

Research Paper No. 2007/32

Rethinking the Policy Objectives of Development Aid

From Economic Growth to Conflict Prevention

Sakiko Fukuda-Parr*

June 2007

Abstract

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. In addition, the dominant view identifies economic growth as the principal means to this end. But the policy objective of aid can be defined in many ways, and has in fact varied over time with shifting priorities within the international community about the ultimate ends of development and the means for advancing those ends. 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. The paper shows that violent conflict is a major obstacle to achieving the MDGs; it identifies 64 worst performing countries and finds that the majority have experienced violent internal conflict, and/or are vulnerable because of the socioeconomic correlates of internal war. The paper then argues that development policy priorities and their support with aid can be deployed to reduce these risks. Conflict prevention is thus an important policy objective as a means to achieving MDGs as well as an end itself since security from violence is an essential aspect of human wellbeing and human security. Integrating this policy objective would imply adjustments that would need to be made in aid architecture.

Keywords: aid, fragile states, conflict, human security, poverty, human development, donor policies

JEL classification: F35, F53, I38

Copyright © UNU-WIDER 2007

* The New School, email: fukudaps@newschool.edu

This study is a revised version of the paper presented at the 16-17 June 2006 WIDER development conference on 'Aid: Principles, Policies, and Performance', directed by George Mavrotas.

UNU-WIDER gratefully acknowledges the financial contribution to the conference by the Finnish Ministry for Foreign Affairs.

UNU-WIDER also acknowledges the financial contributions to the 2006-07 research programme by the governments of Australia (AusAID), Denmark (Royal Ministry of Foreign Affairs), Norway (Royal Ministry of Foreign Affairs), Sweden (Swedish International Development Cooperation Agency—Sida) and the United Kingdom (Department for International Development).

Acknowledgements

Research support from Rachel Nadelman and Carol Messier is gratefully acknowledged.

Acronyms

CPIA	country policy and institutional assessments (of the World Bank)
DAC	OECD's Development Assistance Committee
DfID	Department for International Development of the United Kingdom
MDGs	Millennium Development Goals
PRSPs	poverty reduction strategy process
CPI	country performance index (of the World Bank)

The World Institute for Development Economics Research (WIDER) was established by the United Nations University (UNU) as its first research and training centre and started work in Helsinki, Finland in 1985. The Institute undertakes applied research and policy analysis on structural changes affecting the developing and transitional economies, provides a forum for the advocacy of policies leading to robust, equitable and environmentally sustainable growth, and promotes capacity strengthening and training in the field of economic and social policy making. Work is carried out by staff researchers and visiting scholars in Helsinki and through networks of collaborating scholars and institutions around the world.

www.wider.unu.edu

publications@wider.unu.edu

UNU World Institute for Development Economics Research (UNU-WIDER)
Katajanokanlaituri 6 B, 00160 Helsinki, Finland

Typescript prepared by Liisa Roponen at UNU-WIDER

The views expressed in this publication are those of the author(s). Publication does not imply endorsement by the Institute or the United Nations University, nor by the programme/project sponsors, of any of the views expressed.

1 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 of advancing these 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.¹ 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 1 of the paper reviews current trends in 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 socioeconomic correlates of internal war. Section 2 reviews how vulnerability can be addressed, focusing on ways that development policies and development aid can raise risks of civil war. Section 3 reviews the adjustments that would be made in aid architecture if conflict prevention were incorporated as a policy objective.

2 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.

2.1 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.² 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:

- i) Low levels of poverty and adequate progress to achieve MDGs (such as Chile);
- ii) High levels of poverty and rapid progress, adequate to achieve MDGs (such as China);
- iii) 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);

¹ 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.

² See for example UN Millennium Project (2005); UNDP (2003); World Bank (2007); World Bank (2005).

- iv) 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).

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.³ 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.⁴ Some action can be taken by the 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),⁵ we can identify 64 countries in this category (Annex 1).

2.2 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 2002a; Elbadawi and Sambanis 2002; Fearon and Laitin 2003; Hegre et al. 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 per cent compared with a country whose growth rate is +6 per cent (Humphreys 2003). 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 the consequence of war. The destructive consequences of armed conflict have been well documented and can be traced to immediate impacts on human wellbeing as well as

³ For example, Niger must reduce income poverty by 30.7 percentage points, down from 61.4 per cent whereas for Bolivia, the target reduction is 7.2 percentage points, down from 14.4 per cent over the same period of time.

