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JICA IFIC Seminar on
Integrating Conflict Prevention in the Agenda for Poverty Reduction and Aid Priorities

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Institute for International Cooperation Japan International Cooperation Agency
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JICA IFIC Seminar

Integrating Conflict Prevention in the Agenda for Poverty Reduction and Aid Priorities

The coherence among policies of diplomacy, defense and development assistance has been a big concern in the international community in regard to the peacebuilding and conflict prevention since 1990’s. International fora including the OECD/DAC have recently been discussing this topic, in the context of assistance to the “fragile states”. Donor countries/agencies are discussing how they can implement such cohesive policies in practice and which roles development assistance can play in such efforts.

JICA IFIC Seminar “Integrating Conflict Prevention in the Agenda for Poverty Reduction and Aid Priorities” invites Prof. Robert Picciotto, Visiting Professor at King’s College London, University of London, and Prof. Sakiko Fukuda-Parr, Visiting Professor at the New School, as keynote speakers. Prof. Picciotto has a long experience serving the World Bank and has just published “Global Development and Human Security”. Prof. Fukuda-Parr has many years of working experience in the United Nations Development Programme (UNDP), where she worked as the chief editor of “the Human Development Report”.

A keynote speech by Prof. Picciotto focuses mainly on the policy coherence for human security, and Prof. Fukuda-Parr speaks about the framework for integration of poverty reduction and conflict prevention. Japanese academics and practitioners are also invited for a mutual discussion reviewing the support of international community for poverty reduction and development from the conflict prevention perspective, and arguing the possibility to improve the integration of conflict prevention and development assistance particularly in the African countries.

Program

Diamond Date and Time: 15:00 – 17:45, Friday, June 1st, 2007

Diamond Venue: 2nd floor, Institute for International Cooperation, Japan International Cooperation Agency
* Language: Japanese and English

15:00 – 15:10 Opening Address: Mr. Kazuhisa Matsuoka, Vice President, JICA

15:10 – 15:50 1st Keynote Speech:
“Global Development and Human Security:
Where are we? Where are we going? How will we get there?”
Prof. Robert Picciotto,
Integrating Conflict Prevention in the Agenda for Poverty Reduction and Aid Priorities

Visiting Professor, King’s College London, University of London

15:55 – 16:35  2nd Keynote Speech :
“Rethinking the Policy Objectives of Development Aid:
from Economic Growth to Conflict Prevention”
Prof. Sakiko Fukuda-Parr, Visiting Professor, The New School

16:35 – 16:45 Coffee Break

16:45 – 17:40 Panel Discussion and Exchange of Views with Audience
Moderator:
Mr. Hiroshi Kato, Director General, IFIC, JICA
Discussants:
Prof. Robert Picciotto
Prof. Sakiko Fukuda-Parr
Mr. Shun-ichi Murata, Director, UNDP Tokyo Office
Mr. Shinichi Takeuchi, Director, African Studies Group, Area Studies Center, IDE-JETRO
Mr. Yuichi Sasaoka, Senior Advisor, JICA

17:40 – 17:45 Closing Remarks
Profile of the Speakers

Robert Picciotto

Sakiko Fukuda-Parr


Discussants:

Shun-ichi Murata

Director, UNDP Tokyo Office. He graduated from a graduate of Faculty of Law and Politics, Kwansei Gakuin University in Nishinomiya, Hyogo, holds graduate degrees in Political Science/ International Relations from George Washington University. After his assignment at UNDP Uganda from 1981 to 1983, he completed his training at UNDP headquarters in New York and in UNDP Ethiopia, and worked at UNDP Sudan and the headquarters in New York. He then served as Assistant Resident Representative of UNDP China from 1989 to 1992 and Deputy Resident Representative of UNDP Mongolia from 1992 to 1995. With UNDP’s mid career sabbatical support for research and education, he obtained a professional degree in Public Administration (MPA) from Kennedy School of Government, Harvard University in 1996, Mr. Murata served as Deputy Resident Representative in the Philippines from 1996 to 1999. From 1999 to March 2002, he served as UN
Resident Coordinator and UNDP Resident Representative in Bhutan. From 2002–2006, Mr. Murata had been appointed as university professor of School of Policy Studies as well as Director/Faculty Chair, Research Center for International Human Development, Kwansei Gakuin University in Sanda Campus, Hyogo. He has also served as Programme Coordinator for Japanese volunteers for United Nations Information Technology Service (UNITes). Major publications are Edited with Junko Kawaguchi, Akiko Yuge, Yukio Sato and Itaru Yasui “Kokuren no Shorai to Nihon no Yakuvari — Aoyama Gakuin Kansai to Gakuin Shimpojimu”, Kwansei gakuin daigaku shuppankai, 2005, and “Journey of a Development Worker”, Kwansei gakuin daigaku shuppankai, 2003.

Shinichi Takeuchi

Yuichi Sasaoka
Mr. Kato: Good afternoon, ladies and gentlemen. Thank you very much for joining us in today’s JICA/IFIC seminar entitled “Integrating conflict prevention in the agenda for poverty reduction and aid priorities.” We’d like to start the program now. I am Kato from IFIC, from JICA. I would like to serve as a moderator today.

Now, at the opening of today’s program, on behalf of JICA, Mr. Kazuhisa Matsuoka, Vice-President of JICA, will address a few words for the opening.

Mr. Matsuoka: Good afternoon, ladies and gentlemen. Thank you very much for joining today’s IFIC/JICA program despite your busy schedule. At the opening of the program, on behalf of the organizer, I would like to say a few words.

Recently international fora have been discussing the fact that the coherence and continuity of the support provided by the development, diplomacy, and security is very important for conflict prevention and preventing the reoccurrence of the conflicts. Donor countries/agencies are taking an increasing interest in how they put this into practice in terms of strategy and policy and which important roles development agencies can play.

In JICA, since 2004 we have tried to introduce the concept of human security positively and supported the peacebuilding in Afghanistan, Sri Lanka, Sierra Leone, Rwanda and Sudan and other countries. Based upon our experiences, we will ensure that our assistance will reach out peoples more than ever, and would like to try to introduce careful perspectives in to our assistance and conduct a search for more careful assistances that people can feel and enjoy peace, which reduce conflicts and the structural conflict factors.

Fortunately, here today as our keynote speaker we have Professor Picciotto and Professor Fukuda-Parr. Both of them have long years of experience and wide perspectives in terms of the development of the developing countries. In addition, we have the guest from UNDP which is a representative for the peacebuilding support in United Nations (UN). Mr. Shun-ichi Murata is the director of UNDP Tokyo office. Also Mr. Shinichi Takeuchi is the director of Asian Studies Center, IDE-JETRO. He is a leading expert in Japan as regards the conflict research in Africa.

Utilizing this wonderful opportunity, we would like to learn together with you and strengthen our intellectual and physical capabilities in contributing development and peacebuilding of the developing countries. At the end of the program, we will have time to exchange opinions the discussants and guests with the floor, so please participate in the discussion period positively. I would like to ask your cooperation for the good discussion by the discussants. In conclusion, I hope that today’s program will be a fruitful one, and this concludes my greeting. Thank you very much.
1st Keynote Speech: Global Development and Human Security: Where are we? Where are we going? How will we get there?

Prof. Robert Picciotto
Visiting Professor, King’s College London, University of London

Mr. Kato: Now we proceed to the main part of this seminar. The goal of today’s seminar is to have a close look at the inter-linkage between the efforts for development and the efforts for peacekeeping, peacebuilding, and conflict prevention. More broadly, this seminar will look into the concept of human security and explore its implications and significance in the context of global development.

To address these difficult and challenging issues, we have a set of excellent keynote speakers and discussants. Let me briefly introduce today’s keynote speakers and discussants. As introduced by Mr. Matsuoka, we have two keynote speakers. The first speaker is Professor Robert Picciotto of King’s College London. He has extensive experience in development, serving mostly for the World Bank. His current interests include a lot of fields, but notably he has a strong interest in human security and conflict prevention, and has recently published a book titled, Global Development and Human Security.

The second keynote speaker is Professor Sakiko Fukuda-Parr, who is a visiting professor at the New School, New York. She is well-known for her contribution she made while she was working for the UNDP in compiling the Human Development Report, which made a huge impact on our thinking about what development is all about.

In their keynote speeches, first Professor Picciotto is going to talk broadly about the concept of human security, and will touch on the significance and implication on global development. And Professor Fukuda-Parr will focus on the inter-linkage between the efforts for development and efforts for conflict prevention.

After a brief coffee break, the seminar will proceed to a panel discussion, and as discussants, we have three gentlemen over here. First, Mr. Murata, is the director of the UNDP Tokyo Office. The second discussant, we have the pleasure of having Mr. Takeuchi, who is the director of African Studies Group, Area Studies Center of the Institute of Development Economies, the Japan External Trade Organization. Joining also as a discussant is Mr. Sasaoka, who is from the Institute for International cooperation of JICA.

With this brief introduction, I’d like to call on Professor Picciotto to give his keynote speech on global development and human security. Professor Picciotto, please.

Prof. Picciotto: konnichiwa. I’m truly delighted and honored to be in Tokyo today. I am especially thankful to Madame Ogata to have sponsored my visit.

Nearly four years since she delivered this report to the Secretary General of the UN — this is a report of the Commission on Human Security — its central message still resonates. If human
development is about expanding choice and advancing rights, violent conflict is the most brutal suppression of human development. It has taken a long time for human security to come at the center of the development agenda, but the time for human security has come. I will argue that this pioneering concept that Japan put on the table is indeed what we need today to re-energize development.

Fundamentally, we need a new approach because as Jagdish Bhagwati said, “Globalization must be managed so that its fundamentally benign effects are assured and reinforced. Without this wise management, it is imperiled and at risk.” John F. Kennedy in his inaugural address said something to the same effect: “If a free society cannot help the many who are poor, it cannot save the few who are rich.”

Now, where does the idea of development come from? What I want to do is see how human security, why has human security’s time has come. You can go back to the 18th century, Adam Smith and so on, when the enlightenment philosophers decreed that the scientific method could be applied not only to the physical and natural sciences but also to the realm of society. A sense of optimism about the potential of rational inquiry prevails. Today a more skeptical mood has taken hold. Respect for institutions has eroded, insecurity has increased, and the aid business in particular has come under intense public scrutiny. In Japan in particular, aid levels are dropping instead of going up. Human security should re-energize development enterprise so that aid in Japan should go up again.

If you go back for many, many years in development, we started the development business in a period of enthusiasm when development economics was alive and kicking. Most development economists shared bullish views about the role of governments. They favored import substitution, and believed that public investment was the key to stepping up the rate of growth, that private investment alone could not make it. Large public expenditures were recommended to prime the pump of development. Government-led industrialization was pursued in across many sectors together with infrastructure development, with special emphasis on urbanization. Central planning offices, development corporations and elaborate controls on private activity proliferated.

This mood and this view of the state as central to development was shattered in a way by the debt crisis when the neo-liberal critics argued that development economics had promoted faulty assumptions about what the government can do, had saddled the governments with functions that it could not handle, had induced neglect of agriculture, and created so many cumbersome controls on private activity that development could not proceed.

Now, this critique was not without foundation. But the aid failures of this period can also and perhaps mainly be attributed to geopolitical subversion. All too often, aid was used to prop up unpopular, corrupt, and illegitimate governments. Aid fed corruption in those countries, contributed to internal coercion and economic mismanagement. So the ideological approach to aid was a large part of aid failures of that period during the Cold War. And I think the risk of geopolitical subversion, given the war on terror and other things, is still with us today.

Now, when the Cold War ended, the commanding heights of the aid enterprise were captured by the neo-liberal establishment and geared to the grand project of global market integration that was
made possible by the dissolution of the Soviet Union. Trade liberalization, privatization, deregulation, and devolution to the lowest possible level of the administration were promoted. The Washington Consensus backed up by the conditionality of structural adjustment was born, and it would set the tone for development assistance at the country level for many years.

Now, gradually the limits of this macroeconomic view became known and gradually the development agenda broadened, mostly under public pressure. And also, throughout the 90’s, gradual progress was made towards a new consensus on development. And for that, I must say the UN played a leading part. And last but not least in that respect, my colleague, Sakiko Fukuda-Parr, with human development reports, contributed greatly to a change in view about what development was about.

At the turn of the century, a Millennium Declaration was endorsed by all heads of state at the UN in New York. This was made even more explicit in 2002 at the Monterrey Conference. The historic compact matched improved governance and implementation of poverty reduction in poor countries — this is where the primary responsibility for poverty reduction lies — with an agreement that adjustment of policies should also begin by rich countries, not simply by poor countries, in order level the playing field of the global market. Human development superseded economic growth as the central focus of development cooperation.

However, there was a gap in this consensus, and this is a gap that human security must fill. The gap, of course, was highlighted dramatically by 9/11 when trans-national terrorism suddenly completely changed the geopolitical order. Now, while terrorism inflicted fewer casualties caused by war and poverty, the risk of dying from a terrorist attack is about equivalent to dying of drowning in your own bathtub. It’s a very small the State Department has calculated that except for the year 2001, the number of casualties hovers around 3000 a year. Compare this to the millions of people who are dying of poverty every year. But the fact of the matter is that as Machiavelli said, fear is the most powerful of human emotions, terrorists were able to play on this, and the strong military responses that they induced led to major changes, as I said, to the geopolitical order.

We are now in a period of reflection about the MDGs. They seem out of reach for a majority of developing countries. The means to reach them have been inadequate. Aid levels are still too low. And policies of rich countries have yet to be adopted to make poverty reduction a reality on a large scale. In addition, the Monterrey compact has failed to elicit the political will required to achieve those reforms in the North. Finally and crucially, the MDGs, sidestepped conflict and security altogether, even though they are embedded, as I said, in the Millennium Declaration.

Now, where are we therefore in the development cooperation business today? There are, of course, good and bad news about development. If you take the decade, two decades, 1980 – 2000, growth rates of poor countries were 3.6 % annually compared to 2 % for rich countries. So this implies progress towards convergence and induces hope. However, if pull out China and India from these numbers, the numbers look very different. The number of the rest of the countries is 1.2 % only. This means that we have divergence, and this is why, in fact, there is a need for much more effort at development cooperation.
Of course, the regional differences are very large. For these two decades, East Asia achieved an amazing 6.6% annual per capita growth, while Sub-Saharan Africa regressed by 0.3%. The results is that while social indicators improved, as a share of the total population, poverty dropped between 1981 and 2001, again largely because of the progress of China and India. Based on the two dollar a day benchmark, tragically, the number of poor people has increased rather than decreased. And in Sub-Saharan Africa in particular, not only the number of poor people has gone up, but the share of poor people has gone up as well, and this is an unacceptable situation to be in. The focus of the development assistance on Africa is absolutely warranted.

Now, what did we learn about aid? I’ve been in evaluation for a long time, and of course, there are no simple answers. Some aid recipients have experienced extraordinary growth rates that are unprecedented. The United Kingdom took more than sixty years to double per capita income. Turkey did it in twenty years. Brazil did in eighteen years. China did in ten years. Thailand tripled its real per capita income, and India doubled its per capita income between 1966 and 1990. I mean, these are amazing statistics. On the other hand, Ethiopia and Zambia had no income per capita growth at all, even though both countries have received large amounts of aid.

There are many aid pessimists today and say that aid can be a curse and aid doesn’t work. On the other hand, aid optimists can point to Eritrea, Uganda, Ghana, Mozambique, Tanzania, which have growth rates of 4.8%, and aid was a big part of their success. So aid does not always work. We must admit that. But aid also does not always fail. So, one concludes that development cooperation is not a simple business. It’s a professional business. This is why you have JICA. And this is why we need a highly professional aid system which delivers. The quality of aid is as important as the quantity of aid. Research gives weak correlation if you take it as a whole. However, if you extract humanitarian aid, if you extract the program aid, you find, and the Center for Global Development has demonstrated, that aid has a large and positive impact on growth. Every dollar of aid raises output by 1.6% in present value terms, and this is a very resilient finding.

So, aid can work when well-managed and well-targeted. Aid quality has four dimensions, (1) the consistency of ends and means within the project and program; (2) the congruence of aid and non aid policies within the donor country; (3) the degree of harmonization and coordination of all programs among donors, and (4) the alignment of aid goals and practices with the country’s own, all four dimensions of policy coherence.

So, where are we going? The development agenda has always been affected by the great issues of the day. That’s why the aid business, which is accused of having fashions and fads, always changes. In the fifties, it addressed post-war reconstruction. In the 60’s, it addressed decolonization. In the 70’s, it addressed the energy crisis. In the 80’s, it addressed the debt crisis. In the 90’s, it addressed the creation of the global market. So it’s not surprising that in the turn of the century, in the new millennium, security and the link between security and development has become central. Opinion surveys confirm that a majority of poor people are subject to more insecurities than ever in the past. We are having great problems in countries where commodity prices have collapsed. We have now
major dislocation and major imbalances in the global economy which are throwing a cloud over the current positive growth in the global system. We are living, really, on borrowed time given this paradoxical situation which has been allowed to take hold, where the low and middle income countries of the world are funding unsustainable consumption levels in the United States. One cannot think of a more extreme case of policy incoherence; having poor countries subsidize rich countries’ consumption. This is the situation today. Due to the insecurities of the global markets, huge reserves are being built up by developing countries instead of being invested in their development.

Now, so where are we going, and why does human security matter? First of all we are having a situation where natural disasters have been growing in frequency and severity, twice as many in the nineties as in the seventies. It’s the poorest countries that are the most vulnerable. More than half of natural disaster deaths have taken place in countries which are home to 11% of people exposed to natural hazards. So therefore, one issue is natural disasters. So, part of human security is natural disaster preparedness, as the tsunami crisis and disaster highlighted in this region of the world.

Violence causes huge damage, and the new geography of violence has migrated to the periphery of the developing world. It is localized. It is fragmented. It is complex. And it has adapted to globalization in the sense that there are no borders for a lot of the problems of violence. They cross borders. Refugees, disease, and environmental stress and all the rest do not respect national borders. It is a global problem and it needs a global solution.

The nature of conflict has changed. A century ago, deadly conflicts essentially involved two or more states. The bulk of casualties were soldiers. Today, most wars take place within states. Most of the victims are civilians, particularly women and children. All major conflicts underway today are wars of desperation in poor countries that aggravate the very condition that helped to trigger the conflicts. So these wars are extraordinarily destructive. We had a million deaths in Rwanda, 2 million in the Sudan, and perhaps 4 million in the Democratic Republic of the Congo (DRC).

Violent conflict is development in reverse. The average cost of a war is $64 billion, which means that even if you can avert a single war with conflict prevention, you can pay for the entire development aid. So I think conflict prevention is essentially a high effectiveness investment, even though it’s risky. It’s a high risk, high reward activity.

Now, if you look at the cost of war, it is huge. This is just one example. The budgetary cost of the Iraq War is already over $330 billion and counting.

The threat of terrorism is getting worse. I mentioned that today the numbers are not very high in terms of the casualties. However, it is the interaction between trans-national terrorism, fragile states and weapons of mass destruction. The catastrophic risks of trans-national terrorism are what is focusing the attention of policymakers in the defense establishments. And the causes are complex, deep-rooted, and hard to address. So catastrophic outcomes resulting from weapons proliferation are increasingly likely and need attention. Terrorism is not simply a dream. It’s a reality and it needs to be addressed.

Environmental stress is another area which breeds tremendous insecurities, and there is a lot of
research which demonstrates that competition for access to national resources, Darfur for example, feed conflict among nations and groups. Deforestation and of course global warming are included in environmental stress.

Now, what is human security? There are two major definitions. Japan and UNDP have argued very forcefully for freedom from want as soft security, natural dignity of men and women, economic security, health, and so on. Canada has promoted the hard security; freedom from fear, safety of individuals and groups, core human rights, rule of law, responsibility to protect.

I think the two definitions have merit, and in fact, they ought to be combined, which is of course, the synthesis of Kofi Annan which defines human security as freedom from want plus freedom from fear, and also freedom for future generations to inherit a healthy natural environment.

