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Global Development and Human Security: Towards a Policy Agenda

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with a foreword by Sir Lawrence Freedman



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Global Development and Human Security

Towards a Policy Agenda

A policy review commissioned by the Ministry for Foreign Affairs, Sweden

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Foreword by Sir Lawrence Freedman



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Foreword

Traditionally we have been thinking of development and security in a compartmentalised manner. Development has concerned achieving economic growth and social welfare through the investments in institutions, infrastructure and human capital. Security was a matter for military, strategic planners as well as diplomats. Today, however, the two communities have come to recognise the need for an inclusion of each side's perspective. Development goes into reverse if people do not feel secure and lasting security cannot be achieved if people do not see development taking place.

To address the specific coherence challenge that is inherent in the integration of security and development issues the Secretariat of the Expert Group on Development Issues (EGDI) at the Swedish Ministry for Foreign Affairs initiated a study on this topic in 2005.

Traditionally we have worked along a linear approach, first focusing on conflict resolution, and then, given a successful resolution, started the work of development. Today there is an understanding that conflict management and long-term development should be a simultaneous process in which the two approaches complement each other over time. A *seamless transition* from conflict resolution to long-term development is needed but not sufficient. In addition a closer coordination of security and development measures is necessary. Increasingly we also have to address the issue of fragile states. War and violent conflicts contribute to increased poverty. In light of the fact that half of the least developed countries and eight of the world's ten poorest countries have experienced violent conflicts the last 20 years the question seems even more focal. What can be done during a violent conflict to counteract long-term obstacles to development, for example environmental damage or chronic health problems?

Among other issues the study proposes an innovative and new way of looking at the Human Security concept. It proposes a revamped human security framework would address freedom from want as well as freedom from fear. The framework would concentrate on genuine threats to human survival assessed on the basis of the probability, variance, and predictability of adverse events. It would also use risk management and cost-benefit techniques to assess policy options and rank programs and projects. In addition the study usefully suggests the need to further use tailor-made conflict-sensitive strategies with an emphasis on the crucial role for regional organisations.

The issues outlined above are, key aspects in the present study which we hope will contribute to the international discussion on how security and development are related and can contribute to each other's aim and objectives.

Annika Söder
State Secretary for International Development Cooperation

Foreword by Sir Lawrence Freedman

This millennium began in an optimistic mood, which even extended to the adoption of ambitious goals for development. Fuelling the optimism was heady economic growth, driven forward by the information revolution and enthusiastic consumption. The conclusion of the Cold War at the end of the 1980s removed the spectre of a nuclear conflict among the great powers, and the subsequent decade opened up the prospect of the peaceful resolution of yet more damaging conflicts. The *apartheid* regime in South Africa conceded defeat just as the East European communist regimes had done, and the Oslo process offered hope of an eventual deal between Israel and the Palestinians. The break-up of the former Yugoslavia and a series of vicious civil wars in Africa and elsewhere suggested a less promising prospect, but by the end of the 1990s it could be argued that Western countries were coming to accept a responsibility to aid the weak and distressed, even with armed force. Humanitarian intervention was patchy and led to demanding long-term commitments to reconstruct shattered societies, but discussion in the UN and elsewhere focused on how to do them better rather than how to walk away.

The optimism did not last long. The failure of the Camp David talks involving Yasser Arafat and Ehud Barak, convened by President Clinton in the summer of 2000, helped spark the second Palestinian *intifada*. The bubble in technology stocks burst and big corporate names, such as Enron, tuned out to have depended more on fraud than productivity. Joining the Japanese economy, which had still failed to revive from the torpor into which it sank after the bumper years of the 1980s, was Europe's. Whatever advantage was gained by a common currency was lost without at same time engaging in structural reforms. The American economy kept going by tolerating deficits and trade imbalances that foreshadowed an eventual reckoning, and that past Republican administrations would have considered downright irresponsible. Although the remarkable advance of China and India was an overall plus for the international economy, it added to the sense of unease in countries that felt unable to compete with these low-cost giants. Particular source of gloom was the growing incidence of Islamist terrorism, most dramatically in the suicide attacks of September 11, 2001. These events created a unique sense of vulnerability in Western countries, and set in motion a series of responses that have had major domestic and international consequences. One explanation for President Bush's Iraqi adventure was to keep down oil prices. If so it was a failure in this respect as well. By 2005 prices were high and supplies were tight, becoming even more so when the US Gulf coast was hit by the successive hurricanes Katrina and Rita.

This is not the easiest context in which to encourage states to turn away

from narrow, short-term concerns and opt for enlightened self interest in a pursuit of internationalist goals. Perhaps it is only Sweden's own unswerving commitment to these goals that makes it possible to present a set of propositions on how best to address the interconnected issues of development and security and not appear naïve. Though the analysis offered in the following pages is unsparing in its criticism of past failures in policy implementation and not negligent of the continuing barriers to progress, it is infused with optimism and a conviction that much can be usefully and realistically be done. By drawing on the best thinking on these issues of recent years, and providing a coherent synthesis of policy options, this volume points a way forward. Taking up its proposals might not eradicate all the world's ills but would help to alleviate many of the worst effects.

At a time of lowering expectations it is important not to succumb to fatalism. As the authors note, it is not the case that aid measures invariably fail or that international organisations always screw up, or that external interventions invariably make things worse rather than better, or that nothing has been learned from recent experience. Among these experiences, that in Iraq has inevitably undermined assumptions that complex problems can be solved at a stroke through bold and decisive military moves, or that the tough exercise of hard power is more reliable than the more cautious and compromised exercise of soft power. In the US it has created wariness about future military operations, and greater sensitivity to the need to find partners and work through multilateral organisations. The lessons are relevant to all forceful interventions: the sort of force that might topple a regime and occupy a country is quite different in composition and demeanour from the sort that can maintain law and order and address, through economic and political reconstruction, the everyday concerns of ordinary people.

If such lessons are learned, it is all to the good, although problems of a different sort could result if the US decided that it had better stay clear of all future foreign entanglements. Negative experiences do not necessarily create enthusiasm for fresh initiatives. One reason why a degree of engagement might be sustained is the presumed link, hard though it is to pin down, between fragile and failed states and terrorism. Fragile states are those that can barely cope with the social, economic, and political demands that are placed upon them. Failed states are those that fail to cope; they are usefully seen as those that can no longer monopolise organised violence within their own borders. In this sense strong states may still fail against such criteria as eradicating poverty and improving welfare, let alone introducing democracy, but the strength of such states can be illusory. When really tested, they prove to be quite brittle. Such states are not uncommon in the third world. They might be, in their own terms, very efficient but their inherent lack of legitimacy and their inattention to constitutional proprieties when dealing with their own people lead them to decay from within.

When states do fail, and become full of conflict, they generate much anger and bitterness. Largely this is directed inwards, which is why these countries are so difficult to 'stabilise' after a civil war, yet it can also be generated outwards, against those who are believed to have supported their oppressors, either actively or tacitly. This is why it can result in international terrorism. One line of argument, evident among some Islamist groups, is to link together a number of otherwise disparate conflicts as evidence of a wider conspiracy. For example, to many Islamists, the varying forms of external engagement in Chechnya, East Timor, Kashmir, and Kosovo as well as Afghanistan, Iraq, and Palestine do not result from the exercise of discretion, guided by prudence as much as conscience, but instead follow a pattern of action designed to undermine Islam.

This is one reason why leaving well alone does not necessarily avoid difficult consequences. Further, the more this inclination is followed the more difficult any later intervention will prove to be if the risks of continued passivity also start to seem unacceptable. Common sense suggests that the most effective approach is to get involved earlier rather than later, before the rot has set in, to stop quarrels within and between countries before they become deadly and descend into long-term violence, to go for prevention rather than cure.

This seems so obvious that it is worth considering why it doesn't happen more. Part of the problem is diagnosis. When the symptoms are ambiguous a bad diagnosis might lead to a faulty prognosis. Vicious conflicts may look inevitable in retrospect, but as the conflicts develop the participants may be in deep denial, and discourage offers of external help. Moreover, public opinion in donor countries only starts to take note when situations are desperate; governments tend to respond to crises as they peak rather than as they develop. That being said, it is important to note that many disputes have been called and then barely heard of again because quiet diplomacy has done the trick. This volume argues that addressing the circumstances of poverty, disease, and repression that lead states to become fragile, and some eventually to fail, makes conflict less likely to happen, and should, in the process, improve the human condition.

Human security requires a functioning state. Some states are undoubtedly causes of great insecurity for their people and others, but there are still no better agencies for ensuring security, so the challenge is to help develop the sort of state that can cope. Ideally, the only security policies of relevance will be to support police work to deal with low-level criminality and rowdy behaviour. To this end, effective development and security policies ought to reinforce each other, by building up states in the third world that are capable of coping with the multiple challenges they face, and through which international support can be channelled. When outsiders have to provide the state functions, then dependence on them grows and they become responsible for all that goes wrong. They will not find their exit strategy until they have been able to transfer power to the local communities.

This process is more state building than nation building, although a sense of nationhood can create an identity and generate loyalty to state institutions that might otherwise be lacking. This is why a holistic approach is needed, which recognises that it is vital to build up the capacity for self government, even while attending to immediate needs. Underlying this approach is recognition that promoting security and development is a highly political activity and must be understood in these terms, but also that they must be brought together. In too many discussions of such problems as core poverty, infant mortality, or the incidence of HIV/AIDS, as well as human security, they are assumed to be quite different types of issues best considered in quite separate institutional settings.

An unsentimental analysis of strategic risk points to the need to engage with the multiple problems of the third world because in the end chronic instability has consequences for the whole international community. Yet altruism is also important. As shown by the build-up to the July 2005 Gleneagles summit of the Group of Eight industrialised nations, there are vast wellsprings of idealism waiting to be tapped. There is also a readiness to engage in a serious debate about whether the transfer of resources from rich to poor can ever be enough unless attention is also played to issues of governance and security. Idealism is not enough; but it is not a bad start.

During the 1990s it was believed that progress could be almost effortless, with trade barriers coming down and investors searching for promising emerging countries. We now know that progress requires coordinated action across a number of fronts, and that actors in one area must think through the consequences for other areas. This approach is both more demanding and more realistic. It is why *Global Development and Human Security* is particularly timely.

Sir Lawrence Freedman
Vice Principal
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Acronyms

ASEAN	Association of Southeast Asian Nations
CPIA	Country policy and institutional assessment
DAC	Development Assistance Committee of the OECD
DDR	Disarmament, demobilisation, and reintegration
DPKO	United Nations Department of Peacekeeping Operations
DRC	Democratic Republic of Congo
DFID	United Kingdom Department for International Development
ECOWAS	Economic Community of West African States
ECOSOC	United Nations Economic and Social Council
EGDI	Expert Group on Development Issues
EU	European Union
FDI	Foreign direct investment
GBP	British pounds
GDP	Gross domestic product
IFAD	International Fund for Agricultural Development
LICUS	Low-income countries under stress
NAFTA	North American Free Trade Association
NATO	North Atlantic Treaty Organisation
OECD	Organisation for Economic Cooperation and Development
OED	Operations Evaluation Department
OSCE	Organisation for Security and Cooperation in Europe
PCD	Policy coherence for development
PGD	Policy for Global Development
PSA	Public service agreement
SARS	Sudden acute respiratory syndrome
SIDA	Swedish International Development Cooperation Agency
SIPRI	Stockholm International Peace Research Institute
SRSG	Special Representative of the Secretary-General
SSR	Security sector reform
TRIMS	Agreement on Trade-related Investment Measures
TRIPS	Agreement on Trade-related Intellectual Property Rights
UNDP	United Nations Development Programme
USD	United States dollars
WMD	Weapons of mass destruction
WHO	World Health Organisation
WTO	World Trade Organisation

Overview

The lesson for the twenty-first century is that the fight for security, prosperity and justice can no longer be won on any one nation's ground...It requires agreement on values. It is predicated on an acknowledgment of interdependence...It requires courage and leadership.

Will Hutton

A. The need for change

At the turn of the millennium, all heads of states gathered in New York under United Nations auspices. They endorsed a Millennium Declaration that marked the culmination of decades of efforts by the world body. Despite major differences in interests and perspectives, all member countries of the United Nations undertook to address the root causes of global poverty, ignorance, disease, malnutrition, gender inequity, environmental degradation, and other chronic 'problems without passports' that have consigned vast zones of the developing world to stagnation and despair.

For the first time in development history, specific goals were agreed along with a battery of performance indicators designed to track the outcomes of a comprehensive approach to human development. Reflecting universal aspirations and grounded in the deliberations of numerous United Nations conferences, the eight Millennium Development Goals (MDGs) secured substantial public support and enhanced the legitimacy of development assistance.

Less than five years later, widespread disillusion has set in. Available evidence suggests that most developing countries will not achieve the agreed goals. The resources mobilised have been insufficient. Doubts have surfaced about the capacity of the multilateral system to reform and deliver. Probing questions have been raised about the fairness of the compact between rich and poor countries that was made at the Financing for Development Conference in Monterrey (Mexico) in 2002.

An unbalanced compact

Poor countries have accepted the responsibility to improve their governance and reform their policies. They are complying with the obligation to prepare poverty reduction papers for review by the international financial institutions as a prerequisite for debt reduction and increased aid. But rich countries, for their part, made no reciprocal acknowledgment of their obligations to level the playing field of the international economy. The eighth Millennium Development Goal outlined in broad terms the responsibility of rich

countries, but time-bound undertakings and performance indicators were not agreed. No major change in the rules of the game that govern the global market lies on the horizon. Most of the performance indicators being tracked with respect to the MDGs point south.

Also lacking are agreed goals and indicators with respect to global security and conflict prevention. The gap is significant, since the multilateral system that emerged from the ashes of World War II was specially designed to protect international peace and enhance collective security. Remarkably, the Monterrey compact took no account of the defining event that had taken place six months earlier: the terrorist attacks of 9/11 on the Twin Towers and the Pentagon.

Box 1. Major commitments of the 2005 United Nations Summit

1. Develop and implement a comprehensive convention on international terrorism during the 60th session of the General Assembly.
2. Create an initial operating capability for a standing police capacity for UN peacekeeping missions.
3. Establish a Peacebuilding Commission as an intergovernmental body to help meet the needs of post-conflict countries.
4. Establish a small multi-year Peacebuilding Fund to be funded by voluntary contributions.
5. Be prepared to take collective action to protect populations from genocide, war crimes, ethnic cleansing, and crimes against humanity.
6. Discuss and define the notion of human security in the General Assembly.
7. Reach an early decision to reform the Security Council and review progress by the end of 2005.
8. Task ECOSOC to follow up on outcomes of major conferences and summits and improve coordination of United Nations funding.
9. Create a Human Rights Council based on negotiations to be conducted by the President of the General Assembly.
10. Submit to the 60th session of the General Assembly (i) proposals for the creation of an independent ethics office; (ii) proposals for the creation of an independent oversight committee; and (iii) the results of an independent external evaluation of the UN together with recommendations for implementation of its recommendations.