⁴ 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 are data, in income poverty.

⁵ 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 from UNDP (2003a) that assess the 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.

longer-term development.⁶ 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 per cent 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 important factor to explain slow growth, accounting for an income loss of about 40 per cent, 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 2003; Stewart and Fitzgerald 2001a). This has been the case, for example, in Sri Lanka and Uganda for over a decade (Stewart and Fitzgerald 2001a), 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) finds 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 can undermine, for example, 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 2001a).

2.3 Vulnerability to outbreak of violent conflict: the socioeconomic 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

⁶ 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 (2001b).

war (Collier and Hoeffler 2002a). The rich and growing literature on the socioeconomic causes of civil war in developing countries⁷ identifies several other factors: poverty and the low opportunity costs to taking up arms; demographic structure and the youth bulge (Cincotta, Engelman and Anastasion 2003); migration and environmental pressure (Homer Dixon 1991); ‘horizontal inequalities’ and the exclusion of ethnic and other cultural identity groups (Stewart 2002); and dependence on mineral resources (Collier and Hoeffler 2002a).

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 more easily mobilized to join armed rebel groups. Cincotta, Engelman and Anastasion (2003) study the demographic structures and incidence of war in the 1990s. They find that the outbreak of civil conflict was more than twice as likely in countries in which the youth age 15-25 comprised more than 40 per cent 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 per cent 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, 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 (2002a) find that a country with more than 25 per cent 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 (2003) argues 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.

⁷ Excellent reviews of this literature have been published by Humphreys (2003), Humphreys and Varshney (2004) and the Human Security Centre (2003).

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 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 2003; 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 fulfil 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.⁸ Demographic pressures are high in these countries; in 12 of the 65, youth (15-29 year olds) make up more than 40 per cent of the population while in 32 others this age group comprises between 35-39 per cent of the population.⁹ 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 vengeance-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).¹⁰

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 Côte d'Ivoire and Kenya by Somalia. Other economic disruptions lead to slower growth (Collier 2003; Murdoch and Sandler 2002). Political dynamics also lead to spillover effects as neighbouring countries

⁸ 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.

⁹ Data based on calculations using UN (2007).

¹⁰ Available at: www.fundforpeace.org.

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, Côte d’Ivoire, Guinea, and the Great Lakes region involving Congo, Burundi and Rwanda. Recent studies have found that in 2002, eleven of fifteen 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 eight 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.

Table 1
Sixty-four worst performing countries requiring priority international assistance to achieve the MDGs by 2015

Conflict 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	50
- uneven development along group lines	56
- rise of factionalized elites	64
Youth bulge:	
- over 40%	12
- 35-29%	32

Source: Calculated from Annex 1.

3 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.

3.1 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.¹¹ The strong statistical relationship between the level of national per capita GDP and the incidence of civil war supports this view (Collier 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 socioeconomic

¹¹ This belief has underpinned the work of the United Nations and has been recently restated. See, for example, UN (2005).

correlates of conflict worsens the prospects for peace and increases vulnerability. A strategy focussing on conflict-preventing growth and development 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 socioeconomic inequality, entrenched discrimination and political oppression as a root cause of the 35-year war. For example, the conflict in 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 fertility¹² which remains high and has only begun to decline in most countries of Sub-Saharan Africa (UNDP 2003; UN 2007). The slow pace of progress in these areas, as reflected in the 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.¹³ Labour-intensive sectors such as smallholder agriculture and small-scale manufacturing have greater potential to generate employment. Recent reviews of poverty reduction strategy processes (PRSPs) have found that none of the PRSPs in Africa address employment (Nkurunziza 2007) nor 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, such as 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

¹² There is a well established literature on the socioeconomic determinants of fertility and policies that influence the demographic transition.

¹³ There is a well established literature on pro-poor growth. See, for example, UNDP (1996).

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 of the state defending their interests and rights.

