

Violent Conflict and the Millennium Development Goals: Diagnosis and Recommendations

[First Draft]

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¹ Contact information: mh2245@columbia.edu and varshney@umich.edu. Many of the ideas and recommendations in this report have come from consultations with a wide section of scholars and practitioners. In particular a number of sections draw on contributions made by participants at the Millennium Program / Columbia Earth Institute workshop on conflict and the MDGs. Contributors to this meeting included Karen Ballentine, Andrea Bartoli, Doug Bond, Dana Burde, Ben Cahill, Ana Cutter, Caren Grown, Marc Levy, John W. McArthur, Robert Muscat, Sanjay Reddy, Rathin Roy, Nicholas Sambanis, Richard Snyder, Frances Stewart and Ronald Waldman. Special thanks to Patrick Meier .

I Executive Summary

Large scale violent conflicts occur with great frequency in poor and slowly growing countries. While there is some disagreement about the causes of conflict, most studies point to high risks associated with poverty, weak state structures, poor governance, natural resource dependence and horizontal inequality (inequality between politically relevant groups such as regional groups or ethnic groups). What is not disputed is that conflicts impose enormous hardship. During the 1990s, up to one quarter of all countries were affected by civil wars and there were over 1 billion people living in conflict affected countries (this number is calculated excluding India and China). These conflicts induce extremely high direct and indirect costs. Putting numbers on these costs is very difficult but recent studies estimate a lower bound of around \$54bn for a “typical” civil war. Behind these costs, represented here in dollar values, are lives lost, immense human suffering, and the destruction of communities.

A core message of this study is that because the development implications of conflict are so severe and because historically in many instances aid is likely to have made conflict situations worse not better, the conflict implications of MDG assistance needs to be monitored closely and decisions regarding to which countries and to which sectors to allocate aid need to take close account of conflict dynamics. A second core message is that economic and security strategies need better coordination. Beyond these principles we propose a series of more concrete recommendations for responding to the problems presented by conflict to the achievement of the MDGs.

The success of the MDG project will depend in large part on its success in countries in conflict or at-risk of conflict. These states produce at least three types of problem for the MDG project. First there is the difficulty of functioning in weak or predatory states: how can projects to achieve the goals be implemented efficiently in contexts in which political actors aim to divert funds. This is a problem of **effectiveness**. Next there is a problem that efforts to achieve the goals will not only be ineffective, but might have adverse effects. This is a problem of **unintended consequences**, it has received much attention recently with respect to the relationship between humanitarian aid and conflict. Finally there is the challenge to

respond directly to conflict because of its independent adverse effects on the MDGs. This is a problem of **engagement**.

In this paper we study the analytics of conflicts, both in terms of the cause and duration of conflicts. As we study the analytics we address more specifically the historic relationship between aid and conflict. We find some evidence that aid is positively, not negatively, related to conflict. We emphasize however that the generality of this relationship is open to question—the relationship likely depends on the type of aid and how it is managed rather than simply on quantities of aid. We then consider policy responses that have been proposed by research as well as a set of new policy proposals and identify and highlight what we believe to be the most pressing actions to be undertaken.

Responding to the problems of effectiveness, unintended consequences and engagement is greatly complicated by the fact that conflicts are by their nature very political and so the question is very often not one of optimal strategy but of political will. Responses are also complicated by the fact that conflicts differ greatly in their causes and in their nature. Detailed responses are likely not to have general applicability for different conflicts. For these reasons, this paper concentrates on identifying institutional responses first and policy responses second. While there should correctly be concern about the proliferation of institutions, the fields of conflict prevention and resolution are ones in which existing bodies are very poorly coordinated and where new institutions with broader mandates can bring much value added.

Proposed institutional responses at the domestic level

First we identify two institutions needed at the national level in all at-risk developing countries. Both are intended to make sure that the conflict dynamics of development policies are identified and that information about these conflict implications reach the relevant policy makers. The first of these is a national **Decentralized Conflict Monitoring Institution**. Such a body would continually track behavioral events to reveal whether the implementation of MDG strategies is contributing to violent conflict or serving to reduce conflict risk. Baseline data collected will provide timely feedback to MDG teams on behavioral indicators of how the implementation of MDG strategies is contributing to (or alleviating) risks of violent conflict.

The second institution we identify is a national-based **Peer and Partner Conflict Watchdog**. The national watchdog committees would consist of members drawn from diverse sectors of the society who serve alongside representatives of neighboring countries that serve on their own nations' watchdog committees also, and alongside representatives of regional or global bodies. In this way the structure allows for sharing of lessons learned across political communities. The watchdog would serve a role as a national conflict ombudsman, it would receive complaints from civilians and information from decentralized conflict monitoring institutions and other bodies, and prepare an annual national conflict risks status report that assesses the impact of economic policies on instances of violent actions taken by government or non-governmental bodies, and violations of human rights norms by transnational corporations and other bodies, and submit this report to the national government and to international development and financial agencies. The purpose is to foster learning from peers and partners concerning alternative strategies, reduce the likelihood of committing costly long-term conflict-inducing mistakes, provide countries with the incentive periodically to undertake informed and pragmatic revision of their choices, and help ensure that key conflict information is received when and where it is needed.

Proposed institutional responses at the domestic level

We identify also international institutions needed for effective responses to the problem of civil conflict and failed states problems. These are intended to make sure that the international actors can react to conflict risks in a more timely and more coordinated way than they have in the past. The first of these is a **Central Coordination Agency for Conflict Resolution and Peacebuilding**, housed in the office of the United Nations Secretary General. The unit would be charged with coordinating peace-building operations of development agencies, including UNDP, the World Bank, the IMF and donor groups, along with agencies working on political and security issues, DPA, DPKO, OCHA, regional organizations and NGOs in the field. The purpose of this department would be to sustain long term economic stability in post war countries and help prevent economic reforms from creating new sources of violent conflict. In the hardest cases—where political institutions have collapsed along with the economy—peace can only be achieved with coordinated interventions linking peacekeeping to macroeconomic policy reform and technical assistance in the design and governance of political institutions.

The final institution that we identify is a **Global Peace Fund**. The purpose of the Fund is to enable countries to better cope with negative shocks that can from a global point of view be anticipated but not predicted in their specifics. In such cases the prevention of large scale violence and displacements can often depend on the rapid mobilization of resources. Similarly the success of a peace process can depend crucially on early availability of financing. The Global Peace Fund could enable individual countries and international agencies to access timely financing for responding to conflict risks. The Fund may take the form of an independent agency or of a passive fund to which donors provide contributions, replenished on an annual basis, and from which countries may draw under specified circumstances.

Policy Proposals

Alongside these institutional proposals, the paper identifies a set of policy measures for conflict prevention and a set of guidelines for development policies in conflict zones.

Chief among the policy proposals for conflict prevention are proposals for better regulation of the private sector in fragile environments. More specifically, we recommend that all **development financing**, from multilateral and bilateral sources, that is paid in contracts to the private sector **be conditional** upon adherence to the United Nations' *Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights* and the principles for corporate action identified by the Global Compact. Second, there is need for a body capable of investigating claims of failure of corporations to comply with these norms and refer cases to authorities with jurisdiction in the matter. This could be achieved by expanding the Global Compact to contain a **monitoring and research unit**. Third, that all governments implement **legislation to make mandatory the publication of payments** by natural resources corporations based in their countries to governments and to require publication by governments of revenues received. Some countries are taking the lead on such legislation, but this advance needs to be generalized to close loopholes used by transgressing corporations.

A second set of policy proposals for at-risk countries focuses on the international arms trade. First, arms exporting countries should adopt broad and consistent mandatory codes of conduct to better regulate the sale of arms, reduce the likelihood of resale and allow more transparent arms sales monitoring. This should be done through the creation of an

International Arms Trade Treaty. Better monitoring will require **standardization of end-user certificates** and the compilation and publication by the UN on violations of end-user certificate provisions.

Countries in conflict and failed states remain the areas in which the least concrete specific set of recommendations can be made. For these countries, the paper proposes a set of guidelines for evaluating the feasibility of undertaking development actions. These describe the actors with which development agencies can work, the sectors that they should support and the manner in which they should operate. Most importantly the paper argues that for any substantial development activities undertaken in conflict zones or high risk areas, projects should, as a matter of course, undertake regular **peace and conflict impact assessments**.

II Introduction

Conflict is a relatively new concern in the field of development. Until recently, those who worked on conflict did not work on development and those who specialized in development did not have any familiarity with the research on conflict. The remarkable rise in the incidence of civil conflict in the post war period, peaking shortly after the end of the Cold War, has forced the development community to pay attention. But what conflict means, and what to do about it, remain inadequately understood in economic development circles.