Source: <<http://reformtheun.org>>

With 9/11, the holiday from history of the post-Cold War era came to an abrupt end: the turmoil of the periphery had reached the shores of the world's sole superpower. Freedom from want and freedom from fear became inextricably linked. The spreading chaos of an insecure world dimmed the appeal of the project of global market integration that the dissolution of the Soviet Union had made feasible. The dark side of globalisation had been revealed. The same characteristics of open societies that had facilitated the global reach of multinational companies had also led to growing inequalities, social tensions, and natural resource depletion—which the Millennium Development Goals intended to address—as well as to violent conflict, weapons proliferation, and transnational terrorism—which they did not.

Peace and prosperity will be achieved in concert or not at all. This was the basic proposition put forward by the United Nations Secretary General to the September 2005 UN Summit in New York (United Nations, 2005). At that meeting the principle was endorsed and many useful agreements were reached (Box 1) but world leaders set aside many of the specific proposals aimed at renewing the rules that govern international security. They reached no consensus on the definition of terrorism, the control of nuclear weapons, the United Nations' responsibility to protect civilians from human rights violations, or the membership of the Security Council. The grand bargain, balancing vastly increased resources for development with a tougher security posture and a more representative Security Council, has yet to be struck.

The modest outcome reflects the geopolitical tensions created by the Iraq conflict, but it also reflects a lack of confidence in the United Nations bureaucracy. The management weaknesses documented by the Volcker Commission reports on the Iraq oil-for-food programme and the allegations of sexual misconduct by United Nations troops in the Democratic Republic of the Congo have dented the prestige of the world body.

Sweden's Shared Responsibility Bill

Against this troubled backdrop, Sweden is gearing up to implement its unprecedented policy for global development. Anchored in the Millennium Declaration, Sweden's Shared Responsibility bill aims to create the conditions that enable poor people to improve their lives. It addresses peace, security, opportunity, environmental conservation, human rights, and democracy. No other OECD government has made so explicit a link between global poverty reduction and the full range of policies that connect rich and poor countries.¹ Implicitly, Sweden has taken upon itself the task of reorienting the entire development cooperation business.

¹ *Shared Responsibility – Sweden's Policy for Global Development*. Government Bill 2002/03:122; Act of Parliament 2003/04: UU3.

Translating this ambitious policy stance into practice is hampered by a lack of knowledge about the links between security and development. The development research community has devoted major analytical resources in pursuit of a common understanding of the policy prerequisites of equitable and sustainable growth in poor countries. But it has barely begun to examine the impact of rich countries' policies on global poverty reduction or the relationship between poverty and conflict. In part this is because the policy research establishment has been split into distinct disciplinary domains with little communication among them. Until recently there has been little commerce between strategic and defence studies on the one hand and development economics on the other.

The failure to agree on proposals that would have made multilateral action more effective has added to the urgency of reconsidering the security and development policies of bilateral donors. A new paradigm is needed since the development consensus forged at the turn of the millennium does not address security concerns that have reached the top of the policy agenda. Inevitably, development will have to be 'securitised' to create a safe enabling environment for poverty reduction. In parallel, steps will need to be taken to 'developmentalise' security.

The current protocols and practices of the aid industry have been shaped by the overarching goal of connecting poor countries to the global economy. Major strides have been made in this direction although weak states that lack market institutions have not been able to secure adequate benefits from the connection. Poverty reduction objectives have been subordinated to the tenets of market-oriented economic management. Paradoxically, the normative development effectiveness principles agreed under the aegis of the Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD/DAC) have discouraged engagement with weak states.

Unsurprisingly, the necessary changes are meeting stiff resistance in humanitarian and development aid circles. There are legitimate fears that the aid business could be 'taken over' or undermined by a defence establishment partial to military solutions and committed to state-centric security doctrines. To adapt the development cooperation business to the new challenges of security (while remaining true to the ideals that have long motivated the aid enterprise) new concepts, new tools, and new practices are required. Sweden along with other aid donors faces a difficult transition. This is why the Expert Group on Development Issues of the Ministry of Foreign Affairs commissioned this report.

*The study*²

A stocktaking exercise at the intersection of security and development was considered desirable to help reorient certain aspects of development cooperation along lines presaged by the Shared Responsibility bill.³ The study reviews trends and examines the state of the art at the crossroads of peacemaking and development. It does not seek to blaze new academic trails or to dig deep into new and contested areas of security and development research.

Instead, the review taps into recently available knowledge and brings together ideas currently scattered in the public domain. Developing societies are very diverse and require context-specific approaches. But access to past experience can help to shape global, regional, and country strategies to specific circumstances. Therefore, the authors have screened the recent literature through the prism of the Shared Responsibility bill and collected material that may help policymakers debate operational options and adapt their operational strategies to new realities.

The report is mostly aimed at practitioners who need up-to-date information about the state of the policy debate. But it should also be useful as an introductory text for security specialists with little knowledge of development and for development specialists with limited knowledge of security. In particular, the report contains conceptual tools, collects lessons of experience, and makes policy recommendations with special emphasis on issues with significant relevance to the adaptation of Sweden's development cooperation policies.

This overview highlights the major findings and recommendations, following the logic of the overall report. Section B examines the operating environment. Section C identifies concepts and principles that would facilitate the pursuit of global development. Section D proposes the use of a revamped human security framework to guide global policy adjustment. Section E explains the new security equation. Sections F and G draw the implications for development cooperation and conflict management. Finally, Section H draws up a change agenda for Swedish development cooperation and Section I lists recommendations for new policy directions.

B. The context

Before considering issues of security and development relevant to the design of Swedish security and development policies, it is necessary to examine the

² The study was prepared by Robert Picciotto, Funmi Olonisakin, and Michael Clarke of King's College, London. Rachel Weaving provided editorial assistance.

³ A promising start has been made: the Swedish Ministry for Foreign Affairs has completed reports on fragile states and commissioned a review of disarmament, demobilisation, and reintegration (DDR) activities

force field in which they will have to be implemented. Salient characteristics of the operating environment confirm that the overarching objectives of the Shared Responsibility Bill—peacebuilding, poverty reduction, global policy coherence, and partnership—are responsive to Swedish values as well as highly relevant to the needs of these anxious and troubled times.

The basic premise of the Shared Responsibility Bill is that a new policy departure is needed: *poverty reduction trends have been disappointing*. Performance has been patchy. Measured using the poverty benchmark of a two dollar a day per capita income, the number of poor people worldwide has *increased*—from 2.5 billion in 1981 to 2.7 billion in 2001. One third of all human deaths (18 million annually) are poverty-related. With just ten years left to reach the 2015 milestone, the world community recognises that most developing countries will not reach the agreed Millennium Development Goals.

Globalisation has generated huge aggregate benefits along with increased risks. Cross-border networks have multiplied and the communications flowing through them have grown. As a result, multiple feedback mechanisms have amplified small fluctuations so that the global economy has become more volatile. Periodic financial crises have resulted, with cruel consequences for the weakest and poorest countries. Good ideas and productive innovations have spread like wildfire. But so have noxious ideologies, dangerous substances, and infectious diseases.

The rules of the game of the international economy have handicapped developing countries. Rather than natural forces or technology, it is the policy choices of rich countries that have made globalisation hard on the poor and the unskilled. While globalisation has increased overall welfare, the distribution of benefits has been skewed towards countries endowed with strong market institutions and abundant skills. The necessary policy adjustments have been hindered by domestic vested interests. To remedy the dysfunctions of the international economy, policy reform in rich countries, starting with a genuine 'development round' for trade liberalisation, is urgently needed.

State-centric threats combined with intrastate wars have shifted the centre of gravity of violence towards the zones of transition and development. All major current conflicts are in poor countries and transition economies. All are classified as intrastate wars. However, they all involve non-state and external actors and their effects tend to spill over national borders, making entire sub-regions fragile and unstable.

The number and severity of conflicts has declined since the end of the Cold War, due to the suspension of proxy wars and the more active engagement of the international community. But major threats to international peace remain. They are fuelled by regional tensions, the destabilising effects of the Iraq conflict, and the looming risks of nuclear proliferation.

Nor has the international community achieved an impressive record in

managing conflicts, rebuilding states, or protecting civilians. The lack of a strategic consensus among rich countries and the incoherence of security and development programmes on the ground have severely constrained effective engagement with poor and unstable countries.

International terrorism has exposed the vulnerability of the global economic system. By conflating previously separate threats—terrorism in rich countries and turmoil in poor countries—a few spectacular attacks have changed public perceptions of risk in the industrial democracies and led to fundamental reviews of military doctrines. But a cohesive response has yet to materialise since the unilateral Iraq intervention has fractured the Atlantic alliance and there remain major differences of view within and among rich countries as to the strategies that should be pursued globally and regionally.

Ever since the end of the Cold War, the coherence of security and development policies within and across OECD countries has been an elusive goal. The United States has acquired a massive military advantage over all other countries and it enjoys greater economic dynamism than Europe. But its military forces are stretched and its trade and budget deficits are huge. Sobered by the Iraq impasse, it has begun to deploy foreign policy tools that stress political suasion, economic incentives, and cultural values. In response, Europe should engage the United States in dialogue, be more consistently supportive of developing countries' interests, and adopt a cohesive approach to aid, defence, and diplomacy that is consistent with its values. Within Europe, Sweden has many of the attributes needed to provide fresh impetus to a transatlantic partnership focused on global security and development.

C. The challenge

Sweden's Shared Responsibility bill rests on three pillars: (i) policy coherence for development (PCD); (ii) human rights; and (iii) human security.

First, without a 'whole of government' approach meaningful development results cannot be reached. More and better aid is important but on its own it cannot deal with the factors that feed violent conflict and international instability.⁴ A global policy environment that is more supportive of sustainable and equitable development would improve security for all. Engagement with developing countries, especially fragile states, requires a coherent combination of aid and non-aid policies.

Tracking the progress of rich countries towards specific indicators with respect to trade, aid, debt reduction, foreign direct investment, migration, intellectual property, international security, and the environment would pro-

⁴ Developing countries receive nearly twice as much from migrants' remittances and about four times as much from private capital inflows as they do from aid.

vide an incentive for better policy performance. But this would require unbundling and strengthening the Eighth Millennium Development Goal. While MDG 8 addresses rich countries' policy obligations in general terms, it has yet to be buttressed by performance indicators.

Second, respect for human rights is an essential source of legitimacy for development cooperation. The 'responsibility to protect' innocents against human rights abuses is consistent with a 'responsibility to prevent' such violations. Accordingly, Sweden should continue to champion human rights based approaches to security and development. The legitimacy of any state rests on its capacity and willingness to protect basic freedoms. While the state is the protector and guardian of the security and welfare of its citizens, a strengthened framework of international law (including monitoring and enforcement mechanisms) is needed to achieve and sustain policy convergence.

Third, the promotion of a global consensus centred on a revamped conception of human security would be consistent with Swedish values. Prior attempts to promote human security did not elicit decisive support. They failed to harmonise two major contending doctrines (respectively championed by Canada and Japan) and they were not framed by a rigorous logic that allows the setting of priorities and the assignment of accountability. Mindful of this gap, this study outlines a revamped human security framework for security and development cooperation that embraces rights-based approaches, emphasises the allocation of responsibilities to duty bearers, and proposes a mix of analytical tools with which to facilitate choice among policy options.

Properly framed, the concept of human security would help to manage globalisation for human security by bringing the discipline of policy coherence for development and the rigors of risk management to bear on decision making and resource allocation. Such a framework would help to define new policy emphases and allow the use of risk management techniques to rank policies, programmes, and projects across the security and development domains. The joint pursuit of freedom from want and freedom from fear would focus on major threats to human survival, basing decisions on the probability, variance, and predictability of adverse events and the damage to lives and livelihoods associated with them. Partnership arrangements grounded in collective action theory would help spread the risks and facilitate risk management.

D. Managing globalisation for human security

Since the nations of the world are more interconnected and interdependent than they have ever been, the penalties associated with inconsistent policies have risen. This means that the 'rules of the game' that govern the relationships between OECD countries and developing countries should be harmonised for security as well as for development.

Well managed globalisation should be the overarching policy objective since (in combination with policy coherence for development measures) it has the potential to unlock major benefits for all. A reversal in the economic globalisation process could be triggered by a combination of shocks resulting from dissension among major powers, policy mistakes, or incoherent policy responses. This would be a major setback, given the large benefits that would flow from equitable and sustainable forms of economic integration generated by improved global public policies.

State fragility is an obstacle to equitable globalisation and it also creates security risks. This is why state building through development cooperation has acquired a new salience. The economic and social prospects of fragile states must improve, not only to avoid international instability but also to ensure that globalisation is not stopped in its tracks. Avoiding this outcome is a matter of self-interest for rich and poor countries alike.

The policy coherence for development initiative should embrace both 'hard' and 'soft' security goals. Security concerns were mentioned in the Millennium Declaration that was endorsed by all UN members in the year 2000 but they were not unbundled or prioritised. Nor were they incorporated in the Millennium Development Goals. To induce progress along these lines, the policy coherence initiative of the OECD should be broadened. Beyond making the international marketplace fairer and more efficient and aid more conflict-sensitive, it should address the full range of human security concerns and deal, for example, with the cost effectiveness of military spending, the risks of weapons proliferation, and the consequences of international crime and terrorism.

The playing field should be levelled

By improving the enabling environment for development on a global scale, policy coherence for development would alleviate the intense economic and social pressures that developing countries must contend with in their quest for peace, prosperity, and equity.

Aid by OECD countries, a privileged tool of poverty reduction, needs to grow but it must also be reformed. Aid has been inadequate in both quantity and quality. A large share of it has been misdirected, fragmented, and burdened by prohibitive transaction costs. About half the volume of aid is saddled with rules on reserved procurement that sharply reduce its value. But even if aid were to double in size and to improve in quality, it could not on its own make poverty history.

Rich countries impose trade restrictions on poor countries that are much more serious than those they impose on each other. Average tariffs on agricultural commodities are twice as high as those on manufactures. Tariff peaks are imposed on labour-intensive products that poor countries can produce competitively. Non-tariff barriers and onerous rules of origin almost double the

protection afforded to rich countries' producers. Rich countries' agricultural subsidies deliver to their farmers six times the volume of aid accorded to poor countries, and support uneconomic production of food commodities that developing countries can produce at a fraction of the cost. Steep declines in primary commodity prices have caused severe economic harm to developing countries.

The global financial architecture needs to be strengthened. Financial crises hurt poor countries and are especially cruel to poor people. *Changes are also needed in the rules that govern intellectual property rights.* Under WTO rules, USD 60 billion will flow from the South to the North to pay for patent protection, compared to USD 10 billion now, a reverse flow nearly as large as all aid inflows.