3.2 Development aid and conflict risks

An important recent study finds that the volume of aid does not increase the risk of civil war, though the capture of aid resources may provide an incentive to rebel groups (Collier and Hoeffler 2002b). 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 the volume of aid but its programme content; how, what, and who are 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. Official development aid (ODA) as a percentage of GNI in 2005 averaged 13 per cent for these countries in contrast to 1.3 per cent for all aid recipients and 9.9 for LDCs.¹⁴ More significantly, it ranges from 1 per cent in Somalia, Côte d'Ivoire and Uzbekistan to a high of 70 per cent in the Solomon Islands, 58 per cent in Sao Tome, 54 per cent in Liberia, 46 per cent in Burundi and 36 per cent 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 reduces rather than increases 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

¹⁴ OECD/DAC data, available at: www.oecd.org/dataoecd/52/12/1893167.xls

by Brown and Stewart (Stewart 2005; Brown 2006; Brown and Stewart 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 governments 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).

3.3 Aid can unintentionally exacerbate conflict

Uvin (1998) 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. 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, 1999). In pre-conflict 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.

3.3 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.

3.4 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 wilfully 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 at 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 that 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 wellbeing. 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 socioeconomic 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 socioeconomic policies that protect human development.

3.5 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 2001a). 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).

4 Reconceptualizing policy objectives of aid

4.1 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 to 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.¹⁵ This has been formalized with the adoption of the 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* (2007).¹⁶ It is reflected in the Monterrey Consensus (UN 2002) 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* (1998) that argues 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, Hudson and Verschoor 2004).

¹⁵ As argued elsewhere (Fukuda-Parr 2005) this focus on poverty is relatively new; in the 1980s and 1970s, there was greater emphasis on economic growth.

¹⁶ These 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 at the 2006 UNU-WIDER conference as well as the highly publicized studies that come to divergent conclusions, ranging from *Assessing Aid* (World Bank 1998) to *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 are 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.¹⁷ 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* looks at the 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.

4.2 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 the global development agenda and global development actors. Peace and security constitute one of the central global objectives for the twenty-first century set out in the 2000 Millennium Declaration, along with development, democracy and human rights. Security is an essential dimension of human wellbeing 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

¹⁷ 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 healthy, as well as those that are not, such as enjoying political freedom and participation, freedom of identity, and being secure.

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 scientists and international relations scholars studying issues of peace and war while economists and social scientists study development. It is only since the emergence of civil war in poor countries in the last decade 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 the 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 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 (Human Security Centre 2005: 4).

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 wellbeing and how this relates to other dimensions of wellbeing, 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.¹⁸ For example, the *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).

4.3 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 (1998) study that pointed out that millions spent in building

¹⁸ See, for example, the work of Moser (2006) on violence and poverty.

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 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 needs to be developed.

4.4 Resource allocation priorities

The Monterrey consensus builds an approach to aid allocation around the logic of 'rewarding the good performer', with performance centred 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, Olonisakin and Clarke (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 country policy and institutional assessments (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 reviews the experience of aid in fragile states and shows that only 58 per cent 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 CPIA¹⁹ that incorporates policy for economic management, structural policies, social inclusion and poverty reduction, and public sector management and institutions.

¹⁹ World Bank (2007); OECD (2007).

Fragile states now encompass 35 countries based on based on the CPIA classification. All of these countries, with the exception of two, 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 2006). 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 increases in flows to the well performing countries (top two quintiles of the index) (DfID 2004). The poor performance countries received only 14 per cent 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 (Levin and Dollar 2005; McGillivray 2006).

4.5 Donor policy approaches to fragile states and to conflict prevention

Donor debates about the development-conflict nexus has been evolving for over a decade. The March 2007 DAC High Level Meeting adopted 'Principles for good international engagement in fragile states' (OECD 2007). 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 (OECD 2005). The second principle reflects the 2001 DAC Guidelines on Conflict Prevention (OECD 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 emphasize 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 et al. 2006). Some donors are concerned with poor development and poverty reduction performance in countries where government is unwilling to pursue that agenda; some are concerned with terrorism and global threats; some with human security and peacebuilding; and others with the functional relationship between poverty and conflict.²⁰ 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.

5 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. 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 socioeconomic structures of these countries, notably: horizontal inequalities and group exclusion, the youth bulge in their demographics, dependence on natural resources, and their weak management as well as weak state capacity overall.

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

²⁰ Picciotto, Olonisakin and Clarke (2006) point out this category is inconsistently used by different donors. For example, UK DFID focuses on state capacity and willingness, UNDP 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 that focuses on poor country performance indicators attributable to a variety of causes.