Now, human security is not simply a repackaging of human development. It focuses on risk management. It focuses on due diligence and prudence, something that development has not always done. It addresses both hard and soft security issues, and ascertains the linkages between them. It deals with assessment, prevention, mitigation, coping and adaptation to risk. It favors quality growth over rapid, inequitable, and unsustainable growth.

Human security is not a soft option. It combines policy coherence with risk analysis. It sets priorities, so it argues for more selectivity, not less selectivity. And where uncertainty prevails and catastrophic risks loom, it concentrates on capabilities, resilience, and adaptation. It is the prudent way to go. It is the right way to go. Because it requires analysis of the risks and goes against the political temptation to build decisions on fear and through populist and human rights violation.

So, human security is a demanding and important innovation. It means policy coherence for one simple reason. It’s because aid today matters much less than it did before. It’s important in a way as a transmission of all the policies which affect developing countries. On its own, except for largely aid dependent countries, it is dwarfed by the impact of trade — twenty-six times aid levels, remittances growing by leaps and bounds, FDI three times aid levels, and the cost of global warming which could be several times the level of aid. So therefore, policy coherence for development cooperation is no longer simply about aid, but all the policies affect developing countries. All ministries in Japan and in other OECD countries should be responsible for development, and JICA could be the central point of this oversight of policy coherence for development.

Look at the case of Bangladesh (see p. 85 pp 16 “The case of Bangladesh”). How aid was as large as exports in 1991, and in 2001 exports have, thanks in part to structural adjustments, I may say, there was a major increase in exports, and therefore, FDI as well, and remittances, and therefore, aid remains very important to Bangladesh. But frankly, all the other policies matter too. Bangladesh is paying more in import duties into the United States than France even though it is exporting so much less.

So what is to be done? What are we talking about here in terms of what needs to be done? Nurturing a culture of peace, rebuilding good governance, reforming security institutions, and tackling root causes through new policy emphases. We have a lot of knowledge from policy research. If we did development cooperation as if security mattered, we would address all the issues which are listed here,
and which Sakiko Fukuda-Parr is going to highlight in her own presentation in a minute.

And what we need is human security strategies at the country level which combine aid and go beyond aid. We need much fuller involvement with fragile states, which today are unfortunately aid orphans. The mistaken views of development effectiveness are diverting money away from fragile states. I spouse that in terms of development effectiveness, it is a wrong decision because it is based on high risk high reward theory. We need to put much more money both for security and development. One-third of the poor are in fragile states. Investment in security institutions — if you ask the poor, voices for the poor surveys, the poor will tell you that the way they are dealt with by the police, by the security services, is a problem as important as lack of food, for example. And therefore, investment in SSR is fundamental, and we need to do much better conflict management and better conflict prevention. The topic is now going to be covered.

What then is human security? Human security privileges people over states, reconciliation over revenge, diplomacy over deterrence, and multilateral engagements over coercive multilateralism.

Thank you for your attention, and thank you very much for being such a good audience.

**Mr. Kato:** Thank you very much, Professor Picciotto. Professor Picciotto’s keynote speech highlighted the importance of human security in today’s development cooperation. If I understood him correctly, he emphasized the importance of policy coherence and also called for a new way of thinking in designing development cooperation, which is a big challenge for aid workers like us, and for Japanese society, government, and for all the rich countries’ government and people.
2nd Keynote Speech: Rethinking the Policy Objectives of Development Aid: from Economic Growth to Conflict Prevention

Prof. Sakiko Fukuda-Parr
Visiting Professor, The New School

Mr. Kato: Now, I would like to turn to Professor Sakiko Fukuda-Parr’s presentation. She’s going to talk under the title of “Rethinking the Policy Objectives of Development Aid: from Economic Growth to Conflict Prevention”. Now, Professor Fukuda-Parr, please.

Prof. Fukuda-Parr: Thank you very much. Madame Ogata, Mr. Matsuoka, Mr. Kato, ladies and gentlemen, I would like to add to my colleague Bob Picciotto’s, our words of thanks to Mrs. Ogata and to JICA and to IFIC for this opportunity to address this distinguished audience today. It’s a great pleasure, but also a very important honor for me to be here and to be able to share our thoughts with people in Japan who are so committed to development and to human security.

I want to follow up on Bob’s presentation about where we have come and why human security is the paradigm for today and should guide thinking about both development policy and development cooperation, by focusing specifically on this idea of conflict prevention as a particular objective of development and development aid.

Much of the thinking about development has turned around the objective of economic growth, and then it had been broadened to issues of human well-being in its many dimensions. But the idea that development should target conflict prevention has not been part of the thinking about development policy, nor of aid in particular. So this requires some thinking about. But it’s necessary because, as it has already been mentioned, conflict is in fact affecting a large number of the poorest countries of the world today. So, what I am going to talk about this afternoon is about how we would devise development policies, specifically intended to reduce risks of conflict. So, my topic is a development strategy for conflict prevention.

I want to start by saying that it is important to keep in mind that conflict prevention has both intrinsic and instrumental value for human security. We need to prevent conflict because obviously security is a very important aspect of human life, of human well-being, but it has a very important relationship to other aspects of human well-being, such as the prospects for economic prosperity and expansion of education, health, and so on. So today, I want to focus on the relationship, in fact, between conflict and other aspects of development such as low per capita GDP and slow growth, which are highly correlated with risks of conflict, and explain however, that not all roads to higher growth will reduce the risks of conflict. I want to then explain what we know about risk factors, give examples from Guatemala, Liberia and Nepal, which are countries I visited in the last six months. And I want to move on to identifying development policies, namely economic policies, social policies, governance
Integrating Conflict Prevention in the Agenda for Poverty Reduction and Aid Priorities

reform policies, for conflict prevention, and then end with the role of external donors.

So, the fact that the larger number of conflicts today are in developing countries and in the poorest of the developing countries, has been observed by people who have been tracking this. Bob already mentioned it. This is a graph that shows that the largest numbers of conflicts have tended to be concentrated in countries with very low incomes. If you do the correlation, it turns out that a country with a per capita GDP of $1,000 has three times the risks of war as a country with a per capita GDP of $4,000. This is one of the consensus views among analysts of conflict and development. Many, many people have been studying the relationship between economic and social trends, and internal conflicts of the recent years. And there are lots of controversies, but this relationship is something that practically all researchers agree on, and this analysis has been duplicated by several studies.

Now, how do we explain this relationship? This is an observation, but how do we explain it? In some ways, you can say that it’s a war that causes underdevelopment, and there have been many studies that show this. And you can see how the war effects destroy infrastructure, it reduces exports, it undermines the social infrastructure, burns down schools, and so forth. But actually, things are not quite as simple as that because there are many cases where wars do go on and development proceeds. Think about Sri Lanka. The civil war has been going on for years and years, and yet the country is progressing economically and socially. Think also of Uganda, one of the best performing countries developmentally in Africa. There has been a war going on in the northern region for many years.

Studies show that generally in an average sense, things do go into reverse during war, but in countries as diverse as Sri Lanka but also Nepal and Nicaragua, managed to make improvements in schooling, poverty reduction, maternal mortality, infant mortality, all the while that war was going on. So this relationship between war and development is complicated. But I think generally we can say that war does cause poverty, and that is part of the explanation why so many of the wars are in poor countries.

But there are other reasons why there is this inverse relationship between income and the risks of war. And the question is, is poverty a cause of conflict? And so a lot of research has been done on trying to answer that question. And of course there are many historical explanations for war. Colonial and post-colonial power relationships have been studied by political scientists to explain war. But that actually doesn’t really tell you why it should be that there is a concentration of war in the countries with low per capita income. And so this is why since the 1990s when so many civil wars began to arise in developing countries, which economists got into the act and started looking at the relationship between social and economic factors and war. And what they have found is that there are a number of social and economic conditions that are part of war dynamics.

And there are many theories and many studies that have been done, but I find that it is possible to identify five theories, five schools of thought. One is a theory mostly advocated by Frances Stewart and her colleagues at the Centre for Research on Insecurity, Human Security and Ethnicity at the University of Oxford, and that is that horizontal inequality gives rise to political conflict and to civil wars. Horizontal inequality is basically gaps between ethnic, religious, and other groups.
So, inequality between groups as opposed to individuals. In development economics of course we have always looked at Geni coefficients, that is, inequality amongst individuals as a factor, and very rarely at the gaps between groups, ethnic groups particularly. Many of these civil wars are ethnic wars. So the fact that some ethnic groups are excluded from economic opportunities, don’t get government jobs, do not participate in the military, that all of the government ministers come from one particular group, for example, I mean these are not issues that have been thought of as part of the development obstacles. So, she identifies horizontal inequality as a factor.

Now, another group, Thomas Homer-Dixon and others in Canada have identified environmental stresses, particularly those that arise from population movements as a condition that gives rise to violent political conflict.

Overdependence on mineral resources is a theory advanced by Paul Collier of Oxford and World Bank. He led the very major work done at the World Bank on economics of conflict.

And another theory is advanced by Richard Cincotta and others who look at the demographic patterns. They find that when you have demographic pattern with a very large youth bulge, a large proportion of the population, I think about over 30% of the population are in the 15–25 age group, and when that is particularly coupled with high levels of unemployment and exclusion of these youth from other economic and social and political activities, then you have another condition that is ripe for conflict.

And finally there is the neighborhood effect. There are spillover effects of a country having war to its neighbors. The large outflows of refugees out of Sierra Leone and Liberia into Guinea, for example, create conditions for regional wars. There are issues such as trade in arms and so on.

Now, of course, a common factor behind all of these conditions and behind low incomes is a weak state. And there’s a lot of talk about fragile states. Often many countries feel threatened when the term fragile state is used because it somehow implies that a state is about to collapse and, it has this sort of baggage. But basically when one thinks about a state, one thinks about its core functions of policing so that people are protected from threats of violence, — so there’s police protection — so that there is legal protection so that your property isn’t stolen and so forth.

Another important function of the state is to provide for basic social services, such as schools and health service, and economic infrastructure, such as roads and electricity and water supply. So a state is too weak financially and administratively to deliver these basic services and fulfill its basic roles. And when you combine these structural conditions with a weak state, you have a high risk of conflict.

This is essentially what I’ve just summarized is what a decade of studies done by different scholars tell us. Now, what do we do about these findings? Are these findings robust? There is a lot of discussion amongst these scholars. The academic community is somewhat divided. I mean, they quarrel amongst themselves. I’m right and you’re wrong. Looking at all of this, I sort of feel like you are being a bit like children. Everybody is right because I think that from a common sense point of view, we all know that politics is complicated, political conflicts are complicated, and each country has its own history of political dynamics and political intensions. In many countries in which civil wars have taken place, whether it is Afghanistan or East Timor or it is Angola or Liberia or Rwanda, we
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know that these issues are very complicated and there’s a long history. But at the same time, the various factors that I have described are often present. And they certainly combine with a situation of low legitimacy of the state where people have very little faith in government because if you are living in a rural area and you are an ordinary person, you get rather little out of the state in terms of security, law, justice, providing basic education and health services and so forth. So, what I think is important to recognize out of these research findings is that let’s get beyond the academic sort of squabbles and recognize that these factors that have been identified, in fact, are mutually reinforcing, they are sort of complimentary and they’re not really contradictory, and different sets of them probably exist in different combinations in different situations in a given country.

What I think is important to take out of these studies is that you need to do country specific analysis of the root structural causes of conflict, and these structural causes of conflict that are related to social and economic factors.

When you then look at the challenges of development, obviously civil war is a major obstacle to development and to the achievement of MDGs. Despite what I cautioned that things are not that simple, you can actually make developmental progress even in the presence of war. In fact, war is an obstacle to development and the progress to achieving social and economic development. When I looked at development trends of 1990–2005 — in fact this was work done for the 2003 Human Development Report — one can identify 65 worst performing countries in terms of very low levels of progress and therefore very far to go and very slow progress being made. So, when you look at the range of 150 developing countries, 65 countries which are worse performance and which really have the worse prospects for achieving the MDGs, are vulnerable to conflict. 43 of them have been affected by conflict in the last decade, eight more have not been affected by conflict, but they are in the neighborhood so they are very vulnerable. Many of them have high levels of horizontal inequality.

There is something called the failed state index that is published by the Foreign Policy magazine. They say that 50 of those countries score high in having a legacy of vengeance seeking group grievance, 56 of them have unequal development along group lines, and 64 of them have a rise of factionalized elites. When I looked at the demographic patterns and structures of these countries, 65 countries, you have 12 where over 40 % are in this youth category, and 32 more have over 30 %. So basically, you have these risk factors that are quite strong in these countries.

Now, let’s move on to the policy implications of this analysis and this observation. Basically, the policy implication is that we’ve identified through research that these socio-economic correlates of conflict; horizontal inequality, environmental stress, overdependence on natural mineral resources, the youth bulge, neighborhood spillover, and low state legitimacy you can consider to be risk factors for conflict. Therefore, the policy implication is that economic policy, social policy, and governance reforms actually have a great deal of influence on these risk factors. The policy choices that a government faces in how you allocate your budget for education, where you build schools, where you build rural roads, where you build health centers, where you put your money in terms of whether it’s in the social sectors or whether you allocate some resources to strengthening the court system and the
police system so that people feel secure against crime have an important impact on all of these economic and social risk factors.

There are these economic and social correlates of conflict that therefore are risk factors for conflict. The prospects for achieving human security, meaning both freedom from fear and freedom from want, are these intervening policy tools, which you can actually use to make a difference in that dynamics.

So, let me just very quickly illustrate some of this with these three countries, Nepal, Liberia, and Guatemala, because I visited these three countries in the last year and did an analysis of the conflict situation and their economic and social policies. It is quite interesting to note that, in fact, in all three countries which have been affected by conflict unequal development and ethnic exclusion, or horizontal inequality, is a consistent factor in all three countries. Academic studies and opinion of politicians, of the aid community and so forth, generally point to these factors as important structural causes of conflict.

In Guatemala, you have the country where the Amerco-Liberian elite living essentially on the coast and in Monrovia was very oppressive and did not share the benefits of its mineral wealth and development to the indigenous population that lived in the interior. That led to the overthrow of the regime by Samuel Doe, and then the unraveling of the whole country that led to a very brutal civil war.

In Liberia, you have the country where the Amerco-Liberian elite living essentially on the coast and in Monrovia was very oppressive and did not share the benefits of its mineral wealth and development to the indigenous population that lived in the interior. That led to the overthrow of the regime by Samuel Doe, and then the unraveling of the whole country that led to a very brutal civil war.

In Nepal, today everybody is very concerned about the fact that development over the last thirty or forty years has been highly unequal benefiting elite. There had been social exclusion of indigenous minorities, who are the Madhesi people and the low caste Dalit people. They see this as part of the problem that has fueled the Maoist insurgency of the last decade.

So, it’s a reality that I felt that I was seeing with my own eyes in those countries, this rather technical term, horizontal inequality, I think, was part of the pattern of development.

Overdependence on natural resources certainly was the pattern of development of Liberia. There are environmental pressures too. When you think about what is happening at the local levels, there are a lot of disputes over land in all of these three countries.

There are statistically the inequalities in Guatemala between the indigenous people and the Ladino people. Whereas under the extreme poverty line according to the national criteria, 70% of the indigenous people fall below the poverty line, only 30% of the Ladino people fall below the poverty line. 70% of the indigenous children are stunted, malnourished, very severely; 35% of the Ladino population children are. These are extraordinarily high levels of malnutrition and poverty by any standard, but what I want to emphasize here is this disparity between the Ladino and the indigenous.

Similarly, this is for Nepal that while life expectancy on average in Nepal is 55 years old, it’s 60 years old for the Brahmin and 52 years old for the Chhetri. They are higher caste Hindus. But the
hill ethnic group is only 53 years old, and it’s 50 years old for the Dalits. When you adult literacy rates,
for the Brahmins, it’s 58 %, for the Madhesis, it’s 27 %, for the Dalits, it’s 23 % and so on. There is the
fact that you had much greater support for the Maoist insurgency among the Dalits, and that you have
this political instability with the Madhesis in the Madhesis Forum. Therefore, much of the political
turbulence today in the last couple of months in Nepal has been this movement of the Madhesis. Here
you see some statistics on the political participation. Whereas the Brahmins and Chhetris constitute
30 % of the population of Nepal, they have 66.5 % of the high level government positions, the
grievance of the Madhesis is that they are 30 % of the population but they have only 11 % of the
political offices and so on.

Now, some analysis of conflict based on this idea of horizontal inequality has found that there is
a correlation between levels poverty and intensity of Maoist activity in Nepal.

Now, I think the real concern that I have with these situations now having established that there are
these research findings that show, for example, that unequal development between groups actually is
a risk factor for conflict and has been identified specifically in each of these countries concerned, that
in Nepal you have a situation where inequality is rising. And the problem is, therefore, what kind of
economic and social policies do you need to make sure that these patterns of unequal development
which seems to have been a factor in fueling conflict and therefore continues to be a risk factor for
future conflict in this country, and what kind of economic and social policies are needed to prevent
conflict in the future. So, that’s the economic and social policy side.

The other part of it is the governance reform. What kind of governance reforms do you need in
order to improve on the lack of legitimacy of the state or the weak legitimacy of the state, and to
strengthen the capacity of the state so that the state weakness or weakness of state legitimacy as a risk
factor for the resurgence of conflict would be addressed? You have these problems of legitimacy due to
high levels of impunity, where state security forces are often implicated in criminal activities, where
there has been a history of very brutal state sponsored violence, and where violence against women is
rampant, which is a sign of the lack of state protection, high levels of food insecurity, high levels of
discrimination and so forth.

Economic and social policies in Nepal, I think, can do a lot more to address some of these root
causes of conflict and those risk factors. They can certainly do a lot more to pay attention to
employment creating growth and a common criticism of economic and social policies in those
countries. Economic policies lack attention to agricultural development.

I looked at the PRSP. The interim poverty reduction strategy paper (IPRS) for Liberia that was just
completed in January 2007 and the economic strategy that is being promoted is to give priority to
restoring the traditional growth sectors; mineral and other agricultural resources with very little attention
given to agriculture. I spoke to the Minister of Agriculture, who was lamenting, in fact, the fact that there
was inadequate attention to agriculture. Agriculture is very important for addressing the youth bulge and
youth unemployment. It’s very important for addressing horizontal inequality, because this is where
most of the poor people live. They live in rural areas. They are getting their livelihood from agriculture.
In Guatemala, we did an analysis of the budget. Guatemala has the lowest rate of taxation in all of Central America. Without fiscal reform, here is a kind of economic policy that can not make a big difference to state legitimacy, state fragility, redressing horizontal inequalities. The analysis of my Guatemalan colleague who is fiscal economist in this study was that without reforming taxation policy, without increasing taxation that would increase state revenue, there was little that the state of Guatemala could do to redress these imbalances that we just looked at.

So, now I just want to finish by talking about aid. Now, I think aid is obviously not the most important factor behind these economic and social policies that can address risks of conflict. On the other hand, I think one should not undermine the different ways that aid influences the potential risks for conflict. First of all, in very poor countries, aid is a very important financial resource. The least developed countries have little resources to finance their development. Therefore, more than 90% of the development budget of the least developed countries — most African countries — comes from external financing.

Aid also has an important political impact because where that money goes empowers some parties and disempowers others. And I think that aid obviously has an important influence on the choice of economic and social policy. The PRSPs prepared by poor countries are negotiated with the IMF and the World Bank and form the basis for their financial support, not only with these two institutions but also with the donor community in general. The need for conflict prevention to be part of the aid agenda is a question that has yet to be really fully elaborated, and it’s certainly something that the OECD/DAC has addressed. It’s part of the DAC Principles. But those DAC Principles tend to take a reactive, do-no-harm position as opposed to a proactive position. Let’s use economic and social policies. Let’s use aid to reinforce those elements that would reduce the risks of fragility and conflict.