Equally, *migration matters to development.* Historically, migration has acted as a major instrument of global economic convergence. But immigration into rich countries today is severely restricted even though these countries' populations are rapidly aging. Greater labour mobility would generate a much wider dispersion of the gains from international economic exchange. Heightened security concerns have had a chilling effect on population movements. Given the critical importance of migration for development, coherent policies regarding labour mobility, family reunification, brain drain, brain gain, and remittances would help meet the needs of rich and poor countries. Human security also requires coordinated action towards expanded resettlement and reintegration opportunities for refugees and internally displaced people, ensuring the safety of migrants, fair burden sharing for asylum needs, and control of illegal human trafficking.

Environmentally sustainable development requires far-sighted leadership

Profitable, socially responsible businesses (whether large multinationals, small and medium-sized enterprises, or individual entrepreneurs) hold the key to wealth creation, technical innovation, and better quality of life in developing countries. Conversely, irresponsible business practices increase social tensions and contribute to environmental stress. Foreign direct investment can promote a more competitive business environment and generate domestic and enterprise development. But it yields limited benefits to host countries when associated with corrupt use of royalties, limited links to the local economy, negative environmental impacts, and deleterious social consequences for local communities. *Hence, policy coherence for development implies corporate social responsibility.*

Rich countries bear a special responsibility for protecting the global commons, given that they are better placed to adopt sustainable solutions and less likely to suffer from the results of environmental mismanagement. Yet their environmental practices, being emulated by developing countries, leave much

to be desired. Fisheries are being depleted due to rich countries' subsidies, fishing fleet overcapacity, and poor resource management practices. Forests in developing countries are shrinking at a rate of about one percent a year. Biodiversity losses are increasing at an alarming rate.

Evidence of global warming—an existential threat—is accumulating. Addressing it would require politically demanding reforms, such as decreeing emission ceilings, eliminating fossil fuel subsidies, raising energy taxes, increasing forest areas, relaxing current constraints on nuclear power plant construction, and implementing measures to promote clean energy development. Similarly, sustainable approaches to resource management exist but they require protection of environmental 'hot spots', trade regulation, sustainability certification, exploitation ceilings, and fishing bans that have proven politically hard to agree on and administratively hard to enforce.

Trade in arms and weapons should be regulated

Small arms are responsible for most of the casualties in intrastate conflicts. Assault rifles, grenades, rocket launchers, landmines, and explosives do not require logistical support or elaborate maintenance. They are omnipresent and represent a much greater risk to human welfare than the formal arms trade geared to interstate wars. As recommended by the Commission for Africa, key priorities for the international community are to *reduce the proliferation of small arms and light weapons, by filling gaps in current control agreements, and to carry out independent verification of the implementation of existing and future agreements.*

E. The security challenge

Looking at security in historical perspective as a portent of future trends, seven key features stand out:

- (i) The end of the Cold War and international cooperation have helped to reduce the incidence of war: since the Berlin wall fell, the number of major conflicts has declined from 30 major conflicts in 25 locations to 19 major conflicts in 17 locations, the lowest on record.
- (ii) However, international war has not been banished and many of the intra-national wars have international ramifications. Conventional military deterrence will continue to feature in national security strategies, but will no longer dominate security policy, given that intrastate wars of various kinds have become the dominant feature of the security environment.
- (iii) On average the cost of a single conflict approaches the value of annual development aid worldwide. Hence conflict prevention in poor countries should become a central priority for development cooperation.

- (iv) The pattern of casualties has changed radically: civilians rather than combatants have become the major victims of warfare and the non-state actors who participate in conflict are closely connected to external actors. It follows that peaceful outcomes cannot be secured without external intervention that reaches out to all sections of society and tackles the regional influences that perpetuate the conflict.
- (v) Egregious violations of human rights (especially genocide or ethnic cleansing) call for legitimate external intervention on ethical grounds. In practice, however, geopolitical considerations have often trumped humanitarian motivations so that remedial international action has often been absent or severely delayed.
- (vi) The endgame of most wars is no longer characterised by a formal military cease-fire, still less a negotiated surrender. Instead, a political agreement by external actors is imposed well before a clear victor emerges. The grievances that caused the conflict tend to be suppressed rather than resolved so that, in about half of the cases, hostilities resume.
- (vii) Weapons proliferation, international terrorism, and failing states constitute a potent combination of threats that security policy and development cooperation will need to address together, in order to avoid catastrophic outcomes.

Conflict and poverty

Conflict and poverty are statistically correlated but the causal links are complex and poorly understood. Development has always been viewed as dependent on adequate security conditions, but a simple two-way causal connection has not been established. Insecurity reduces a country's growth, exports, consumption, calorie consumption, government revenue (though not always), and the propensity to invest. Equally, there is substantial evidence that in the aggregate and over the long run, development helps to prevent conflict. Conflict is rooted in inequalities, social tensions, and disputes over land and resources, rather than in poverty as such. While the poor provide the foot soldiers in wars, it is not they but those with access to resources and influence who take the lead in initiating and perpetuating violent conflict. Peace-making efforts must therefore address the mindsets of elites and involve them in reconciliation efforts.

Equally, because strong states often initiate wars, traditional, state-centric diplomacy has not lost its relevance. But robust statistical associations suggest that poor economic management, weak governance, demographic pressure, environmental stress, natural resource dependence, and unequal development patterns are linked to intrastate conflict through state weakness and eventual failure. In part, poverty and conflict are linked because poor states tend to be weak states that are more vulnerable to takeover. Past development interventions have not been sufficiently attuned to these known risk

patterns. The best predictors of conflict are a prior conflict, low average incomes, low growth, and high dependence on primary products.

Accordingly, conflict prevention should have priority. On average the cost of a civil war is two and a half times the value of the country's GDP at the time the conflict starts. Just as wars create poverty, negative income shocks matter to security: it has been estimated that a 5 percent negative income shock raises a country's risk of civil war by 50 percent.

Though no single explanation for the poverty-conflict linkage exists, we know enough to reorient development cooperation so that it helps prevent rather than fuel conflict. A judicious repositioning of the development enterprise towards weak states would greatly improve development outcomes. Whereas conflict in the nineteenth and twentieth centuries was mostly driven by competition among strong states, in the twenty-first century, it mostly originates (although not exclusively, as shown in Iraq) through the implosion of weak states. The sole remaining superpower and its allies have failed to devote enough resources to preventing conflict and its recurrence.

No consensus has been reached about the criteria for external intervention. In the industrial democracies, the public endorses the principle of humanitarian intervention in cases of flagrant human rights violations, and most of these countries wish to retain the flexibility to intervene (or not), depending on public opinion pressures and the national interest. But in developing countries, the public tends to be leery of foreign involvement within the national territory and governments remain committed to the national sovereignty doctrine.

Interstate and intrastate wars

The threat of interstate war must still be taken seriously. Competition for resources, disputes over jurisdiction of territory or peoples, demographic and environmental pressures, autocratic expansionism, or sheer miscalculation must still be expected to occur between states. The potential for wars to become internationally destabilising is heightened by the fluid state of current world politics and the tendency for wars to exacerbate state weakness or even create failed states. Thus, traditional diplomacy will retain an important role in conflict prevention.

On the other hand, ignoring fragile states involves risks of international instability. First, fragmenting or collapsing states provoke local insecurity and create pressures for external intervention, whether for national gain, regional competition, or reasons of conscience. Second, while terrorists operate also within relatively strong states, they use frail and failed states as safe havens, transit facilities, and recruitment platforms. Third, frail and failed states offer fertile ground for promoting extremist ideologies.

Management of contemporary intrastate armed conflict cannot rely on general precepts, given the wide range of situations, the multiplicity of causal factors, and

their complex interplay. Tailor-made approaches are needed. Yet common challenges and constraints recur, and the specificities of context should not be an excuse for repeating the same mistakes, nor should they stand in the way of using sound theory to craft guidelines for good practice.

Looking ahead, a sustainable trend towards a peaceful world requires the gradual replacement of the anarchic international system by a collective security structure made up of well-functioning, peace-loving, and increasingly prosperous states that interact through legitimate and rule-based governance processes.

Dealing with the terrorist menace

The development of a cogent anti-terrorism policy has emerged as a vital issue for peacemaking. International terrorism is a telling symptom of global disorder. Up to now, no terrorist campaign has significantly affected the international system as such, but the past may not be prologue: ideologically driven mega-terrorism could have a far reaching impact by tapping into growing anti-Western sentiment around the world. Already, terrorism has provoked the US—a major pillar of the international system—to adopt a war mentality and to launch military interventions.

The first post 9/11 intervention, against the Taliban in Afghanistan, had broadly based international support. The second, against Saddam Hussein in Iraq, did not and has become a quagmire. It has facilitated the spread of jihadist ideologies and undermined the security of rich and poor countries alike. The spread of Islamic extremism is rooted in resentment of foreign occupation and cultural dominance. A solution to the Israeli-Palestinian conflict, the accession of Turkey to the European Union, and improved governance of Middle Eastern countries would help defuse the spread of radical Islam.

The United Nations Secretary-General delivered an authoritative definition of terrorism in his In Larger Freedom report of March 2005: 'Any action...intended to cause death or serious bodily harm to civilians or non-combatants with the purpose of intimidating a population or compelling a government or an international organisation to do or abstain from doing any act' (UN Secretary-General, 2005). The Secretary-General has also recommended work on an international convention against terrorism.

The resort to and use of force by states is regulated under international conventions that make clear that states cannot legitimately target civilians. It would be a signal achievement if attacks on civilians came to be viewed as illegitimate by the international community always, everywhere, and by anyone, even in support of a just cause. However, opposition to this proposition remains strong among developing countries, largely because considerable distress is caused by the massive loss of civilian lives associated with the exercise of state power against insurgencies.

Success against terrorism will require a broadly based international consensus and a change in tactics along the lines that were recommended by the Club of Madrid in March 2005. The Madrid agenda notes that exclusively coercive or repressive counter-terrorism actions, even if successful in the short run, alienate the public and create a backlash that increases the risks of terrorist attacks over the medium and long term. To contain terrorism and reduce its political salience to traditional levels where it is not regarded as a threat to international stability, intelligence and policing must be combined with a positive policy towards developing countries—that is, a 'hearts and minds' campaign carried out on a global scale through development cooperation and the promotion of democracy.

Protection of human rights is the acid test of legitimacy for anti-terrorism activities. Terrorism should be treated as a criminal act to be handled with full respect for the rule of law. Democratic principles and values should be observed in all circumstances. Accordingly, human rights laws should be incorporated in all anti-terrorism programmes and policies of national governments and international bodies.

Addressing proliferation

The Nuclear Non-Proliferation Treaty (NPT) has succeeded better than most other arms control regimes, but it has now run into difficulty both as a treaty and in respect to the norm setting approach to arms control that it embodies. The recent five-year review of the NPT has failed to produce a consensus about the road ahead. A perception of double standards is palpable given that nuclear states are not honouring their commitment to total nuclear disarmament—which they made in exchange for non-nuclear states' agreement to forsake the development of nuclear weapons. There is no agreement among nuclear states to abjure first use against non-nuclear states, although various declarations point in a positive direction. The comprehensive test ban treaty is no longer honoured. The costly development of a missile shield by the United States has not been shelved.

Since the end of the Cold War, the demand for weapons of mass destruction has grown. Twenty regional powers have now secured or are actively seeking access to chemical weapons, eleven to biological weapons, and six to nuclear weapons. North Korea quit the Nuclear Non-Proliferation Treaty two years ago and it has announced that it is reprocessing more plutonium for its nuclear weapons programme. Iran intends to end its voluntary freeze on uranium enrichment activities and may exit from the NPT. The lack of sanctions on non-NPT nuclear states (India, Israel, and Pakistan) contributes to the temptation to withdraw from the treaty. Other states may be induced to acquire a nuclear capability. A black market in nuclear technologies and materials has developed. Evidence has surfaced about Al Qaeda's attempts to ob-

tain access to nuclear weapons. Russia's massive nuclear stockpiles remain uncertainly secured and its decommissioning programmes are lagging.

The NPT addresses arms control from the state-centric perspective of the 1960s, but current concerns regarding nuclear proliferation are a mixture of state and non-state concerns. Fragile states exist in areas that are subject to proliferation pressures, notably South Asia, Central Asia, and the Middle East. In part, regional powers pursue major weapons programmes because of the removal of reliable security guarantees that the Cold War protagonists had provided. Another weakness of the current regime is that it guarantees NPT signatories an inalienable right of access to nuclear technology for peaceful purposes and also allows them to withdraw from the treaty after 90 days, without having to return equipment or fuel enriched under the provisions of NPT membership.⁵

In areas where nuclear technologies are available, state fragility makes the potential impact of proliferation potentially catastrophic by increasing the risk that nuclear devices will fall into the hands of determined terrorists. The destructive potential of this possibility is so large that the risk must be considered with the utmost seriousness. *Thus, the NPT—as well as chemical and biological weapons proliferation control measures—needs buttressing both on the supply side and the demand side* through export controls, international verification, and complementary anti-terrorism and international crime control measures to address the new threats of proliferation generated by fragile states and non-state actors.

Reconsidering coercion

Conventional military forces still have a major role to play towards hostile states intent on challenging the United States and its allies on matters of vital interest. By now, given its mastery of modern technology and the awesome capacity of its armed forces, the US is without military rivals. But traditional coercion is ineffective in insurgency situations. Collective security arrangements as well as diplomacy, policing and intelligence systems are needed to prevent non-state actors from adding weapons of mass destruction to their terrorist arsenal and from striking alliances with nuclear states. The sheer scale of potential damage, combined with the potential readiness of an authoritarian regime to suffer large-scale casualties, could restrict the capacity of the United States to turn its massive capability advantage into actual influence.

Towards determined non-state actors, whether warlords, armed insurgents, or terrorists, brute force is insufficient to secure victory. Typically, skilled, motivat-

⁵ The International Atomic Energy Agency's suggestion, during the May 2005 non-proliferation treaty review, that *all* states should forgo new enrichment activities until a foolproof inspection regime is in place did not secure the support of the United States.

ed non-state practitioners of violence choose not to comply with the rules of traditional warfare. They deny their adversaries visible military targets and evade capture by mingling with non-combatants. They rely on nationalistic, religious, or ideological propaganda. They sustain opposition as long as necessary to tire government forces and public opinion of the financial and human costs of continued conflict. For them, withdrawal of external intervention and/or a political settlement are central objectives and raising the financial and human costs of coercion points the way to success. *These tactics are best countered by combining military and policing instruments with diplomacy and development assistance, geared to securing broadly based civilian support for a long, twilight struggle.*

Emphasising conflict resolution

Though its limits must be recognised, conflict resolution through voluntary action has proved its usefulness where state sovereignty has broken down, social bonds have melted, and the practice of violence has become decentralised and privatised. High-level negotiations with top leaders (backed by potential sanctions under international law) are necessary 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. More often than not, a mix of peacebuilding initiatives is needed within and outside the country.