Not all development and poverty reduction contribute 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 socioeconomic correlates of violent conflict addressed as a priority.

References

- Anderson, M. (1999). *Do No Harm: How Aid Can Support Peace – or War*. Boulder: Lynn Reiner.
- Brown, G. (2006). ‘Inequality, Ethnic Diversity and Conflict: Implications for a Human Rights Poverty Reduction Strategy’. Paper prepared for the OHCHR mission.
- Brown, G. (2007). ‘Social Exclusion, Horizontal Inequalities and Conflict in Nepal: Issues and Evidence’. Paper prepared for the OHCHR.
- Brown, G., and F. Stewart (2006). ‘The Implications of Horizontal Inequality for Aid’. Paper prepared for the UNU-WIDER Conference on Aid: Principles, Policies, and Performance, 16-17 June. Helsinki: UNU-WIDER.
- Burnside, C., and D. Dollar (2000). ‘Aid, Policies and Growth’. *American Economic Review*, 90 (4): 847-68.
- Cammack, D., D. McLeod, A. Rocha Menocal, with K. Christiansen (2006). ‘Donors and the “Fragile States” Agenda: A Survey of Current Thinking and Practice’. JICA/ODI Report. Available at: www.odi.org.uk/whats_next_portals/fragile_states/index.html, accessed 6 May.
- Human Security Centre (2003). ‘Mapping and Explaining Civil War: What to Do about Contested Datasets and Findings?’. Paper prepared for the Oslo Workshop, 18-19 August.
- Human Security Centre (2005). *Human Security Report, 2005*. Vancouver: University of British Columbia.
- Cincotta, R., R. Engelman, and D. Anastasion (2003). *The Security Demographic: Population and Civil Conflict after the Cold War*. Washington, DC: Population Action International.

- Collier, P. (1999). 'On the Economic Consequences of Civil War'. *Oxford Economic Papers*, 51 (1): 168-83.
- Collier, P. (2003). *Breaking the Conflict Trap: Civil War and Development Policy*. Washington, DC: Oxford University Press for the World Bank.
- Collier, P., and A. Hoeffler (2002a). 'Greed and Grievance in Civil Wars'. CSAE Working Paper Series No. 2002-01. Oxford: Centre for the Study of African Economies. Available at: www.csae.ox.ac.uk
- Collier, P., and A. Hoeffler (2002b). 'Aid, Policy and Peace: Reducing the Risks of Civil Conflict'. *Defence and Peace Economics*, 13 (6): 435-50
- Collier, P., and D. Dollar (2004). 'Development Effectiveness: What Have We Learnt?' *Economic Journal*, 114 (496): F244-61
- DfID (Department for International Development) (2004). 'Why We Need to Work More Effectively in Fragile States'. London: DfID.
- Do, Q.-T., and L. Iyer (2007). 'Poverty, Social Divisions and Conflict in Nepal'. WB Policy Research Working Paper 4228. Washington, DC: World Bank.
- Easterly, W. (2006). *White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good*. New York. Penguin Group.
- Elbadawi, I., and N. Sambanis (2002). 'How Much Civil War Will We See? Explaining the Prevalence of Civil War'. *Journal of Conflict Resolution*, 46 (3): 307-34.
- Fearon, J. D., and D. D. Laitin (2003). 'Ethnicity, Insurgency and Civil War'. *American Political Science Review*, 97 (1): 75-90.
- Fukuda-Parr, S. (2005). 'Millennium Development Goals: Why They Matter'. *Global Governance*, 10: 395-402.
- Fukuda-Parr, S. (2007). 'Human Rights and National Poverty Reduction Strategies: Conceptual Framework for Human Rights Analysis of Poverty Reduction Strategies and Reviews of Guatemala, Liberia and Nepal'. University of Connecticut Working Papers in Economic Rights. Storrs, CT: University of Connecticut.
- Fund for Peace (2007). *Failed State Index 2006*. Available at: www.fundforpeace.org/programs/fsi/fsindex2006.php?column=11&. Accessed 5 May.
- Gates, S., and M. S. Murshed (2005). 'Spatial-horizontal Inequality and the Maoist Insurgency in Nepal'. *Review of Development Economics*, 9 (1): 121-34.
- Goodhand, J. (2003). 'Enduring Disorder and Persistent Poverty: A Review of the Linkages between War and Chronic Poverty'. *World Development*, 31 (3): 629-46.
- Hegre, H., T. Ellingsen, S. Gates, and N. P. Gleditsch (2001). 'Toward a Democratic Civil Peace? Democracy, Political Change and Civil War 1816-1992'. *American Political Science Review*, 95 (1): 33-48.
- Humphreys, M. (2003). *Economics and Violent Conflict*. Harvard University. Available at: www.preventconflict.org/portal/economics .