I think that there is a whole agenda before us to think about this question. We don’t really have the answers. These are new questions that I am raising here. Should not we now think about how we develop criteria for aid effectiveness that thinks about aid as an instrument for conflict prevention? And can’t we think about how we develop criteria for aid allocation, because the current system of aid allocation builds on the principles of the Monterrey Consensus that says you reward good performers? You reward the countries that have good policies and good institutions and that are therefore not fragile. Thank you very much.

Mr. Kato: Thank you very much, Professor Fukuda-Parr, for your excellent and stimulating presentation. We learned that not all growth guarantee conflict-free stable society, and the choice of development strategy really matters in creating a world where, a secure world. And it is not a coincidence that the two speakers ended, concluded, their speeches by calling for a new way of thinking of development in general and of aid structure more in particular. And I presume a hundred of questions already starting to float in the minds of the discussants and as well as in the minds of the audience. But before we go on to the exchange of comments, questions, and discussion, I suggest that we take a ten minute break. Thank you for your attention.
Panel Discussion and Question & Answer

Moderator: Mr. Hiroshi Kato, Director General, IFIC, JICA
Discussants: Prof. Robert Picciotto, Visiting Professor, King’s College London, University of London
Prof. Sakiko Fukuda-Parr, Visiting Professor, The New School
Mr. Shun-ichi Murata, Director, UNDP Tokyo office
Mr. Shinichi Takeuchi, Director, African Studies Group, Area Studies Center, IDE-JETRO
Mr. Yuichi Sasaoka, Senior Advisor, JICA

Mr. Kato: Good afternoon again, ladies and gentlemen. We are starting the second half of the seminar, and that is a panel discussion on this subject. Here is how the panel discussion goes. We are going to start with the comments from three discussants, Mr. Murata, Mr. Takeuchi, and Mr. Sasaoka, and the two keynote speakers will make a response to their comments. And this is the first round of questions and answer session. And then the seminar will open the floor, will turn to the audience for questions and answers. We will accept questions and comments from the audience as long as the time permits. And this is how the panel discussion goes. And I beg you for your cooperation.

Now, I’d like to invite Mr. Murata, UNDP Tokyo, to make his first comments, please.

Mr. Murata: Thank you, Mr. Chairman. I am very much honored to be here together with the quite worldwide well-known two of the professors here.

In fact, I am agreeing to their presentation more than I am disagreeing. However, I would like to make sure my raison d’etre is here, so I would like to make some more constructive but difficult perhaps questions and comments.

I do understand the cause of conflict. That is nothing too much new about it. And this could be something to do with type of regimes, and participation of the people in terms of policy agenda, and economic wealth and redistribution issues, social strata, and so on and so forth.

Now, based on that, I would like to also make a comment and also the clarification from the two professors, that is so-called Washington Consensus, the structural adjustment. This is a very important missing point that they have maybe deliberately omitted — both of them used to be the World Bank officials — and this really triggered off quite a repercussion amongst the developing countries. I do consider that this is far from success in terms of the positive intervention and in terms of poverty reduction in developing countries. When we look back, there was one time in Argentina and Brazil when several hundred percent of inflation they suffered, a handful of policy experts and elites enjoyed the economic benefits at the cost of the reduction of social services, whereas in African countries they were struggling the debt services.

Now, when it comes to the donors relationship with the recipient countries, it is very, very important for us to analyze who owns this really important aspect of the conflict prevention, and how
the donors or the participating institutions are going to be in the picture of this. Ironically, so-called weak and fragile states and the donors have to channel through the government. And this is very ironic. That’s the reason why the capacity building or governance element have surfaced recently in terms of the project and programs.

Professor Fukuda-Parr mentioned that in terms of the income from $1,000 to $4,000, there is some indication of the conflict. This is all the more reason why I’d like her to explain the redistribution of wealth in the country and community. This is aggregate figure, from 1,000 to 4,000, but it doesn’t necessarily mean how it is distributed within a given country. This is the really key, I believe.

Now, when it comes to “aid bombardment”, Professor Picciotto mentioned that there may be “aid bombardment” I have visited Sri Lanka recently, and unfortunately I have come across the emergency funds and so-called “crisis-rich” communities were there. At the same time, there is a transition element from the emergencies to the rehabilitation, and to the development. How those are interconnected? Who are the stakeholders in it?

I’d like two professors to look at the stakeholders’ analysis; government role, civil society’s role, private sector’s role, perhaps UN agencies’ role as well, including World Bank. I do not want to campaign the UNDP, but there is also the Human Development Report. The genesis of the Human Development Report is coming from the developing countries scholars. Not many people know about this. This is the voice from the developing countries, which may be some ways to looking at the different way of the world in development.

Now, risk management and early warning, they are important. That’s the reason why there is a national human development report being established recently. That indicates the distribution of wealth and education issues. For instance, I was in Philippines in 1996. I was directly engaged in the Mindanao and the peace and development negotiations with Moro National Liberation Front. We have initiated national human development report to highlight how the Mindanao region is natural resource rich, however, how it is less paid attention in terms of the wealth distribution, education, amongst others. This is a very important aspect of the risk management flagging what’s happening within a country. I’d like them to comment on the early warning and risk management they mentioned, then, what kind of early warning they are thinking of. I proposed already, national human development may be one of them.

The last of them all, we should think about the pace of development. Often, because of the donor’s budget cycle, we impose the developing countries how it has to be spent. If this is in Japan, this is a twelve-month cycle. If those are unspent, they cannot carry over. If we are given such conditionality, this might trigger off the corruption, and could be mismanagement of funds. We have to consider that miraculously Japan from the World War II reconstructed in 60 years in the way we are now. Do we think that the pace of the development can be just like ours? This is where the policy coherence within a given country has to pay attention and how we can customize their pace of development. And the quality of leadership, too. That is where we are emphasizing governance indeed. Those are the things we’d like to discuss, and I’d like to hold the comments like this and I’d like to hand off to the next. Thank you.
Mr. Kato: Thank you very much, Mr. Murata. Now, we go to Mr. Takeuchi of the Institute of Developing Economies to comment.

Mr. Takeuchi: Thank you, Mr. Chairman. I have read the two papers in advance. I would like to make a brief comment from the standpoint of a researcher, since I have studies in these years on conflict in Africa.

I think that both of two presentations were very exciting and important to reflect on the future direction of international cooperation. They contain many interesting arguments, which is worthwhile discussing here.

At first, it is important that they clarified the meanings and significances of human security in the context of development aid. It should be considered as the newest framework of development cooperation. Thoughts and practices for development have historically changed. For example, while the role of government for development was praised in the 1960s, it was however dismissed in the 1980s. The main objective of the aid has also shifted from economic growth to poverty reduction. Such changes of international cooperation have taken place following the realities of developing countries.

Two presentations reminded us several realities that we are now facing. Actually, the MDGs seem out of reach for many developing countries, especially in Africa, where armed conflicts are rampant. Conflicts have most likely to occur in the poorest group of developing countries, which tend to receive less amount of aid than richer and safer countries. Although we have a consensus that the poverty reduction is the highest priority for the development cooperation, the fact is that the aid flows have tended to avoid the poorest countries, and their development have been often hindered by armed conflicts.

These realities request us to reconsider the actual way of aid policy, and more broadly, the relationship with developing world. In this context, as two presenters pointed out, we should be aware that development issues and security issues have been converging. This is the focal point with which we should tackle to solve problems of the poorest countries. It also relates to our own security. The concept of human security is necessary in order to deal with this crucial area of development issues. As Professor Picciotto stated, development must be “securitized” while security must be “developmentalized”. Two presenters have well clarified the significances of human security in the context of development.

Second point that I would like to emphasize is that dealing with fragile states is important, and even inevitable, in the actual context of international cooperation. I do not have enough time to explain the definition of fragile state in detail. But it is clear that in actual world, there are many states in which conflicts have repeatedly taken place because of the lack of capacity and legitimacy of the central government. These countries are the actual main concern of the international community, and we can found the majority of them in Africa.

Two presenters point out that dealing with fragile states is a corollary of the logic of poverty
reduction. I think this point is important. Problems concerning fragile states tend to be considered as security issues. But in today’s world where security issues and development issues overlap each other, improving the situation of fragile states is crucial for the objectives of poverty reduction. In other words, the objectives of poverty reduction will not be achieved without dealing with complicated problems of fragile states, such as corruption, conflict management, peacebuilding, and so on.

Third point that I consider very important in two presentations is the emphasis on policy coherence. The argument was persuasive. Donors should make much more efforts for the common objectives of the international community. Aid is the only one part of international policy. In addition to aid, policies in such domains as trade, investment, and security should be examined for donor countries in order to be consistent for the objective of poverty reduction. This means that agencies concerning international development should coordinate each other in order to make their policies coherent. I think that policy coherence for poverty reduction should be more seriously discussed in Japan.

Professor Fukuda-Parr’s argument was stimulating for me as I have been studying conflicts in Africa. My fourth comment is related to her paper. She proposes that main objective of aid should be focused in conflict prevention. This is an important proposition to be reflected. I totally agree that conflict prevention should be the critical dimension of aid, and it deserves much more attention than actual practice. On the other hand, if we regard conflict prevention as the objective of development, and if we try to judge aid effectiveness against contribution to building democratic governance as written in her paper, some difficult problems seem to appear. The problem concerns to the definition of peace. What is peace is difficult to define. We have therefore difficulty to measure the policy effect for the conflict prevention. Success of conflict prevention for some may be an unjust status quo for the other. Judging what is desirable situation is not easy to be determined.

The same problem will occur concerning the democracy. It is clear that democratic governance is necessary for conflict prevention. But here too, what is democratic and what is desirable is not necessarily clear for all. The quality of democracy is often measured by formal institutions such as introduction of multi-party system. We know however that authoritarian regime can adopt formal democratic institution and continue to be authoritarian.

In sum, if we put the conflict prevention as the policy objective of development aid, measurement will be difficult. And we know that in the practice of aid policy, measurement is often required. How can we tackle with this problem? My comment does not aim only to criticize Professor Fukuda-Parr’s argument. I totally agree with the importance of conflict prevention in the context of development aid. I think it is necessary for us all to reflect how to deepen and strengthen the relationship between conflict prevention and development aid. Thank you very much.

Mr. Kato: Thank you very much, Mr. Takeuchi. Now, the third commenter is Mr. Sasaoka of JICA.

Mr. Sasaoka: Thank you very much. Today’s two presentation were very stimulus to me and also
JICA as an aid organization. Talking about the horizontal inequality, for example, traditional approach of aid is essentially based on the project. So a project tried to aim covering limited geographical area, like villages or part of the district, so that in that kind of approach, we could not obtain the purpose of the solution of the horizontal inequality. So, in that sense JICA is now trying to adopt programmatic approach. Trying to cover the wider geographical area will be necessary. We need to think about what kind of concrete methodology will be attached to that.

Professor Picciotto and Professor Fukuda-Parr have begun their research project. Today is just a kick-off day of the research project. Meanwhile, JICA as an aid agency is going to learn the research outcomes, to do the intermediary exchange of views and to also conduct several small research projects on the country basis. UNDP and JICA would like to make more profound analysis and collaboration on that front.

I would like to express my personal view. Not so long. It is true that fragile states and weak states now face the risk of being aid orphans. The present aid allocation done by outside donor is extremely unfavorable to these countries. There’s a concept of a good performer and a bad performer, like a good boy and a bad boy, and a good performer is becoming more aid dependent. In today’s MDGs trend, the features push to donors to expand aid volume dramatically, while a bad performer is left behind, as explained in Professor Fukuda-Parr’s presentation, facing the risk of eruption of violent conflict in the future. Therefore, I fully I agree to the view of the both presentations done by both professors. Rectifying donor policy approaches and aid flows to fragile states, and developing conflict prevention are necessary, because I think that today’s MDGs or post-Monterrey which increased aid flows have been somewhat risky to even good performers in the sense of aid dependency. I’m not denying the fact that aid should be expanded, and today’s trend of trying to expand aid is absolutely necessary. But it should be matched with the formation of capacity building in each recipient country. As Professor Fukuda-Parr mentioned, 90 % of the development budget in the least developing countries actually comes from external assistance. So that is the reality. And if it is sustainable, like a generation period, I do not have any complaint on that. But I think this kind of framework still dose not endure firmly for a long period, like 30 years yet.

I have two questions on both professors. One is regarding the resource allocation in fragile states. The other is about an aid framework. The first question may be overlapped with Mr. Murata’s comment. I should say that not a few countries are still undemocratic and tyrannical, and considered not having a strong political legitimacy and rigorous neutrality in conducting resource allocation to people, especially to the poor and the minority. Therefore, if donors can increase aid to these countries, what kind of new measures and interventions, methodologies, are necessary and desirable in order for the regimes to deliver essential services to their people?

Second, I understand the current trend of selectivity of good performers in aid allocation is basically based on the idea that we need to focus on the aid effectiveness. Without pushing too much conditionality, if some country is selected on some criteria, donors do not have to push much conditionality to them. That kind of thought is the reflection of the ownership formed since mid-1990s.
But within that framework, selectivity approach has been proceeding. That means it has been eliminating many other countries actually terribly need development assistance. For example, the same approach can be observed in the FTI of primary education. If you say that, this trend of aid selectivity should be deformed. I personally fully agree to that the idea must have implication in aid effectiveness. It may also suggest a change of whole framework of result oriented assistance. So I'd like to hear just the key points. These issues are very difficult and easy to say and difficult to answer, but just the key points I'd like to know. Thank you very much.

Mr. Kato: Thank you very much, Mr. Sasaoka. Now, I must ask the two keynote speakers to accomplish a mission that is impossible, that is to say to respond to all these comments within a very limited time, because I want to save time for the exchange of opinions and comments with the floor. So perhaps may the two speakers make responses to these comments within, six, seven minutes each? please, starting with Professor Picciotto.

Prof. Picciotto: Yes, these are very interesting questions and comments. Let me start with very interesting comments about structural adjustments. Now, structural adjustments did not always fail. In many countries, it succeeded. Take Turkey, take Bangladesh, Uganda. The problem with structural adjustment is that it was asymmetrical. I mean developing countries are quite prepared to adjust to globalization, provided developed countries did the same. They haven't done the same thing. So I think that's one aspect.

The other aspect obviously is the focus on macroeconomic, like Washington Consensus. You talk to finance ministers all over the world including in Africa. In fact, macroeconomic is not an issue because to balance the budget and so on is almost obvious. The problem with structural adjustments is that it was not done — sins of omission. That is, not enough emphasis on capacity building, not enough emphasis on essentially people friendly policies. It was too much focused on globalization and connectivity to market approaches. And of course, the later version of adjustment took these things into account. Now, there is absolutely no question on Mr. Murata said that one needs to involve public sector, the private sector and the voluntary sector in a tri-sector way to achieve adjustments with a human face.

When it comes to early warning system, I think one of the good indicators would be to look at internal violence indicators. Small conflicts are precursors to large conflicts. But in fact, the evidence suggests that we have a lot of indicators, but the political will to address those issues is what’s often missing, both domestically and internationally.

Regarding the pace of development, I mean, high growth is correlated with low conflict. To me, it’s not a question of the pace of development. It’s really the quality of development.

Quickly respond on interesting comments from Mr. Takeuchi, I think the issue of coherence and what metrics to be used is a very important and interesting issue. It seems to me that if we take the human life in a sense as a metric for security and development, one would come up with quite different
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resource allocation. We are spending at the moment 30 times as much on the military as we are spending on aid. The question is if it is increasing security or increasing insecurity. An investment in aid is an investment in security, and if one looked at the number of investment in water supplies and investments in arms, one probably would find that we have the wrong resource allocation at the moment. And equally, I think, the example of Sweden is to be applauded in the sense of looking at development on policy coherence basis I already mentioned that.

I must say I also agree that the literature confirms the points made about being cautious on democratization, particularly democratization at the point of a gun. But even the emphasis on elections by the UN is of course valid. When it’s done at the expense of development, sometimes it can create problems. And the evidence is that while democracies don’t go at war with each other, the process of democratization can in fact be quite conflict ridden and requires very careful and prudent management. In other words, to have elections and to push on democracy without having a prerequisite of democracy, including a civil society, can be destabilizing in certain conditions. That’s why conflict analysis before investing in fragile states is so crucial.

Finally, I would like to make a quick response to Mr. Sasaoka’s issue about selectivity. I do not think that human security or the focus on fragile states means to be less selective. In fact, it means a different way of measuring selectivity. I think if one were to add policy coherence to the mix, one would come up with different allocation. You’ll find in the book (“Global Development and Human Security”) that when you state fragility as an indicator to allocate aid, one would come up with quite a different allocation. I think that it does not mean that we should throw money at the problems of fragile states. Now the question is how you do aid in fragile states. This is also to some extent covered in the book. But we need to do more research in this area. One obvious way is not initially to rely too much on the state, since the state is very often very weak, and to try to work involving private sector and the voluntary sector, at the same time building government capacity is necessary, because the ultimate solution is to really rebuild the state. So I think one ought to be prudent about channeling money through the state when it’s too weak, and there are other ways of transferring resources in stead of going through the state. And therefore, one needs to look at instruments in a way which is conflict preventative of other than conflict and corruption inducing.

It is a tough area. I agree with Mr. Sasaoka. We need more analysis of how to reach appropriate level of resource and finance in fragile state. It’s not an obvious question. But certainly the evidence today is that even if you take account of policy dysfunctions, according to the CPIA we have aid orphans who are getting 40 % less than they ought to be getting, particularly in West Africa. I think this needs to be remedied as a matter of urgency. Thank you.

Prof. Fukuda-Parr: Thank you. I won’t be able to address all of the questions and comments, but I would like to thank the commentators for all their very interesting ideas and questions.

First on the structural adjustment, we’ve lived through this era of structural adjustment and I think there are many aspects to this. As Bob said, it worked in some countries and it did not work in others.
I think there are certain lessons to be drawn from this. I think one of the critical problems of the structural adjustment effort was not necessarily in the policy mix itself. Depending on the country, of course, there was a real problem of narrowness of attention. The structural adjustment policies were put in place because there were problems such as massive deficits and massive balance of payment gaps. These problems had to be resolved. But the solution was blinkered one. One said that you have to solve these macro imbalances and you are deliberately being blind to the social and economic and now political consequences. That’s also recognized that it came with a baggage in a context of a generalized trend towards privatization and liberalization that was the other part of the prescription, which also threw away the role of the state as something that was harmful. So in a sense one threw out the baby with the bath water. And I think it probably had political consequence in weakening the state further. So it wasn’t just that you had to balance the budget and cut subsidies or education support. And that had terrible consequences for mortgaging the future of the countries in terms of the children and their education. It undermined peoples’ trust in the state and the legitimacy of the state.

I think these are the consequences that one needs to pay attention to when one is thinking of development policy and of aid policy as not only inputs to economic stability and growth, and not only to human resource development, but also to political stability, improving the legitimacy of the state, improving the functions of the state, and reforming the state so that it can play the role that it needs to play to protect peoples’ entitlements and rights.

Now, I think Murata-san has pointed to a very important aspect — which is the quality of leadership that we did not talk about. These are the critical issues that are important in conflict prevention, which go beyond the type of analysis that I went into.

I think the comments by Mr. Takeuchi about the problems of measurement which are absolutely spots on in terms of the challenges that one faces when one starts thinking about how you actually develop criteria, and policy instruments for using things like development aid and development policies for the purpose of conflict prevention. I mean there’s a huge agenda for further work to be done in this kind of area.

Now then, finally, I think the question of aid allocation to countries. Mr. Sasaoka’s question was about countries that do not have the type of policies in place for that would reduce, for example, horizontal inequalities. And the questions were what donors do to increase aid to regimes and what donors do about conditionality. I think that we are no longer dealing with a situation of donor/recipient relationship. We do talk about partnership. I think this is where one has to differentiate between aid to countries that are much more aid dependent, that are highly vulnerable to the outbreak of conflict, and others. I think there is very quantitative different relationship between a donor and Brazil versus a donor and Malawi. I think the level of aid dependence and therefore the level of real partnership that is needed. It’s a much deeper partnership that is needed. It is not just about regime change or anything of that kind. It is about partnership on public expenditure policy. After all, aid is financing much of public expenditures. Therefore it has to be an in-depth partnership about public expenditures to start with other aspects of development policy.
Mr. Kato: Thank you very much, Professor Fukuda-Parr. Now, we turn to the audience for comments and questions. Will you try to be as brief as possible in the interests of time? Thank you.