Force retains a role in conflict resolution, for example as part of a peace support operation designed to stop ethnic cleansing or genocide or to counter the sabotaging of a peace settlement. *Thus, a multi-track approach to conflict resolution is required on the ground*, involving international agencies (regional or global), aid organisations, and international financial institutions as well as international nongovernmental organisations, church groups, and private business interests.

Strengthening Europe's contribution to regional and global security

The new global politics are shaped by a lone superpower, a few primary regional powers, several secondary regional powers, and a growing number of minor but largely autonomous local powers. Since the dissolution of the Soviet Union, the interaction among the powers has become complex and unstable. The European Union is committed to effective multilateralism and a rule-based international order. Having formally endorsed the notion of subsidiarity⁶, the EU favours decentralized decision making structures and flex-

⁶ The principle of subsidiarity was established in EU law under the treaty of Maastricht. It provides for matters to be handled by the smallest (or lowest-level) competent authority.

ible networks of influence that facilitate resolution of thorny security dilemmas. Accordingly, it is prepared to engage in flexible and at times competitive relationships among global and regional organisations.

In this evolving context, *regional and sub-regional cooperation among states that share economic interests and cultural values offers major scope for improved collective security*. Regional action has many advantages: proximity, knowledge of local conditions, and nimbler decision making. Coalitions of the willing tend to be more cohesive and effective when rooted in regional security structures. Thus, regional bodies have often demonstrated a capacity to act where the United Nations has been unable to do so.

As the largest and most successful regional player, the European Union is well placed to share in the responsibility for global security. The 2003 European Security Strategy recognises that the security threats of the post-Cold War era cannot be tackled by purely military means: dealing with proliferation calls for harmonised export controls along with political pressures and diplomacy; anti-terrorism requires a mixture of police, judicial, and military means; restoration of order in failed states involves a combination of humanitarian, development, and crisis management interventions; and political solutions to regional conflicts must be backed up by military assets and civilian crisis management assets.

Inevitably, the European Union has concentrated its resources on threats and challenges that lie close to its borders. Many of Europe's new Eastern neighbours have not fared well following the transition from the plan to the market. Some of them are managed by oligarchies and they pose security risks, given porous borders and the prevalence of criminal networks. *However, the prospect of EU membership has acted as a powerful magnet for adjoining countries to adopt democratic reforms and market-based policies*.

There are now major political constraints on the further expansion of the European commonwealth. These may be overcome as electorates realise the security value of a larger union. As well as continuing efforts to sustain the peace in the Balkans and taking a stronger interest in the Southern Caucasus, the European Security Strategy gives priority to proactive engagement with Mediterranean partners and resolution of the Arab/Israeli conflict.

The European Union, originally conceived as a 'peace project', has pioneered cooperative techniques of integration through common standards, association agreements, and facilitation of trade and investment. Promotion of this approach to other regions of the world would yield rich dividends. Europe is in a position to nurture strong links with neighbouring countries across a variety of economic and cultural domains. But beyond the near-abroad, *Europe can make systematic use of trade, investment, and aid instruments to engage productively with developing countries and expand its support to regional and sub-regional coalitions*.

Further, to reduce the risks of conflict and its knock-on effects, a credible European contribution hinges on extending the approach to cover public se-

curity and the rule of law in troubled regions of the world. In conflict-affected and conflict-prone areas, the integration of capabilities is critical to the relevance and effectiveness of Europe's role as a global actor. *Specifically, in order to project its influence in such areas, Europe is equipping itself with rapid response forces and hybrid civilian-military instruments adapted to the human security tasks required in weak and failing states*.

Improving relations with European Muslim communities

The global war on terrorism, the forcible removal by Western powers of Muslim governments in Afghanistan and Iraq, restraints on domestic civil liberties in OECD countries and fissures in the Western alliance have induced mistrust and misunderstanding among Muslim communities about Western intentions. Conversely, the extremism of a minority of fundamentalists has distorted perceptions of Islam in Europe.

European societies and governments will need to adjust their domestic policies and their foreign relations in order to achieve a constructive policy stance towards moderate Islam. Over the past three decades, the Muslim population of Europe has more than doubled, to about 23 million people. Within Europe, birth rates are now more than three times higher among Muslims than among non-Muslims. Given labour shortages in Europe, and chronic youth unemployment in the Middle East and North Africa, most of the future legal and illegal migrants into Europe are likely to be Muslims.

Policy dialogue should be part of the engagement strategy with the Islamic world. A fresh discourse of tolerance combined with a proactive engagement will be needed so that relations between Europe and Islamic communities improve. Systematic involvement of moderate elements within the diaspora mainstream would help improve mutual understanding. The domestic dimensions of Europe's relations with Islamic communities are critical, and are inextricably linked with the foreign policies that EU member countries pursue towards the Middle East, as well as with the internal security prospects of Muslim societies.

Missing goals

The Millennium Development Goals have proven very valuable for the global coalition to reduce poverty. The rallying of United Nations members (including the United States) behind the Goals during the September 2005 UN Summit testifies to their continuing catalytic effect. But as currently framed the MDGs do not respond adequately to the legitimate human security aspirations expressed by people worldwide. By contrast, the Millennium Declaration in which the MDGs are embedded addressed peace, security, and disarmament. Specifically, the Declaration advocated action against international terrorism, organised crime, and traffic in small arms and light weapons.

A broader conception of the historic compact between rich and poor countries, backed up by agreed goals, would help to reform current, state-centred conceptions of collective security. The report of the High-level Panel on Threats, Challenges, and Change (United Nations, 2004) has opened up an opportunity to bridge the divide between security and development concerns that has yet to be exploited. *Prioritising the 101 recommendations of the High-level Panel and translating them into action would be a significant step towards a global human security consensus.*

Unbundling the security dimension of the Millennium Declaration through specific goals and performance indicators would buttress international action in support of human security. *Hence, it is time to broaden the policy coherence for development initiative through a participatory process aimed at formulating Millennium Security Goals.* These goals should be grounded in people's (especially poor people's) own interpretation of their vulnerabilities.

F. Rethinking development cooperation

Given past neglect of downside risks, the high incidence of intrastate conflict, and the menace of international terrorism, development cooperation needs fundamental reform. In principle, multilateral solutions are the most appropriate. In practice, aid is being 'bilateralised' and pressed into service to advance geopolitical interests. Its 'securitisation' is raising concerns about a potential diversion of resources towards the global war on terrorism at the expense of global poverty reduction. *To minimise the risks of diversion, aid flows should be monitored and development advocacy efforts intensified.*

Bringing back the state

Quite apart from ethical considerations that would justify more attention to states that are aid orphans, *the cost of unrest at the periphery is such that the self-interest of OECD countries justifies a vigorous drive towards a multi-faceted engagement with weak states.*

Aid should reach well beyond the project of policy adjustment that dominated the development discourse in the post-Cold War era. We now know that the quality of governance is central to development, and that policies that are not embedded in well functioning institutions cannot be relied upon to generate sustainable and equitable growth.

About a third of low-income countries are fragile and prone to conflict. Fragile states hemmed in by trade protection, high transport costs, and tough immigration restrictions eventually reach the point when illegal activities become the only profitable pursuit. Borders become porous, customs officials become corrupt, and the shadow economy becomes dominant. Home to about

one billion people, fragile states represent the core of the development challenge. Many are isolated and largely bypassed by development aid. They are afflicted by weak capacities and poor leadership. Some provide ready-made launching platforms for infectious diseases and illegal trafficking in arms, drugs, and people. Some collapse altogether and give rise to complex humanitarian emergencies.

Ineffective border controls, lax policing, and major price differentials make smuggling profitable, facilitate the subversion of state authority, and encourage extremist groups to contest the state. Local chiefs, mafia leaders, or warlords eventually fill the political vacuum. Given the incapacity of the state, loyalty to the regime withers. The locus of authority shifts to minority groups, indigenous movements, ethnic leaders, or criminal syndicates. The state becomes fragmented and violence ensues. Protection of property rights, the rule of law, a sound judicial system, and accountability and transparency of public expenditure management are acid tests of state legitimacy. *Hence, for conflict prevention, security system reform must have pride of place in governance improvements and proceed in parallel with economic and social policy adjustment.*

Modelling state fragility

State fragility is everywhere although its extent and its implications vary. Even the United States displayed unexpected fragility when hurricane Katrina devastated its Gulf coast and destroyed the poverty stricken neighbourhoods of New Orleans. *Thus, branding all states as fragile and herding them together in a single category for operational policy purposes is intellectually and operationally unsound.* It encourages 'one size fits all' approaches to development cooperation as well as premature disengagement.

Instead, strategies towards fragile states need to differentiate among states that: (i) have both the leadership and the means to tackle security problems and poverty reduction tasks; (ii) the leadership but not the means; (iii) the means but not the leadership; or (iv) neither leadership nor means. Analysing the characteristics of state fragility helps to identify the factors that need emphasis in donor country engagement.

We define fragility in terms of state capacity and resilience and test the proposition that capacity encourages development while resilience generates security. We assess capacity in terms of proven ability to deliver public goods (immunisation and literacy) and measure development outcomes in terms of the UNDP Human Development Index. We define resilience in terms of published ratings of voice and accountability and political freedom, while measuring security outcomes in terms of refugee outflows and conflict incidence. Thus, we distinguish between the antecedents and the outcomes of state characteristics.

Based on this model of state fragility, which distinguishes capacity from re-

silience, we ranked the fragility of 114 low and middle-income countries for which published data were available: 13 were rated high both on the resilience and capacity scale (not fragile); 52 were rated high on one criterion and low on the other (fragile); and 49 were rated low on both counts (very fragile). The very fragile states tend to be among the least developed, affected by severe inequalities and conflict ridden.

States that were rated as not fragile proved *twice* as likely to generate good development performance as states rated very fragile (69 percent vs. 35 percent) and they were *twice* as likely to be secure (38 percent vs. 18 percent). As presaged by our hypothesis, states that were rated high on capacity but low in resilience had a better chance of achieving a high development rating than states that ranked low in capacity but high in resilience (45 percent vs. 38 percent). Conversely, they had a worse chance of achieving security (35 percent vs. 67 percent).

While both capacity and resilience matter to human security, our findings point to the special importance of capacity for development and of resilience for security. The approach we favour acknowledges that, quite apart from structural factors of capacity and resilience, country leadership matters. Hence, there is a need to take account of country commitment in the design and implementation of engagement strategies, and *donor countries should match their engagement to the individual circumstances of each fragile state.*

Dealing with commitment deficits

Human security risks are shaped by initial conditions, state fragility, and country commitment. External engagement may do more harm than good. But before opting for benign neglect, donor countries should weigh the consequences of inaction, including the potential humanitarian consequences and spillover effects on regional and global security. Capacities at various levels of government should be carefully assessed and the right domestic partners should be selected. *Where holders of state authority lack legitimacy or commitment to development, partners should be selected in the civil society and the private sector.*

Conversely, outside parties should abstain from efforts to destabilise a regime, given the unintended results that such social engineering from the outside may produce. Restraint is also highly desirable in the provision of incentives to non-state actors. *Hence, engagement with a fragile state should be grounded in the human assets and institutions that are in place,* and it is best to adopt an evolutionary and incremental approach. Shrewd use of a range of instruments that mix positive incentives with dissuasion (and in some cases sanctions) can be effective if aid, trade, and security assistance are calibrated to reward reforms and respect for human rights.

Adopting new development policy emphases

Tailor-made, conflict-sensitive country strategies are needed to address the most relevant structural obstacles to human security. Without such strategies, a re-orientation of security and development policies will not be translated into results on the ground. Civil strife and conflict are associated with decline/stagnation in per capita incomes, low life expectancy, horizontal inequality (income inequality among regions and groups), poverty, reduced government revenue, cuts in social spending, lack of political participation, weak oversight over natural resources, and tolerance of illegal activities.

In most cases, accelerated economic growth is a human security priority since it is critical to poverty reduction. Poverty reduction can also be achieved through redistribution, and not every kind of development intervention meets the security imperative: inclusive development, reduction of inequality, safety nets, and employment programmes matter as well. But rapid growth helps. Achieving the Millennium Development Goal of halving poverty by 2015 would require a doubling of the growth rates achieved over the past decade.

The adoption of a human security framework requires a concern with the quality of growth along seven policy directions. First, *poverty reduction strategies should emphasise safety nets and social protection.* Improved public expenditure management, equitable access to infrastructure and social services, and social safety nets are characteristic of pro-poor economic strategies. Group-based mechanisms of risk sharing and mutual support should be strengthened by public policy but ultimately, increased public intervention (through health insurance, old age assistance, workfare programmes, social funds, microfinance facilities, and cash transfer) is required. This calls for a sound fiscal regime.

Second, *population policies designed to accelerate the demographic transition and to promote youth employment should be encouraged.* Countries early in the demographic transition, with a large share of young people in their population, incur 2.5 times greater risks of violence than others. Speeding the demographic transition requires emphasis on family planning, girls' education, and women's rights. To promote employment, policies should favour rural development, small and medium enterprises, and vocational training. Trade policies, foreign direct investment, credit programmes, and infrastructure development should be geared to employment creation. Job training in deprived urban areas through social funds and community-based initiatives is especially useful as it combines social capital creation with employment.

Third, *human security implies food security.* About 850 million people go to bed hungry every night. The number of food emergencies has risen from about 15 a year in the 1980s to more than 30 a year since the turn of the millennium. Most of the increase has been in Africa, where the share of food emergencies attributable to human causes (violent conflict, sub-standard economic performance) has doubled over the past two decades. This is be-

cause hunger is more a consequence than a cause of the violent conflicts that have sprung up within frail and failed states. Policy should favour science-based agriculture, rural institutions, land reform, water management, and biodiversity conservation.

Fourth, *access to education is the key to social cohesion, good citizenship, and productivity*. Basic education has been recognised as a human right by two United Nations conventions. Yet 20 percent of children in the 6-11 age bracket are not in school; 25 percent of pupils drop out before completing five years of schooling, and the overall quality of schooling in the developing world is poor and tends to decline as efforts are made to increase enrolment. Displaced populations, refugees, and disabled people are especially at risk of reaching adulthood without learning to read and write. Gender inequality is another major issue: 60 percent of out-of-school children are girls. In the least developed countries, almost half the adults are illiterate. And weak university systems deprive developing countries of scientific, management, and leadership skills.

Fifth, *access to health services is critical to human security*. In 2002, communicable disease accounted for 26 percent of deaths worldwide, compared to 0.3 percent for conflict. Traditional diseases such as tuberculosis, cholera, and malaria have spread while devastating new threats have emerged, including HIV/AIDS, hepatitis C, and ebola. Disease control and eradication will require far better coordination between rich and poor countries and far more effective health systems in fragile states. According to WHO, disease prevention could avoid most of the 10.6 million deaths of children that occur annually. Provision of clean water and sanitation is an investment in disease prevention. Meeting family planning needs, and providing for safe abortions and adequate antenatal care, also have priority. More research and development spending in health should be directed towards the diseases of the poor. Only one percent of the drugs that reach the global market are currently targeted to tropical diseases that account for the greatest number of casualties.