- Humphreys, M., and A. Varshney (2004). 'Violent Conflict and the Millennium Development Goals: Diagnosis and Recommendations'. CGSD Working Paper No. 19. New York: Center on Globalization and Sustainable Development, Columbia University.
- Homer-Dixon, T. F. (1991). 'On the Threshold: Environmental Changes as Causes of Acute Conflict'. *International Security*, 19 (1): 5-40.
- Levin, V., and D. Dollar (2005). 'The Forgotten States: Aid Volumes in Difficult Partnership Countries (1992-2002)'. Summary paper prepared for the DAC Learning and Advisory Process on Difficult Partnerships, 6 January. Paris: OECD.
- McGillivray, M. (2006). 'Aid Allocation and Fragile States'. WIDER Discussion Paper 2006/01. Helsinki: UNU-WIDER.
- Milanovic, B. (2005). 'Why Did the Poorest Countries Fail to Catch Up?' Carnegie Paper No. 62. Washington, DC: Carnegie Endowment.
- Mosley, P., J. Hudson, and A. Verschoor (2004). 'Aid, Poverty Reduction and the New Conditionality'. *Economic Journal*, 114 (496): F217-43.
- Moser, C. (2006). 'Reducing Urban Violence in Developing Countries'. Policy Brief 2006-01. Washington, DC: The Brookings Institution.
- Murdoch, J., and T. Sandler (2002). 'Economic Growth, Civil Wars and Spatial Spillovers'. *Journal of Conflict Resolution*, 46 (1): 91-110.
- Nafziger, E. W., and J. Auvinen (2000). 'The Economic Causes of Humanitarian Emergencies'. In E. W. Nafziger, F. Stewart and R. Väyrynen (eds), *War, Hunger and Displacement: The Origins of Humanitarian Emergencies*, vol. 1. Oxford: Oxford University Press for UNU-WIDER.
- Nkurunziza, J. (2007). 'Generating Rural Employment in Africa'. In K. S. Jomo and A. Ocampo (eds), *Towards Full and Decent Employment* (forthcoming).
- OECD (2001). *The DAC Guidelines: Helping Prevent Violent Conflict*. Paris: OECD.
- OECD (2004). 'The Security and Development Nexus: Challenges for Aid'. Paper presented at the DAC High Level Meeting, 15-16 April. Paris: OECD.
- OECD (2005). *2006 Development Co-operation Report*. OECD Document DCD/DAC(2006)36/REV1.
- OECD (2006). 'Principles for Good International Engagement in Fragile States and Situations'. Paris: OECD: Available at: www.oecd.org/dataoecd/61/45/38368714.pdf.
- OECD (2007). 'Paris Declaration on Aid Effectiveness: Ownership, Harmonization, Alignment, Results and Mutual Accountability'. Paper presented at the High Level Forum, 28 February-2 March. Paris: OECD.
- OECD/DAC (2007). 'Statistical Annex of the 2006 Development Co-operation Report'. Available at: www.oecd.org/document/9/0,2340,en_2649_34485_1893129_1_1_1_1,00.html.
- OECD/DAC. Data available at: www.oecd.org/dataoecd/52/12/1893167.xls.