Mr. Watanabe (Visiting Advisor, JICA): Professor Picciotto, Professor Fukuda-Parr, thank you very much for your wonderful presentations. As our discussants pointed out very interesting arguments and the very good arguments of two keynote speeches, I would like to give a very brief critical comments.

For Professor Picciotto, dispute about the human security and conflicts were provided with an orthodox manner. However, any new hypothesis has not been provided. The point that I agree and that is related to Mr. Murata’s point, is the importance of the tailor made approach. I very much agree with Professor Picciotto. On the other hand, towards the last part, through the improvement of the conflict control and management for the long term peacebuilding my experiences in Bosnia and Afghanistan tells me that another part of the issue have to be considered in pairs, which is to sustain the interest of the international community towards the developing nations. This is very important point.

For two speeches, as it was raised by Mr. Takeuchi, the last portion of the policy proposal should be more persuasive, and be more expanded and developed. For Professor Fukuda-Parr’s presentation, the co-relationship was raised. But conflict is very complicated. Therefore, individual analysis is needed. But what other original message have you raised?

Now, two presentations are the first step of your policy research, therefore, as you deepen your approach of the research and reconstruct your methodologies, I hope that you will expand your research themes.

Mr. Kanga (Councilor at the Cameroon Embassy in Tokyo): Thank you. I would like, first of all, to thank the speakers for their contributions this afternoon. I would like to direct my question to Professor Fukuda-Parr, particularly.

I can see from the paper she presented that on p. 120 (see handouts), there is a table. On that table, it is said that in 1996, Cameroon was affected by conflict. I don’t remember so. And if so, I would like to ask her to elaborate on that.

And secondly, I can also see that the performance of Cameroon is assessed with an index for failed states. I’m a bit surprised because I think there’s a difference between a developing country and a failed state. And if you consider the case of Cameroon that is one of the best economies in French-speaking Africa, I don’t think we can consider that government is a failed state. So, can you elaborate on that and tell me the difference between developing country and failed state, and the criteria which are used to define a failed state? Thank you.

Mr. Sato (University of Tokyo): My question is to Professor Fukuda-Parr and also Mr. Murata.

The first question to Professor Fukuda-Parr is what is your definition of poverty? In the topic of the poverty reduction, how do you define the poverty? I think this is not just the matter of income or financial things. I appreciate Mr. Murata mentions distribution of the assets, and also Mr. Takeuchi’s
I want to explore more, not only just the politics but also the norms of justice. I think people most of the time struggle for justice. It’s people that fight for their poverty and justice. So, I think how the people feel justice is one of the key elements. So in this sense, rights-based approach of the development discourse also might be one of topics, more specifically such as how to establish rule of law. If it’s not so realistic, some kind of alternative dispute resolution is ADR. In this sense, in order to empower the poor people with a legal point of view, the legal aid is also should be considered in the development policies, I think.

And the second question to Mr. Murata, Mr. Murata mentioned Mindanao’s case. I think this preventive approach of development is not so new. Especially in the Philippines, as a kind of a low intensive conflict zone, American military used development as a tool for military purposes. So again, it is the matter of the politics. So I just emphasize a rights-based approach. What do you think? Thank you.

Mr. Kato: Thank you very much. Now, I’d like to ask the speakers and discussants to respond. Who will go first? Professor Fukuda-Parr?

Prof. Fukuda-Parr: Yes. Thank you very much. Thank you very much for these questions. Question is from Mr. Sato from University of Tokyo. The way in my presentation I didn’t really go into it. But I personally define poverty as human poverty as opposed to income poverty. The conventional way of defining poverty is lack of economic resources and lack of income, and gets measured by a line of a dollar a day. But poverty is actually lack of capabilities. This is the way that I would define it, and therefore it would have multiple dimensions in terms of the absence of capabilities to lead the life that you would like to lead and capability to have choices. Therefore it has many dimensions, such as the capability to live a long life, a capability to be knowledgeable, and to have information capability. Also, I think it’s not a position that many people necessarily agree with. I think that dimensions such as having a voice and say in decisions that affect one’s life are an important aspect of a life of poverty.

So now, I think the relationship between justice and poverty is very important. I do very much subscribe to the recent work on poverty as reflected, for example, in the “Human Development Report”, which I have authored, but that’s also reflected in the more recent general works such as the World Bank’s “World Development Report of 2000” on poverty that looks at poverty and justice as something that’s much related. They explain that poor people are poor because they have no political voice, because they lack security, and because they lack economic opportunities. So, the fact that you may have low incomes and the fact that you may not have access to education and health are all very much part of absence of an institutional governance framework whereby those rights and those equal rights of individuals are assured.

So I think these issues are the way in which human rights are guaranteed. I think those are really the conditions of poverty that are also highly related to the political dynamics that give rise to
conflict. And I think we need to recognize the relationships between the political gaps of poor people and the economic gaps of poor people, and the relationship between those things and the vulnerability to conflict.

For the gentleman from the Embassy of Cameroon, I apologize if I misled you. I am here presenting a table in my paper that is compiling data from published sources. So, according to the data compiled by called PRIO, which is the best available data on conflicts, they define a conflict as a contested incompatibility that concerns government and/or territory where the use of armed force between two parties, of which at least one is the government of a state, results in at least 25 battle-related deaths. And according to that database, in 1996 there was this kind of violence. I will have to look into it to see if this database is wrong.

Now, similarly with the failed state index, I share your concern with this terminology. I mean it’s a very loaded word, because what they are talking about is a situation in which they assess that a country is vulnerable to the outbreak of civil war. And this is an institution that has created this index which is published in the “Foreign Policy journal”, and I am using the assessment in the publication. And included in it, actually, there are a number of indicators. I have picked on some of those indicators that are relevant to the arguments that I make in this paper, that horizontal inequality is an issue. And so the other index that they have here relate to processes that are going on that not me, but they observe where there is a legacy of vengeance seeking group grievance, where there is a rise of factionalized elites, and where there is uneven development along group lines. I think there again, each one of these numbers needs to be looked at. But it is a source of data that has certain credibility, so that it’s being used by people.

Prof. Picciotto: I have only one response to as I understood the first question had raised the issue whether we came up with anything new. I think I certainly plead guilty on this. I think the purpose of the work we have been doing including the book that you have reference to, was not to come up with a new hypothesis but simply to compile the state of the art, where we are in this whole debate. I think a great deal has been achieved in policy research in this area. What is new is not necessarily good, and what is good is not necessarily new. So I think we’re really talking here about what would be new is to apply the lessons learned in practice. If we do a public expenditure review in a country in cooperation with the government and one doesn’t look at how security expenditures are managed, that is not a decent review of public expenditures, for example. And I think at the moment, this is not being done systematically. This is just one example. If one doesn’t look at the pattern of aid and the pattern of public expenditures in terms of horizontal inequalities which is the quite clear evidence of conflict inducing would be something new.

I do fully agree as well that sustainability of interest is crucial. The international community has a limited attention span. In fact, to try to get a sustainable peace requires generations of involvement, because it took generations to get to the conflict. And to keep a long term view — to keep engaged over a long time is really a test for the international community to stick to it, because the
evidence, unfortunately, is that half of the peace agreements collapse within five years. That is again an indication that once elections are held, there’s a tendency a certain amount of peace has been restored, there is a tendency for the international community to withdraw. There is also evidence that at the time when aid is most needed for five years after that to really get the economy going and to be able to reintegrate the former combatants in the economy aid flags. And that’s why the aid orphan problem is a very serious problem.

Fragile states ought to get much more attention. This is the question the gentleman from Cameroon is quite correct. It is true that a focus on fragile states does not imply that those are failed states. It simply implies that the fact that not enough attention has been given to the least developed countries in particular, and that of course performance should be rewarded. But also one must go back to the basics of development, really, which is to help the countries which need it the most. Thank you.

**Mr. Murata:** Thank you very much for giving me the opportunity and Professor Sato from Tokyo University. I’d like to just complement the two professors here. Now, in terms of Mindanao in the Philippines, it’s rather relevant of the two professors mentioned. First of all, migration factor to the Mindanao has been historically one of the main causes. People consider that this is more the religious so-called issues. It is not in fact. It is a combination of many. And at the same time, the urban consumers’ and the rural producers’ gap is where the poverty gap always takes place in this part of the very, very serious potential conflicts. Sometimes it’s diamonds. Sometimes it’s the resources in Mindanao like rare metals, natural gas, probably oil, crude oil, and so forth. Mindanao is supplying almost 30% to 40% of agricultural products to the urban areas. Ironically, that island is the really the center of Moro National Liberation Front. This was dissolved and became the Muslim Moro Islamic Liberation Front.

Altogether, what is important is that the post-conflict peacebuilding initiative and potentials to flare up towards a conflict, which we have to invest. If this flares up, it costs a lot; human costs, physical costs, infrastructure, you name it. That’s the reason why we have to spot the warning system, but at the same time, together with other stakeholders, we have to make every effort not to make it worse first. And for that, preventive rights-based may be the element of the aid effectiveness. So far, Mindanao has not been flared up since 1996, though the situation is rather complex. The efforts from the donors together with stakeholders are relatively working well. We shouldn’t give it up simply because it is muted but major element of the conflict is still there because of the resources.

Now, the good sign is that ex-combatants learned to be integrated into the community, and some of my friends became the mayor who used to be the head of the combatant groups, and he is a mayor of Cotabato, major city of the conflict. And he was elected three times, and in the majority of Christian. He is Muslim.

There is a certain element that we have to pay attention and not to just to give up. Since the situation has calmed down, then we withdraw. We can’t. We have to put a bit more effort for a long span of the peace and development commitment from donor communities. That is a very important
conflict prevention exercise which we may be neglecting so far. That’s the reason why the Mindanao case is a very important factor. When I was there, we held an international conference for Moro National Liberation Front and invited from ex-combatants in Uganda, El Salvador amongst others, and discussed how those people who were ex-combatants to be integrated into the community as “citizens” of the country.

We have to and we may have to put the stakeholders’ efforts together and look at the long span of conflict prevention. There will be no shortcut, I believe. I hope I was able to answer the question. Thank you.

**Mr. Kato:** Thank you very much, Mr. Murata. Now we will go on to the second round of questions.

**Mr. Ambassador Rwamasirabo (Ambassador of Rwanda to Japan):** Thank you very much, Mr. Chairman. I enjoyed really listening to the presentations by the professors, but also discussants. I’m not going to dwell so much on the good things that I have had, and I agree with many things that were said. I’m just going to highlight some of the points that I think should be looked at more deeply.

One is a general comment on the presentations. Really, I have the feeling, many of these presentations put too much emphasis on published papers and reports with very, very little input from what is taking place on the ground. I can understand why somebody can be frustrated to see some data in a very reputable paper appearing as if it is the truth about his country. So, I think it’s very important to take note that so many new things happen on the ground, and I think it is very important to try to learn from what is actually taking place on the ground, because the countries, the society and the communities are trying to find the solutions to all the problems that have been identified here. Many communities and many countries are trying to find solutions to the problem of weak states, because they also recognize that without a strong and capable state, there is nothing you can achieve. You can’t achieve peace, you can’t fight poverty. I think it’s very important for the partnership. The dialogue that Professor Fukuda talked about goes deep to see what has taken place there and how we can learn from also those initiatives from the ground, and balance a bit the weight of reports published and their established indexes. This is a general comment.

I liked also two very important factors that were highlighted by Professor Fukuda-Parr; the relationship between the per capita income and the weak states. By the way, in my country a few years ago, there was a national survey asking people, such as what do you think are the causes of conflict. And poverty as you described it, and the poor management of the states were among the three main factors that were identified. Of course, the other one was lack of social service delivery. These were the three main factors that were identified by the communities.

So, I think when we think about future development policies and cooperation, it’s really very important to find innovative ways of assisting countries to build their states to build the regulatory framework, to build the police, to build the judiciary, and to build the instruments for transparency and accountability. These are very important. Without those instruments, they feel the states that emerge
from conflicts are going back to conflicts. So, I think it’s very important to take up.

The other aspect of course that I did not hear very much is the rebuilding of the economy of countries. Africa faces a huge energy deficit. And yet the potential is there. Without energy, there is no way you can create wealth. There’s no way you can export. I think it is obvious.

So, I think these are some of the factors that drive the economic development in all countries. We cannot focus only on social sectors in order to create better political and economic environment. This is soft infrastructure, as my president called it, but he also talked about hard infrastructure. That’s very important for development. I think there must be a balance between all those, and I think infrastructure development, and trade and investment are also very important for poverty reduction, and are very important for conflict prevention.

I had a lot of other things to say, but I think for the sake of giving time to others, I’ll stop here. Thank you very much, Mr. Chairman.

Mr. Kurosawa (JBIC): Thank you, Chairperson. I have one brief question which goes to Mr. Murata regarding the UNDP policies on natural disasters and peacebuilding. The nexus between disaster risk management and peacebuilding has been recently emphasized in various fora because both natural disasters and conflicts are very much correlated and they give negative impact to each other. It is therefore important to integrate the concept of disaster risk management in peacebuilding and vice versa. Therefore, I would like to know how UNDP takes into account this point when UNDP formulates strategies for disaster risk management and peacebuilding. Thank you very much.

Mr. Kato: Okay, thank you very much. Now, we are coming close to the end of the seminar, so instead of asking individual discussants and speakers to respond to those comments, I’d like to ask each one of the discussants and speakers to make a final summarizing comment. And please include your responses to those comments raised by the two speakers.

And I would particularly like to ask the two keynote speakers to make a statement about Japan’s role in international development. The year 2008 is going to be a very important year for Japan. A new JICA is going to emerge by the merging of two aid organizations, and TICAD IV Conference is going to be held, and Japan is going to host the G8 summit next year. So, it is clear that Japan is going to face a very big challenge in terms of international cooperation and its contribution to international community. So, I’d like you particularly, Professor Picciotto and Professor Fukuda-Parr to comment on what kind of roles they expect from Japan.

Now, with this introduction, I’d like to ask Mr. Sasaoka to make a final brief comment please. Thank you.

Mr. Sasaoka: Thank you very much. Today is a very wonderful opportunity for us to find the new way of rectifying the situation. Situation is that a donor, recipient countries and societies needs to collaborate among them and build up a new strategy. The strategy is actually maybe nothing new,
but will make a great impact on today’s MDGs trend based on the result-oriented management approach. And I am very enthusiastic about the process of this research project. So, the research project has just begun, so you will see what kind of process are from now on. Today’s audience’s responses are basically in favor of presentation but reminding us a bottom up approach and rights-based approaches. These kinds of peoples’ collective actions are actually important to form the peacebuilding on a permanent basis. So, that kind of element is also important. I agree to that view. Thank you very much.

Mr. Takeuchi: I must say I learned a lot in reading two papers of presenters. I really thank two presenters to give me an opportunity to read your paper and to think about what to be done for the development in difficult situation. Especially I would like to mention two points.

The first point is, I usually think about conflict in African countries, and from these cases, I always think that legitimacy is very important for conflict prevention. And in the same time, it is very difficult to provide legitimacy from outside. I mean that outsider assist or give or provide capacity to foreign countries, but outsiders cannot give the legitimacy for the country, and legitimacy is sometimes the tenet of the conflict.

And what I learned from the papers is the importance and possibility of the concept of poverty reduction. And rather I am studying on political science, so I did not think about much on this issue seriously. But for example, if some government make effort to reduce poverty seriously, it is clear that such attitude raise the legitimacy of the government. So, the attitude to tackle with the poverty reduction is closely related to the attitude to higher the legitimacy. For me it is a sort of clue to think about this problem.

And second point is what was the mostly interesting for me for the paper is about the policy coherence. Rather I must say it was eye opener for me. I really thought that we should think about this issue seriously because we often talk about what we can do for example, in Africa or in Asia or in other countries to help them. But at the same time, we have many things to do in Japan. I think we did not seriously talk about or discussed policy coherence. We talk much about poverty reduction, but at the same time, our ODA is reducing. So, I think we have many things to do in Japan. Thank you very much.

Mr. Murata: Thank you, Mr. Chairman. I’m very much honored and privileged to be here with the two professors here and commentators and audience.

I’m so glad that still the UNDP raison d’etre is assured since everything is very much relevant to what we do here. By saying that and I also learned and confirmed that government centered approach in now transforming into the human centered approach. That is where the human security concept surfaced. While we have to look at role of the government, the role of the government is transformed with various partnership building, and the efforts with the private sector, civil society, and maybe mass media. Perhaps our really the mandate is how really the donor thinking is traveled to other countries where the conflict is going to be surfaced and prevented.
And at the same time, we, human beings, are sometimes brutal. Unless the television broadcasts people suffering or being injured or malnutrition, we don’t put our funds across to those people. That will be too late. Unfortunately, the reality is that the preventive measures, which are the most cost effective we know, but we don’t do. That’s something I really do not know, and we have to ask our question, which is why we don’t do that for preventive measures while we know that is most cost effective. That is maybe the dilemma I have to carry this reality and irony have to bring back home again and to discuss with my colleagues.

And the other part what I also learned is that to what extent we will be able to develop the user-friendly aid program to be developed with the recipient countries and communities. That may be the next stage that we may have to look into together with you.

Again regarding distribution of wealth and profits, that’s another question that we may have to look at. Throughout the developing countries, including Japan, agrarian reform is taking place, which is politically very, very high risk and stake is high. This is part of the effort for the distribution of wealth and major efforts for the preventive measures may be looked into. I thank you very much, Mr. Chairman, and I really learned a lot today.

**Prof. Fukuda-Parr:** Thank you very much. I really appreciated very much the interaction that we’ve had this afternoon and very impressed that this gathering brings together members of the diplomatic community from Africa, from Latin America, and other parts of the world, as well as the academic community in Japan, and NGOs, and many others. I also enjoyed the informal interaction I had with a few people over the coffee break, as well as the questions and comments here. And since we have very little time, I just want to make two sets of comments about what I come away with from here.

First of all, I think many of the comments highlighted the need for country analysis that goes beyond the traditional domains of development analysis. We talked about structural adjustment where you just talk about macroeconomic balances as being inadequate. We’re now talking about the need for country analysis of conflict vulnerability, and I think we were reminded that country specificity is really important. I share the mistrust that many people have implicitly raised about relying too much on these sort of quantitative analysis based on complicated econometrics of cross-country regressions and things like that. Country specificity, in-depth analysis of countries is needed. I’m very stimulated by the challenge thrown by the first question what’s new in all of this. What is new is that we have some stimulating findings from research. There’s a gap. There’s a big gap between what those findings tell us and what has been reflected in development practice, policy practice, of governments and donors in making the country level analysis that addresses questions of vulnerability to conflict risks.

The second comment has to do with the role of Japan as a donor. And I reflect on the fact that we are living in a very fast changing world of globalization and of different kinds of development challenges we do see now. A conflict is as one of the development challenges. That is a relevant issue, not just for the Ministry of Foreign Affairs section on politics and the UN affairs for Security Council matters. But it is the business of development cooperation agencies of Japan, such as JBIC and...
Ministry of Finance and so on.

We are also facing a situation where aid is increasingly needed and focusing on the least developed countries, the large majority of which are in Africa. The relationship that a donor has, and the kinds of challenges that the donor faces in its partnership with the least developed countries are very different from the kinds of relationships that it had with Japan’s traditional large partners. I think if I remember correctly, much of the Japanese aid in the 1990s went to countries such as China, Vietnam, Philippines, Thailand, Malaysia, and Indonesia. That relationship cannot be the same as the relationship with Malawi, Kenya, Ghana and so forth, even Papua New Guinea and East Timor. The nature of that relationship has to necessarily change because the challenges that are being faced are different, and particularly because of this question of state capacity. We saw the dangers of thinking about state capacity as failed states. This is a dreadfully misleading concept. We need to think about legitimacy and capacity for development and peacebuilding. Thank you.