We begin with two policy-relevant conceptual clarifications. Appropriate policy partly depends on how we understand different types of conflict.

First, we need a distinction between violence and conflict more broadly.² In any ethnically or religiously plural society some conflict on identity-based cleavages is more or less inevitable. Democratic polities are more likely to witness open expressions of such conflicts. Authoritarian regimes may give the appearance of presiding over conflict free societies, but a coercive containment of conflicts can produce an eventual and accumulated outburst when the regime begins to liberalize or lose its legitimacy. The real issue then is how conflict is managed: whether through the institutionalized channels of a polity or through violence. Because of its deep and lasting effects on economic and social wellbeing, our concern in this paper is with the determinants of *violence*, not of conflict *per se*.

A second conceptual clarification concerns the various types of violent conflict. We cover group or collective violence, not individual violence, domestic violence, or homicides.³ Much collective violence is divisible into three forms – riots, pogroms, and civil wars. The

² Argued in greater detail in Ashutosh Varshney 2002, *Ethnic Conflict and Civic Life*, New Haven and London: Yale University Press, and Delhi and Karachi: Oxford University Press, Chapter 2.

actual role of the state and the form of the violence separate the three kinds of collective violence. In the case of riots, the neutrality of the state may be in doubt, but the principle of neutrality is not abandoned outright. In the case of pogroms, the principle of neutrality is effectively dropped. In the case of civil wars, the state not only gives up the principle of neutrality, but it either becomes an active or is physically unable to arbitrate between two armed groups fighting each other. The key difference between pogroms and civil wars is that in the former, the target group – typically, though not always, a minority – is unarmed, whereas in civil wars both combating sides are armed.

Many forms of violent conflict hurt development, but civil wars are the most destructive. They also often lead to a situation where the existing state gives up its developmental or welfare role completely, at least with respect to a section of the population.⁴ Therefore, in our discussion below, we concentrate on civil wars more than other forms of violent conflict. We do not claim that our proposals necessarily provide the best solutions for all forms of conflict.

We proceed as follows. Section III presents an overview of what we know about the relationship between levels of development and civil wars and between social exclusions and conflict; we also briefly survey a set of recent policy recommendations. Section IV presents our recommendations, which we divide between (a) institutions and (b) policies. Section V summarizes our conclusions.

³ Collective violence is defined as violence perpetrated by a group on another group (as in riots and pogroms), by a group on an individual (as in lynchings), by an individual on a group (as in terrorist acts), by the state on a group, or by a group on agencies of the state (as in civil wars).

⁴ Alex de Waal, 1990, “Famines”, (Review of Amartya Sen’s *Poverty and Famines*), *Times Literary Supplement*, August. The history of states punishing large regions is harrowing, but regularly repeated. During 1986-89, the Sudanese government used famine as a weapon of war in the southern region “endorsing genocidal militia raiding and obstructing food relief”. As we draft this paper, starvation policy and militia action has again produced massive displacements in Sudan in 2004, this time in the Darfur region, with over 100,000 refugees in UNHCR camps as of June

III Analysis

III.1 Conflict-Poverty Traps

Civil wars are most likely to occur in poor and slowly growing countries. And when they do occur they inflict enormous hardship. The relationship between poverty and conflict, if not fully understood, is probably the most robust relationship found in recent econometric work on conflict.

Figures derived from World Bank models (Figure 1) show a striking relationship between the wealth of a nation and its chances of having a civil war.⁵ A country with GDP per person of just \$250 has a predicted probability of war onset (at some point over the next five years) of 15%, even if it is otherwise considered an “average” country. This probability of war reduces by half for a country with GDP of just \$600 per person. Countries with income per person over \$5000 have a less than 1% chance of experiencing civil conflicts, all else being equal.⁶ More recent work that uses instrumental variable methods to account for the reverse causality when estimating the relationship between growth and conflict onset finds even stronger results indicating a causal relationship between growth collapses and subsequent conflict onset (Miguel et al 2004).

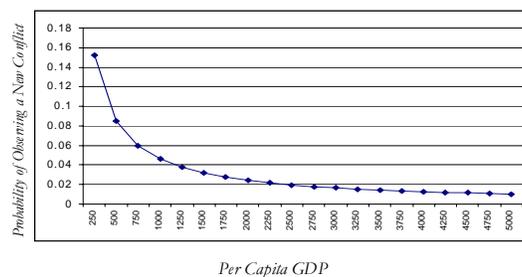


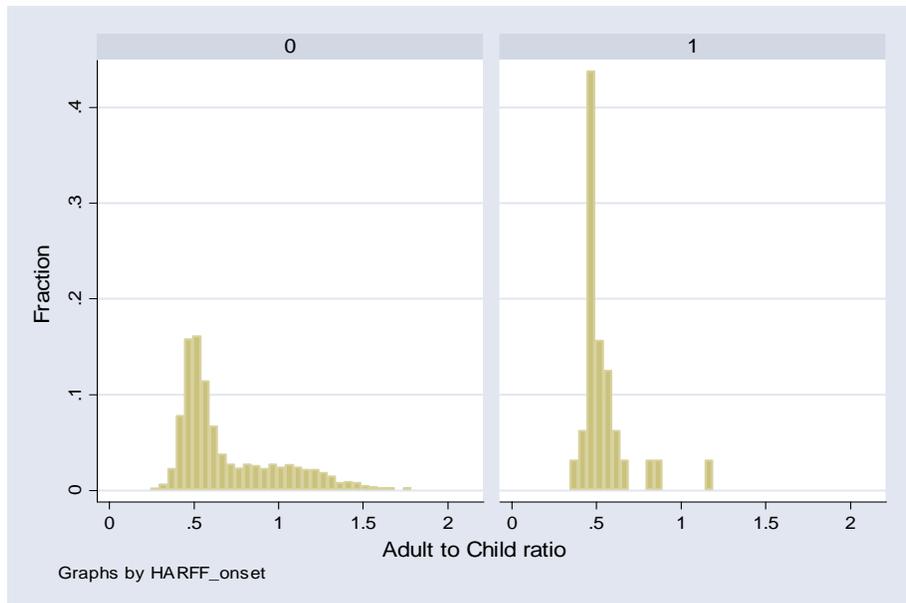
Figure 1 Per capita and estimated risks of conflict onset.
Source: Authors, based on data and model from Collier and Hoeffler (2002)

Beside the impact of aggregate measures of wealth there is also strong cross national evidence for direct impacts of other direct measures of human welfare.

⁵ To produce this graph we use the [Collier-Hoeffler \(2002\)](#) model to predict the expected probability of civil war onset conditional upon different income levels ranging from \$250 to \$5000. To make these predictions we hold all other variables constant at their means. The data and model used are available from Anke Hoeffler's website ([icoll&hoe.zip](#)).

⁶ There are nonetheless some striking cases whose experience has not been consistent with these trends.. Sri Lanka's economy for example grew at over 5 per cent per annum in the 1990s, even as civil war raged.

There is for example a link between a country’s stage in the demographic transformation and risks of violence—in particular, as indicated in Figure 2—the lower the ratio of children and youths to adults in a society the less likely is a society to experience massive violence. The global distribution of adult to child ratios is bimodal. For one set of countries there is approximately one adult for each under 25 year old, but for a much large set of country-years there is only one adult to every two under-25 year olds. Genocide and “politicide” events (where the latter refers to instances of massive one-sided killing by governments of political opposition groups) cluster in just one of these two nodes: Massive violence only takes place in countries falling within the second cluster: countries with a youth bulge. The sole exception is in the Former Yugoslavia.⁷



	Mean Number of Adults to Children	Standard Deviation	Min	Max	N
Country-years in which no acts of genocide or politicide are recorded:	.71	.31	.25	2.14	7559
Country-years in which periods of genocide or politicide commence:	.54	.16	.39	1.22	32

Figure 2: Histograms of Adult to Child ratios for countries that do not and countries that do experience episodes of massive violence. Source: Authors, using data from Harff 2003.

Furthermore, if conflicts occur within poor countries it is often poor members of those countries that participate. New survey data of ex-combatants in Sierra Leone for example

⁷ Only one country, with a greater than 1:1 ratio (for which there is data), has witnessed a genocide/politicide.

indicate that those that joined the brutal rebellion in that country were overwhelmingly youths that were living in especially difficult circumstances prior to the war onset. Based on a representative sample of 1000 ex-combatants, Humphreys and Weinstein⁸ find that across all factions close to 50% of all combatants had left school because of the collapse of the educational system in the country—either because schools had closed down or because the students could no longer afford fees charged by schools. Less than one third had left school in pursuit of other more attractive activities. Results for the two largest factions in Sierra Leone are shown in Figure 3. The same study found that of the youths joining the movements fully one third had lost at least one parent prior to the beginning of the conflict; another third were to lose at least one parent during the course of the conflict.

