance, human rights, and social development, with particular attention to promoting development that reducing vulnerability to conflict. This would develop an approach to *aid policy governed by human security objectives*.

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<sup>25</sup> Fukuda-Parr, 2007.

## Annex 1

### **Principles of good international engagement in fragile states**

The development cooperation directorate of OECD issued the following principles of good international engagement in fragile states, following a high-level forum that also included the European Union, the United Nations Development Programme, the World Bank, and many bilateral agencies:

- take context as the starting point: different capacity and resilience constraints at country level must be taken into account, based on sound economic and political analysis;
- emphasise prevention: action today can reduce risks of future outbreaks; address root causes and avoid quick-fix solutions;
- focus on state building: address governance functions and basic services;
- align operations to domestic priorities and processes: avoid enclave interventions; make project designs consistent with emerging planning priorities; connect procurement and disbursement practices to emerging domestic systems;
- recognise the political-security-development nexus: improve the coherence of IFAD interventions with those of the development community;
- promote coherence among donors: adopt the harmonisation agenda; use common integrated planning tools (e.g. the transitional results matrix);
- operate under a single country-level coordination umbrella: aim at joint assessments, shared strategies; multi-donor trust funds; joint donor offices;
- do no harm: avoid salary supplements; do not bypass national processes; etc.
- sequence aid instruments: flexible provision of government core funding and recurrent financing; limited conditionality; simple project designs;
- act fast but stay engaged over the long haul: take advantage of windows of opportunity; be realistic about implementation constraints; reward ownership by reform-oriented locals.

*Source:* OECD

## Annex 2

The need to harmonize definitions is illustrated by the differences in the lists of fragile African states displayed below.

### DIVERSE LISTS OF AFRICAN FRAGILE STATES

DFID	LICUS	DPCs	Failed States Index
Angola	Angola	Angola	Angola
Burundi	Burundi	Burundi	Burundi
Cameroon	Central African Republic	Cameroon	Cameroon
Central African Republic	Comoros	Central African Republic	Central African Republic
Chad	Congo, Dem. Rep	Chad	Chad
Comoros	Congo, Rep of	Comoros	Congo, Dem. Rep.
Congo, Dem. Rep.	Cote d'Ivoire	Congo, Dem Rep.	Guinea
Congo, Rep of	Guinea	Congo, Rep of	Eritrea
Cote d'Ivoire	Eritrea	Guinea	Ethiopia
Djibouti	Gambia, The	Guinea Bissau	Gambia
Eritrea	Guinea Bissau	Niger	Guinea
Ethiopia	Liberia	Nigeria	Ivory Coast
Gambia, The	Niger	Sao Tome and Principe	Kenya
Guinea	Nigeria	Sierra Leone	Liberia
Guinea Bissau	Sierra Leone	Somalia	Mozambique
Kenya	Somalia	Sudan	Nigeria
Liberia	Sudan	Togo	Rwanda
Mali	Togo	Zimbabwe	
Niger	Zimbabwe		
Nigeria			
Sao Tome and Principe			
Sierra Leone			
Somalia			
Sudan			
Togo			
Zimbabwe			

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