Prof. Piccito: Very quickly. I learned a lot from today’s discussions and I really thank all the people who asked questions.

I am absolutely convinced that disaster preparedness, whether it’s for natural disaster or man-made disasters are integrally connected. I was involved a little bit in the period working in East Pakistan which became Bangladesh. I’m convinced that the way the cyclone was dealt with is an important reason why Pakistan broke up. I mean, that point was very highlighted by the speaker about disaster preparedness. I fully endorse it.

On Rwanda, under the current strong leadership, I have no doubt that Rwanda is going to have a very productive development period by focusing not only on soft infrastructure but on hard infrastructure, I think. On the other hand, let me highlight that the points made about definitely one needs to listen with country by county and understand and look at things on the ground. However, many of the points made about Rwanda are also confirmed by the literature. So, I think one should not be too anti-intellectual about this, and a lot of the literature in fact confirms what is seen from the ground.

Now regarding Japan’s role in international development, I think Japan bears special responsibility for international development today, because it’s going to lead the G8 Summit in 2008, in particular, but also because Japan has been a big beneficiary of globalization, and it therefore has a responsibility to have globalization with a human face. I think that’s one aspect. So it bears special responsibility.

But also, the capacity of Japan to influence international development is considerable and it’s underutilized through a false sense of modesty and excessive deference to other partners. Why do I say this? Because Japan has the capacity of its own experience in development, which is quite relevant to developing countries, land reform in particular, for example. I mean, the experience of land reform in Japan was crucial in the development in the post-war period, just as an example.

The involvement of the private sector in development, again, Japan has a lot to contribute. The pioneering of human security which we talked about this afternoon and the real focus on project implementation, which is so important in fragile states, are a comparative advantage of JICA.
The other point is that the prosperity of Japan itself will not be sustained unless you have a global world which is not affected by conflict. We get used to have problems of security because of strong states. The real security problem of today is the weak states. And this is the paradox, and this is the new element in global security. So, it’s in the self-interest of Japan to do more for development.

Policy coherence is the way to go, but it also means more aid. Japan is still one of the large aid donors. In relation to the GNP, Japan should be giving more aid. Of course, selectivity has its place. The quality will be improving some better selectivity. Through a strong base, one hopes that Japan will increase aid, particularly to Africa, in the years to come. I think the G8 event will be missing if that doesn’t occur, which really means that public information and involving the Japanese citizens in understanding the importance of aid not only on a self-interest basis but also on the ethical basis on which this nation is founded. Thank you very much.

Mr. Kato: Thank you very much, Professor Picciotto. Now, we are coming close to the end of the seminar. To take advantage of the diversity of the members of this gathering, as Professor Fukuda-Parr mentioned, please stay on and keep discussions. I thank you very much for your participation.
Handout
IFIC SEMINAR  
Tokyo, June 1, 2007  
Global Development and Human Security  
Robert Picciotto  
King’s College, London

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Food for thought

“Globalization must be managed so that its fundamentally benign effects are assured and reinforced. Without this wise management, it is imperilled and at risk”

Jagdish Bhagwati

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Where does the development idea come from?

- The early pioneers (industrialization, big push, balanced growth, trade pessimism)
- The dissenters (rural development, small is beautiful, linkages, export led strategies)
- The neo-classical resurgence (Washington consensus)
- The road to Monterrey
- Towards human security?

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Good and bad news

<table>
<thead>
<tr>
<th>Annual per capita growth</th>
<th>60-80</th>
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<tbody>
<tr>
<td>Asia</td>
<td>2.02</td>
<td>2.29</td>
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<tr>
<td>China/India</td>
<td>1.38</td>
<td>2.41</td>
</tr>
<tr>
<td>Africa</td>
<td>0.55</td>
<td>0.29</td>
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<tr>
<td>NE/Africa</td>
<td>0.27</td>
<td>0.25</td>
</tr>
<tr>
<td>LAC</td>
<td>0.77</td>
<td>3.06</td>
</tr>
<tr>
<td>Less Developed</td>
<td>2.07</td>
<td>3.06</td>
</tr>
<tr>
<td>Low Income Developing</td>
<td>2.27</td>
<td>1.15</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>6.94</td>
<td>1.43</td>
</tr>
<tr>
<td>Non-industrialized</td>
<td>2.27</td>
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</tr>
<tr>
<td>Industrialized</td>
<td>3.35</td>
<td>2.60</td>
</tr>
<tr>
<td>World</td>
<td>2.48</td>
<td>3.12</td>
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</table>

- Economic convergence since 1980? Not if China and India are excluded!
- Life expectancy: 55 years in 1970 to 64 years in 2000; infant mortality: 107 per thousand to 56; literacy: 53 percent to 74 percent; chronic malnutrition: 35 percent to 17 percent... but Africa regressing!
- Number of poor people worldwide has increased—2.5 billion in 1981 to 2.7 billion in 2001 ($2 a day benchmark)

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What did we learn about aid?

- Aid can work but aid dependency can undermine fiscal discipline and absorptive capacity is a serious constraint (aid bombardment).
- In the aggregate, the growth effect of aid volumes is small and statistically insignificant.
- Aid quality matters on both sides of the relationship.
- Donors must improve their performance (fragmentation, inefficiency, inadequate terms, tied procurement).
- Targeting is tricky: aid does not give better results where policy indicators are good while it does in vulnerable environments: the aid orphan phenomenon is a very serious matter
- Policy coherence is critical: consistency, coherence, harmonization, alignment

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Where are we going and why?

The worldwide move to the market has generated new insecurities

- Financial crises hurt the poor disproportionately (e.g. Korea's Gini coefficient went up from 32.6 to 33.7 following the crisis)
- A majority of poor people perceive fewer economic opportunities and more insecurity than in the past
- Commodity prices on which oil importing developing countries depend have suffered a secular decline
- Clouds are gathering over the global economy (oil price spike, US deficits, etc.)
Integrating Conflict Prevention in the Agenda for Poverty Reduction and Aid Priorities

Natural disasters are growing in frequency and severity
- Twice as many in the 1990’s as in the 1970’s
- Higher frequency and intensity in poor countries (83% of natural disaster deaths in countries with low human development ratings that are home to 11% of people exposed to natural hazards)
- Poor people are more likely to be victims of natural disasters

Violence causes huge damage
- Sixty violent conflicts are being waged around the world
- Almost half of them recur
- They victimize civilians more than combatants
- 27% of people see criminal violence as the greatest threat they face (vs. 15% for terrorism, 13% for health and economic threats and 12% for accidents and natural disasters)

The threat of terrorism is getting worse
- The number of attacks has grown more than eightfold over the last two decades
- The causes (ideological, cultural and political) are deep rooted and hard to address
- Catastrophic outcomes resulting from weapons proliferation are increasingly likely

Environmental stress breeds insecurity
- Competition for access to natural resources can ignite conflict among nations and groups;
- Deforestation, desertification and pollution push poor people towards natural disaster prone areas
- Global warming is creating dramatic threats to ecosystems and livelihoods (sea encroachment in low lying areas, droughts, floods, species extinction, etc.)

Two definitions of human security are vying for influence
- UNDP/Japan: Soft security (freedom from want), i.e. natural dignity of men and women, economic security, health, education, knowledge, freedom to migrate, right to development
- Canada: Hard security (freedom from fear) i.e. safety of individuals and groups, core human rights, rule of law, responsibility to protect

Kofi Annan’s synthesis
- Freedom from want
- Freedom from fear
- Freedom of future generations to inherit a healthy natural environment.
Human security does not simply repackaging human development.

- It focuses on downside risks – due diligence and prudence ('first, do no harm')
- It addresses both hard and soft security issues and ascertains the linkages between them
- It favors quality growth over rapid, inequitable, unsustainable growth
- It gives pride of place to risk management:
  - assessment,
  - prevention,
  - mitigation
  - coping and adaptation

Human security is not a soft option or a “grab bag”

- It combines policy coherence for development with risk analysis and results based assessment of program solutions,
- It sets priorities based on probability weighted cost-benefit-assessments
- Where uncertainty prevails and catastrophic risks loom, it concentrates on capabilities, resilience and adaptation
- It eschews fear-based, populist decision making through public information and democratic debate

The case of Bangladesh

<table>
<thead>
<tr>
<th></th>
<th>$ billion</th>
<th>Incr.</th>
<th>%</th>
</tr>
</thead>
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<tr>
<td>1991</td>
<td>2001</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exports</td>
<td>1.7</td>
<td>6.0</td>
<td>325</td>
</tr>
<tr>
<td>Imports</td>
<td>3.5</td>
<td>9.4</td>
<td>270</td>
</tr>
<tr>
<td>Remittances</td>
<td>0.8</td>
<td>1.9</td>
<td>246</td>
</tr>
<tr>
<td>FDI</td>
<td>0.01</td>
<td>0.16</td>
<td>1,580</td>
</tr>
<tr>
<td>Aid</td>
<td>1.6</td>
<td>1.4</td>
<td>-18</td>
</tr>
<tr>
<td>GDP</td>
<td>31.0</td>
<td>47.8</td>
<td>154</td>
</tr>
</tbody>
</table>

What is to be done?

- Nurturing a culture of peace
- Building good governance
- Reforming security institutions
- Tackling root causes through new policy emphases

Development cooperation as if security mattered

- Address horizontal inequalities and social protection
- Equitable access to health and education
- Youth employment and engagement
- Natural resource management
- Sound public expenditures administration
- Focus on risk prevention
Integrating Conflict Prevention in the Agenda for Poverty Reduction and Aid Priorities

GLOBAL DEVELOPMENT AND HUMAN SECURITY: WHERE ARE WE? WHERE ARE WE GOING? HOW WILL WE GET THERE?
Robert Picciotto, King's College, London

"Globalization must be managed so that its fundamentally benign effects are assured and reinforced. Without this wise management, it is imperilled and at risk"
Jagdish Bhagwati

Abstract
The development idea emerged to deal with unique post World War II challenges. Since then, it has continually adapted to rapidly evolving economic and social needs. Further changes are in store since the authorizing environment has undergone an abrupt transformation under the pressing demands of globalization and the looming threats of a new security context. We may be standing at the threshold of a new and exciting era in development cooperation. But in order to cross it the international community will have to reconsider the basic tenets, protocols and operational practices of the development enterprise by embracing human security as the central focus of development cooperation.

I am delighted and honoured to be in Tokyo today. I am especially thankful to Madame Ogata to have sponsored my visit. Nearly four years after she completed her work as co-chair of the Commission for Human Security, the central messages of the Commission report to the United Nations Secretary General still resonate.

In this presentation, I will sketch the origins of the human security concept and demonstrate its critical relevance to the current development predicament. My colleague Professor Sakiko Fukuda-Parr will elaborate on its most distinctive feature (conflict prevention) and draw the implications for aid policy.

A. Where did it all start?
The idea that continuous and unlimited progress is a unique attribute of humankind took hold in the 18th century when enlightenment philosophers boldly decreed that the scientific method could be extended from the physical and natural sciences to the realm of society. A similar sense of optimism about the potential of rational inquiry to unveil the secrets of human interactions (and to improve the human condition) prevailed during the pioneering years of development. A more sceptical mood permeates public life now.

New emphases for development cooperation
- Tailor made, conflict sensitive country strategies (aid and beyond)
- Fulsome engagement with fragile states
- Investment in conflict prevention and security institutions
- Peace building through improved conflict management

What then is human security?
“Human security privileges people over states, reconciliation over revenge, diplomacy over deterrence, and multilateral engagement over coercive multilateralism”
Archbishop Desmond Tutu
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perceptions today. Respect for public institutions has eroded, insecurity has increased and the aid cooperation industry has come under intense scrutiny.

**The pioneering years**
Following the devastation of World War II era, swords were turned into ploughshares. Development economics emerge as a distinct social science discipline. Policy makers everywhere looked towards the academy to provide the knowledge needed for international cooperation to bring prosperity to the poverty-stricken regions of the world. By then, orthodox economics had been vigorously challenged by Lord M aynard Keynes whose activist stance had validated a dominant role for the public sector.

Accordingly, development thinkers and practitioners shared bullish views about government activism, favoured import substitution and believed that public investment was the key to stepping up the rate of growth. Private investment was not expected to be forthcoming in sufficient quantities to meet development needs. Large public expenditures were advocated to ‘prime the pump’.

Government led industrialization was pursued across many sectors (to benefit from externalities, complementarities and economies of scale) together with large scale infrastructure development and urbanization. Central planning offices, industrial development corporations and elaborate controls over private economic activity proliferated.

**The neo-classical resurgence**
The upbeat mood was shattered by the debt crisis of the eighties when neo-liberal critics argued that development economics had created distorted incentives and promoted faulty assumptions regarding the efficacy of the public sector. The new orthodoxy alleged that development cooperation had saddled governments with too many functions, induced a neglect of agriculture, promoted cumbersome controls on private investment and unwittingly encouraged a waste of resources on low yielding infrastructure projects.

The radical critique was not without foundation. However, many of the aid failures of the cold war era are explained by its geopolitical subversion. All too often aid was used to prop up unpopular, corrupt, and illegitimate governments that cared only for their hold on power and privilege, mismanaged their economies, and violated human rights. In such countries aid fed corruption, contributed to internal coercion, and economic mismanagement. The use of aid as an instrument of ideological competition distorted priorities and yielded poor development results. Furthermore, lack of domestic skills and organizational capacity may have been as damaging to development performance as macro-economic distortions.

**The rush to globalization**
After the cold war ended, the neo-liberal establishment’s control over the commanding heights of the aid enterprise was consolidated and aid priorities shifted towards the grand project of global market integration made possible by the dissolution of the Soviet Union. Trade liberalization, privatization, deregulation and devolution of responsibilities to the
lowest competent level of the administration were systematically promoted. The “Washington Consensus” was born and it would set the tone for development assistance for years to come.

**Box 1: The Washington Consensus**

John Williamson originally coined the phrase in 1990 “to refer to the lowest common denominator of policy advice being addressed by the Washington-based institutions to Latin American countries as of 1989.” These policies were:

- Fiscal discipline
- A redirection of public expenditure priorities toward fields offering both high economic returns and the potential to improve income distribution, such as primary health care, primary education, and infrastructure
- Tax reform (to lower marginal rates and broaden the tax base)
- Interest rate liberalization
- A competitive exchange rate
- Trade liberalization
- Liberalization of inflows of foreign direct investment
- Privatization
- Deregulation (to abolish barriers to entry and exit)
- Secure property rights


**The road to Monterrey … and beyond**

Hard won lessons of experience demonstrated that the Washington consensus was far too narrow a foundation for broad-based, sustainable development. As disappointments with the supply response to structural adjustment programs mounted, the development agenda broadened and poverty reduction became the overarching goal of aid. Throughout the 1990’s, under pressure from public opinion, deliberate efforts were deployed to broaden the focus of development cooperation and give globalization a human face. A new paradigm eventually materialized at the intersection of market friendly, environment friendly and people friendly policies. It was endorsed by influential actors in the public, private and voluntary sectors by combining support for market solutions with advocacy of human rights and promotion of democratic ideals.

A Millennium Declaration that captured the new consensus was approved by all heads of state in 2000 at the United Nations in New York. It was consistent with a broadly based, comprehensive, and cosmopolitan vision supportive of a globalisation process that would be managed for the benefit of all. At its core was a consensus that was made explicit at the Monterrey Conference of 2002. A historic compact was unveiled; it matched improved governance and implementation of poverty reduction strategies in poor countries with reform of rich countries’ policies, including more and better aid, debt reduction, and greater access to rich countries’ markets. This was the decisive moment
when human development superseded growth as the central focus of international economic cooperation.

However, by then, the traumatic events of 9/11 had propelled trans-national terrorism to the top of the international relations agenda. While terrorism inflicts a fraction of the casualties caused by war and poverty,2 fear – the most powerful of human emotions, according to Machiavelli3 – induced a strong military response and led to major changes in the geopolitical order. In the resulting upheaval, conflicting security perspectives undermined the harmony that had made the universal adoption of the Millennium Declaration possible.

The Millennium Development Goals (MDGs) now seem out of reach for a majority of developing countries and the means deployed to achieve them have proved inadequate. Weaknesses in governance and the conflicts they spawned underlie the disappointing outcomes in a third of the countries. In addition, the Monterrey compact has failed to elicit the necessary resources let alone the political will required within rich countries to level the playing field of the global economy. Finally and crucially, it has become clear that the framework for a common development cooperation agenda needs to be expanded since the MDGs sidestepped conflict and security issues that have become matters of urgent concern to people everywhere. This is why the time for the human security approach advocated by Japan has finally come in order to sustain public support for the development enterprise.

B. How did we get here?

The public wants simple answers when it comes to development. But there are none. There are good news and bad news in development. During the 1960-80 and the 1980-2000 periods annualized per capita growth rates was 2.1 percent and 3.6 percent for developing countries compared to 3.3 percent and 2 percent for rich countries. This implies progress towards convergence and evinces hope. But if we leave China and India out,4 per capita incomes in poor countries rose by an annual average of only 2.3 percent and 1.2 percent for the same two periods. This indicates growing divergence and induces gloom.

Regional differences are large. For 1980-200, East Asia achieved 6.6 percent annual per capita growth, South Asia 3.4 percent, Middle East and North Africa 1.2 percent and Latin America 0.5 percent – while Sub-Saharan Africa regressed by 0.3 percent annually. The differences are even more striking among countries: during 1990-2000, GDP per capita income (Dollar, 1998).

Does aid make a difference?

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1 Except for 2001 when it peaked over 3,000, the annual count of deaths due to international terrorist incidents did not exceed 1,000 in the period 1988-2004, according to the United States Department of State. From 1998 to 2005, terrorism claimed 20,000 fatalities whereas a single conflict in the Democratic Republic of Congo may have caused 4 million deaths.
2 In both countries taken together, per capita incomes grew by an average of 1.8 percent annually in the first period and by a hefty 6.1 percent during the second period.
3 In terms of purchasing power parities, the per capita incomes of rich countries rose by 3.3% and 1.6% in the two periods while it rose by 2.1% and 3.1% for all developing countries and by 2.5% and 0.7% if China and India are excluded.
capita grew 9.2 percent annually in China and declined by 12 percent annually in Georgia. Such divergences in performance have massive implications for human welfare.

Average social indicators have recorded major gains: life expectancy rose from 55 years in 1970 to 64 years in 2000; infant mortality rates dropped from 107 per thousand in 1970 to 58 in 2000; literacy rose from 53 percent in 1970 to 74 per cent in 1998; the number of people suffering from chronic malnutrition declined from 35 percent to 17 percent of the population.

As a share of the total population, poverty dropped between 1981 and 2001—from 67 percent to 53 percent for the two dollar a day benchmark. Based on the $2 a day benchmark, the number of poor people worldwide increased—from 2.5 billion in 1981 to 2.7 billion in 2001. Tragically, in Sub-Saharan Africa, overall poverty rates have been rising instead of declining and this is a region that has received a great deal of aid4.

Does aid make a difference?
The fortunes of aid recipients vary. Some aid recipients have experienced growth rates that are unprecedented in world history. Whereas the United Kingdom took more than sixty years to double output per person (1780-1838), Turkey did it in twenty years (1957-77), Brazil in eighteen years (1961-79), and China and Korea in ten years (1977-87). Between 1966 and 1990, Thailand tripled its real per capita income and India doubled its per capita income (Dollar, 1998).

By contrast, Ethiopia and Zambia saw no income per capita growth at all5 and both countries received vast amounts of aid. Four countries (Malawi, Niger, Honduras and Kyrgyz) received aid averaging 15 percent of gross national incomes and experienced negative per capita income growth while six other developing countries with GNP per capita growth rates in excess of 7 percent (Angola, Azerbaijan, China, Latvia, Moldova and Turkmenistan) with average aid dependency rates of only 3 percent.