- Picciotto, R., F. Olonisakin, and M. Clarke (2006). 'Global Development and Security: Towards a Policy Agenda'. Global Development Studies No. 3. Stockholm: Swedish Ministry of Foreign Affairs.
- Sachs, J. (2005). *End of Poverty: Economic Possibilities for our Times*. New York: Penguin Books.
- Seybolt, T. B. (2002). 'Transnational Conflict Contagion: Alternative Theories of the Spread of War'. Paper presented at the annual meeting of American Political Science Association 28 August. Boston.
- Stewart, F. (2002). 'Horizontal Inequalities: a Neglected Dimension of Development'. WIDER Annual Lecture No. 5. Helsinki: UNU-WIDER.
- Stewart, F. (2003). 'Conflict and the Millennium Development Goals'. *Journal of Human Development*, 4 (3): 325-51.
- Stewart, F. (2005). 'Policies towards Horizontal Inequalities in Post-Conflict Reconstruction'. CRISE Working Paper No. 7. Oxford: Queen Elizabeth House, University of Oxford. Available at: www.crise.ox.ac.uk .
- Stewart, F., and V. FitzGerald (2001a). 'The Costs of War in Poor Countries: Conclusions and Policy Recommendations'. In F. Stewart and V. FitzGerald (eds), *War and Underdevelopment*, vol. 1. QEH Series in Development Studies. Oxford: Oxford University Press.
- Stewart, F., V. FitzGerald and associates (2001b). *War and Underdevelopment*, vols 1 and 2. QEH Series in Development Studies. Oxford: Oxford University Press.
- Stewart, F., and G. Brown (2003). 'The Economics of War: Causes and Consequences'. Oxford: CRISE, University of Oxford.
- Stewart, F., C. Huang, and M. Wang (2001). 'Internal Wars: An Empirical Overview of the Economic and Social Consequences'. In F. Stewart and V. FitzGerald (eds), *War and Underdevelopment*, vol. 2. QEH Series in Development Studies. Oxford: Oxford University Press.
- United Nations (2000). *Millennium Declaration*. UN Document ARES55/12. New York: UN. Available at: www.un.org/millennium/declaration/ares552e.pdf .
- United Nations (2002). 'Outcome of the International Conference on Financing for Development, Monterrey Consensus'. UN Document A/57/344. New York: UN.
- United Nations (2005). 'In Larger Freedom: Towards Development, Security and Human Rights for All'. Report of the Secretary General. UN document A/59/2005. New York: UN.
- United Nations (2007). UN Population Division. *World Population Prospects: The 2006 Revision and World Urbanization Prospects*. New York. UN.
- UNDP (United Nations Development Programme) (1996). *Human Development Report 1996: Economic Growth for Human Development*. New York: Oxford University Press.
- UNDP (United Nations Development Programme) (1997). *Human Development Report 1997: Poverty and Human Development*. New York: Oxford University Press.

- UNDP (United Nations Development Programme) (2003). *Human Development Report 2003: A Compact to End Human Poverty*. New York: Oxford University Press.
- UNPP (2005). *World Population Prospects 2005 Revision*. Available at: www.esa.un.org/unpp.
- OECD/DAC online database; available at:
- USAID (2004). 'Minerals and Conflict: A Toolkit for Intervention'. Washington, DC: Office of Conflict Management and Mitigation, USAID.
- UN Millennium Project (2005). *Investing in Development: A Practical Plan to Achieve the Millennium Development Goals*. London: Earthscan
- Uvin, P. (1998). *Aiding Violence: The Development Enterprise in Rwanda*. West Hartford: Kumarian Press.
- Uvin, P. (1999). 'The Influence of Aid in Situations of Violent Conflict. A Synthesis and a Commentary on the Lessons Learned from Case Studies on the Limits and Scope for the Use of Development Incentives and Disincentives for Influencing Conflict Situations'. Paris: DAC Informal Task Force on Conflict, Peace and Development Cooperation.
- World Bank (1998). *Assessing Aid: What Works, What Doesn't and Why*. Washington, DC: World Bank
- World Bank (2000). *World Development Report 2000/01: Attacking Poverty*. New York: Oxford University Press for the World Bank.
- World Bank (2005). 'Toward a Conflict-Sensitive Poverty Reduction Strategy: Lessons from a Retrospective Analysis'. WB Report No. 32586. Washington, DC: World Bank.
- World Bank (2006). 'Resilience Amidst Conflict: An Assessment of Poverty in Nepal, 1995-96 and 2003-04'. Report No. 34834-NP. Available at: www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2006/07/13/000090341_20060713084841/Rendered/PDF/348340NP.pdf
- World Bank (2007). *Global Monitoring Report: Confronting the Challenges of Gender Equality and Fragile States*. Washington, DC: World Bank