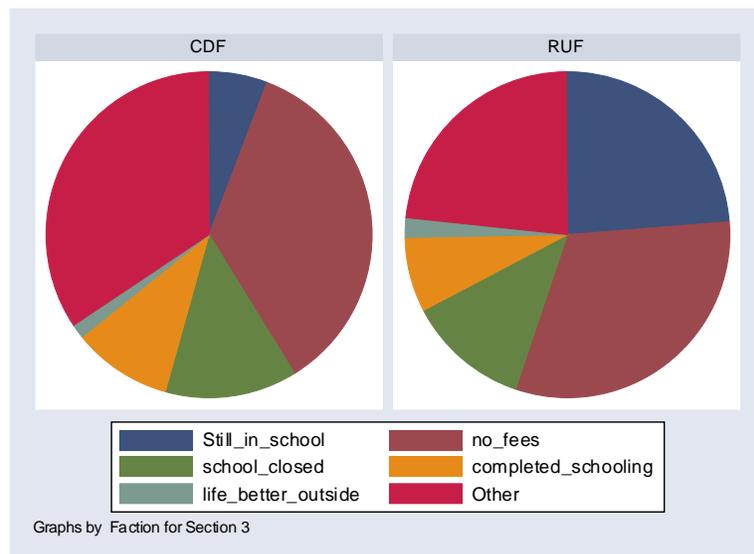


Figure 3: Reasons for having left school at the start of the Sierra Leone’s Civil War
Source: Humphreys and Weinstein 2003

While conflicts take place disproportionately within poor countries, and often involve the poor within those countries, there is also much evidence that conflicts induce extremely high direct and indirect costs. Collier and Hoeffler (2004) put the net present value of the cost of a conflict at around 250% of the value of GDP at the moment of conflict onset. For a typical developing country they place the total costs associated with conflict (using a 5% discount rate) at around \$54bn. This includes costs from increased risks of conflicts in future

⁸ Humphreys and Weinstein, forthcoming.

years as well as costs to neighboring countries. Addison (2004) and others suggest that even this likely underestimates the costs of conflict substantially. Inevitably the accuracy of these numbers is open to challenge on very many fronts. But they serve to indicate that the costs of conflict are likely to be very large. Behind these costs, represented here in dollar values, are lives lost, immense human suffering, and the destruction of communities.

Unfortunately however, conflict and state collapse are not rare phenomena. During the 1990s, up to one quarter of all countries were affected (see Figure 4 below), with over 1 bn people living in conflict affected countries (this number is calculated excluding India and China). Many of those affected are among the poorest of the poor: according to the OECD, 20 of the 38 poorest countries of the world are in conflict.

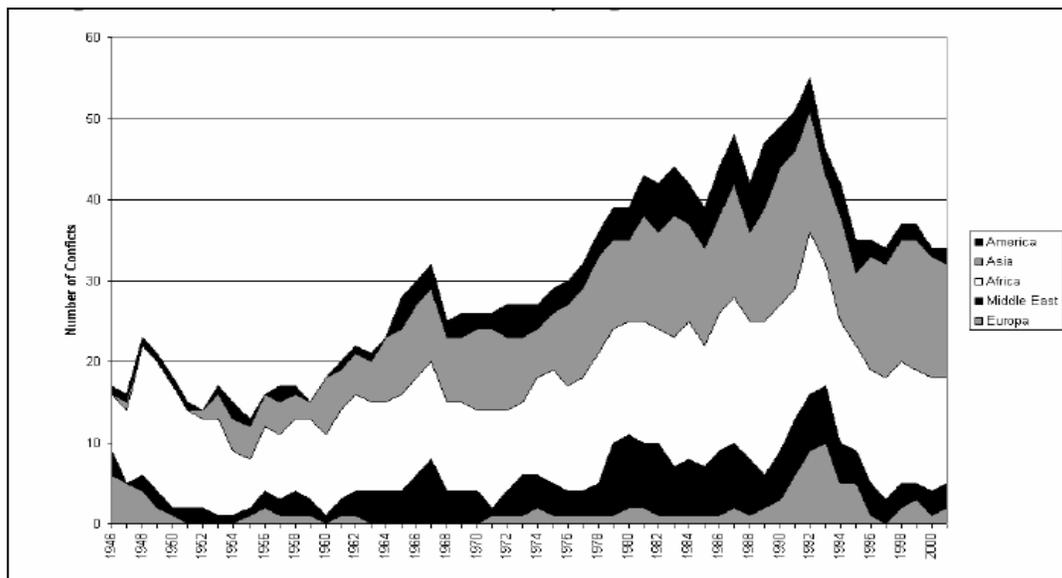


Figure 4: Number of Conflicts Per Region: 1946-2001. Source: PRIO

The fact that the relationship between violence and poor economic performance runs in both directions is consistent with the logic of poverty traps: Poverty and low growth lead to a higher risk of conflict, yet conflicts in turn produce great economic costs and lower levels of growth, at least during the period of conflict.

There are multiple channels through which this conflict-poverty trap operates. Among them are the following:

- **Development Policies:** Development failure leads to conflict, but during episodes of conflict, development agendas are frequently abandoned, both by national governments and the international community, whose policies, if engaged at all, focus on relief.
- **Economic Structures:** There is some evidence that countries with weak manufacturing sectors that rely on primary commodities or natural resources are more prone to conflict. Yet conflict leads to disinvestment and the destruction of capital and increased reliance on primary commodities and natural resources.
- **Human capital:** Poor levels of human capital can lower growth and increase conflict risks, yet conflict can lead to the destruction of educational systems as well as to great losses in health through injury, maiming and the spread of diseases.

III.2 Exclusion and Conflict

While there is then a broad consensus that wealth and growth are associated with lower risks of conflict, there is no consensus on whether or not some types of growth make conflict more likely. Recent research by the World Bank has cast doubt over the generality of a relationship between inequality and conflict⁹

This (non-) finding should however be qualified. There are a number of technical reasons why a relationship might not be supported by the World Bank model.¹⁰ One of the most important reasons, however, is conceptual. Case study work suggests that it is not inequality between individuals that matters for conflict but rather inequality between ethnic groups or between regions – sometimes referred to as “horizontal inequality”¹¹ or

⁹ See also Auvinen and Nafziger (1999). This piece finds a positive relation between inequality and “complex humanitarian emergencies,” although this relationship is reversed for fixed and random effects models.

¹⁰ One technical reason is that the existence of measurement error in explanatory variables such as inequality is known to make it less likely that significant relationships will be discovered between variables. Yet, among economic variables, indices of income inequality data are measured with particularly high levels of error (see for example Cramer 2001), hence we should expect any relationships that exist to be dampened. This first effect will make us less certain about the relationship. Add to this that for many countries we do not have any income inequality data at all. If we are less likely to have data for countries where there are civil wars, then in econometric work, this will bias the estimated effect of inequality downwards. This second effect will make us believe that the relationship is quantitatively weaker than it is.

¹¹ See for example Stewart (2000) and [Klugman \(1999\)](#).

“categorical inequality.”¹² (For an illustration of the difference between horizontal and vertical inequality see Figure 5 below.) Statistical work such as that by the World Bank, that uses measures of “overall” inequality fails to capture these effects.¹³

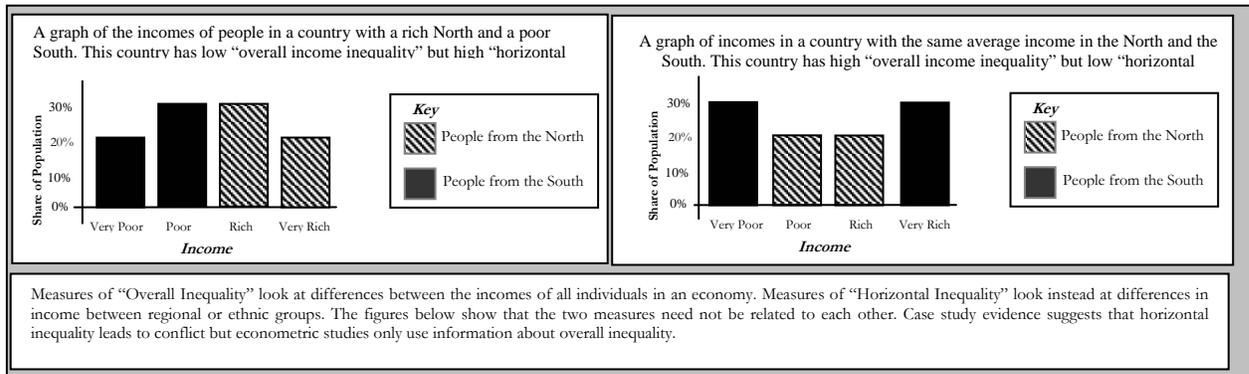


Figure 5 The Difference Between Horizontal and “Overall” Inequality. Source: Authors

By and large, work that aims to study the impact of horizontal inequality has been hampered by a lack of data on income broken down by identity categories. Nonetheless, some studies using sub-national data, such as those by Gurr and Moore (1997) find that horizontal inequality produces grievances which, though not associated directly with conflict, facilitates mobilization, which in turn increase the chances of rebellion.¹⁴

Beyond this, a large collection of qualitative studies suggests that horizontal inequality—social or political marginalization—plays a central role in the organization of violence, notably, the systematic exclusion of some specific groups from citizenship rights and the implementation of economic policies that lead to inequalities correlated with region, ethnicity, race or religion. Examples of such exclusions are widespread, including: the indigenous communities of Central America, the Roma communities of Eastern and Central Europe and the Burakumin of Japan.