Aid pessimists conclude that aid can be a curse. But aid optimists point to Eritrea, Uganda, Ghana, Mozambique and Tanzania that displayed GNP per capita growth averaging 4.8 percent. They argue that such performance would not have materialized without aid that averaged 22 percent of their gross national incomes.

In sum, aid does not always work but it does not always fail either. Development cooperation is not a simple or homogeneous process. Firm generalizations are hard to come by. The literature points towards a positive association between aid volumes, growth and poverty reduction but the relationship is weak and contested. A systematic review of cross country correlations suggests that the effect of aid volumes on growth is

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4 Whereas its share of the developing world’s population is about 10%, based on OECD data, Sub-Saharan Africa received a third of all aid in 2004 - $26b out of a total of $78b. (OECD/DAC, 2006 - table 25)
5 Relative to the United States, the real per capita income of Thailand rose from 10 to 20 percent; India’s from 5 to 7 percent while Ethiopia’s and Zambia’s dropped from 2.4 percent 1.8 per cent and 8.5 percent to 3.8 per cent respectively.
small and statistically insignificant in the aggregate. But aid should not be measured only by its volume. Nor is growth the only measure of development.

The quality of aid (the efficiency of its delivery, the choice of instruments, the adequacy of aid terms, etc.) is as important as its volume and it takes time for aid to have an impact. Aid pessimists rely on studies that have examined the impact of aid over too short a period and/or included humanitarian aid negatively correlated with growth because it is given in times of crisis. Research by the Centre for Global Development corrects for these distortions and shows that aid has a large and positive impact on growth6. Every dollar of aid raises output by 1.6 dollars in present value terms and the correlation is highly significant and robust. It is insensitive to the quality of policies and the level of incomes.

Aid quality matters on both sides of the aid relationship. A large number of organizations of varying competence channel aid to poor countries. They pursue diverse agendas. Even for a single donor, aid is often saddled with multiple objectives (e.g. poverty reduction, democracy promotion, security concerns, commercial interests, etc.). Most damaging perhaps is the frequent misalignment of goals and practices in relation to the recipient country, especially in the poorest and most aid dependent countries where aid administration ‘on the ground’ is weak.

This means that policy coherence is a key factor of development effectiveness. It has four major dimensions: (i) the consistency of ends and means within a project or program (in terms of its relevance, effectiveness, efficiency and resilience to risk); (ii) the congruence of aid and non-aid policies within the donor country; (iii) the degree of harmonization and coordination of aid programs among donors; and (iv) the alignment of aid goals and practices with the country’s own.

C. Where are we going?

What does the future hold? The development agenda has always been shaped by the great issues of the day. In the 1950s it addressed post-war reconstruction; in the 1960s, decolonisation; in the 1970s, the energy crisis; in the 1980s, the debt crisis; and in the 1990s, following the implosion of the Soviet empire, the creation of a global market. Thus it is not surprising that since 9/11 the spotlight has focused on strengthening the links between security and development.

New insecurities

Opinion surveys confirm that a majority of poor people perceive fewer economic opportunities and more insecurities than in the past. Because economic shocks are transmitted instantly throughout the world, the global economy has become more volatile. Financial crises hurt the poor disproportionately (e.g. Korea’s Gini coefficient went up from 32.6 to 37.2 following the crisis). Commodity prices on which poor countries depend have suffered a secular decline. Finally, given major imbalances and divergent national policies, clouds are gathering over the global economy.

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6 The study refers to aid designed to have a positive impact within four years (whether in the form of budget support or the lending for infrastructure, industry, or agriculture). It accounts for more than half of all aid flows.
depend have suffered a secular decline. Finally, given major imbalances and divergent national policies, clouds are gathering over the global economy.

Since the early 1990’s the current account of the United States has shifted from rough balance to a deficit of over 6 percent of GDP. The dollar has depreciated. The national debt has ballooned to over $8 trillion (22 percent of GDP) and, with interest rates increasing, the budgetary burden of servicing the debt has begun to escalate. For the first time since 1933 the personal savings rate of Americans has moved into negative territory.

Conversely, foreign currency reserves outside the United States have risen by $2 trillion since 2001. A paradoxical situation has been allowed to take hold: the low and middle income countries of the world are funding unsustainable consumption levels in the United States. From a poverty reduction perspective, there could not be a more shocking example of policy incoherence.

Natural disasters have also been growing in frequency and severity. Twice as many of them were recorded in the 1990’s as in the 1970’s. 2005 was dominated by the aftermath of the tsunami disaster, the ravages caused by Gulf of Mexico hurricanes and an earthquake of major proportion in a remote area of Pakistan. Late and uncoordinated humanitarian responses not only in Kashmir but also in New Orleans have confirmed that the world is in dire need of improved disaster preparedness capacities. It is the poorest countries that are the most vulnerable. About 53% of natural disaster deaths have taken place in countries with low human development ratings that are home to 11% of people exposed to natural hazards.

**The new security equation**

Following two devastating world wars and a cold war characterized by a fear of mutual destruction, the dominant threats to international security have migrated to the periphery and become embedded within states. The new insecurity reflects a sea change in the history of warfare. During much of the twentieth century the centre of gravity of warfare was located in the prosperous zones of the world.

The new geography of violence has migrated to the periphery of the developing world. It is localized, fragmented and fully adapted to the new, interconnected global economic and security order. Interstate security issues have not vanished and military intervention remains a feature of the international security environment but war has become obsolete as a way of settling disputes among OECD countries.

The nature of conflict has changed. A century ago, deadly conflicts involved two or more states and the bulk of the casualties were soldiers. Today, most wars take place within states and most of the victims are civilians, particularly women and children. All major conflicts currently underway are ‘wars of desperation’ that aggravate the very conditions that help induce conflict – weak state institutions, economic deprivation and social exclusion. These wars are extraordinarily destructive: civilians are its main victims - a million deaths in Rwanda; 2 million in the Sudan and 4 million in the DRC.
Violent conflict is development in reverse. The average interstate war costs about $64 billion. The Iran-Iraq war is estimated to have cost both countries around USD 150 billion; the 1991 Gulf War is calculated at USD 102 billion; and the 2003 war at 150 billion. The Perú/Ecuador conflict cost USD 2 billion; and Ethiopia/Eritrea perhaps USD 1 billion. The Kashmir conflict is estimated to have cost India and Pakistan together around USD 35 billion. The budgetary cost of the Iraq war is now approaching $330 billion.

While it has caused relatively few casualties, terrorism is getting worse and it could portend catastrophic risks. The number of attacks has grown more than eightfold over the last two decades. Terrorism has gone global: New York, Washington, Jakarta, Bali, Istanbul, Madrid, London, Islamabad, New Delhi, Moscow, Nairobi, Dar el Salaam, Casablanca, Tunis, Riyadh, Sharm-el-Sheikh, Amman. The causes (ideological, cultural and political) are deep rooted and the apocalyptic goals of terrorist leaders cannot be satisfied. They have affirmed their intent to procure weapons of mass destruction and many intelligence reports have warned about the ease of procuring weapons-grade nuclear materials.

Finally, environmental stress breeds insecurity. An existential threat looms: global warming is generating dramatic threats to ecosystems and livelihoods (sea encroachment in low lying areas, droughts, floods, species extinction, etc.). Competition for access to natural resources may increasingly ignite conflict among nations and groups. Deforestation, desertification and pollution will push more poor people towards natural disaster prone areas.

In sum the geometry of security threats has become variable and complex. Conventional warfare is yielding ground to irregular warfare characterized by asymmetric challenges that the current mix of military and civilian assets is ill equipped to meet. The limits of coercive military tactics are becoming more and more obvious. Development must be ‘securitized’ in order to make sustainable poverty reduction feasible while security must be ‘developmentalized’ to capture hearts and minds and win the war of ideas. All is not lost and the human security idea may yet succeed.

D. How will we get there?

Towards human security
Two definitions of human security are vying for influence. The UNDP/Japan model emphasizes soft security (freedom from want), i.e. natural dignity of men and women, economic security, health, education, knowledge, freedom to migrate, right to development. The Canadian model highlights hard security (freedom from fear) i.e. safety of individuals and groups, core human rights, rule of law, responsibility to protect.

Kofi Annan’s definition (freedom from want, freedom from fear and freedom of future generations to inherit a healthy natural environment) encompasses both meanings and adds environmental sustainability to the mix. It is consistent with policy coherence
precepts according to which security and development policies must converge to tackle poverty reduction.

This definition deserves widespread support. Its rationale easily stated. First, the centre of gravity of violence has shifted to the zones of development and transition. Second, conflict is a major cause of poverty. Third, evidence has accumulated that state weakness, associated with poverty, leads to conflict. This is why the poorer the country the more conflict prone.

This means that engagement with fragile states is critical to development cooperation aimed at human security. Fragile states account for a third of the world’s absolute poor. They are conflict prone. They provide safe heavens for international terrorists and criminals. The intrastate conflicts that result from state fragility are hard to contain and spill over in neighboring territories.

Peace building demands additional and effective support to weak and conflict prone states. Current aid allocation practices discourage risk taking and rely on indicators that confuse adverse initial conditions and weak institutions with poor performance. The emergence of human security as an overarching theme of international cooperation will create new dynamics. It will facilitate the introduction of ‘whole of government’ policies that promote freedom from fear together with freedom from want.7

Human security is not simply a repackaging of human development. It pays privileged attention to downside risks that affect the poor – due diligence and prudence (‘first, do no harm’). It addresses hard and soft security issues and ascertains the linkages between them. It favors quality growth over rapid, inequitable, unsustainable growth. It gives pride of place to risk management while eschewing self defeating risk avoidance and it requires a disciplined sequence of steps including: assessment, prevention, mitigation, coping and adaptation.

Nor is human security a soft analytical approach or a grab bag of disconnected initiatives. It combines policy coherence for development with risk analysis and results based assessment of program solutions. It sets priorities based on probability weighted cost benefit-assessments. Where uncertainty prevails and catastrophic risks loom it concentrates on capabilities, resilience and adaptation. It eschews fear based, populist decision making and favors public information and democratic debate.

Policy coherence
The adoption of human security as the hallmark of development cooperation would imply a broadening of its agenda. This is critical because new mechanisms of resource transfer are dwarfing the ‘money’ impact of aid and creating new connections between rich and poor countries (as well as among poor countries). The private sector is already vastly outpacing the public sector both as a source and as a recipient of loans and grants.

7 In Sweden, a ‘whole of government’ approach for global development has been endorsed by the legislative branch. It makes all government departments accountable for the promotion of equitable and sustainable development and peace making in poor countries.
Worker remittances are growing rapidly and are expected to exceed $230 billion in 2005. Another $260 billion worth of foreign direct investment, equity flows and commercial loans is directed at poor countries.

Total private flows are at least four times as high as aid flows. The net welfare benefits that could flow from trade liberalization would represent a multiple of aid flows especially if punishing tariffs against labour intensive products are reduced, workers of poor countries are allowed temporary access to rich countries and food importing countries are induced to generate a successful agricultural supply response through ‘aid for trade’ schemes’.

Knowledge flows need liberalization too. The intellectual property rules imposed during the Uruguay round involve a reverse flow of the same order of magnitude as current aid flows. While some relaxation of the TRIPS agreement was introduced under the Doha round for life saving drugs and technological development does require patent protection, special provisions for encouraging research relevant to poor countries, for bridging the digital divide and for filling the science and technology gaps of the poorest countries are warranted to level the playing field of the global knowledge economy.

Finally, the environmental practices of rich countries and the growing appetite for energy of the Asia giants may induce global warming costs for developing countries likely to exceed the value (4-22 percent vs. 7 percent of national incomes) through losses in agricultural productivity.

In combination, all of these trends mean that (except for the smallest, poorest and most aid dependent countries) the relative importance of aid flows compared to other policy instruments (trade, migration, foreign direct investment, etc.) has been reduced as a result of globalisation. Of course, aid will remain critical to attend to emergency situations and post conflict reconstruction, as a midwife for policy reform, as a vehicle for new knowledge, technology and management practices, as an instrument of capacity building (especially for security sector reform) and as a catalyst for conflict prevention.

The case of Bangladesh

Bangladesh illustrates the need to shift towards a development cooperation paradigm that goes beyond aid and addresses a wider range of rich countries’ policies. In 1991, Bangladesh earned $1.6 billion from foreign aid, $1.7 billion from exports and $0.8 billion from remittances. By 2001, aid had shrunk to $1.4 billion; exports had gone up by more than three times (to $6 billion) despite eroding terms of trade (10% over the prior two decades). Remittances went up by more than twice to $1.9 billion. And while foreign direct investment was still low ($160 million) it was almost sixteen times the level of a decade before.

Growth over the period averaged 5% a year. As a result, the incidence of absolute poverty declined. Based on the unit-record data of the Household Income and Expenditure Survey (HIES), between 1991/92 and 2000, the incidence of national poverty declined from 58.8 to 49.8 per cent of the population. Pro-poor activities by a burgeoning civil society played a significant role in enhancing the status of women and
improving socio-economic indicators. Literacy levels increased from 35% to 41% and life expectancy has increased from 52 years to 59 years. The rate of population growth declined from 2.7% to 1.6%. Access to safe water has improved from 38% to 56%.

Looking ahead, trade protectionism by rich countries is the largest single stumbling block to further poverty reduction in Bangladesh. Averagelout protection against Bangladesh exports to the United States is 14% compared to 1% for France. As a result, Bangladesh pays the United States $331 million in tariffs every year compared to $330 million by France even though Bangladesh exports $2.3 billion to the United States compared to $24.2 billion of French exports.

**What is to be done?**

There is a strong statistical association between low levels of GDP per capita and violent conflict. Obviously, sustainable development depends on peace and stability. In fact, a recent study identifies war and civil strife as the single most important factor that explains slow growth. It accounts for an income loss of about 40% while poor policies, slow reforms, democracy promotion, education and health attainments display limited or negligible effects.

Conversely, the risk of war is three times higher for countries with per capita incomes of $1,000 compared to countries with per capita incomes of $4,000. Equally, growth is inversely correlated with the risk of conflict: it is twice as high for a growth rate of -6% compared with a growth rate of +6%.

Thus, the international community will not ‘make poverty history’ without ‘making war history’. To this end, human security provides a road map for the future of development cooperation. At country level, it requires a coherent combination of aid and non-aid policies and a broader operational agenda than traditionally used by donor agencies: (i) promotion of a culture of peace; work towards good government; (iii) capacity building in the security sector; (iv) revised development cooperation policies.

**A culture of peace**

First, the promotion of a culture of justice and reconciliation is necessary. Taming violence in poor countries is a prerequisite of sustainable development. A large number of non-governmental organizations operating in the zones of turmoil of the developing world have acquired valuable experience in conflict management, mediation and resolution. They specialize in dialogue facilitation and negotiation techniques successfully pioneered in domestic industrial disputes.

Voluntary action in peace making has proved its usefulness where state sovereignty is under threat, social bonds have melted, and the practice of violence has become decentralized and privatized. High-level negotiations with top leaders (backed by potential sanctions under international law) can be instrumental in shifting the rules of the game towards a peaceful order since it is elites, rather than the poor, who benefit from continued violence. The impact can be enhanced through problem-solving interventions at the middle level and training interactions at the grassroots.
**Good government**
Second, capacity building and promotion of good governance are critical to human security since fragile states are less able to protect themselves against insurgency, or to deploy peaceful means to resolve conflict, prevent the onset of conflict, or resolve local disputes when they arise or before they escalate into violence.

Fragile states are also less able to fulfill their minimal obligations to the population, to maintain security and to prevent gross violations of human rights. This situation leads to a breakdown in the social contract between the government and the people. Hence, development cooperation should work ‘in’ and ‘on’ conflict rather than simply ‘around’ conflict.

**Reformed security institutions**
Third, for violence to be forsaken as a routine means of dispute settlement, governments should be equipped to deploy their coercive means against improper uses of violence. Given the need to create incentives for peaceful behavior, security institutions must be reformed and strengthened. Therefore, building the core capacities of the state to nurture individual safety, protect human rights and enforce the rule of law is a central priority of development cooperation in conflict prone countries. In particular, security system reform (aiming at effective security institutions operating under democratic control) is a privileged objective of conflict sensitive development cooperation.

**Revised development cooperation policies**
Fourth, human security should govern aid policy. This requires a focus on distinctive priorities and operational emphases that have been validated by hard won lessons of experience and policy research findings. Specifically, the poverty reduction strategy process should give primacy to structural stability, democratic governance, human rights, and social development, with particular attention to the factors identified as increasing vulnerability to conflict that Professor Sakiko Fukuda Parr will address.

**Implications for development cooperation**
The above policy directions lead to four specific recommendations:

- Tailor-made, conflict-sensitive country strategies. Future poverty reduction strategy papers would be conflict sensitive. They would strengthen justice and governance, reform security institutions, promote a culture of truth and reconciliation and address the structural factors that increase conflict risks, i.e. horizontal inequalities, inequitable access to social services, youth exclusion, mismanagement of land, water and mineral resources, lack of disaster preparedness.
- Engagement with fragile states. Ethical considerations and self-interest justify a major drive to engage constructively with weak states. Going well beyond aid, a coherent approach would mobilize the full panoply of diplomacy, defence and

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8 Illiberal democracies are more vulnerable than fully democratic or authoritarian regimes.
development instruments. A range of interventions that mix positive incentives with dissuasion (and in some cases sanctions) would be used so that aid, trade, and security assistance reward reforms and respect for human rights.

- **Investment in conflict prevention.** Working ‘in’ and ‘on’ conflict rather than simply ‘around’ conflict, donors would support long-term institutional development strategies that help strengthen democratic systems and nurture basic state functions. They would extend assistance and recognition in line with behavioural change for the achievement of goals specified at the outset. They would frame their assistance in a regional perspective, with special emphasis on the capacity building needs of regional organizations.

- **Pioneering of new conflict management methods.** The tyranny of the conflict management cycle does not suit realities on the ground. The post-conflict phase would be launched at an earlier phase of peacekeeping to speed economic recovery and reintegrate combatants into society. In parallel, conflict management mandates would go beyond short-term objectives of political settlement and elections.

It is time to conclude. I have tried to demonstrate that the concept of human security has a specific meaning and that its policy implications are clear. The time has come to adopt them and implement them in a coherent way. In the words of Archbishop Desmond Tutu: “Human security privileges people over states, reconciliation over revenge, diplomacy over deterrence, and multilateral engagement over coercive multilateralism”.

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Rethinking the policy objectives of development aid: from economic growth to conflict prevention

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Rethinking the policy objectives of development aid: from economic growth to conflict prevention

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INTRODUCTION

The current consensus objective of development aid in the international community is to reduce poverty in general and to achieve the Millennium Development Goals (MDGs) in particular. But the objectives of aid can be defined in many ways, and have in fact varied over time with shifting priorities within the international community about the ultimate ends of development and the means advancing those ends. The current dominant framework identifies economic growth as the principal means to achieve the MDGs, with particular concern over poor governance— institutions and policies— as major obstacles to accelerating growth. This paper argues that more attention should be given to conflict prevention as a policy objective of development aid and explores the implications of doing so for aid programme priorities and the international aid architecture in general. Section one of the paper reviews current trends on violent conflict as an obstacle to achieving the MDGs. It identifies 64 worst performing countries and examines their vulnerability to conflict due to the presence of the socio-economic correlates of internal war. Section two reviews how vulnerability can be addressed, focusing on ways that development policies and development aid can raise risks of civil war. Section three reviews the adjustments that would be made in aid architecture if conflict prevention were incorporated as a policy objective.

VIOLENT CONFLICT AS AN OBSTACLE TO ACHIEVING THE MDGS

Review of global data on key MDG indicators on income poverty, hunger, primary education, gender equality, child mortality, and access to water and sanitation shows that the majority of countries least likely to achieve the MDGs are affected by conflict, in most cases with destructive consequences for development.