Annex

Annex Table
Worst performing countries regarding their process to achieving the MDGs (category 4)

Country	Lower performance indicators	Conflict affected		Failed state index			ODA p.c. 2005	2005 ODA/GNI	Primary exports as % of GDP
				(1)	(2)	(3)			
Afghanistan	Income Hunger	Yes	1990-05	9.6	8.0	8.0	110.57	38.55	
Angola	Income Child mortality	Yes	1990-2004	8.5	8.0	9.0	27.72	1.73	
Bangladesh	Hunger Sanitation	Yes	1990-92	5.8	8.9	9.0	9.31	2.1	2
Benin	Child mortality Sanitation			5.1	3.8	7.3	41.36	8.2	11
Burkina Faso	Hunger Education Gender Child mortality			5.9	7.7	8.8	49.85	12.78	9
Burundi	Income Hunger Education Child mortality	Yes	1991-92 1994-2005	9.1	7.8	8.8	48.34	46.79	13
Cambodia	Hunger Child mortality	Yes	1990-98	6.5	7.5	7.2	38.22	10.39	1
Cameroon	Income Gender Child mortality Water	Yes	1996	6.8	7.9	8.7	25.35	2.5	14
Central African Republic	Income Hunger Education Child mortality Sanitation	Yes	2001-02	7.7	8.0	8.5	23.59	6.97	6
Chad	Income Hunger Child mortality Sanitation	Yes	1997-2005	9.0	9.5	9.0	38.96	8.55	
Comoros	Income	Yes	1997				42.05	6.64	
Congo	Income Hunger Gender Child mortality	Yes	1993-94 1997-99 2002				362.21	36.82	

Annex Table continues

Notes: Column (1) = Legacy of vengeance-seeking group grievances;
Column (2) = Rise of factionalized elites;
Column (3) = Uneven development along group lines.

Annex Table (con't)
 Worst performing countries regarding their process to achieving the MDGs (category 4)

Country	Lower performance indicators	Conflict affected		Failed state index			ODA p.c. 2005	2005 ODA/GNI	Primary exports as % of GDP
				(1)	(2)	(3)			
Congo, Dem. Rep. of the	Income Hunger Education Child mortality Sanitation	Yes	1996-2001	9.5	9.6	9.0	31.76	27.54	
Côte d'Ivoire	Income Child mortality Sanitation	Yes	2002-04	7.6	9.8	8.0	6.56	0.78	
Djibouti	Income Child mortality	Yes	1991-94 1999				99.49	10.09	
Dominican Republic	Hunger Sanitation			7.0	7.4	8.0	8.66	0.29	
Ecuador	Income	Yes	1995	5.6	7.8	8.0	15.84	0.61	25
Eritrea	Education Child mortality Gender Sanitation	Yes	1997-2000 2003	7.2	7.5	6.0	80.72	36.32	
Ethiopia	Gender Child mortality Water Sanitation	Yes	1990-2005	7.6	8.9	8.5	27.19	17.39	
Gambia	Income Hunger Education Child mortality			5.0	5.8	7.0	38.26	13.06	
Guinea	Water Sanitation	Yes	2000-02	7.2	9.0	8.0	19.37	6.89	
Guinea-Bissau	Income Child mortality	Yes	1998-99	4.9	6.5	9.3	49.76	27.33	
Haiti	Income Child mortality Water Sanitation	Yes	2004	5.0	9.6	8.3	60.37	12.13	
Honduras				2.1	6.4	9.0	94.56	8.2	13
India	Hunger Gender Sanitation	Yes	1990-2005	2.8	5.7	7.5	1.58	0.22	3
Iraq	Hunger Education Gender Child mortality	Yes	1990-96 2003-05	8.3	8.8	8.7	773.34		

Annex Table continues

Annex Table (con't)

Worst performing countries regarding their process to achieving the MDGs (category 4)