Sixth, *sound natural resource management policies* can help defuse social tensions and prevent conflict. Illicit resource extraction has provided warlords with resources to purchase arms and recruit combatants. Competing demands over natural resources can fuel discord especially when the structure of ownership is skewed, rights to land are contested, and the claimants belong to different ethnic groups. Abundant natural resources in fragile states can be a source of corruption and inequality, where the proceeds derived from their extraction are diverted to enrich corrupt elites and local communities bear the costs of environmental damage and social disruption. In such environments, development cooperation should ensure that the taxes and royalties derived from natural resource extraction are effectively used for development.

Seventh, *natural disaster prevention* is an integral part of the human security agenda. Adaptive capacity that reduces the human cost of disasters is

correlated with democracy and a free press. It is also a function of the quality of the social assistance and transport infrastructure, the size and openness of the economy, and the extent of inequality and poverty. The devastating impact of Katrina in the United States is explained by tensions between federal, state, and local authorities, long-standing weaknesses in local government, and a basic neglect of infrastructure in a poor and vulnerable region, combined with a diversion of federal resources away from basic infrastructure towards the global war on terror. Here as elsewhere, vulnerability could have been reduced by disaster preparedness and well-coordinated emergency management.

Reforming aid for impact in fragile states

Better aid is as important as more aid. Assessing the quality of aid in troubled and fragile countries is tricky because data are poor and because we do not know what would have happened without aid. *The notion that most aid is wasted is mistaken*. Recent work at the Centre for Global Development shows that aid that is designed to have a positive impact within four years (whether budget support or the lending for infrastructure, industry, or agriculture that accounts for more than half of all aid flows) has a large and positive impact on growth.

In the typical country, *every dollar of aid raises output by 1.6 dollars in present value terms*. This highly significant and robust finding is not sensitive to the quality of policies or the level of income. On the other hand, mismanaged aid can have perverse effects and its impact on growth can be sharply reduced when aid exceeds absorptive capacities and Dutch disease sets in.

In failing and recovering states, effective aid recognises that post-conflict reconstruction is mostly about people and institutions. The capacity of aid professionals to operate effectively in conflict-prone, conflict-affected, and post-conflict countries should be drastically enhanced. Special aid modalities are required in 'shadow states'. Investments in the security sector have priority but steps must be taken to avoid the misuse of military and policing assets for political repression and oppression. Assistance for democratic elections should be promoted but not if these are likely to destabilise the society.

Policy-based lending retains an important place in the development toolkit. Conditionality is needed as an incentive for good performance but it should be used sparingly and wisely. Policy-based operations do have a role to play in transferring resources, helping to strengthen or re-establish core economic ministries, and locking in basic principles of sound economic management. But they may exacerbate conflict and destabilise fragile governments if they involve shifts in resources among competing groups and favour one faction over the other in a conflict. Subsidy reductions, fiscal reforms, and reallocation of public expenditures can have enormous political repercussions and hence should be carefully scrutinised from a conflict-prevention perspective.

Large infrastructure projects have strategic value, and should be executed through transparent bidding procedures, with rigorous fiduciary oversight and in line with sound environmental and social safeguards. In fragile states with important natural resources, aid agencies should focus on public revenue management, transparency of royalty payments, and the participation of local communities. Partnerships with private mining and oil companies that incorporate fair royalty arrangements, transparent use of revenues, and strict implementation of social and environmental safeguards should be encouraged.

Aid agencies should seek the right partners to achieve pragmatic solutions. In the short- and medium term, the use of ad hoc donor delivery systems or non-state channels may be unavoidable. However, efforts should be made to align aid delivery with state processes and agencies with a view to nurturing the future legitimacy of central and local authorities. Wherever possible, capacity building assistance should be provided to facilitate an orderly transition of service delivery back to the state apparatus. Tough fiduciary standards should be observed.

Revising aid allocation protocols

Aid can generate very high returns if it prevents, postpones, or reduces conflict. The current aid allocation consensus does not take account of the astronomical benefits of successful conflict prevention and resolution or the counterfactual risks implicit in the systematic neglect of frail and failed states. Recent research suggests that, on the average, preventing a single war would save USD 64 billion a year. Studies point to a wholesome impact of post-conflict aid in preventing a return to conflict (a special case of conflict prevention) and they show that aid fails to 'taper into' countries in the years when they most need it: four to seven years after a conflict ceases.

A venture capital model of aid allocation would be more relevant to the new security and development environment than the prevailing aid allocation protocols. Using notional probabilities of outcomes, Bradford University has estimated cost-benefit ratios of investments in conflict prevention at more than three to one for the international community and ten to one for the world as a whole. Major shifts in aid allocations would result if security needs were to receive as much weight as is currently given to the degree of poverty or the quality of policies. In fact, the use of the state fragility index for aid allocation proposed in this study would allocate USD 8.5 billion to countries defined by the World Bank as 'low-income countries under stress', instead of the USD 5.5 billion these countries received in 1998.

G. Improving conflict management

If ongoing attempts to improve conflict management are to make a meaningful impact on the ground, radical change must occur at several levels: within the minds of leaders, within regional and global institutions, and among bilateral actors keen to make a difference.

Changed leaders can produce changed institutions and in turn governance reforms can evince more effective leadership. It is crucial that those in decision making positions within all the critical states and institutions see the need for a new approach and that they be committed to positive change. Some of the emerging policy responses are the result of commitment to change among some leaders.

The strategic framework in which organisations—global and regional—and states respond to conflict needs to achieve a closer link between security and development. A strategic vision of the desired outcomes of conflict management must be well articulated and disseminated. And it is important that the UN assume global leadership and coordination of the process. This is the thrust of the High-level Panel report and the Secretary-General's *In Larger Freedom* proposals.

Peace support operations, whether sponsored by the UN or by regional organisations, should focus on a strategic vision and desired outcomes and milestones that include social and economic recovery and community reintegration. Within conflict-afflicted countries, a single individual, such as the special representative of the Secretary-General (SRSG) in the case of UN operations, should assume leadership for connecting security and development objectives and activities in her area of operation. As such, he/she must have oversight of demobilisation, disarmament, and reintegration (DDR), security sector reform, and economic recovery and integration programmes to ensure that they all contribute toward the strategic vision. In addition, he/she should promote and nurture strategic partnerships that will serve the strategic objective and collective vision. The best candidates should be selected for such positions, with an ability to coordinate security and development activities on the ground.

Local and regional input should be factored into the planning of all responses to conflict whether at headquarters or in the field. The proposed UN Peacebuilding Commission might provide an opportunity to improve horizontal coordination. But the connection to the field must be strengthened in parallel. It is important that structures and leaders responding to conflict allow for flexibility to accommodate local ideas and initiatives within the strategic framework.

Innovative thinking is needed about how peace processes are to deliver security and development in a sustainable way. Youth reintegration and development is an area where much-needed innovation must occur. As a substantial contributor nation to peace support operations, Sweden would play a useful

role in steering the UN and regional organisations toward the development of reintegration programmes that focus on relevant, locally-driven, long-term youth development. The current study of DDR commissioned by Sweden is a useful first step.

The UN should provide strong leadership in ensuring the coherence of principles and practice, particularly in the area of security sector reform. Sweden should play a role in helping the UN and regional organisations to take on board the security system reform guidelines promulgated by the Development Assistance Committee of the OECD and to apply them coherently.

It is important that the war on terror should not undermine the capacity building and democratic reforms that are needed for sustainable peace and long-term prosperity. This is especially relevant in the area of security sector reform, where states are prone to hold on to (or revert to) old authoritarian modes of governance and to use the pretext of anti-terrorism to give free rein to the unregulated activities of intelligence agencies and the violation of human rights.

The 'responsibility to protect' should be backed by a 'readiness to prevent'. For this kind of work, regional organisations have a distinct advantage and offer the best hope for preventing more damaging and costly crises.

H. Sweden's future security and development strategy

Sweden ranks high on most national performance league tables. According to the Centre for Global Development's Commitment to Development Index, Sweden ranks third out of 21 donor countries for the development friendliness of its policies towards developing countries. With respect to aid, it ranks first in quality and quantity. It is committed to allocating one percent of its national income to aid by 2006 (up from about 0.8 percent in 2003).

Need for a new strategy

While Sweden's past development cooperation record is distinguished, its new and ambitious global development policy raises tough challenges. A new strategy, grounded in partnership, should be designed and implemented.

Future aid allocations should give greater recognition to the fragility of aid recipient states. Instead of emulating the current aid allocation precepts used by the World Bank and other major donors, Sweden should give explicit attention to issues of state capacity and resilience in low-income countries. In particular, it should continue to avoid penalising countries that are not performing well because of their tough initial conditions and it should consider taking the lead in getting the development community to resolve the aid orphan issue.

Given Sweden's size, the success of its foreign policy hinges in the first instance

on the quality of its alliances: a commitment to building relationships and to selecting the right partners for the numerous alliances it will have to construct is critical. Effective alliances are grounded in shared objectives, distinct comparative advantages, and trusting relationships that can tackle the challenges of uncertainty and ambiguity. Strengthened capacities to mediate and collaborate—so that complementary assets are assembled within the security and development communities—may be necessary to achieve the desired outcomes.

Sweden's development cooperation programmes should be 'evaluable'. The sustainability of Sweden's bold and comprehensive development cooperation stance hinges on showing not only that Swedish aid remains effective as volumes increase but also that the alliances through which Sweden implements its new policy are delivering results. Mobilising the new national Forum for Global Development and making it as representative and influential as possible would help. But in addition, Sweden's policy coherence agenda will need to be translated into a new strategy of alliances to carry out integrated programmes cutting across departmental lines. The programmes will need clear operational priorities, specific operational targets, and performance indicators that can be tracked in a transparent way.

To demonstrate the credibility and integrity of these programmes, genuinely independent evaluation arrangements should be set up to ensure accountability and to facilitate institutional learning. The credibility of the 'whole of government' approach championed by the Shared Responsibility bill hinges on making substantive and visible progress in this area. Substantial progress in this direction would make Sweden a role model for the entire development community by demonstrating how development cooperation that goes beyond aid can be managed.

To ensure that the lessons of this review are put to work, Sweden should:

- (i) adopt a human security policy framework;
- (ii) invest in conflict prevention;
- (iii) pioneer new conflict management methods;
- (iv) develop a strategy of engagement with fragile states; and
- (v) provide development leadership.

Towards a human security policy framework

The state-centred policies of the past are not adequate to address the security issues of today. Through continued support for the Secretary-General's proposed 'iron triangle' that connects collective security, development, and human rights, Sweden should display the leadership that is urgently needed to help bridge the different perspectives of developing countries, Europe, and the United States.

Human security should be defined broadly enough to embrace the diverse con-

cerns of countries and narrowly enough to give it technical credibility as an analytical framework. The human security approach can be defined in terms of such principles as: (i) primacy of the individual and respect for human rights; (ii) establishment of a legitimate and responsive state authority; (iii) compliance with international law; (iv) subsidiarity; and (v) participation. *In line with Swedish values, the new paradigm should address the predicaments of violent conflict along with those created by poverty and deprivation.* It would respond to universal aspirations and conform to the principles of social responsibility that are being adopted by voluntary agencies and the private sector.

A rigorous approach to priority setting will need to be adopted, to husband Sweden's scarce resources for maximum impact. To this end, risk assessment and risk management techniques can be applied to address issues of vulnerability, prevention, protection, and control. The prescriptions of international law and the analytical models of the social sciences, including the new institutional economics, can be brought to bear. In combination with the principles of policy coherence for development, which call for a joined-up process of analysis and the assignation of duties and responsibilities, the new human security paradigm would facilitate the convergence of security and development policy formulation.

Investing in conflict prevention

Nurturing a culture of conflict prevention means recognising that any engagement with a fragile state creates incentives as well as disincentives for peace. The first priority is to do no harm. At the outset, steps should be taken to assess how policies, programmes, and projects promoted by development cooperation affect the society.

Encouragement of broadly based development strategies should have pride of place, along with policy prescriptions aimed at macroeconomic stability, effective fiscal management, and equitable access to social services, social protection, and safety nets.

Donors should support long-term institutional development strategies that help strengthen democratic systems and nurture basic state functions. Targeted assistance to help strengthen democratic systems that facilitate the non-violent resolution of conflicts and the protection and inclusion of minorities is central to conflict sensitivity. So is the nurturing of basic state functions, including security system policies and processes under civilian control. Working 'in' and 'on' conflict rather than simply 'around' conflict, and making peacebuilding a priority, should be combined with a long-term engagement strategy of institutional development.

Development assistance and other forms of recognition should only be extended in line with behavioural change to support the achievement of specific goals specified at the outset. Conflict impact assessments and scenario building are useful instruments to help design country assistance strategies that facilitate

donor collaboration in pursuit of sustainable peace. Development cooperation activities in trade, finance, investment, foreign affairs, and security must be guided by a single engagement strategy and coordinated closely with partners.

Duty bearers should be made aware of their responsibilities. Community-driven development, social funds programmes, women's education, and gender equality initiatives, in combination with enhanced delivery of social services, provide entry points for building up social capital, enhancing the legitimacy of the state, and including disenfranchised youths in activities that will compete with the appeal of extremist ideologies. Strengthened governance institutions, modernised financial, security, and justice systems, and the involvement of diasporas can make valuable contributions to human security.

Helping poor countries build clean, lean, and able systems of security is a central feature of effective country assistance strategies. Aid can help improve the capacity of relevant civilian bodies in government to manage the security forces more effectively. Professional assessment of military spending programmes should become a regular feature of public expenditure reviews, and planning for security sector reform should be integrated into poverty reduction strategy papers. However, OECD/DAC strictures about the types of aid eligible for official development assistance must be observed.

Assistance to individual countries needs to be framed in a regional perspective. To contribute to peacebuilding, development cooperation programmes should emphasise regional cooperation connected to collective security, coordinated education and health protection initiatives, infrastructure development (e.g. transport corridors), and watershed development. Capacity building assistance to regional bodies can also be crucial.

Pioneering new conflict management methods

The risks of external involvement must be weighed along with the potential rewards. External actors sometimes intervene without considering the political consequences of their involvement and make matters worse. Supporting one warring party against another may energise insurgents. Interrupting a civil conflict with an externally imposed agreement may lead to a longer and more deadly war. Humanitarian assistance may be diverted or taxed by warlords. Anti-terrorism assistance may favour heavy-handed military options and invite intensified violence.

Equally, well-meaning growth-inducing investments may increase. Unless macroeconomic policy is skilled and sequencing judicious, large-scale aid operations may fuel inflation and distort the exchange rate. They may also exacerbate unequal unemployment patterns, favour local elites, and induce corruption.