¹² See Tilly (1999).

¹³ Horizontal inequality can be measured by the share of total inequality that is captured by “between group” rather than within group inequality (this for example has been proposed by Zhang and Kanbur (2001) as a measure of polarization). In fact there need be no correlation whatsoever between between-group inequality and overall inequality..

¹⁴ Fearon and Laitin (1999), however, using the same data, find only weak evidence of a link between horizontal inequality and conflict, a weakness due, they argue, in part to multicollinearity and in part to poor measurement (See www.apsanet.org/new/nsf/research/laitin.cfm).

Marginalized communities are not only typically poorer than the rest of the population, but they are also treated harshly by the state agencies and by many sections of society. The Roma, 7.5 per cent of Slovakia's population, have an infant mortality rate three times as high as the Slovakian average. Moreover, "there are towns which have banned the Roma from entering, never mind living there. To many Slovaks including officials and police, they are 'filthy'; to some even 'thieves' and 'vermin' fit only to be 'sent to the gas chambers'."¹⁵ In many countries—Sudan, South Africa, Mali, Niger, Northern Ireland—such exclusion has been associated with violence. Some also suggest that policies to counteract horizontal inequality (as for example implemented in Côte d'Ivoire) may reduce the likelihood of conflict.¹⁶

Consistent with recent work on conflict by Collier and others—we note that marginalization, or "grievances" is not *sufficient* to produce violent conflict. Even if there is a willingness to start a violent struggle, capacity constraints and problems of collective action may make violence infeasible. The conditions that lead from marginalization to violence are however fairly well understood.¹⁷ These can be taken into account in the development of institutions and policies that can help relieve conflict risks resulting from economic policies that otherwise could lead to high levels of marginalization. Such institutions and policies are described below.

III.3 Analytics of Core Policy Options

What policies are available for preventing, or halting violent conflict? In their paper for the "Copenhagen Consensus" project Collier and Hoeffler (2004) consider a number of proposals for dealing with civil wars from a development perspective. Three sets of proposals stand out. First, since conflicts occur in poor countries, increases in aid should

¹⁵ Tania Branigan, 2004, "The New Europe: Roma Pay Price for Accession", *The Guardian*, April 27.

¹⁶ For example, Azam and Koidou (2002) argue that Houphouët-Boigny's policies of redistributing from South to North are what spared Côte d'Ivoire from civil conflict for so long.

¹⁷ Research suggests that violent conflict is more likely when: (i) marginalized groups also have a source of funding: access to tradable commodities, a nascent middle class, or an international action group, capable of supporting collective action (Kashmir; Northern Ireland; anti-apartheid struggle in South Africa; arguably Bosnia); (ii) marginalized groups are geographically concentrated, which tends to reduce the costs of collective action (Dayak vs Madurese in Indonesia; Tamils vs Sinhalese in Sri Lanka); and (iii) marginalization is conceptualized not only as economic deprivation, but as political exclusion (Muslim-Christian violence in Nigeria; Hindu-Sikh conflict in India in the 1980s; Tamils vs Sinhalese in Sri Lanka)

lead to a fall in conflicts. Second, since civil wars have often taken place in countries with natural resources (oil, diamonds, gold), undermining the ability of combatants to engage in battles requires a substantial reduction in the rents that can be extracted from these sources. This can be done through international coordination. Third, military intervention by an outside power is another way of crippling combatants.

These three responses, although not exhaustive—in particular they excluded policies, such as those we describe later, that take account of grievances that can underlie conflicts—have merit and figure among the most prominent responses. Yet each approach is complex; we offer words of caution on all three.

III.3.1 Aid and Conflict

Aid has both a direct and an indirect effect on conflict risks. Insofar as aid leads to economic growth, this reduces conflict risks. This is an indirect effect. Collier and Hoeffler (2004) for example focus exclusively on these direct effects. In their model an increase in aid by 2%, if sustained over a 10 year period, would raise growth rates by 0.2 percentage points. This in turn would reduce conflict risks by about 0.2 percentage points over the first five years, 0.3 percentage points over the next five years, and by about 0.2 percentage points over all subsequent five year periods. In principle these effects could be somewhat stronger if aid is used more efficiently than assumed in the Collier-Hoeffler regressions. Other conflict mitigating effects could arise if aid improves human capital, supports export diversification beyond a small number of natural resource sectors and helps countries through a demographic transition. These are all processes supported by Millennium Project policy recommendations and they go towards alleviating conflict risks.

This then provides some further support for aid increases. A word of caution is however in order. Aid also has more direct effects, independent of its effects on growth. Notably, aid can provide support to corrupt or abusive regimes and can lead to the weakening of state structures. While this might not inevitably be the case, there is much case study evidence that this has been the case in some times and places. The argument for example has long been

made for the case of humanitarian aid.¹⁸ Here we investigate whether there is evidence for a direct adverse effect of aid, broadly defined, on conflict risks.

Estimating the direct impact of aid on conflict risks

Estimating the impact of aid on conflict risks is complicated by a host of factors. These include the fact that aid comes in many different forms, from multiple sources and with varying motivations. In some regions it has been used to support abusive governments, in others it has been used to constrain them. For these reasons we should be slow to make any statements about the political impacts of aid as an aggregate category. There are also problems of estimation, most important there are problems of endogeneity: a correlation between aid and conflict could result either from aid leading to a rise (or fall) in conflict or from the fact that aid could be allocated disproportionately to (or away from) conflict-prone areas. A priori it is difficult to know in what directions these biases are likely to go. Furthermore it is difficult to find reasonable instruments for aid in conflict models: instruments commonly used to identify the impact of aid and growth—such as the strategic importance of the country—are likely to have a direct effect on conflict risks independent of the growth channel. For these reasons the results that follow should be treated with some caution.

To estimate the relationship between aid and conflict onset we take a now standard model of conflict onset from the political science literature: the Fearon-Laitin model (2003). To this we add the World Bank's measure of total aid as a share of GDP, and run the regression within the standard logit framework, alongside a fixed effects model and an instrumental variables model.¹⁹ The results are presented in Table 1 below.

¹⁸ See for example, Alex de Waal, 1998. Famine Crimes: Politics and the Disaster Relief Industry in Africa African Issues; Peter Uvin. 1999. "The Influence of Aid in Situations of Violent Conflict." Paris, OECD-DAC http://www.oecd.org/dac/pdf/synth_fin.pdf and Mary Anderson. 1999. Do No Harm Boulder, CO: Lynne Rienner Publishers.

¹⁹ In the model presented in the text we used lags of independent variables used as instruments We also used the full set of instruments for aid used by Easterly, Levine and Roodman, ("Aid, Policies, and Growth: Comment," *American Economic Review*, June 2004). However, missing data in this data set led to the loss of approximately half of all observations. While in this model no significant adverse effect of aid was discerned, checks suggested that this was due to the loss in data and not to the use of these instruments.

We find consistent evidence across the models for an adverse effect of aid on conflict risks. Consider large increases in aid flows consistent with what may be needed to achieve the MDGs in poor economies. In Model I an increase in aid from 10% of GNI to 30% of GNI is associated with a 1.2 percentage point increase in the likelihood of conflict onset (with a 95% confidence interval of .3 to 2.7 percentage points). For the typical country in the sample this represents approximately a doubling of the likelihood of conflict onset. The effect of an increase in aid in the instrumental variables model is slightly higher: in that model an increase in aid from 10% to 30% is associated with a two percentage point increase in conflict onset. In both models we find that the direct effects of aid on conflict outweigh the indirect effects of aid through growth.