Violent conflict in the worst performing countries

As MDG assessment reports consistently show, the MDG targets are unlikely to be met by 2015 with the present pace of progress at the global level. Violent conflict is an important factor that affects those countries that are farthest behind and least likely to reach the goals. The 2003 Human Development Report (UNDP 2003) categorizes countries according to their prospects into four groups:

1. Low levels of poverty and adequate progress to achieve MDGs (such as Chile);
2. High levels of poverty and rapid progress, adequate to achieve MDGs (such as China);
3. High levels of poverty and slow progress, needing to accelerate progress to achieve the MDGs, but possessing considerable domestic resources to do so (such as Brazil);
4. High levels of poverty and slow progress, needing to accelerate progress to achieve the MDGs, and lacking domestic resources to do so (such as Burundi and Papua New Guinea).

1 This paper is forthcoming as WIDER Research Paper publication and under review for inclusion as a chapter in the WIDER volume on development aid, edited by George Mavrotas.
2 Research support from Rachel Nadelman and Carol Messineo are gratefully acknowledged.
3 This is reflected, for example, in the way that the World Bank’s Country Performance Assessment Indicators are constructed. These points will be elaborated in the following sections of the paper.
4 See for example UN Millennium Project 2005, UNDP 2003, World Bank 2003; World Bank 2005
Achieving the targets is the greatest challenge for the fourth category of countries for several reasons. They are starting from high levels of poverty (in income but also in other MDG dimensions such as education) and therefore will have to achieve more to attain the targets of reducing the proportions of people in income and human poverty. They are making slow progress now and therefore are likely to be straddled with difficult obstacles involving financial, capacity, technical, institutional, and political factors. Urgent action is needed to accelerate progress in this group of countries, some of which are not only stagnating but have experienced reversals. Some action can be taken by countries themselves without relying upon external resources. These include policy and institutional reforms to improve efficiency in the delivery of social services or to foster economic growth that benefits poor people. (UNDP 2003) But other actions can best be facilitated with external financial and technical resources. This fourth group therefore captures the worst performing countries that require priority international attention. Using the data and methodology of the 2003 Human Development Report, (UNDP, 2003) we can identify 64 countries in this category. (Annex 1)

War undermines development

One of the most striking findings of recent studies on the relationship between civil war and development is the strong statistical association between low levels of GDP per capita and the occurrence of conflict. (Collier and Hoeffler, 2002; Elbadawi and Sambanis, 2002; Fearon and Laitin, 2001) Rate of growth is also inversely correlated with the occurrence of conflict: twice as high for a country with a growth rate of -6% compared with a country whose growth rate is +6%. (Humphreys 2004) These correlations have given rise to a rich debate on their relationship.

There is little controversy that at least one explanation is that low GDP per capita is a consequence of war. The destructive consequences of armed conflict have been well documented and can be traced to immediate impacts on human well-being as well as longer term development. Wars destroy and disrupt physical infrastructure, human capital, government capacity, and services. As GDP shrinks, government revenues also decline, and with resources diverted to war effort, expenditures for productive and social sectors shrink further. Collier (1999) estimates that the cumulative effect of a seven year war is around 60 percent of annual GDP. A recent study by Milanovic (2005) which looks at causes of slow growth in the world’s poorest countries over the last two decades, identifies war and civil strife as the single most

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5 For example, Niger must reduce income poverty by 30.7 percentage points, down from 61.4% whereas for Bolivia, the target reduction is 7.2 percentage points, down from 44.4% over the same period of time.
6 In fact, development data on trends of the 1990s show new extremes, where well performing countries did spectacularly well while the worst performers experienced reversals. (UNDP 2003) Poverty increased in several dimensions: 21 countries registered a rise in hunger rates, 14 in child mortality, 12 in primary enrolment and for the 37 out of 67 where there is data, in income poverty.
7 See Box 2.4 and Feature 2.1 in UNDP 2003 for basic methodology for assessing countries as ‘top’ or ‘high’ priority based on the level of achievement and rate of progress. Here I use the data in the 2003 Human Development Report that assesses levels and rate of progress in the following indicators: income poverty, hunger, primary education, gender equality, child mortality, access to water, and access to sanitation. Countries are included if they are priority in at least two indicators, or top priority in one of two indicators for which data are available, and are low income countries. It is important to note that data are missing in many countries.
8 The study of these consequences has now grown but was relatively new. See for example the 1994 project led by Frances Stewart and Valpy FitzGerald at Queen Elizabeth House, Oxford University, that was one of the first studies, in Stewart and FitzGerald, 2001.
important factor to explain slow growth, accounting for an income loss of about 40 percent, while poor policies and slow reforms play a minimal role, and democratization, education and health attainments have no or negligible effects.

Human and economic costs of conflict vary across countries considerably, and in some countries, the economy continues to grow, social indicators continue to improve and poverty continues to decline even as violent armed conflict is waged. (Collier and Others, 2003; Stewart and Fitzgerald, 2001) This has been the case for example in Sri Lanka and Uganda for over a decade (Stewart and Fitzgerald, 2001), Nepal in the recent insurgency period (World Bank, 2006), and in Guatemala in the 1980s and 1990s (Stewart, Huang and Wang 2001). But the majority of wars lead to deterioration and increased poverty. A detailed empirical review of 18 countries by Stewart, Huang and Wang (2001) found that per capita income fell in 15 of them, food production in 13, export growth declined in 12, and that debt increased in all 18. These consequences have immediate impacts on human lives. Income poverty rises as employment opportunities shrink and shift to the informal sector. Nutrition deteriorates with the disruption of food supplies. Diseases spread with population movements. These consequences are reflected in such indicators as higher infant and child mortality rates, poorer nutritional status, and lower education enrolment. These costs are not always spread evenly across the population; some suffer much more than others. Children and women tend to be particularly vulnerable in these situations.

These immediate consequences also translate into long-term consequences that for example can undermine the human potential of a generation, formal and informal institutions, social capital, and government capacity. The 18 country review (Stewart, Huang and Wang 2001) shows 13 countries experiencing rising infant mortality and declining caloric intake.

The negative consequences of war continue into the long term and undermine the basis for development as they not only erode the stock of human and physical capital but also weaken social capital and institutional capacity in public, private and community sectors. (Stewart and FitzGerald 2001).

**Vulnerability to outbreak of violent conflict - the socio-economic correlates of conflict**

Past war not only retards development in the worst performing countries, but also increases their vulnerability to future outbreaks of conflict. Statistical evidence shows that the single most important factor to predispose countries to conflict is a history of war. (Collier and Hoeffler 2002) The rich and growing literature on the socio-economic causes of civil war in developing countries\(^9\) identifies several other factors: poverty and the low opportunity costs to taking up arms; demographic structure and the youth bulge (Cincotta 2003); migration and environmental pressure (Homer Dixon 1991); ‘horizontal inequalities’ and the exclusion of ethnic and other cultural identity groups (Stewart 2002, 2004); and dependence on mineral resources (Collier and Hoeffler 2002).

One explanation for why poverty is associated with high risk of civil war is that in situations of economic stagnation and high poverty, people have little to lose in waging war. In particular, in periods of economic stagnation there are larger numbers of disaffected youths, especially males, who may be

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\(^9\) Excellent reviews of this literature have been published by Humphreys (2003), Humphreys and Varshney (2004), Stewart (2003 and forthcoming) and the University of British Columbia’s Centre for Human Security (2003 and 2004).
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more easily mobilized to join armed rebel groups. Cincotta and others (2003) studied demographic structures and incidence of war in the 1990s. They found the outbreak of civil conflict was more than twice as likely in countries in which the youth age 15-25 comprised more than 40 percent of the adult population compared with countries with lower proportions. War was also twice as likely in countries with urban population growth rates above 4 percent than countries with lower rates. At the early stages of the demographic transition, a surge in the adolescent population outpaces job growth. This exacerbates problems of low incomes, low levels of female education, and high levels of unemployment and poverty that can leave young men frustrated with poor life prospects and who become easily recruited by rebel movements. Homer-Dixon and the ‘Toronto Group’ (Homer-Dixon 1999) argue that many wars stem from struggles over resources in the context of environmental deterioration. As population growth puts pressure on the environment, people migrate. Local communities compete with migrant groups for increasingly scarce resources. Stewart and her collaborators at Queen Elizabeth House have made extensive studies of ‘horizontal inequalities’ or ‘inequalities between culturally-defined—ethnic, religious, racial or regional identity—groups’ as a source of conflict. (Stewart 2002 and Stewart 2003). They argue that individuals mobilize on the basis of group loyalty rather than individual gain. While the literature on conflict indicates evidence of either weak or no relationship between inequality measured as distribution of incomes among individuals (vertical inequality), researchers do find evidence of a relationship between inequality among groups (horizontal inequality) and conflict. (Brown 2007). Case studies of many conflicts document how they are deeply rooted in historically entrenched grievances that result from a long history of ‘horizontal inequalities;’ the exclusion of ethnic/religious groups from economic, political and social opportunities can escalate into violent attack on the state. Collier and Hoeffler (2000, 2002) find that a country with more than 25 percent dependence on primary commodity exports is more than five times more likely to experience conflict than countries with lower dependence on these resources. Resources that are easily transportable, such as diamonds, are particularly susceptible to capture by rebel groups, particularly as this does not require control over large territory. Collier and others (2003) argue that while the search to gain control of rich mineral resources may not be at the origin of an armed rebellion, it can become an incentive that in itself fuels conflict. And because rebel armies need a source of financing to continue, it becomes a critical factor in perpetuating the conflict.

Much remains to be understood about the causes of civil war, yet a decade of rigorous research has produced important findings with important policy implications. Moreover, much of the debate over these findings has focused on the divergent explanations and controversies while the points of consensus have received little attention. For one thing, they do share in common a strong conclusion that economic and social factors are important aspects correlates of conflict. It is also important to see that the divergent explanations of conflict are not mutually exclusive but complementary (Stewart and Brown 2003) and mutually reinforcing. Moreover, each conflict is unique so that different factors and dynamics operate.

It is also widely agreed that state fragility and weak capacity is a common element in all civil wars in developing countries. Poor countries with weak capacity are less able to manage negative dynamics. (Fearon and Laitin 1999; Goodhand 2003; Picciotto, Olonisakin and Clarke 2006) Weak states are less able to protect themselves against insurgency, to deploy political peaceful means to resolve conflict and prevent its onset, or to resolve local disputes when they arise. Weak states are also less able to fulfill their minimum obligations of maintaining security and providing basic social services. Declining social services can lead to a breakdown in the social contract between government and governed. (Nafziger and Auvinen 2000) People lose confidence in the state’s ability to protect them when threatened by gross
violations of human rights by rebel groups or sometimes by agents of the state itself.

Review of data for 65 worst performing countries with respect to MDGs reveals in almost every country the presence of more than one risk factor. By definition, all of the 65 countries have high levels of poverty\textsuperscript{10}. Demographic pressures are high in these countries; in 12 of the 65, youth (15-29 year olds) make up more than 40 percent of the population while in 32 others this age group comprises between 35 and 39 percent of the population\textsuperscript{11}. Horizontal inequality is a marked characteristic of many of these countries. In a range of 1-10 (10 being the worst rating) in the Failed States Index Indicator of uneven economic development along group lines, all countries with data (56 out of the 64 countries) are rated at 5 or above, and 34 are rated at above 8. Most also have a history of group grievance, with 50 scoring above 4 in the indicator of Legacy of vengence-seeking group grievance, and 12 above 8. All score above 5 in the indicator of rise of factionalized elites. In fact, all but 6 of the top 40 countries in the Failed State Index that measures vulnerability to violent internal conflict are in our list of 65 worst performing countries. (Fund for Peace, 2007)\textsuperscript{12}

Another important risk factor is neighbourhood; sharing a border with countries at war puts significant burdens on the development resources of a country especially regarding the inflow of refugees. Tanzania is affected by conflicts in Uganda and Congo; Guinea by Liberia and Sierra Leone, Burkina Faso by Cote d’Ivoire and Kenya by Somalia. Other economic disruptions lead to slower growth. (Collier and others 2003; Murdoch and Sandler 2002). Political dynamics also lead to spillover effects as neighbouring countries become involved with the warring parties, illicit activities such as arms and minerals trade spread, and a conflict becomes regional in nature, such as the conflicts in West Africa involving Sierra Leone, Liberia, Cote d’Ivoire, Guinea, and the Great Lakes region involving Congo, Burundi and Rwanda. Recent studies found that in 2002, 11 of 15 conflict cases were in fact spillover cases.(Seybolt, 2002).

Table 1 summarizes the risk factors present in the 65 worst performing countries in which MDGs will not be achieved without significant acceleration: 43 have a history of violent conflict since 1990; another 8 border on countries that have experienced conflict; and two had experienced protracted war before 1990. Most of these countries score high on indicators of horizontal inequality as a risk factor for civil war, and have a significant youth bulge.

\textsuperscript{10} Poverty is used here to mean not only income poverty but other dimensions of inadequate capability such as health and education. The 69 countries were selected for having both high levels and slow progress in poverty reduction in more than one dimension.

\textsuperscript{11} Data based on calculations using UN 2006.

\textsuperscript{12} www.fundforpeace.org
Table 1: 64 worst performing countries requiring priority international assistance to achieve the MDGs by 2015

| Conflicts affected 1990-2005 | 43 |
| Neighbourhood (Not affected but bordering on countries conflict affected countries) | 8 |
| Horizontal Inequality: high scores in: legacy of vengeance seeking group grievance -uneven development along group lines -rise of factionalized elites | 50 56 64 |
| Youth bulge: over 40% | 12 |
| -35-29% | 32 |

**ADDRESSING VULNERABILITY TO CONFLICT**

How should this vulnerability to conflict be addressed? An important policy implication of the research on the links between conflict and development is that not all development is good for peace. There are important policy choices that can contribute to conflict prevention in the areas of both development policy and aid policy.

**Development can exacerbate or reduce risks of conflict**

There is a strongly held belief that development and peace are complementary and necessary conditions for each other. The strong statistical relationship between the level of national per capita GDP and the incidence of civil war supports this view. (Collier and others 2003) This can lead to a conclusion that economic growth is good for peace, even a solution to the problem of spread of civil wars. This may be true in general but it does not mean that all patterns of growth and development have a positive impact on reducing the risks of civil war. Development that exacerbates the socio-economic correlates of conflict worsens the prospects for peace and increases vulnerability. A conflict-preventing growth and development strategy is one that does not exacerbate the identified risk factors.

Patterns of growth that increase horizontal inequality and entrench exclusion of ethnic or regional groups and their political oppression may increase risks of conflict. If only the elite groups benefit from economic growth, expanding education and other social facilities, and or if historically marginalized ethnic or other identity groups continue to be excluded from the benefits of development, horizontal inequalities will widen. Development could then aggravate the sense of grievance felt by excluded groups who see dynamic growth of jobs, incomes, schooling, and other opportunities benefit others and bypass them. Retrospective analyses often attribute the origins of conflict to past development patterns that were unequal and exclusionary. For example, the Guatemala Peace Accords make provisions for improving opportunities for indigenous people in recognition of socio-economic inequality, entrenched discrimination and political oppression as a root causes of the 35-year war. For example, the conflict in

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13 This belief has underpinned the work of the United Nations and has been recently restated. See for example, *In Larger Freedom* (UN 2005)
Nepal is attributed to decades of development that neglected the West and Far Western regions and excluded Dalits who were then susceptible to mobilization by the Maoist insurgency. (Brown 2007; World Bank 2006; Do and Iyer 2007; Gates and Murshed 2005) The international donor community that finances most of the development budget had been aware of the entrenched group inequalities in the country, but had neglected development in the West and Far West; since the escalation of insurgency in 2004, donors have rushed to develop projects in those regions and to initiate projects that benefit excluded groups. (Brown 2007; Fukuda-Parr 2007).

The youth bulge and demographic pressures cannot be addressed to achieve immediate impact but policies are important in accelerating the demographic transition. Girls' education, child nutrition and other social policies are important determinants of fertility which remains high and has only begun to decline in most countries of Sub-Saharan Africa. (UNDP 2003, UN 2006). The slow pace of progress in these areas, as reflected in unlikely prospects for achieving MDGs for education, maternal mortality, child mortality, water and sanitation reflects inadequate policy effort in these areas. (UN 2005)

Expansion of youth employment and household incomes depend not only on the level of economic growth but its pattern. Labour intensive sectors such as smallholder agriculture and small scale manufacturing have greater potential to generate employment. Recent reviews of Poverty Reduction Strategy processes have found that almost none of the PRSPs address employment (UN 2007) and have policies to ensure that growth is pro-poor (UNDP 2003; Fukuda-Parr, 2007).

The risks associated with natural resources have received considerable policy attention at global levels. Global initiatives have been introduced to manage trade in natural resources that finance rebels including the Kimberley Diamond Certification Process to restrict trade in ‘blood diamonds’. Other initiatives aim to restrict private corporate collusion with rebel groups such as the US-UK voluntary principles on security and human rights and the OECD convention on combating bribery of foreign public officials in international business transactions. (USAID 2004)

Finally, the risks associated with state fragility are affected by a broad set of governance issues. Less is known about the nature of state fragility, policies for strengthening governance and conflict prevention. Much of the policy work on governance has been directed to improving economic efficiency and relatively little has been written in the development literature about governance for conflict prevention. One clear issue is the capacity of states to meet citizen expectations to deliver on their essential roles in areas such as food security, education, and access to justice. When the state is unable to deliver on these expectations, it will lose legitimacy. (Nafziger and Auvinen 2000) Citizens can be more easily mobilized by insurgencies when they lose hope that the state would defend their interests and rights. (Picciotto and others, 2005; Picciotto and Fukuda-Parr, 2007)

**Development aid and conflict risks**

An important recent study finds that the volume of aid does not increase the risk of civilwar, though the capture of aid resources may provide an incentive to rebel groups. (Collier and Hoeffler 2002) However, development aid can influence risk factors through two other channels: first as an input to shaping government policy, and second as a factor in domestic politics that empowers or disempowers parties in conflict and that acts as an incentive or disincentive to violence. What matters in these contexts is not

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14 There is a well established literature on the socio-economic determinants of fertility and policies that influence the demographic transition.

15 There is a well established literature on pro-poor growth. See for example, UNDP 1996,
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the volume of aid but its programme content; how what and who is supported has an impact on the structural conditions and the political dynamics in the country.

Development aid donors have significant influence in shaping government policy, particularly in the countries that are the focus of this paper which are highly aid dependent. ODA as a percentage of GNI in 2005 averaged 13 percent for these countries in contrast to xx percent for all aid recipients. More significantly, it ranges from one percent in Somalia, Cote d’Ivoire and Uzbekistan to a high of 70 percent in the Solomon Islands, 58 percent in Sao Tome, 54 percent in Liberia, 46 percent in Burundi and percent in Eritrea. In most low income countries, development aid finances almost all of the capital budget. Since external resources finance almost all of the capital expenditures in the budgets of many of these low income countries, they have a direct influence on the allocation of public expenditures and the conflict prevention agenda described above. Lack of state capacity in delivering basic social services is a critical weakness that undermines the legitimacy of the state. As debates in OECD have already recognized, aid can support development agenda that reduce rather than increase conflict risks. (OECD 2004) It can support better management of environmental decline and mitigate horizontal inequality and exclusion. Aid resources and policy advice can help develop institutions of the judiciary, the media, and civil society organizations that promote equity and justice.

One critical policy area is the allocation of public expenditures and its impact on horizontal inequalities, an issue that has been analysed by several studies and reviewed by Brown and Stewart. (Brown and Stewart, 2006; Stewart, 2005; Brown 2006). As they point out, current practice of donors in public expenditure reviews focuses on efficiency and poverty reduction and does not include an assessment of the distributional consequences along group divisions. Drawing on studies of country experience, they note that it is not easy for donors to raise these issues with government and within the aid community generally, but that public expenditure reviews and budgetary support present an important opportunity to correct horizontal inequalities through budget shifts across sectors and regions.