The sequential model of diplomacy, military intervention, conflict management, peacemaking, reconstruction, and finally development does not suit the re-

alities on the ground. Experience has shown that the post-conflict phase should be launched at an early phase of peacekeeping, to accelerate the economic recovery needed for reintegrating combatants into society and reconfiguring political coalitions. Further, conflict management interventions should take account of the lessons of experience:

First, regional actors have been woefully neglected and inadequately supported. Given their relative proximity to the conflicts and the consequences for national and regional security, they tend to be more willing than outside parties to apply radical but effective measures to nip deadly conflict in the bud and to provide longer-term engagement that ensures sustainability. They may be more sensitive to early warnings of potential conflict and more willing to take account of deteriorating situations in neighbouring states.

Second, UN mandates have been too narrowly focused on short-term objectives of political settlement and elections. They encourage early exit without dealing with the root causes of the crises. This is compounded by inadequate interaction between the political/security mission and the development side of the UN system, the international financial institutions, and nongovernmental organisations. Resources allocated by peacekeeping missions to quick impact projects have been too limited to achieve any significant impact. Better links are needed to timely security sector reform and DDR operations.

Third, the special representatives of the Secretary-General should be adequately selected and fully empowered to coordinate all operations on the ground. Peacebuilding support offices should address the transformation of people and institutions on the ground and support national institutional reform processes in the security and other sectors. Sufficient flexibility should be built into planning and programming to accommodate local ideas and proposals for reintegration.

Fourth, peace agreements should strategically address such critical issues as the transformation of armed groups into political entities and actors. Equally, peace agreements must move beyond training to ensure capacity development, for example for oversight of the security sector, for the engagement of idle, unemployed, and uneducated young people in development programmes, and for involving fragile states adjacent to war-affected countries.

Engaging with fragile states

The Policy Analysis Office of the Swedish Ministry for Foreign Affairs recently completed a report about fragile states that contains all the elements needed to draw up a policy statement for Sweden's engagement with fragile states. Unfortunately, the report concludes that no 'generic' strategy is needed because 'each situation should be dealt with case-by-case'. *While a tailor-made approach is obviously important, this does not preclude the elaboration of policy principles that incorporate lessons of experience and help to avoid repeating mistakes.*

Donor countries' engagement with fragile states has usually been motivated by past colonial links, economic interests, or a geographical location close to the donor country, rather than by objective criteria based on contextual analysis and human security criteria. This needs to change. *Lack of principled policy directions for donor countries' engagement with troubled countries has led to a stop-go approach to crisis intervention.*

The combination of a general reluctance to invest resources in troubled countries (because they are 'poor performers'), a frequent lack of agreement among donor countries about how to handle the situation, and the normal syndrome of bureaucratic risk avoidance tend to result in 'benign neglect' that lets crises fester. By the time a major intervention becomes unavoidable, only limited results can be expected—at very high cost and with uncertain outcomes. When things go wrong, one or more donor countries decide to use the exit option. This usually makes things worse so that a new crisis erupts and the prior pattern is repeated. This 'stop-go' sequence is usually associated with engagement strategies that focus on treating the worst symptoms of the crisis instead of addressing its root causes.

The reluctance to engage adequate resources is often due to a prior determination that fragile states are unfit for development assistance until they have had a conflict that has been resolved. This paradoxical stance arises precisely because no policy is in place that justifies early intervention in situations with high risks but also high potential rewards in human security terms. A related cause of confusion arises from the mistaken notion that ownership, partnership, and results orientation are prerequisites of engagement, rather than *outcomes* that the engagement is expected to produce over time.

Another obstacle to the design of assistance strategies that meet the particular circumstances of an individual fragile state is the tendency to lump all fragile states together in the same category. Equally, divergent policies by different donors can be traced to a lack of agreed criteria as to what constitutes a fragile state, how to measure fragility, and what the operational implications of different fragility characteristics are. *Sweden should encourage agreement among donors on definitions of fragility and their implications.*

Providing global leadership to the development community

This study highlights a number of obstacles to the effective pursuit of security and development at the global and European levels. Sweden is well placed to help its development partners overcome these obstacles by encouraging *global policy adjustment, harmonisation of strategies towards fragile states, and reform of aid allocation protocols in global as well as European forums.*

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I. Summary of major policy recommendations

A human security policy framework

- (i) Gradually enhance the methodology underlying the annual report to the Swedish Parliament about implementation of the Policy for Global Development (PGD) bill, to comply with results-based management and human security principles.
- (ii) Commission regular independent evaluation of PGD performance with emphasis on the key policies that affect the welfare of developing countries (aid, trade, migration, foreign investment, intellectual property, environment, and security).
- (iii) Promote the comprehensive human security agenda in international forums and encourage independent monitoring and evaluation of rich countries' performance with regard to their obligations to level the playing field of the international economy ('MDG 8 plus').
- (iv) Sponsor a participatory and analytical process to formulate Millennium Security Goals that would complement the Millennium Development Goals and transform the recommendations of the *In Larger Freedom* report and those of the UN High-level Panel on Threats, Challenges, and Change into an action plan that can be monitored.
- (v) Mainstream the human security agenda by initiating the preparation and use of country engagement strategies designed to guide the implementation of development cooperation agendas by all government departments.

Investment in conflict prevention

- (i) Cultivate a culture of conflict sensitivity by ensuring that professionals working in conflict-prone areas are trained and fully cognisant of the social, political, and economic circumstances of the countries they are working on as well as adequately trained to work effectively in conflict-prone areas. All staff should be equipped with the multidisciplinary skills and analytical instruments they need to assess regional and ethnic imbalances and political dynamics.
- (ii) Carry out conflict assessments, social analysis, and risk assessment to ensure that country assistance strategies are conflict sensitive and implemented by all government departments to guarantee policy coherence. Equally, development cooperation should be planned with due concern for regional cooperation dimensions, and appropriate help for capacity building should be provided to regional bodies to facilitate their involvement.
- (iii) Develop conflict sensitivity criteria for country assistance strategies. Realism, a long-term perspective, adequate risk management safeguards, concentration of efforts on a few visible actions, involvement of reform-

minded local actors, and innovative approaches that nurture the civil society and the private sector characterise these strategies.

- (iv) Manage the risks of unintended consequences (such as corruption, capture by a dominant group) associated with aid in conflict-prone environments. In particular, make sure that social and environmental safeguards and accurate political analysis are part of the quality assurance process for operations that are planned in conflict-prone environments.
- (v) Promote domestic ownership by identifying reform-oriented interlocutors and interacting with them during the formulation and implementation of country assistance strategies.

New conflict management methods

- (i) Draw on knowledge gathered by peacemaking nongovernmental organisations to develop criteria of engagement (and non-engagement) that help to prevent unintended consequences in conflict situations.
- (ii) Experiment with joined-up approaches to military-civilian interventions in conflict situations so as to protect the principles of independence and non-partisanship that characterise humanitarian and development activities.
- (iii) Help design and pilot new kinds of integrated operations that combine short-term rehabilitation, security sector reform (SSR), and disarmament, demobilisation, and reintegration (DDR), together with long-term development assistance that involves non-state actors and draws on domestic energies, local talent, and—above all—regional actors.
- (iv) Encourage multilateral development organisations and international financial institutions to remain engaged in conflict-affected countries, to provide economic and development management advice, and to help mainstream security sector reform and military expenditure reviews in poverty reduction strategy papers and similar development planning instruments.
- (v) Influence the UN to broaden the mandates of its interventions; to strengthen the links to other multilateral, regional, bilateral, and voluntary actors; and to select special representatives of the Secretary-General with care and empower them to address the full range of recovery and capacity development issues on a timely basis.

Engagement with fragile states

- (i) Carry out risk-reward analyses based on human security principles instead of relying only on political factors in deciding whether or not to engage. Among the risks of engagement is the potential harm that may be caused by appearing to support a regime that does not protect human rights and has no interest in poverty reduction. Among the re-

wards may be the protection of human rights, the prevention of large-scale kidnapping of children and rape as weapons of war, the preservation of regional stability, and the prevention of major human hardship and destruction.

- (ii) Intervene in de facto states (such as Somalia) without presuming that illegitimate and corrupt local authorities are entitled to act as channels for the assistance, and make appropriate provision for building capacity in the civil society that may improve the chances of political participation and eventual legitimacy.
- (iii) Use SSR and DDR as potential entry points for initiating state building and economic recovery, through sequenced interventions that are coordinated within the donor country, harmonised among donor countries, and aligned with the existing or shadow processes of the fragile state.
- (iv) Focus on results in the use of private, public, or voluntary channels of assistance and direct capacity building assistance to the local community, the regional level, or the central government.⁷
- (v) Apply the lessons of policy research in designing country engagement strategies for fragile states. That is, encourage the adoption of growth-oriented strategies that emphasise safety nets and social protection, accelerated demographic transition, gender equity, youth employment, food security, enhanced access to education and health services by all, improved natural resource management, and natural disaster prevention

Global development leadership

- (i) Sponsor a participatory and analytical process to unbundle the Eighth Millennium Development Goal and enrich it⁸ so that its progress can be monitored through specific performance indicators.
- (ii) Promote a revision of current aid allocation formulas by the international community so that they give adequate weight to state fragility criteria and avoid creating 'aid orphans'.
- (iii) Encourage the harmonisation and transparency of definitions of the fragile state across the development community (under OECD/DAC auspices);

⁷ The creation of capacity and resilience at the central level has obvious advantages if legitimacy can be nurtured but it may involve serious risks if the leadership is utterly venal and brutal. By contrast, nurturing of social cohesion at community level can have high conflict prevention value if it holds reasonable prospects for upscaling.

⁸ MDG 8 plus would include reform of aid, trade (including weapons), the international financial architecture, foreign direct investment, migration, intellectual property, and the environment. It would comply with human security principles and complement the seven existing MDGs as well as the new Millennium Security Goals.

- (iv) Give priority support to policy coherence for security and development within the European Neighbourhood Policy context.
- (v) Encourage the European Union to act as a security provider and as a strong supporter of regional security initiatives in Africa, the Middle East, and the former Soviet republics.

Chapter 1: The challenges of partnership

The point of politics is to change things.
Javier Solana

The business of development—Adam Smith's 'progress towards opulence and improvement'—has undergone major transformations. From its original focus on national well being measured by the growth of per capita income, it has evolved towards the satisfaction of basic needs, the achievement of social and environmental sustainability, the elimination of poverty, and, most recently, the pursuit of self-fulfilment for all: development as freedom. Similarly, the meaning of security has become more diverse and complex.

Security threats have migrated towards the developing world where more than four fifths of the world's people (and most of the world's poor) live. In these zones of turmoil and change, the need for protection extends well beyond the risks of violence to people's lives: poverty, ignorance, malnutrition, and disease are the greatest killers. For rich countries, on the other hand, 'problems without passports' originating in developing countries—such as health pandemics, international crime, illegal trafficking, and transnational terrorism—have become matters of deep public concern. Today, turmoil at the periphery has supplanted the East-West balance of terror that marked the Cold War era.

Humanitarian concerns have also come into play. In response to the advocacy of human rights by an ascending global civil society, the legitimacy and survival of governments now depend on their capacity and willingness to guarantee the safety, basic needs, and essential freedoms of individual citizens and groups. The unit of account has shifted from the state to the individual and the concept of security has broadened. It is now intertwined with the concerns of the development community. Freedom from want and freedom from fear have become inseparable.

Consequently, the demand is growing for joined-up policies that combine all instruments of international relations. Development is being 'securitised' to create a safe enabling environment for poverty reduction while security is being 'developmentalised' to deal with the root causes of conflict in frail and failed states. In parallel, coherence has become an overarching imperative of competent public policy, and decision makers have begun to break free from the narrow strictures of their professional silos.

These are the contextual factors that favour the advent of a new paradigm of *human security*. Just as it is no longer relevant to limit the security discourse to the military realm, it makes little sense to adopt a definition of human security that covers all the 'soft' human development topics while ignoring the 'hard' threats of trans-national terrorism and weapons proliferation. On the other hand, conflating all possible threats to life, liberty, and the

pursuit of happiness under the human security umbrella devalues the term and destroys its usefulness.

Properly framed, the concept of human security should improve the rigor of policymaking by bringing the discipline of policy coherence and the rigors of risk management to bear on resource allocation. If prior attempts to promote human security did not elicit broadly based support, it is in part because they were not backed up by a logic that allows the setting of priorities and the assignment of accountability. This study outlines a revamped human security framework for development cooperation that embraces rights-based approaches, emphasises the allocation of responsibilities of duty bearers, and proposes a mix of analytical tools to help assess policy options.

Once adopted, such a framework would help to define new policy emphases and allow the use of risk management techniques to rank policy options across the security and development domains. It would distinguish between threats to human survival (the core meaning of security) on the basis of the probability, variance, and predictability of adverse events and the extent of damage they are likely to cause to life and livelihoods. Finally, collective action theory and policy coherence concepts would be brought to bear to design implementation arrangements.

Striking the right balance among opportunities and making the right choice among policy options can make the difference between the survival and collapse of a society. In democratic countries, it is up to politicians to visualise the need for change, articulate its rationale, and bring together scattered energies and ideals. However, experience shows that politicians may choose to cater to the fears of the electorate and adopt populist stances that do not serve the public interest. Responsiveness to public concerns must thus be balanced by accurate public information and thoughtful debate. In deliberative democracies, objective policy analysis can help improve the public discourse, relate segregated fields of inquiry, and deflate misguided policy hypotheses.

As a modest contribution to these goals, this study seeks to synthesise the findings of policy research at the frontiers of security and development and to draw out implications and options for consideration by Sweden's policymakers. This Chapter describes the policy challenge. Chapter 2 identifies the main adjustments to rich countries' policies that global development requires. Chapter 3 outlines emerging security threats and their policy implications. Chapter 4 proposes new directions for development cooperation. Chapter 5 does the same for conflict management. Chapter 6 concludes with policy recommendations.

A. The context: poverty, violence, uncertainty

Good policy decisions involve judicious timing, adequate recognition of contending interests, and an appreciation of the momentum of history. Before

considering issues of security and development relevant to the design of Swedish foreign policy, it is necessary to examine the force field with which policymakers must contend.

Five characteristics of the evolving operating environment are especially relevant: (i) the Millennium Development Goals appear out of reach for a majority of developing countries; (ii) the rules of the game in the volatile global market economy are unfair; (iii) security concerns have come to dominate public perceptions; (iv) the centre of gravity of violence has shifted towards the developing world; and (v) a policy rapprochement between Europe and the United States is imperative for results to be achieved. Each of these features is outlined below. They reflect the interdependence of security and development problems and the need for coherent policy solutions.

Progress in poverty reduction is lagging

Across the developing world, poverty inflicts massive damage. One third of all human deaths (18 million annually) are poverty-related. Some 2.7 billion people, or 44 percent of the world's population, subsist on less than USD 2 a day. They use only about 1.3 percent of the global product while the 955 million citizens of high-income countries, or 15 percent of the world's population, consume 81 percent. This means that a targeted and permanent shift of only 1.2 percent of rich countries' incomes towards the poor of the world would make poverty history (Pogge, 2005).