Model:	I Logit	II Linear Probability model with instrumental variables	III Logit, with fixed effects
Aid as a share of gross domestic income	0.034 [3.06]***	0.001 [3.39]***	0.028 [1.65]*
Observations	3419	3290	1400
Number of cross sectional units			44

- Except for aid measures, model replicated Fearon and Laitin (2003), and includes all measures from that model, including measures of wealth, past growth rates, ethnic and religious fractionalization and democracy
- Absolute value of z statistics in brackets: * significant at 10%; ** significant at 5%; *** significant at 1%
- In IV regression, lags of independent variables used as instruments

Table 1: Probability of civil war onset

The lesson is not that aid inevitably leads to conflict—aid can be used in the future differently to how it has been used in the past. Nonetheless the results provide an important note of warning: the political effects of aid need to be monitored closely to ensure that new injections of funding do not have these adverse effects.

III.3.2 Conflict Commodities

A peculiarity of recent econometric research on conflict onset is that while there has been great discussion of the role of particular types of commodities on conflict onset—diamonds, drugs and oil in particular—and more recently on the effects of the prices of these commodities, this work has been conducted without using measures of any of these more or less lootable commodities. The measure most commonly used to record production of conflict commodities is the share of exports of primary commodities in GDP—a measure that, because is defined very broadly and because it typically includes re-exports as well as exports, places Singapore as one of the most natural resource dependent countries in the world, but fails to count either drugs or the smuggled diamonds that fed West African conflicts. Even given the measures that are used, the results that have been found are not very robust.²⁰

Somewhat stronger evidence has been found for the impact of oil (Fearon and Laitin 2003), but in this case only data on oil exports, including re-exports, have been used, and the results are not robust to changes in model specification, such as changing time periods or the dropping of small numbers of outliers.

In most cases this work on conflict commodities has had difficulties in identifying the mechanisms through which resources are associated with conflict.

Two of the prime mechanisms through which we expect resources to be related to conflict onset are (i) through the weakening of state structures that do not, as a result of revenues received from rent, develop institutions for tax collection or require popular support; and (ii) through increasing the value of capturing the state for would-be rebels. Note that the first mechanism is a function of past production while the second is a function of future production.

In Table 2 below we attempt to capture these effects by using new measures of past oil production (rather than of exports) and new measures of oil stocks (that capture future returns rather than past earnings).²¹ These measures are correlated. We find nonetheless a strong relation between oil production and conflict onset, after controlling for stocks. Conditional upon production we find however no evidence that the size of oil reserves is related to conflict onset. We interpret this as evidence supporting the weak states view rather

²⁰ For a recent critique of results using primary commodity exports as a measure see Fearon (2004).

²¹ For more details on these measures and methods used see Humphreys (2004).

than the lucrative state interpretation of the link between resources and conflict. For the purposes of this paper, this result then implies that policy responses should focus not simply on rebel motivation but on the behavior of states.

We have noted problems with models using volumes of commodities. Measures of the impact of changes in the price of conflict commodities have also been very wide of the mark: the measures used have been again of primary commodities price indices generally defined. These do not for example include diamonds but do include the likes of soybeans, groundnuts, and bananas. Again, even given the measures used, results tend not to be very robust. For example in the Copenhagen Consensus work on responses to conflict, the huge dividend the authors report for a 10% reduction in the prices of these conflict commodities only holds for countries with particularly high primary commodity dependency: the effect actually goes in the opposite direction for the average conflict country (with .15 primary commodity dependency).

<i>Dependent variable: FL measure of Civil War Onset</i>	I	II	III	IV	V	VI
Independent Variable						
Lag of Oil Production (Total)	0.4 (3.34)**		0.463 (3.67)**			
Lag of Oil Production (Per Capita)				2.37 (3.91)**		4.619 (4.45)**
Lag of Proved Oil Reserves (Total)		0.012 (2.45)*	-0.004 (-0.49)			
Lag of Proved Oil Reserves (Per capita)					343 (4.95)**	-257 (1.07)
Observations	5208	5208	5208	5175	5175	5175
Remarks						

NOTES: Only post 1960 data used. Controls in all equations include FL (2003)'s measures of: Lag of War, Lag of GDP, Log of Population, Log of Mountainousness, Non-Continuity, Instability, Democracy, Ethnic Fractionalization, and Religious Fractionalization. Absolute value of z statistics reported below coefficients. * significant at 5%; ** significant at 1%.

Table 2 Differential Effects of Oil Stocks and Oil Production?

Although the econometric evidence is mixed, there is some, more qualitative evidence that controlling commodity trades, through price or quantitative mechanisms, can lead to the resolution or prevention of conflict—and conversely that the failure to regulate some sectors can have conflict inducing effects. For these reasons we highlight below core policies for

regulating key natural resource sectors. While international action to reduce the price of conflict commodities by producing two tier markets using certification schemes is still in early stages there are good theoretical reasons why we should expect this approach to work, and early results of attempted actions along these lines are promising (see Collier and Hoeffler 2004).

We stress however that the success of these policies will likely depend on the reasons for a conflict in the first place. As noted above, the impact of natural commodity dependence on state strength needs to be addressed alongside rebel motivations. And we need to take account of the relations between states and potential rebel groups. Not all rebels are driven by greed. If exclusion or marginalization, strongly felt by a group, is the starting point of violent conflicts, it is unclear that price manipulations will effectively end them, rather than postponing them for a later date. Such motivations may themselves relate to trades in natural resources through perceived inequities, the corruption of governments or forced migrations. For such cases, the literature on conflict is full of instances of committed partisans bearing high costs, including death, to pursue ethnic or national goals.

Such behavior appears resistant to manipulation through economic interventions.²² For these cases we draw on the literature on ethnic conflict to identify proposals for violence prevention. These proposals are divisible into two parts: interventions at the systemic level, and interventions at the local level. By the former we mean an inclusive political system, incorporating disaffected groups through a share in decision-making; and the latter includes promotion of civic organizations integrating various communities at the ground level. It can be shown that, all else being equal, polities that are inclusive, and places that have integrated organizations, are able to prevent conflicts more easily than polities that use coercion as a way to deal with ethnic pluralities, and societies that promote ethnic segregation.

III.3.3 External Military Intervention

Given the welfare benefits of ending civil wars, external military intervention in civil wars has of late been viewed by some as a highly desirable policy option. Arguments on behalf of

²² Economic rationality is not the foundation of such behavior, whose rational calculus may have to be conceptualized more in the way of Sen than Olson. For more details, Ashutosh Varshney, 2003, "Nationalism, Ethnic Conflict and Rationality", Perspectives on Politics, March.

imperial interventions, too, have acquired new currency in several intellectual quarters. Pursuing these options however needs stronger mechanisms for ensuring political legitimacy than presently exists.

Theories of conflict in international relations, applied to civil wars, suggest that the presence of a third party immeasurably helps the process of conflict resolution. The reasons for third party success range from the ability of the third party to soundly defeat one side to the availability of a neutral referee to the use of incentives and communication to ensure credibility and sustenance of agreements made by combatants. These positive findings can be used to support new normative positions on intervention.

Collier and Hoeffler, using British intervention in the fragile immediate post-conflict situation in Sierra Leone as a case, argue that, assuming that British forces remain in Sierra Leone for ten years, the net present value of the total costs of the British military intervention is a mere \$397 million, whereas the estimated economic benefits are \$33 billion. Thus, with less than half a billion dollars of military investment, one can achieve benefits sixty times as large. The cost-benefit comparison is striking. Collier and Hoeffler recommend replicating the Sierra Leone experience: if this result is matched in 12 conflict countries globally, they argue, a back of the notepad calculation suggests aggregate net gains in the region of \$400 bn. The stumbling block however, as recognized by the authors, is politics. If only political feasibility were not a constraint, they argue, external military intervention would be the most cost-effective way to deal with civil wars.²³

Niall Ferguson (2004a; 2004b) goes a step further. Political feasibility, for him, is not such an overriding constraint. A superpower can simply defy international opinion, if it so chooses. The basic issue is whether a superpower has the political will, vision and tenacity to use its power constructively. Britain showed how to do this in the 19th century. In contrast, argues Ferguson, the United States does not show the same clarity of purpose and determination today. Poorer societies simply will not achieve stable democratic polities or economic growth without external force and tutelage. If only the United States would act more decisively as an imperial power, he argues, political order and economic welfare of the poor could be established in societies torn with internal conflicts.

²³ Collier and Hoeffler (2004), "The Challenge of Reducing the Global Incidence of Civil War", Paper for the Copenhagen Consensus Project, see <http://www.copenhagenconsensus.com/>

While Collier and Hoeffler's calculations make a strong case for the advantages of military intervention—*assuming that legitimacy can be ensured*—Ferguson's argument ignores the problem of political legitimacy.

In some situations—as in the Sierra Leone case—a third party intervenes to support one side against the other. In other situations, particularly those designed to support a peace process, the third party intervenes as a neutral actor.