The second channel through which aid raises or reduces risks of conflict is through its influence on the political dynamics of the receiving country. By virtue of the fact that it brings sizeable resources and international endorsement, aid cannot avoid having political impact; empowering some actors and disempowering others, and providing incentives or disincentives to violence. (OECD 2004)

Aid can unintentionally exacerbate conflict. Uvin provides a particularly detailed analysis of donor actions in Rwanda prior to 1994 when the country’s development performance was considered very positively by the donor community. (Uvin 1998) Much as donors were fully aware of the political tensions in the country and were promoting political change towards democratization, their actions had ‘unintended’ consequences on conflict. This and other studies of conflicts from Afghanistan to Sierra Leone have argued persuasively that both development aid and humanitarian relief aid, during, before and after violent conflict, represent financial resources and influence that can reinforce tensions and repressive behaviour. (Anderson, 1999; Uvin, 1998; Uvin 1999) In preconflict situations where social and political tensions are high, aid resources can worsen disparities between parties to a potential conflict. During periods of violence, these effects are even starker; humanitarian assistance to provide food, shelter, health services in conflict zones can worsen tensions between groups and risks strengthening the leadership of warring factions.

16 There is a well established literature on pro-poor growth. See for example, UNDP 1996,
Aid can also be used intentionally for peace. In situations of rising tensions, aid can be applied deliberately to shift the dynamics in favour of reducing tension. It can act as an incentive to influence the behaviour of repressive regimes, to help strengthen pro-peace actors’ capacities, to change relations between conflicting actors, or to alter the socioeconomic environment in which conflict and peace dynamics take place. It can strengthen the capacity of national actors through such measures as human rights training of the military and police.

Aid can be used as disincentives against violence. Donors can threaten to cut off their funds as a disincentive. Donors can withdraw in protest against government policies or actions that are repressive or corrupt and willfully neglect peoples’ needs. Recent examples include protests against corruption and lack of transparency and accountability in governance as in Kenya, protests against a range of human rights violations and poor economic management in Zimbabwe, and protests against curtailment of democratic institutions in Nepal.

The effectiveness of these measures is uncertain. One study commissioned by the OECD concludes that conditionality rarely works. (Uvin, 1999) Donor coordination is clearly important for these incentives for peace and disincentives for violence to take effect, but is often lacking. Much more systematic analysis is needed of the impact of aid conditionality and aid withdrawal. No comprehensive study has been carried out that looks at the impact of aid withdrawal on its intended purpose, but also the broader impact on the population and longer term development of the country.

Withdrawing aid is a diplomatic statement of protest and sends a strong powerful message to the government in power. Donor agencies may be under pressure from their own publics who see support to regimes who engage in human rights violations, corruption, and repression as condoning those actions. Using aid as an incentive or disincentive may be useful in obtaining one-shot changes but not necessarily as a means of effecting longer term change.

However withdrawing aid also incurs an opportunity cost for building a longer term safeguard for peace. Aid contributes to preventing state collapse in situations where no state is the worst of all possibilities for human well-being. But little aid goes to countries with weak states because of the logic of aiding good performers to ensure that aid has most impact.

Donors all too often withdraw in situations of rising political tensions or when governments engage in increasingly unacceptable behaviour. While the socio-economic consequences are not as heavy as comprehensive sanctions, there is nonetheless a large opportunity cost to development. While humanitarian assistance only mitigates the immediate human suffering, aid can make a difference to maintaining socio-economic policies that protect human development.

Aid for development during conflict. While war is inevitably destructive, some countries do better at keeping economic activities going, sustaining government revenues and protecting social expenditures, and thus mitigating negative consequences on both the economy and human survival. (Stewart 2003) For example, Indonesia, Nicaragua, Uganda, and Sri Lanka have experienced significant conflict yet have continued to make progress on key social and economic indicators. One explanation for this outcome is that the impact of violence is geographically contained, such as in Uganda and Indonesia, so national averages mask the declines in regions affected by conflict. But another explanation is that government policies that continue to provide services for people make a huge difference, as in the case of Nicaragua and Sri Lanka. (Stewart and FitzGerald 2001) Thus it makes a difference that national
governments not abandon their developmental role, and that international donors not resort to humanitarian relief efforts exclusively. In the recent case of Nepal, income poverty continued to decline due to increase in remittances (World Bank 2006). Social indicators also improved even though government services closed down. (World Bank 2006; Fukuda-Parr 2007)

**RECONCEPTUALIZING POLICY OBJECTIVES OF AID**

**Poverty reduction, economic growth and good governance as consensus objectives**

The objectives that are emphasized in aid policies depend on how the ultimate ends of development are defined as well as on an assessment of the key obstacles to achieving them. Individual donor governments may see the ultimate ends of their aid programmes in a variety of ways, often motivated by foreign policy concerns as well as the particular way in which they define important objectives of development in the recipient country. Alongside such bilateral concerns, however, development aid is also motivated by the global agenda of the international community as a whole that help define the ultimate ends of development for donor programmes. The 2000 Millennium Declaration (UN 2000) adopted at a historic General Assembly, the largest ever gathering of heads of state and government, articulated a strong commitment to development aid as an instrument for achieving global objectives of development, environmental sustainability, peace, security, and human rights. In this context, a strong consensus has emerged on poverty reduction as the main purpose of development aid. This has been formalized with the adoption of the Millennium Development Goals (MDGs) which define concrete, quantitative and time-bound targets which now guide multilateral and bilateral donor programmes and frame key international development debates, such as in the G-8 summits and the on-going consultations of the OECD’s Development Assistance Committee (DAC).

While the ending poverty in the context of the Millennium Declaration is the consensus end of development, there is also a consensus—or a dominant—view on the means. This focuses on economic growth as the principal means to poverty reduction, and on governance, especially macroeconomic policies and institutions, as central issues in accelerating growth. While good governance is not as explicit as poverty reduction and MDG objectives, this view is implicit in the policy priorities and analysis deployed in global development debates such as the UN Millennium Project’s business plan for achieving the MDGs or the World Bank’s Global Monitoring Report. (World Bank 2007) It is reflected in the Monterrey Consensus (UN 2003) adopted at the UN Conference on Financing for Development held at Monterrey in 2003 as an understanding between donors and developing countries as a basis for partnership. Under this consensus, donors commit to increasing aid financing when developing countries demonstrate commitment to strengthen their institutional and policy environment including addressing issues such as corruption. (UNDP, 2003) It draws on policy research literature on constraints to growth and on aid effectiveness. A particularly influential study that set the stage for this policy is the World Bank study Assessing Aid (World Bank 1999) that argued that aid is only effective in contributing to economic growth when countries have sound macroeconomic policies and institutions. Other studies also built a case for aid allocation priorities to favour countries with good policies and institutions. (Burnside and Dollar, 2000; Collier and Dollar, 2004; Mosley et al, 2004)

17 As I have argued elsewhere (Fukuda-Parr, 2004) this focus on poverty is relatively new; in the 1980s and 1970s, there was greater emphasis on economic growth.

18 Such reports address issues such as gender equality, fragile states, within the growth framework.
Current debates and research on aid effectiveness thus define effectiveness in reference to the impact of aid on economic growth. This framework motivates the policy-oriented academic literature that has grown over the last several years such as the papers presented to the 2006 WIDER conference to which the papers in this volume were presented, as well as the highly publicized studies that come to divergent conclusions from Assessing Aid (World Bank, 1999) to The White Man’s Burden (Easterly, 2006) to The End of Poverty (Sachs, 2005).

This line of thinking has important implications for aid priorities, in the allocation of resources to countries and to types of activities. Resource allocation policy will be to ‘reward the good performer’ and favour those countries with able leadership and administrative strengths, and those activities oriented to economic governance institutions such as efforts to address corruption, as well as macroeconomic policy management. They will leave out countries that have weak state capacity. Adjusting any one of the elements of the paradigm and defining the ends and means of development differently would lead to different aid priorities.

There are arguably many important development objectives depending on how we define the ultimate end of development and on how we identify the critical means to achieving those ends. While economic growth is an important means to poverty reduction, it is not necessarily the only one. The World Bank’s 2000/01 World Development Report looked at lack of political voice or disempowerment, lack of security and lack of opportunities that result from institutionalized discrimination as causes of poverty. There are several more direct mechanisms than economic growth for addressing the problems in poor peoples’ lives. It is also well established that while growth has a positive impact on poverty reduction, the links are not automatic. (UNDP 1997) There is a wide range of potential policy objectives for aid; this paper is concerned with only one of them, preventing civil war and other forms of violent conflict.

**Conflict prevention as a global objective in the development agenda**

Conflict prevention is an important policy object of development aid because it is a major obstacle to reducing poverty for reasons that have already been explained. But conflict prevention is also an important end in itself for the international community, and particularly for global development agenda and global development actors. Peace and security constitute one of the central global objectives for the 21st Century set out in the 2000 Millennium Declaration, along with development, democracy and human rights. Security is an essential dimension of human well-being that is fundamentally and universally important for people.

There is nothing new in the idea that security is an important global objective. What is new is that security and conflict prevention should be part of development agenda, rather than peace and political stability agenda. For the last half century, issues of security and development have been carefully separated institutionally and conceptually in both global institutions and academia. Within the UN system, while political units pursued the peace agenda, economic and social units pursued the development agenda. Even academic research was separated in a similar fashion, with political

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19 If we adopt the capability and human development perspective, the ultimate purpose of development extends far beyond poverty reduction and achieving the MDGs. It would encompass many capabilities that are universally valued including those that are captured in the MDGs such as being knowledgeable and health, as well as those that are not, especially enjoying political freedom and participation, freedom of identity, and being secure.
scientists and international relations scholars studying issues of peace and war while economists and social scientists study development. It is only in the last decade since the emergence of civil war in poor countries that development agencies have engaged with problems of violent conflict and their consequences for development, and with poverty as a possible cause of conflict. It is only natural that security agenda would not currently be part of development agenda, nor seen to be a policy objective of development aid. Defining conflict prevention as a policy objective in development aid would be a departure from this historical trend and a break with the legacy of the Cold War.

The reason conflict prevention should be an important policy objective of development aid is because of the causal linkages between development, conflict and aid described in the previous section of this paper, and the fact that the problems of this nexus loom large on a global scale. As the Human Security Report 2005 (Human Security Centre, The University of British Columbia. 2005) shows, the global patterns of war have dramatically shifted; while the world has become more secure overall, with a decline in violent conflicts and civilian deaths over the last few decades, there has been an increase in conflict in Sub-Saharan Africa. And as the report notes succinctly, 'the combination of pervasive poverty, declining GDP per capita, poor infrastructure, weak administration, external intervention and an abundance of cheap weapons, plus the effects of a major decline in per capita foreign assistance for much of the 1990s, mean that armed conflicts in these countries are difficult to avoid, contain or end'. (University of British Columbia 2005)

Recognizing security as a policy objective with intrinsic value from the development perspectives demands new work on understanding the importance of security and freedom from violence as a part of human well-being and how this relates to other dimensions of well-being, poverty and development. Some work is already under way. The concept of human security has emphasized the importance of security in human wellbeing while recent work on poverty has increasingly recognized the relevance of security as part of poverty and development challenges. For example, the World Bank’s World Development Report 2000/01 identifies security together with opportunity and empowerment to be the three pillars of the global poverty agenda. (World Bank, 2000).

Aid effectiveness
The literature and policy debates about ‘aid effectiveness’ today are largely defined in terms of effectiveness in contributing to economic growth. If conflict prevention is both an end in itself but also a means to achieving the MDGs, aid can be as much an investment in conflict prevention as in economic growth. Its effectiveness should be judged not only against the economic benchmark but against contribution to building democratic governance. Aid to Tanzania in the 1980s was declared an unmitigated disaster by the World Bank study Does Aid Work? that pointed out that millions spent in building roads were washed away by poor government policies that did not provide for maintenance. But that aid may have been important in establishing the lead that Tanzania now has in educational attainment among low income countries, and in the country’s progress towards democratization as well as social and political stability that the country enjoys.

By standard efficiency criteria, aid for Tanzanian roads may have had low returns in the presence of weak macroeconomic policy and administrative capacity. But even badly maintained roads may have

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20 See for example the work of Caroline Moser on violence and poverty.
been better than none, particularly if they helped keep communications open to the hinterland and government responsive to the needs of otherwise neglected populations. Tanzania has been less successful than its neighbours by measures of GDP growth, but more successful by measures of social indicators. It is a poor country that enjoys more social peace and stronger democratic governance than its neighbours. If the foregone benefits of having prevented conflict in Tanzania were taken into account, the returns to aid might be considered to be highly positive. Much more needs to be learned about the effectiveness of aid in preventing conflict; methodology for such analysis need to be developed.

Resource allocation priorities

The Monterrey consensus builds an approach to aid allocation around the logic of ‘rewarding the good performer’, with performance centered around policies that would be effective for growth and poverty reduction. This logic marginalizes the worst performing countries that are being considered here; countries most vulnerable to conflict and with most entrenched poverty, countries most in need of international support.

As Picciotto and others (2006) argue, the logic of rewarding the good performer assumes that existing policies cannot be changed by donor engagement, that aid cannot be used to minimize the effect of poor policies, and that governance and policy, as defined by the Bank’s CPIA measure, determine aid effectiveness. They advocate a case by case assessment of possibilities for change in policy and governance that could instead serve as a basis for aid allocations. At the same time they acknowledge that aid to fragile states will always be full of risk. They propose a ‘venture capital model’ of aid allocation. This study reviewed the experience of aid in fragile states and showed that only 58 percent of the projects succeeded, but that average returns were high.

The donor community has become increasingly concerned with the needs of the countries with weak governance, now termed ‘fragile states’, an ill-defined category. (Cammack et al 2006). It is often defined as those countries that lack the capacity and/or will to put in place effective policies for development and poverty reduction, or those that are vulnerable not only to violent conflict but also to terrorism, organized crime, epidemic diseases, natural disaster, and environmental degradation. For want of a more precise concept and definition, international debates use the criterion of World Bank’s Country Policy and Institutional Assessments (CPIA) that incorporates policy for economic management, structural policies, social inclusion and poverty reduction, and public sector management and institutions. It now includes 35 countries based on World Bank CPIA classification. All except two of these countries are included among the 65 worst performing countries being reviewed in this paper.

What has been the actual allocation of resources to countries with weak institutions and policies? Recent analyses find evidence of disproportionately low allocations. The 2006 OECD monitoring of aid flows to fragile states shows post-Monterrey increase in aid flows has been smaller for fragile states compared with non-fragile states. (OECD 2005) The 2007 OECD monitoring report finds a small group of countries that are marginalized: eight countries receiving low aid flows relative to need and capacity, and/or highly volatile aid flows and international engagement. (OECD 2007) A recent analysis by DFID for the pre-Monterrey consensus period (1996-2001) shows a decline of flows to poorly performing states (bottom two quintiles of the world Bank’s country performance index or CPI) in contrast to

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22 World Bank 2007; OECD 2007
Integrating Conflict Prevention in the Agenda for Poverty Reduction and Aid Priorities

increases in flows to the well performing countries (top two quintiles of the index). (DFID, 2004.) The poor performance countries received only 14 percent of bilateral aid whereas the 'good performers' received two thirds of all aid. Moreover, poor performers receive less aid that would be expected on the basis of need. Other studies find that these countries are not only under-aided but that aid flows are twice as volatile. Among these countries, post-conflict countries receive large volumes of aid; others tend to be under-aided, especially when they are very large or very small, have a small number of donors, but also are very poor and very poorly governed. (McGilvray 2005, Levin and Dollar 2005)

Donor policy approaches to fragile states and to conflict prevention

Donor debates about development-conflict nexus has been evolving for over a decade. The March 2005 DAC High Level Meeting adopted “Principles for good international engagement in fragile states”. (OECD 2005) These principles include: take context as the starting point (differentiate countries recovering from conflict or political crisis from those facing declining governance and from those with collapsed state capacity); move from reaction (to conflict) to prevention; focus on state-building as the central objective; align with local priorities; recognize the political-security-development nexus; promote coherence between donor government agencies; agree on practical coordination mechanisms; and do no harm.

All these principles, with the exception of the second, do not differ substantially from the basic principles for more effective aid through improved coherence and more country specific approaches that the donor community has been promoting over the last several years, contained in the Paris Declaration (2005). The second principle reflects the 2001 DAC Guidelines on Conflict Prevention (DAC 2001). In that sense, a new policy initiative has not yet been developed. The earlier 2001 DAC guidelines Helping to Prevent Conflict advocated ‘ensuring peace through security and development’ that emphasizes building accountable systems of security and strengthening public sector management overall, and ‘engaging long term and putting a conflict prevention “lens” to policies in all areas from development to trade to investment. They also emphasized conflict prevention as a central issue in poverty reduction.

In practice, post-conflict reconstruction and aid practice issues tend to dominate policy debates and agenda, and neither reducing risks that are part of development patterns nor conflict prevention generally figure large. Despite an increasing focus on ‘fragile states’, a consensus policy framework is still in the making. Perhaps this is because the interest and concerns of various bilateral donors over the issues of states which are fragile have quite varied origins. (Cammack 2006) Some donors are concerned with poor development and poverty reduction performance in countries where government is unwilling to pursue that agenda; some, with terrorism and global threats; some with human security and peacebuilding; and others with the functional relationship between poverty and conflict.23 There is considerable ambiguity in the concept of fragile states that captures overlapping sets of countries but that responds to several concerns and criteria for inclusion. Thus for now, there is no coherent international agenda for conflict prevention as a policy objective of development aid that focuses on addressing diverse risk factors for different countries.

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23 Picciotto, Olonisakin and Clarke (2006) point out this category is inconsistently used by different donors. For example, UK DFID that focuses on state capacity and willingness, UNDP that focuses on a wide range of economic, social and political characteristics, and the World Bank's approach originated with the initiative on Low income countries under stress (LICUS) that focuses on poor country performance indicators attributable to a variety of causes.
CONCLUSIONS

This paper has argued that more attention should be given to conflict prevention—along with other objectives including poverty reduction—as a policy objective of development aid, and has explored the implications of doing so for aid programme priorities and the international aid architecture in general. Violent conflict is a major obstacle to achieving the MDGs because the countries that face the greatest challenges are characterized by conflict risk factors. These are also countries in greatest need of assistance from the international community for assistance. The paper has identified 65 worst performing countries where development and poverty reduction will need to be sharply accelerated if they are to achieve the MDGs by 2015. The majority of the countries are affected by civil war, either in the recent past or as a reality in a neighbouring country that has spillover effects in the subregion. While there is high risk of recurrence of conflict, other risk factors are present in the socio-economic structures of these countries, notably: horizontal inequalities and group exclusion, the youth bulge in their demographies, dependence on natural resources, and their weak management as well as weak state capacity overall.

Preventing conflict is not only important as a means to accelerated achievement of MDGs but also because as an end in itself because security is both an important global agenda as well as an important aspect of human well-being.

Not all development and poverty reduction contributes to conflict prevention; in fact, some patterns of development might contribute to raising risks. For example, development that reduces poverty among the privileged ethnic groups or regions but neglects historically marginalized groups or regions might fuel social and political tensions. Development in natural resource exploitation that is not accompanied with measures to manage its distribution might easily be captured by rebel groups and fuel and intensify war.

Similarly, not all development aid contributes to conflict prevention; in fact, some patterns of aid can exacerbate the potential for war. Aid is too powerful an instrument to be politically neutral. Defining conflict prevention as one of the policy objectives of aid would have far-reaching implications. New criteria for aid effectiveness would need to be devised. Development priorities would also need to shift and be reconsidered. Most importantly, analysis of the root causes of historic conflict and social and political tensions would need to be carried out as an essential information base for development and aid programming and the socio-economic correlates of violent conflict addressed as a priority.
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Seybolt 2002.


### Annex 1 - Worst performing countries in progress to achieve the MDGs (Category 4)

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<td>Yes (1990-05)</td>
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Youth bulge: age 15-28 as % of adults over age 15