Country	Lower performance indicators	Conflict affected		Failed state index			ODA p.c. 2005	2005 ODA/GNI	Primary exports as % of GDP
				(1)	(2)	(3)			
Kenya	Income Hunger Child mortality			7.1	7.6	8.0	22.43	4.27	14
Kyrgyzstan	Income			6.6	7.9	8.0	52.03	11.37	10
Lao People's Dem. Rep.	Gender Child mortality	Yes	1990	5.9	8.9	5.9	49.95	11.17	
Lesotho	Hunger Child mortality	Yes	1998				38.45	3.84	
Liberia	Income Child mortality	Yes	1990-95 2000-03	2.1	8.8	8.6	72.01	54.12	
Madagascar	Income Hunger Child mortality Water Sanitation						49.93	18.75	12
Malawi	Gender Child mortality			6.0	6.7	8.8	44.67	28.37	21
Mali	Income Hunger Education Gender Child mortality Water	Yes	1990 1994	4.2	3.5	6.8	51.14	14.08	
Mauritania	Income Child mortality Water			5.9	7.9	7.0	62.01	10.43	
Moldova, Rep. of	Income Child mortality	Yes	1992	4.7	6.8	7.5	45.55	5.85	23
Mongolia	Income Hunger			1.0	5.0	5.7	83.08	11.57	44
Mozambique	Education Gender Child mortality Sanitation			2.0	5.5	7.1	64.98	20.78	23
Myanmar	Child mortality	Yes	1990-2005	8.8	8.0	9.0	2.86		
Nepal	Hunger Sanitation	Yes	1996-2005	4.8	9.0	9.2	15.77	5.81	
Niger	Income Hunger Education Gender Child mortality Water	Yes	1992 1994 1996-97	4.3	6.0	7.2	36.92	15.17	

Annex Table continues

Annex Table (con't)
 Worst performing countries regarding their process to achieving the MDGs (category 4)

Country	Lower performance indicators	Conflict affected	Failed state index			ODA p.c. 2005	2005 ODA/GNI	Primary exports as % of GDP
			(1)	(2)	(3)			
Nigeria	Income Child mortality Water Sanitation	Yes 2004	5.9	9.0	9.0	48.94	7.41	
Pakistan	Income Child mortality	Yes 1990 1995-96	9.3	9.1	8.9	10.7	1.54	3
Papua New Guinea	Income Child mortality Water Sanitation	Yes 1990 1992-96	2.6	6.7	9.0	45.19	6.64	
Rwanda	Income Hunger	Yes 1990-94 1997-2002	7.0	8.9	7.2	63.72	27.39	
Sao Tome and Principe	Education					199.38	58.56	
Senegal	Income Hunger Child mortality	Yes 1990-93 1995 1997-2001 2003	4.3	3.5	6.8	59.11	8.44	11
Sierra Leone	Income Hunger Gender Child mortality	Yes 1991-2000	7.9	7.7	8.7	62.1	29.58	
Solomon Islands	Income					413.0	70.51	
Somalia	Hunger Child mortality	Yes 1995-96 2001-02	8.1	9.8		28.72		
Sudan	Child mortality Sanitation	Yes 1990-2005	9.7	9.1	9.2	50.47	7.1	17
Swaziland	Income Hunger Child mortality					40.73	1.67	
Tajikistan	Income Child mortality	Yes 1992-96 1998	6.6	8.7	7.4	37.08	10.79	
Tanzania U. Rep. of	Income Hunger Education Gender Child mortality		6.8	5.2	7.0	39.27	12.48	10
Togo	Income Gender Child mortality Water Sanitation		5.8	7.8	7.5	14.1	4.0	11

Annex Table continues

Annex Table (con't)

Worst performing countries regarding their process to achieving the MDGs (category 4)

Country	Lower performance indicators	Conflict affected	Failed state index			ODA p.c. 2005	2005 ODA/GNI	Primary exports as % of GDP	
			(1)	(2)	(3)				
Turkmenistan	Income Child mortality		4.2	8.0	7.2	5.85			
Uganda	Child mortality Water	Yes	1990-91 1994-2005	9.2	7.9	8.4	41.57	14.02	8
Uzbekistan	Income Child mortality	Yes	2000 2004	5.8	9.1	8.1	6.48	1.27	
Vanuatu	Income Child mortality						188.0	11.98	
Yemen	Hunger Child mortality Sanitation	Yes	1994	6.7	9.4	9.0	16.02	2.61	41
Zambia	Income Hunger Child mortality			5.2	5.2	7.3	80.98	14.21	22
Zimbabwe	Income Hunger Child mortality Sanitation			8.9	8.5	9.2	28.26	11.55	39

Source: UNPP (2005); OECD/DAC online database; Fund for Peace (2007).