For the first type of situation, the problem is in identifying criteria for one-sided intervention. Beyond interventions on the invitation of and on behalf of a government, or for reasons of self defense, no such criteria exist at present. Interventions on behalf of governments may serve only to support abusive governments that would otherwise be overthrown. No criteria exist to mandate intervention in support of legitimate governments when these are threatened—as underscored by the recent conflict in Haiti. And no clear criteria exist to intervene against abusive governments. In the absence of criteria the decision to intervene is driven by the strategic concerns of the strongest actors rather than with a view to the welfare of the citizens of the country at hand.

For the second type of intervention, the problem of external legitimacy is compounded by the need to be seen as legitimate for the warring sides. Contrary to Ferguson's assumptions, there are good reasons to believe that the logic of imperialism, even if it were capable of overriding concerns of legitimacy in the 18th and 19th centuries, can not be extended to the present. The problem is not just one of legitimacy but of practicality. The rise of nationalism in the former colonies in the 20th century has fundamentally altered the realm of political possibilities (Varshney, 2003). In 1757, when the British captured Bengal, there was not a ripple of protest outside of Bengal. In 1919, when British forces were involved in the Amritsar massacre in the Punjab province, an all-India movement for freedom quickly spread throughout India. By the second decade of the 20th century, India had developed a new national consciousness. By definition, a nation, or nation in the making, means that a community has built, or would like to build, a political roof over its cultural head. This typically implies hostility to foreign occupiers. In such contexts, imperial intervention is likely to lead to consequences that are highly injurious to political order and economic welfare, possibly prolonging civil war, or starting new ones where none exist.

We do not mean to suggest that outside intervention in civil wars is everywhere undesirable; only that, if necessary at all, it must take a legitimate and non-imperial form. This requires elaboration of and consensus around criteria for United Nations sanctioned use of military force on behalf of threatened governments and in opposition to abusive regimes. The development of the notion of the “responsibility to protect,” as described by the report of the International Commission on Intervention and State Sovereignty, goes some way to advancing such criteria.²⁴ As evidenced by the use of humanitarian arguments to justify military intervention in Iraq, there is a pressing need for this principle of the responsibility to protect to find institutional feet.²⁵

IV Recommendations

Inevitably then, the success of the MDG project will depend in large part in its success in countries in conflict or at-risk of conflict. There are a number of challenges presented by such states for the MDG project.

- First there is the difficulty of functioning in weak or predatory states: how can projects to achieve the goals be implemented efficiently in contexts in which political actors aim to divert funds. This is a problem of **effectiveness**.
- Next there is the great concern that attempts to achieve the goals will not only be ineffective, but might have adverse effects. As suggested by our discussion of aid and conflict, there is a problem of **unintended consequences**.
- Finally there is the challenge to respond directly to conflict because of its independent adverse effects on the MDGs. This is a problem of **engagement**.

Responding to the problems of effectiveness, unintended consequences and engagement is greatly complicated by the fact that conflicts are by their nature very politicized and so the question is very often not one of optimal strategy but of political will. Second, responses are

²⁴ The second principle (1B) of the “Responsibility to Protect” states that “Where a population is suffering serious harm, as a result of internal war, insurgency, repression or state failure, and the state in question is unwilling or unable to halt or avert it, the principle of non-intervention yields to the international responsibility to protect.”

²⁵ The next step on this agenda is the report of the “Panel on Threats, Challenges and Change,” chaired by former Prime Minister of Thailand, Anand Panyarachun. The panel is due to report in late 2004. a

complicated by the fact that conflicts differ greatly in their causes and in their nature. Detailed responses are likely not to have general applicability for different conflicts. For these reasons, this paper concentrates on identifying institutional responses first and policy responses second.

IV.1 Institutions

While there should be concern about the proliferation of institutions, the fields of conflict prevention and resolution are ones in which existing bodies are poorly coordinated and where new institutions with clear mandates can bring much value added. Our proposed institutional responses are as follows.

IV.1.1 Institutions for Conflict Monitoring

We believe that mechanisms are required in all at-risk countries for the systematic collection of data that provides early warning of violent conflict. This should be done by the **continuous** collection of information on **behavioral events** that have a measurable impact on conflict risks using methods consistent with tools used already by the Inter-Governmental Authority on Development (IGAD) in East Africa and in 25 countries monitored by the FAST early warning mechanism (<http://www.swisspeace.org/fast/>).

What is needed is a collection of behavioral indicators that reveal whether the implementation of MDG strategies is contributing to violent conflict and of how conflict events have a negative (or positive) impact on the MDGs; together with a protocol to structure the collection and communication of this information.

A multi-tier set of relevant indicators can be characterized as follows:

- **Global level indicators** (cross-national indicators) Social, cultural, religious, political and economic behavior; protest demonstrations, hate speech by national figures, religious edicts, boycotts, strikes and floods. These indicators can be collected in multiple countries and compared across countries.
- **National level.** Nationally specific behavioral indicators that flag explosive situations. These may include indicators of regional unemployment, or the formation of new protest associations. Some of these can be highly culturally specific. Desecration of religious symbols and sites – music before mosques, killing of cows,

throwing of pigs into mosques, attack on churches – is often a trigger for communal riots in India, whereas in Indonesia, such desecrations rarely take place. Instead youth clashes – in buses, schools, bars, concerts, sports, places of worship – touch off riots. Community processions can be triggers for riots in both countries.

- **Local level.** Very detailed sets of indicators used for specific domains requiring localized tracking: River and sea flood planes, for example, might be considered as a coherent unit for analysis that calls for localized indicators. Indicators can include the local price of labor or the local price of brides.

While the global indicators are cross nationally comparable, the national and local indicators are likely to be country specific. Monitoring of these indicators would be done with high frequency, typically on a fortnightly basis.

All of these indicators however would be developed within the context of a global protocol that establishes reporting and response mechanisms, including the control, management and ownership of the data, and the agencies, organizations and individuals to whom the data would be reported and those to whom it would be accessible. The global protocol would identify required responses given different changes in the behavioral measures, given nation-specific thresholds.

These functions could be undertaken by new national institutions, or they could be undertaken largely by are responsible for reporting on the achievement of MDGs, by adding tracking of conflict indicators to their tasks. National coordination officers, possibly within MDG country teams, can take a lead in organizing these functions. The indicators themselves will be developed at indicator workshops involving local organizations, MDG teams and outside experts. Based on past experience these indicator workshops are best considered an iterative process that take three to nine months. Once behavioral indicators are identified, MDG service delivery agencies, organizations and contractors would be asked to participate in the reporting and response mechanisms established in the countries in which they operate. Each agency, organization and contractor would be record behavioral events and include behavioral measures of success, failure and violence specific to the scope of their projects. These agencies then would report on the status of these indicators, with

high frequency, to ground level authorities that centralize the results. In British Commonwealth for example, the district administration office can pool the ground level information and send it on to the state or provincial level, from where it is passed on to the nation's capital.

The next steps in this process includes the identification of a small set of pilot countries, perhaps the Millennium Project case study countries such as Ethiopia, plus one or two others, including at-risk and post-conflict countries. Work in these countries can help determine whether these functions can be managed by MDG country teams or whether new bodies will be needed.²⁶

IV.1.2 National Peer and Partner Conflict Watchdogs

In each at-risk country, a peer and partner conflict watchdog committee, composed of internal and external stakeholders, and drawing on the input of diverse experts should be charged with assessing the conflict risks associated with each country's strategy for promoting the MDGs. The purpose is to foster learning from peers and partners concerning alternative strategies, reduce the likelihood of committing costly long-term conflict-inducing mistakes and provide countries with the incentive periodically to undertake informed and pragmatic revision of their choices.²⁷

These institutions should play an ombudsman role, being capable of hearing complaints from citizen groups regarding violent actions taken by government or non-governmental bodies. And they should play an information transmission role: they should annually be charged with collecting core national level structural indicators of conflict. Annual reports produced by these peer and partner bodies, indicating conflict risks associated with economic development strategies, should be submitted to national governments as well as to international development and financial agencies.

²⁶ We note that there are political obstacles to the creation of such earlywarning systems. In particular fears by G77 states that such early warning capacity constitute undesirable political reporting on their internal affairs (see Mack and Furlong: 2003. "When aspiration exceeds capacity: the UN and conflict prevention. UBC: Unpublished Manuscript: http://www.ligi.ubc.ca/UN_Chapter.pdf)

²⁷ While the functions of these watchdog committees differ from those of the NEPAD peer review mechanism, there are clearly points of overlap that could be explored.