The Millennium Development Goals to which all heads of state subscribed at the turn of the century have more modest aims: to halve the share of the population living on less than USD 1 a day by 2015 and to appreciably reduce the ill health, illiteracy, malnutrition, and enslavement caused by poverty.⁹ These goals and the associated indicators are grounded in conclusions reached by United Nations conferences. They have gathered significant public support internationally. But progress towards them has lagged.

With just ten years left to reach the 2015 milestone, a huge challenge looms. Every hour, 1,200 children under five die from preventable diseases and we already know that most regions will fall short of the reduced child mortality goal set for 2015. Some 115 million children are still not in school and three out of six regions are unlikely to reach the goal of universal primary school completion over the next decade. Nor will gender disparities in education decline as planned in half of the regions. In Sub-Saharan Africa alone, HIV/AIDS kills two million people every year. When a major interna-

⁹ The eight goals are: (1) eradicate extreme poverty and hunger; (2) achieve universal primary education; (3) promote gender equality and empower women; (4) reduce child mortality; (5) improve maternal health; (6) combat HIV/AIDS, malaria, and other diseases; (7) ensure environmental sustainability; (8) develop a global partnership for development.

tional cooperation effort was launched against the pandemic, a turnaround was expected, but this has yet to happen.

The reduction of income poverty has been somewhat more encouraging than progress in other facets of human development, but with major regional differences. Globally, according to the World Bank, the number of people with per capita income of less than a dollar a day declined from 1,482 million in 1981 to 1,093 million in 2001 (Chen and Ravallion, 2004). East Asia has already achieved the 2015 target and South Asia is on track. But in Sub-Saharan Africa, overall poverty rates have risen and most countries will fall short of the goal.

As a share of the population of developing countries, absolute poverty has declined from 40 percent to 21 percent for the one dollar a day benchmark, and from 67 percent to 53 percent for the two dollar a day benchmark. The estimated improvement is entirely due to China's unique growth record, however, and there are doubts about the quality of Chinese survey data for the early years of the period. Outside China, increases in the number of the absolute poor have exceeded the reductions. Using the still frugal two dollar a day benchmark, the number of poor people worldwide has *increased*—from 2,450 million in 1981 to 2,736 million in 2001.

Huge inequities underlie the current world order. Since the end of the Cold War, the ratio of average income in the richest countries to that in the very poorest has risen. The gap in per capita annual income between rich and poor countries has grown from about USD 17,000 to USD 24,000.^{10,11} A person picked at random in the richest country (Norway) is 73 times as wealthy as a person chosen at random in the poorest (Sierra Leone). If the world's richest ten people invested their aggregate wealth (USD 217 billion) so as to secure a 5 percent return, they would earn as much as the entire population of Tanzania (35 million people).

The distribution of gains from development depends on how income inequality is measured (World Bank, 2005a). There is strong evidence that within countries, inequality has increased. Equally, among countries, inequality has increased rapidly, especially since the 1980s. But globally, if individuals are the unit of observation, inequality has been reduced over the same period, largely because of the remarkable income growth and poverty reduction recorded by the large and populous countries of Asia.

The rules of the game in the global market economy are unfair
Globalisation is the compression of time and space induced by the new in-

¹⁰ World Bank, World Development Indicators Database, 2002.

¹¹ Intranational inequality is also increasing: out of 48 developing countries and transition economies, only 14 experienced a decreased Gini coefficient between the 1980s and the 1990s. (Kanbur and Lustig, 2000.)

formation and communications technologies. One of its consequences is the advent of a global civil society that promotes international law, human rights, and development cooperation. Paradoxically, the voluntary organisations that owe much of their influence to the interconnectedness of email communication and the Internet have been highly critical of globalisation.¹² But their radical criticism of global market integration dismisses the conclusive evidence of a vast body of research: in the aggregate, economic growth and improvements in living standards have been sustained, notwithstanding limitations in natural resources and the unprecedented growth of the world's population. Technological progress and the creativity of private enterprise have helped the world avert a Malthusian crisis.¹³

New technology has triggered the integration of national economies. Shipping costs are only 30 percent, air fares 16 percent, and telephone charges only 1 percent of what they were 80 years ago. More open trade, mobile capital, and mass travel have yielded considerable welfare gains. The skewed distribution of the benefits is due not to technological change or to market opening but to major differences in the institutional capacities of nations. Globalisation has expanded economic opportunities, but it is mostly those nations with the institutions and the human resources needed to compete in the global marketplace that benefit. For example, the combination of shrinking distances and lower trade barriers has generated an increase in annual incomes of USD 10,000 per household in the United States (Hufbauer and Grieco, 2005).

Nor has globalisation prevented competent states from charting their own economic and social course. In combination with good domestic policies, globalisation has helped some poor countries, including the two Asian giants, China and India, to achieve major gains in poverty reduction. Export-oriented industries have improved the livelihoods of millions of workers. There are exceptions, of course, but wherever foreign investors have set up manufacturing facilities in poor countries, aggregate working conditions have improved. In sum, more than other factors, it is the expansion of the market economy and the innovations of technology that have made recent human welfare gains possible.

¹² They did not sway world opinion: according to a May 2003 Pew attitudes survey of 16,000 people in 20 countries around the world, a vast majority of people broadly but guardedly approve of the growth in foreign trade and global communications and of the spread of international popular culture and are more inclined to credit globalisation for conditions they see as improving. On the other hand, majorities in 34 of 44 countries surveyed perceive job availability, health care, and the ability to save for one's old age as worse, and majorities in 42 of those countries believe that their traditional way of life is getting lost and should be protected from foreign influence.

¹³ The debate about globalisation goes awry when economic and social trends that result from technological change or from the governance characteristics of an individual state are attributed to increased market integration.

We conclude that rather than globalisation per se, it is the legacy of history—especially the fragility of institutions in poor states—and the structure of the international system—including the ‘rules of the game’ in the global marketplace—that have created an uneven playing field. What underlies these rules is not natural forces but the accumulation of policy choices by rich countries. Other policy choices could have been made and they are still possible.

International public opinion acknowledges the unfairness of the global economic system: it favours a smaller world but expresses concern about the impact of rich countries’ policies on the poor.¹⁴ Their concerns, expressed in public opinion polls, do not always translate into decisions by politicians and their electorates. If policies are not being reformed, despite the huge potential benefits that would accrue in the aggregate, it is because the gains from trade are widely dispersed among large and powerless groups while the much smaller losses are concentrated among small and powerful groups that have a disproportionate impact on policymaking.

Inequities persist because the progressive taxation, regulatory frameworks, and social safety nets that industrial countries have gradually constructed to overcome market failures at the national level do not exist at the global level. Under the rules of the international system, capital is more mobile than labour. This partial integration has tipped the scales against poor countries. In parallel, fiscal competition among countries has reduced the capacity of states to raise resources for redistribution. But the main obstacle to poverty reduction has been in the trade area, where the rules of the game have remained heavily biased against poor countries. Much effort has gone into international trade negotiations, but the obduracy of vested interests has eroded the development credentials of the Doha round and its frequently revised timetables have not been met.¹⁵

Popular advocacy has barely begun to convince the electorates of industrial democracies of the responsibilities that rich countries bear towards poor countries. Aid has been inadequate in both quantity and quality. Official development assistance reached USD 78.6 billion in 2004. Though this implies an annual rise in real terms of almost 4.5 percent from the 2002 level, aid is still only 0.25 percent of the gross national income of OECD countries, compared to the 0.7 percent level repeatedly endorsed by United Nations

¹⁴ For example, more than half the people surveyed outside the United States by the Pew Research Centre in December 2001 perceived the United States’ policies to be contributing to the growing gap between rich and poor nations.

¹⁵ The main sticking points have been in agriculture, services, and special treatment for developing countries and the stage may be set for another failed ministerial meeting in December 2005 in Hong Kong. However, prior trade rounds also incurred delays and skirted repeated failures before agreements were finally reached.

conferences.¹⁶ Furthermore, much of the aid currently delivered is ‘phantom aid’: misdirected and burdened by prohibitive transaction costs—and, for about half the volume of aid, saddled with rules on reserved procurement (‘tied aid’) that reduce its value.

Despite frequent commitments by donors to streamline and standardise their practices, harmonisation remains an aspiration rather than a reality. The aid delivery structure is fragmented and its cumbersome processes burden the frail administrative capacities of poor countries. Equally, rich countries’ intellectual property and migration policies have been detrimental to poor countries and their environmental practices are endangering the global commons. The delivery of global public goods is lagging and, as a result, HIV/AIDS, tuberculosis, and other infectious diseases are spreading their tentacles within Africa and towards other poor and vulnerable regions. Finally, the international community has yet to mount a credible response to the looming challenge of global warming, which is expected to have a disproportionate impact on poor countries.

No wonder then that the heady optimism about globalisation that prevailed in the 1980s has evaporated: current trends are not what globalisation with a human face was expected to deliver. Looking ahead, human security hinges, in part, on making adjustments in the policies of rich countries that shape the global economy. This will require intense and sustained public advocacy for development cooperation in all OECD countries. These countries bear a major share of responsibility for the current state of affairs. If their electorates could see that the policies of their governments are a major reason why global poverty is so widespread and severe, they would demand action to make equitable development easier to achieve and massive global poverty a relic of history.

Security concerns have come to dominate public perceptions

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 come to focus on strengthening the links between security and development.

¹⁶ The European Union announced on May 24, 2004 that its richest states will reach the historic target of 0.7 percent of national income by 2015 and that European aid to Africa and the rest of the developing world will double by 2010 when the richest 15 pass the 0.51 percent mark. This could mark a turning point if it induces other rich countries, including the United States and Japan, to follow suit. While the United States has increased its aid by USD 8 billion since the year 2000, this is only 0.16 percent of US national income.

Since security concerns loom large in public perceptions, security threats have inevitably affected the development discourse. World Bank consultations that gave voice to 20,000 poor people in 23 developing countries have disclosed that a majority of them perceive fewer economic opportunities and greater insecurity than in the past.¹⁷ According to a worldwide poll taken in 2002¹⁸, opinion leaders believe that fighting poverty is critical to achieving world peace and lowering global tensions.

This sentiment is especially strong in Sub-Saharan Africa (91 percent), South Asia (87 percent), and the Middle East and North Africa (79 percent). Support for the same proposition is also high within rich countries, where seven in ten opinion leaders believe that fighting poverty is the path to peace. Equally, among 43,000 people recently surveyed by Gallup International in 51 countries,¹⁹ most think that prosperity cannot be attained without security. Revealingly, poor perceptions of economic performance have a disproportionately negative effect on opinion ratings regarding security.

It is not that 'everything changed' as a result of 9/11. Well before, there was full awareness that our planet was getting smaller, that the diverse peoples of the world were living a single history, and that the unprecedented growth in consumption was generating extraordinary environmental stress. In particular, the public was well aware that the greatest security risks of our times—natural disasters, violent conflict, international crime, illegal trafficking, infectious diseases, and environmental threats—do not recognise national boundaries.

But 9/11 crystallised the public mood, pointed to a new set of challenges, and accelerated the adoption of policies that had been incipient. The terrorist attack conflated two previously separate threats: international terrorism and turbulence in the developing world. A small band of terrorists trained in Afghanistan caused massive civilian casualties in the world's most powerful country, paralysed international air traffic for days, depressed major global industries (tourism, insurance, and energy), and triggered a worldwide recession. They showed that the integrated system of economic relations underpinning globalisation is vulnerable. Ironically, the very policies of openness that had extended the reach of Western corporations across borders provided the terrorists with the mobility and secrecy they needed to achieve their horrific feat.

9/11 and subsequent terrorist strikes have induced a shift in global perceptions of risk and a reorientation of security doctrines towards poor and troubled countries. After the Soviet Union collapsed, the United States became the uncontested world military power and the ideological rationale for

¹⁷ <<http://www1.worldbank.org/prem/poverty/voices>>

¹⁸ The 2002 survey results were released in June 2003. They are available on the World Bank website under <[External/http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20114414](http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20114414)>

¹⁹ The survey was carried out for the World Economic Forum. See <<http://www.weforum.org>>

intervening in the affairs of other states vanished. For some time, the US moderated its 'exceptionalist'²⁰ posture under the diplomatic cover of a multilaterally inclined and commercially focused Clinton administration. It remained on the sidelines of intrastate conflicts, lacking a clear-cut national interest in becoming involved.

Thus, the United States did not intervene in Rwanda and it did not stay the course in Somalia. Its lone superpower status and its readiness to proceed without United Nations sanction could be seen in Kosovo but only because domestic public opinion (the 'CNN factor') demanded action in the face of repeated and flagrant civil rights violations at the heart of Europe. Otherwise, from 1989 to 2001, the country enjoyed a 'holiday from history' (Will, 2001).

By 2001, the number of major conflicts in the world was declining. While there were indications that international crime and terrorist activities were on the rise and that many of the post-Cold War conflicts had merely been frozen rather than resolved, the warnings of anti-terrorist specialists were ignored. Only when the vulnerability of the industrial democracies came to light did American public opinion demand retaliation. The new threat led to a sharp policy turnaround towards interventionism—the 2002 United States security doctrine (United States Government, 2002).

The failure to discover any weapons of mass destruction in Iraq discredited Western intelligence services and shifted the balance of international public opinion against the United States and its coalition allies. A tipping point in the prestige of the United States was reached as anti-war anger, cultural resentment, and fear of additional military actions coalesced. Resentment of that country's intrusive power is the leading reason for unfavourable opinions of the United States, according to surveys by the Pew Research Centre for the People and the Press.

An important factor underlying America's negative image abroad is the perception that the US acts internationally without taking account of other nations' interests. However, there is little enthusiasm for the notion of another country becoming as powerful as the United States, and diplomats on both sides of the Atlantic are seeking to restore mutual understanding and accommodation. Recently, following a period of relative tranquillity on the terror front, the United States has shown a more balanced posture that combines vigilance, restraint, and consultation with allies.²¹

The United States has increased its aid outlays. It is making increased use of multilateral institutions, for example in sponsoring United Nations reso-

²⁰ American exceptionalism is the idea that the United States has a special place in the world that derives from its unique history, values, and constitutional norms focused on personal and economic freedom. The term connotes an ideal that may not always be upheld by the actual people and government of the nation.

²¹ The global war on terror shares the spotlight with regional hot spots (e.g. Taiwan, Iran and North Korea) where traditional competition for regional dominance continues to shape policy.

lutions to block finance for terrorists and to stop the illegal trade in materials and technology for weapons of mass destruction (Bailes, 2005). It has yielded to multilateral efforts in response to the serious nuclear proliferation threats of North Korea and Iran and the humanitarian crisis in Darfur. It has complied with requests to intervene in Haiti and Liberia and has done so in close consultation with its allies, withdrawing its forces as soon as practicable. Obviously, not all European efforts to engage the United States in principled debates about international policy priorities will succeed but the effort is well worth making, given the enormous weight of the United States on the international scene.