A typical structure for such bodies might be a committee with eight members consisting of four eminent persons from the country, two representatives of Peer and Partner Conflict Watchdogs from neighboring countries, one regional representative and, possibly, one global representative. Two of the national members would themselves serve on Peer and Partner Conflict Watchdogs of neighboring countries.

IV.1.3 Central Coordination Agency for Peacebuilding

A Central Coordination Agency for Peacebuilding, should be established and housed in the office of the United Nations Secretary General.²⁸ The unit would be charged with coordinating peace-building operations of development agencies, including UNDP, the World Bank, the IMF and donor groups, along with agencies working on political and security issues, DPA, DPKO, OCHA, as well as other multilateral bodies such as the OECD-DAC and the Conflict Prevention and Reconstruction Donors' Network (CPR), and the various regional organizations and NGOs in the field.

The purpose of this department would be to sustain long term economic stability in post war countries and help prevent economic reforms from creating new sources of violent conflict. The value added of the agency would be to provide a link between agencies traditionally specialized in economic development and those traditionally specialized in security issues. In the hardest cases – where political institutions have collapsed along with the economy— peace can only be achieved with a coordinated, simultaneous intervention that combines peacekeeping, structural adjustment, macroeconomic policy reform, and technical assistance in the design and governance of political institutions. The best model to date for such a coordinating agency is that provided by the United Kingdom's "Conflict Pool" that allows provides a forum for coordination of development and security initiatives across the Ministry of Defence, the Foreign and Commonwealth Office, and the Department for International Development

²⁸ Core ideas in this section are developed further in Michael Doyle and Nicholas Sambanis, 1999, "Challenges and Strategies After Civil War," Princeton University Working Paper.

IV.1.4 Establishment of a Global Peace Fund

There is a need for a Global Peace Fund that can be used for rapid response to negative shocks resulting from civil conflicts that can be anticipated from a global point of view but can not be predicted in their specifics. In conflict situations, the timing of such finances can be crucial.

Two crucial moments when intervention is most effective are at the early stages of a conflict, before violence is generalized, and at the immediate aftermath of conflicts, when peace agreements have been signed but their terms not yet implemented. Applications to the Global Peace Fund should be allowable for both needs: either to support political activities, such as mediation initiatives sponsored by DPA or early demobilization initiatives sponsored by DPKO; military activities such as rapid intervention by regional forces; or more traditionally development initiatives such as post conflict reconstruction activities and projects to reintegrate combatants into the labor force. Applications could be made both by international organizations and by individual governments.

We do not provide details regarding the structure of such a fund. But models for such rapid disbursement funds exist. The Center for Global Development has recently urged for such a fund to be established within the United States, and they suggest the US Emergency Refugee and Migration Assistance fund as a model.²⁹ Such a Fund may take the form of an independent agency managed perhaps by a permanent committee with representatives of both security and development organizations, such as the Central Coordination Agency for Peacebuilding proposed above. Or it could take the form of a passive fund to which donors provide contributions and from which countries may draw under specific circumstances (for example, the recommendation of a peer and partner review committee). Insofar as the fund provides a type of insurance service, funding could come from budgets of existing agencies that may need to draw on the fund, from government sources, or possibly from some private sector sources.³⁰

²⁹ See the Commission on Weak States and US National Security report, 2004: *On the Brink: Weak States and US National Security*: http://www.cgdev.org/docs/Full_Report.pdf.

³⁰ While we do not explore in depth the funding sources for such a Fund, we note that participants at our workshop raised the possibility of imposing “peace taxes” on companies and consumers in developed countries

IV.2 Development Policies in at-risk Countries

Poverty is one of the most important causes of conflict. And economic growth reduces the likelihood of conflict onset. For this reason there is a fundamental compatibility between the MDG project and the goal of conflict prevention. However, the benefits of aid increases are not a sure thing from the point of view of their effects on conflict. Studies of conflict onset suggest guidelines for how to respond to these concerns.

IV.2.1 Consequences of MDG policies for Regional, Ethnic and Religious groups

We have argued that large scale violent conflict requires political organization and that this is spurred by the existence of horizontal inequality. Horizontal inequality increases risks of violence as it provides a way for disaffected groups to organize around identity categories—around region, ethnic group or religion. As a general principle, avoiding polarizations of this form requires that development policies be selected as a function not just of their impacts on poverty but in light of their distributive impacts on politically relevant categories.

The chief response to the problem of horizontal inequality is informational.

The institutions identified in Section IV.1 should track the development of horizontal inequality, make it public and ensure that economic policy making takes account of its impact on horizontal inequality.

Other ways in which public policy can take account of horizontal inequality include the following:

- **Targeting Beneficiaries.** In the case of development projects designed to reach the MDGs, the targeting of projects should aim to reduce horizontal inequalities, and the structure of projects should be designed, insofar as possible to provide linkages across communities.
- **Compensating for Unintended Consequences.** If growth-enhancing policies are adopted that are likely to produce regional or ethnic inequalities, then either provisions should be made to provide compensatory, although possibly inefficient,

that benefit from the extraction of resources in conflict zones or associated with conflict zones with such taxes

investments in disadvantaged areas; or steps should be taken to facilitate migration to growth areas and return of remittances.

- **Inclusive Decision Making.** Operationalize mechanisms to promote inclusion of marginalized groups in the polity. In cases of severe and sustained political marginalization, constitutional arrangements such as increased decentralization of power or consociational central institutions should be considered.
- **Equal opportunities.** There should be a high priority placed on ensuring equality of access to government services, and especially to education. Policies to reduce inequality produced within the private sectors activities should also be promoted. This can include land reform measures to allow for fair access to land. In cases of extreme horizontal inequality, they should include asset redistribution and provisions for firms to provide minimal proportion of employment to members of diverse groups.³¹

IV.2.2 Regulation of the international private sector

International corporations that function in zones with high conflict risks, particularly those working with natural resource extraction, are likely to find themselves needing to take strategic choices that will have implications for violent action. If corporations control stocks of lootable assets, then they may be one of the targets of conflict and may have to choose between providing for their own security through the use of mercenary groups or, at least tacitly, entering into deals with one side or another in a conflict. These conditions raise difficult questions: Can corporations function during conflicts without making things worse? Does the presence of corporations affect the type or levels of violence employed, or the chances for one side or other to win? Does it facilitate the flow of finances or weapons to fighting groups, or does it affect the way the economy responds to a conflict?

Corporations face criticism for their handling of these questions, with the most severe criticisms focusing on instances where corporations support abusive governments either financially or logistically, or facilitate arms or cash flows to rebels. Egregious instances in which international corporate action has made matters worse includes actions by oil corporations in the Republic of Congo, Chad, Sudan and Nigeria and by other corporations

then used for peace-building, broadly defined.

in Angola, Sierra Leone, the Democratic Republic of Congo, Burma and elsewhere. Yet violence resulting from corporate action is typically not to the benefit of corporations either.

Greater transparency in payments by corporations to governments (or oppositional groups) could help reduce these risks. There has been much public advocacy of transparency initiatives, but the principle of transparency has not been institutionalized. The result is that there can be much ambiguity over what engagements are or are not “transparent.” The Chad-Cameroon pipeline is a case in point. The pipeline is a partially World Bank funded project, it is the largest single investment in Africa and is often now described as a model case, in which the World Bank used its leverage over oil corporations to ensure transparency. In fact the actual deal struck between the oil corporations and the government of Chad is not a public document and confidentiality clauses prevent third parties from knowing how much monies should be paid to the government of Chad in any given year.

In the context of the Millennium Development Goals, the policy priorities are the following:

- (1) **Require that the use of MDG development financing be made conditional upon guidelines for corporate action.** This conditionality should also be applied to firms seeking export credit support. This can be done generally, but certainly needs to be done in “high risk” countries. We recommend using the norms developed by the United Nations in its recent draft “Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights” [<http://www1.umn.edu/humanrts/links/norms-Aug2003.html>]. (E/CN.4/2004/L.73/Rev.1).
- (2) Second, there is need for a permanent body capable of receiving and investigating claims of failure of corporations to comply with these norms, and refer cases to authorities with appropriate jurisdiction in the areas. Thus could be achieved for example by expanding the Global Compact in order to contain a **monitoring and research unit**, capable of determining whether and when membership of the Compact needs to be reviewed.
- (3) All governments should implement **legislation to make mandatory the publication of payments** by natural resources corporations based in their countries to governments and to require publication by governments of revenues received.

³¹ For more on this, see Stewart (2000).

Some countries are taking the lead on such legislation, but this advance needs to be generalized to close loopholes used by transgressing corporations.

IV.2.3 Better Regulation of the International Arms Trade.

There is an inconsistency in the fact that wealthy countries focus on conflict prevention and resolution yet continue to be major sources of poorly regulated arms flows to at-risk countries. Present policies to tackle illicit arms sales are failing.³² Besides normal police work, there is a need for better monitoring of the sale of arms by producer countries. Core recommendations are the following:

1. Arms exporting countries should adopt broad and internationally consistent mandatory codes of conduct to better regulate the sale of arms, reduce the likelihood of resale and allow more transparent arms sales monitoring. This should be done through the creation of an **International Arms Trade Treaty**.³³ Such a treaty would establish codes requiring that importing countries have a demonstrated history of respect for human rights, are reasonably expected not to transfer arms onwards, are participants in the UN Register of Conventional Arms and, possibly, possess a democratic form of government. Regular monitoring of the end use of arms can be made a condition for repeated sales.
2. In the interim, better monitoring of shipments will require **standardization of end-user certificates** and the compilation and publication by the UN on violations of end-user certificate provisions.

IV.3 Achieving the Development Goals in Countries in Conflict

Because of the highly idiosyncratic nature of economies in conflict we do not give highly specified policy recommendations for these cases. Nonetheless, a set of guidelines for development assistance in weak states and states in conflict can be identified. These include the following.

³² While many, such as Nobel laureate Oscar Arias, suggest that the appropriate policy prescription is to ban all exports of arms to sub-Saharan Africa, particularly by security council members, we are concerned that such blanket restrictions may serve only to further weaken weak states.

- **Conflict sensitive development projects.** Even if not aimed directly at conflict prevention or resolution, project managers need to be trained to be aware of the implications of their projects on fighting factions, politicized communities and the dynamics of conflicts in their areas and to report these effects as part of standard reporting on project implementation. For this, development agencies need to increase the numbers of their personnel with direct knowledge and experience of conflict zones. Recently conflict analysis and assessment tools for development project managers have been developed for exactly these purposes.³⁴ A reasonable expectation is that all development projects receiving international funding but operating in conflict zones should be required to file regular **peace and conflict impact assessments**.
- **Disaggregated Evaluation of Progress towards the Achievement of the Goals.** In weak states, evaluation of progress towards the MDGs should take account of progress towards achieving the goals at a sub-national level rather than at a national level only. In states where ethnic, regional or religious divisions run deep, MDG reports should take note of the ways in which MDG policies address the concerns of these different groups, and not simply the national attainment of the goals.
- **Supportable sectors.** The sectors that should be prioritized in conflict zones are likely to be different from those in peace time. Some sectors have especially high priority during conflict. In particular, because of the adverse effects of conflict of education and health services provision and the diversion of government funds from these sectors, these need special support. However, for all sectors supported, aid should be delivered in a form that can not be easily diverted; for investment in education and health this will require that insofar as possible direct investments, and a higher ratio of project financing to budgetary support will likely be required.

³³ Amnesty International and Oxfam are among a broad coalition of organizations campaigning for a UN Arms Trade Treaty by 2006.

³⁴ See for example International Alert, May 2004: "Building Institutional Capacity for Conflict Sensitive Practice" www.international-alert.org/pdf/pubdev/institutional_capacity_ngos.pdf See also the FEWER,

Insofar as development initiatives generate new stocks of assets, these assets should be decentralized and be low value assets rather than lootable assets. Activities that involve no generation of lootable assets—such as vaccination programs or agricultural knowledge transfer programs should be especially promoted.

- **Cross-community development initiatives.** Insofar as possible the conflict-reducing effects of cross community development projects should be exploited. Where possible, the participant and beneficiaries of development projects should be drawn from across conflict lines. This principle can not be mechanically applied: in some instances, attempts to involve multiple communities may spur conflicts and so the development and application of cross community initiatives should be undertaken in the broader context of conflict sensitive approach to development as outlined above.
- **The decision to bypass government.** In many situations there is a case to be made for bypassing governments, in particular when operating through governments leads to the diversion of funds to military purposes and the support of abusive regimes. The determination of which governments to support is much like the decision of when or how to make “performance based allocation” of aid financing. As a first cut, similar criteria for good governance and respect for human rights, could be used. We stress however that in times of conflict, the decision to bypass governments is a political decision and needs to be treated as such: bypassing states weakens state structures, this in turn can have the effect of strengthening local warlords, leading to the perpetuation of conflict. The decision to bypass states should be taken then not simply as a function of the capacity of states but of the desire to support particular regimes and in the context of a political stance towards a regime. It is moreover a decision that should be coordinated across development agencies. In light of the political nature of the decision, the use of quantitative criteria such as those proposed for aid allocations could be supplemented by recommendation by a UNSG appointed country specific Panel of Experts, such as those used for determining the

desirability of sanctions policies. We highlight in section III.3.3 and in the conclusion the urgent need for strengthening consensus criteria for determining when to support and oppose sovereign regimes.

- **Government Support through Macroeconomic Policies.** There are especially great-risks of the collapse in basic social service provision in countries in conflict. This is because inevitably government revenues will be diverted to military expenditures. Conditional upon the caveats that we have highlighted in our discussion above of the need to increase the share of aid allocated to project financing, and on the political decisions whether to support a state or not, there is a need to help ensure that national social expenditure do not collapse during conflicts. This means that foreign exchange earnings should not be reduced due to embargoes and lending should not be curtailed. Orthodox economic reform packages that promote cut backs can be especially devastating during conflicts.
- **Avoid Bypassing Normal Political Decision-making Structures.** Because of the weakness of political structures in conflict zones, development initiatives can have more freedom to take decisions of political consequence that bypass normal political channels. The concern that deep sectoral reforms be made by external agencies without legitimation by national political processes has been raised particularly in the area of education. In this sector for example there have been attempts to increase the private sector role in providing education services to the exclusion of the state, leading to further conflicts when states begin to re-emerge. Careful attention should be paid to prevent such (inadvertent) restructuring of state services and assessments of the structural impact of projects in development contexts should be a part of conflict impact assessment reporting.
- **Structuring MDG teams:** In some conflict zones, fighting may be so severe that no MDG infrastructure should be put in place and intervention, if there is any, should be primarily humanitarian. In countries where fighting is of a lower intensity, or where different groups control different portions of the territory, and where the pursuit of MDGs is deemed feasible, a possible strategy is to engage with rebel

groups as well as with governments, appraising them of the goals, targets, and policies to achieve goals. In some areas, securing the support of rebel groups may be possible and can even be a pre-requisite to achieving the goals, at least in countries where rebels control large sections of national territory. If outreach is successful the aim should be to identify MDG focal points even in areas not under government control. If cross-community support for the goals can be achieved in divided societies, this support should be stated publicly as the subject of a memorandum of understanding across government and rebel groups. If feasible, cross-group national MDG task forces should be established. Agreement on these development priorities should form the basis of the economic provisions of peace accords.

V Conclusion

We have suggested a series of institutional innovations as well as policy guidelines for achieving the Millennium Development Goals in countries at-risk or countries in conflict. These include the development of new institutions at the national level and at the international level that can negotiate the linkages between what have traditionally been categorized as security concerns and what have traditionally been categorized as development concerns. And they have included general guidelines for the pursuit of development agendas in conflict environments. The proposals we make are highly compatible with each other—local data collecting institutions can inform national watchdog agencies. These in turn provide key information needed to make decisions at the international level, whether for the disbursement of funds for rapid interventions or for the coordination of development and security initiatives through a United Nations peacebuilding coordination agency. Together they help provide a basic infrastructure to respond to the adverse impact of economic policy choices, to monitor the conflict implications of MDG strategies and to respond to crises before they become disasters.

We have drawn attention to the urgency of addressing different types of conflict risks. In doing so we have stressed that we can not assume either that international aid or increased private sector investments will always and everywhere have beneficial effects with regards to conflict alleviation; some evidence suggests the opposite is the case. In response we have urged that corporations and development agencies mainstream measures to reduce conflict

risks into their work. For private sector activities we urge that all corporations receiving aid contracts be required to adhere to norms for corporate action in at-risk sectors. In the case of development projects, particularly those taking place in countries in conflict, we further urge the submission of periodic conflict impact assessment reports.

While a number of the proposals we make are quite concrete, many are necessarily pitched at a high level of generality. This is for two reasons. First, conflict dynamics tend to be highly conflict specific; approaches that work in one place do not always work in another. For this reason we have, insofar as possible, identified the principles that should drive approaches rather than providing detailed guidelines. A second reason however is that in many instances, decisions regarding what policies are appropriate—for example when and to whom to release resources from a Peace Fund, or when to administer aid through governments and when to bypass governments—are political questions, not simply technical questions. Full implementation of the functions we propose in this paper will require a mechanism for answering these questions; for the most difficult of these we will look to the work now being undertaken by the United Nations High Level Panel on Threats, Challenges and Change.

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