The centre of gravity of violence has shifted towards the developing world

After two devastating world wars in Europe and a Cold War characterised by a fear of mutual destruction, threats to international security now come from the periphery. The Gulf war was a reminder that inter-state rivalry would continue to threaten world peace and jeopardise ready access to the energy and the natural resources needed to fuel the global economy. Thus, interstate security issues did not vanish. They have simply become archaic within the territories of the 'rich country club'. Elsewhere, regional rivalries, interstate tensions, and competing economic interests have continued to dominate relations among states: most states are 'modern' rather than 'pre-modern' or 'post-modern'.²²

The neighbourhood effects of intrastate conflicts have often remained circumscribed within the affected region or sub-region. In fact, when contained within remote areas they have not even proved to be a serious drag on mainstream economic activity in the affected countries (such as Chechnya, Colombia, Myanmar, or Uganda). On the other hand, traditional interstate conflicts such as the Iran-Iraq war have been highly destructive and those involving regional nuclear powers involve the risk of catastrophic confrontations (for example between North and South Korea or between India and Pakistan).

A growing common source of violence has become internal to states in zones of turmoil and transitions that are unable to protect the cohesion of their societies or to maintain control over their territories. The resulting conflicts within weak states have been prone to spread over borders and to destabilise regional economies. Suddenly, the breaking rather than the expansion of nations has become a dominant security concern. According to the Septem-

²² Cooper (2004) distinguishes 'modern' states, which have achieved legitimacy and a monopoly of legitimate violence within their borders, from 'pre-modern' states, which have not, and 'post-modern' states (such as EU members), which accept a degree of mutual interference in each other's domestic affairs. 'Post-modern' states reject the use of force for resolving disputes in favour of transparency, interdependence, and mutual vulnerability.

ber 2002 security strategy of the United States, weak states 'can pose as great a danger to national security as strong states' (US Government, 2002).

Now that state weakness has replaced state strength as the major threat to international stability, the rules of sovereignty and 'non intervention' that were central to the international security system have had to be interpreted anew. However, agreement on a collective approach respectful of international law and under United Nations auspices has proved hard to secure. This has led to ad-hoc coalitions of strong states intervening into the domestic affairs of weak states, with deleterious consequences for international harmony (Kosovo, Iraq).

In parallel, the idea that conflict prevention involves helping weak states to build up their institutions and their economies has gained ground. It is now widely agreed that poverty and despair can culminate in state failure and international instability. While the precise extent of the risks that intrastate wars now pose to global stability has not been established, foreign policy specialists agree that weak states are potential threats to international stability and can provide platforms for terrorist networks.

Finally, security doctrines have begun to be affected by security threats evoked by 9/11. Apocalyptic scenarios involving a nuclear or biological attack by terrorists on a major urban centre in the United States or Europe have a low probability of occurrence, but they would have such catastrophic consequences that new policies must be forged to address them. Such a potentially disastrous confluence of threats (state fragility, international terrorism, and weapons proliferation) calls for a coherent policy response that spans defence, diplomacy, and development cooperation.

Mounting effective strategies to counter these new threats is imperative: the emerging dangers cannot simply be wished away, nor can they be effectively addressed without international cooperation and collective security arrangements. Already, intricate combinations of context-specific interstate and intrastate security risks are testing the skills of defence strategists.

The protracted 'wars after the war' in Afghanistan and Iraq have shown how difficult it is to capture enemy combatants and protect civilians against foes who can blend into the population.²³ Limits on the 'compellence'²⁴ of

²³ Innovative interventions combining civilian and military forces in combination with humanitarian and development assistance have begun to be used in Afghanistan to combat warlords and deprive combatants of the safety and comfort provided by local populations. Over the long run, 'hearts and minds' strategies are likely to trump 'search and destroy' tactics.

²⁴ Deterrence is static, indefinite in its timing, and unambiguous in terms of the retaliation triggered by clearly specified adversary actions. By contrast, 'compellence' seeks to reverse actions already underway (e.g. discouraging a spate of suicide bombings) or overturning a status quo (e.g. inducing an adversary to abjure the use of nuclear weapons). 'Compellence' is designed to induce timely responses from adversaries through graduated incentives applied selectively and in a dynamic context (Schelling, 1966). The word is not yet in the dictionary but it is in widespread use in war studies.

peacekeeping forces have also become self-evident in situations where elusive non-state actors (for example in Sierra Leone, Liberia, and the Democratic Republic of the Congo) use profitable natural resources to finance their purchase of illegal arms and sustain violent attacks on civilians and government forces.

In sum, the new security equation has multiple variables and no uniform solution. To respond to a complex mixture of traditional threats and unprecedented challenges, OECD countries must explore new ways of coordinating coercive intervention with development cooperation. In particular, the transition to and from hostilities has become a prominent issue of security and development strategy formulation.

'Joined-up' units combining development assistance planning with diplomacy, policing, and military force are being set up in the United Kingdom and the United States to facilitate reconstruction and state building tasks in post-conflict countries. Proposals to set up human security response forces combining civilian and military personnel are in the works in the European Union. These are areas where creativity and innovation are very much in demand and where Sweden could make a special contribution.

Policy harmonisation among OECD countries is imperative

In the 1980s scholars had visualised a decline in United States power (Kennedy, 1987). Then suddenly, the talk was of American hegemony. The dissolution of the Soviet Union transformed the international system, reconfigured the geopolitical landscape, and ushered in a uni-polar security order centred on the United States. The demise of the centrally planned model expanded the reach of the global market and gave rise to a 'new economy' in which private capital roamed freely and knowledge was at a premium. The implosion of communism accelerated the spread of neo-liberal economic doctrines.

Throughout the 1990s the United States economy was boosted by a robust business expansion facilitated by sound budgets and open trade policies. These were also the years when a rival capitalist model, 'made in Japan', stumbled. The dirigiste policies of Japan Inc. proved ill-adapted to the challenges of a tumultuous global market and Japan's technological edge was blunted. Europe's productivity lagged as the huge costs of unification ensnared the growth of the German economy, and as political energies focused inwards to manage the horizontal expansion of the European Union. Even the dislocation of Yugoslavia did not elicit a cohesive European response; the United States had to intervene and the peace deal for Bosnia was brokered in Dayton, Ohio.

With the disintegration of the Soviet Union, the United States satisfied its urge to assert absolute military superiority over all other powers. It strengthened the efforts that began in the 1970s to reduce the heavy reliance of the

West on the nuclear threat for its security. By the turn of the century, the United States had more military clout, greater economic strength, and more political influence than any other country. Five years later, the United States remains the solitary military superpower. The United States displayed its absolute technological dominance during the Gulf war, the NATO-sponsored intervention in Kosovo, and more recently in Afghanistan and Iraq. Heavy military expenditures and state of the art technologies have given it a massive strategic advantage in the conduct of traditional battlefield operations, reflecting the preoccupation of US defence strategists with interstate security challenges. High-tech weaponry, overhead surveillance, global mapping, 'precision' bombing, and interactive information systems have greatly increased the mobility and flexibility of the US military.

Aimed at a domestic audience, the demonstration of military prowess healed scars in the US national psyche affected by the Vietnam conflict and 9/11. But it did so at a very high cost in blood, treasure, and international good will: the troubled aftermaths of the military interventions revealed not only the potential but also the limits of coercion.

Most violence in the world today consists of insurgency and terrorist activities by non-state actors. In Afghanistan, tribal warlords still control the countryside and the Taliban remains a credible fighting force well supplied with money, weapons, and fighters within the border areas to which it has retreated. In Iraq's devastated society, a protracted insurgency has attracted thousands of *jihadi* supporters from around the world, caused large-scale fatalities, and hindered economic reconstruction.

Unsanctioned by the United Nations Security Council, the Iraq intervention tarnished the image of the United States and fractured the Atlantic alliance.²⁵ Stringent homeland security measures and the rough and possibly illegal treatment of enemy combatants have generated concerns about the ability of the US democracy to wage its 'war on terrorism' without infringing on the freedoms of individuals and groups. Only slowly are trust and dialogue being restored among the Atlantic nations. Resentment about an overbearing America is mingled with concern that the Iraq difficulties might induce a hasty withdrawal into isolationism that would not be in the international interest.

The US economy has continued to expand but it is experiencing enormous budget deficits. The dollar has lost a third of its value against the euro since 2001. The current account deficit at close to 6 percent of GDP compares with a prior peak of about 3.5 percent and is larger than Indonesia's or

²⁵ Americans and non-Americans do not see eye to eye on global issues (Stokes, 2005). A poll taken by the British Broadcasting Corporation in 2004 found that 70 percent of US respondents viewed their country as having a positive influence in the world whereas pluralities in all the other 21 countries surveyed saw US influence as mostly negative.

Argentina's prior to their financial crises. Paradoxically, developing countries in search of financial security in a volatile global economy²⁶ have accumulated more than USD 335 billion in reserves while the United States faces a large budget imbalance (USD 412 billion deficit in 2004) combined with a large, growing, and unsustainable current account imbalance (USD 666 billion in 2004).

The enlarged Europe, by contrast, despite its sluggish growth, high unemployment, and fiscal pressures now boasts a larger aggregate domestic product than the United States. In parallel, the remarkable advances in industry and technology in Asia's modernising economies have begun to transform the geopolitical and security landscape. In particular, China and India have achieved very rapid and sustained growth as well as significant international influence. China provides a platform for highly competitive manufacturing networks that bring together modern technologies, cheap labour, and global capital. India is becoming a global knowledge hub and a shunting yard for information and services.

The United States has more scope for manoeuvre than other nations, given its size and strength.²⁷ While it has been sobered by the Iraq quagmire²⁸, it remains oriented towards global change, the expansion of democracy, and the promotion of liberal market policies. But its financial situation is stressed, its military forces are stretched, and it needs alliances in order to prevail. 'Transformational diplomacy', the hallmark of the American Secretary of State, Condoleezza Rice, connotes a shift from the Cold War stance of containment to an open, proactive posture that does not take the world as given but rather aims to change it.

Thus, the reactive 'war on terrorism' has recently morphed into a 'war on extremist violence' that relies on persuasion and the promotion of democracy rather than simply on military might. Looking ahead, the United States is likely to deploy foreign policy tools that put more weight on political suasion, economic incentives, and cultural values. This opens a window of opportunity for Europe to build a common transatlantic agenda that responds to the aspirations of peoples everywhere. But to do so, Europe would have to recover its own cohesion, adopt outward-oriented policies, and implement a coherent approach to aid and diplomacy consistent with its values and interests (Box 2).

²⁶ Mexico (1994), East Asia (1997), Russia (1998), Brazil (1999), Argentina (2002).

²⁷ The economic output of China is roughly that of California and India's economy is 20 percent smaller than that of Texas. China would have to grow by 21 percent and India by 56 percent to match the value of annual US increases in production.

²⁸ According to a *Washington Post-ABC News* poll, nearly six in ten Americans now believe that the Iraq war was not worth fighting and more than half assert that the war has not contributed to the security of the American public (*Wall Street Journal*, June 9, 2005).

Box 2. What lies ahead for Europe's foreign policy?

Recent overtures by the United States towards a stronger transatlantic partnership offer scope for a dialogue focused on fairer policies towards developing countries. But the opportunity would be missed if Europe were to turn inwards. Following the rejection of a proposed constitution by French and Dutch voters and the ensuing budget gridlock, new coalitions will have to be forged to overcome the combined opposition of anti-globalisation activists and anti-immigration nationalists.

A pause in the momentum of outward expansion seems likely. However, further broadening of the European Union could resume if doctrinal disputes pitting liberal and socialist conceptions of Europe are set aside. Pragmatic compromises are possible with respect to fiscal policy, agriculture, structural funds, trade in services, and security cooperation. Equally, a wider menu of membership options would facilitate a consensus in support of further enlargement. This would not undermine the prospects for a common and proactive foreign policy provided a rapprochement with the United States is achieved.

On the other hand, if Europe were to turn in on itself, beleaguered forces of moderation in Turkey would suffer a serious setback and conflicts that are currently held in check by the prospect of joining the European Union might be reignited, for example in the Balkans. Nor could a 'fortress Europe' model be sustained, given globalisation. Hence, it is critical to channel the yearning for security and prosperity shared by all European citizens towards a continued widening of EU membership in the near abroad, combined with a forward looking development cooperation policy. A reinvigorated relationship with the United States would greatly facilitate this evolution and help to deal with the imbalances now threatening the global economy.

It is Europe's proud tradition to emphasise multilateral approaches to global development, the promotion of democracy, and the international rule of law. If past experience is any guide, the diversity of EU members' views regarding its constitution and future enlargement will eventually be resolved by compromise.²⁹ Under any scenario, Europe would need to keep its international relations focused on peacemaking and to strengthen its capacity to project power to help maintain stability in its own neighbourhood.

²⁹ In the event of a prolonged crisis of identity, Europe will likely turn inwards. This would require even greater efforts by Sweden to demonstrate its global development leadership.

This would require the combined build-up of military and civilian assets geared to peacekeeping. But the security shield of the United States would retain its relevance for many years to come, and Europe's comparative advantage in the concert of nations should continue to lie in its 'soft power' and the magnet offered by continuous enlargement and/or new forms of association. Hence, Europe should keep bridges of communication open across the Atlantic and adopt domestic policies that will nurture public support for further enlargement.

B. Global development: a shared responsibility

As a member of the European Union, Sweden is part of a comprehensive security community. Equally, because of its national characteristics and its history, it plays a distinctive role on the global scene.³⁰ It ranks high on national performance league tables. It has a strong and pragmatic record in development cooperation. Its support for the United Nations has been unwavering and its peacekeeping and humanitarian initiatives have been exemplary. It is widely perceived as progressive, objective, and impartial in its international relations.

Of course, given Sweden's size³¹, the resources it can allocate to international cooperation are limited. To deliver meaningful results, it must work closely with its Nordic neighbours as well as with other bilateral and multilateral actors. It must also give privileged attention to European Union affairs as well as sustain its influence in the United Nations. This means that the success of its foreign policy hinges in the first instance on the quality of its partnerships. Accordingly, Sweden should give top priority to the nurturing of effective alliances so as to leverage the impact of its operational activities.

This will require Sweden to subject all its alliances to three major tests: (i) common objectives: human security; (ii) distinct accountabilities: policy coherence for development; and (iii) reciprocal obligations: human rights. The Shared Responsibility bill addresses all three of these topics. As such, it constitutes a strategic asset. As this study demonstrates, the three major pillars of the bill provide a sound basis for development cooperation in an era that calls for cohesive security and development policies. The rest of this chapter describes the major features of the bill and comments on each of the three pillars in turn.

³⁰ Sweden has always taken an independent stance in its foreign relations. It has a long tradition of peaceful conflict resolution and its outward (seafaring) orientation and economic dependence on international trade, investment, and imported energy have made it sensitive to international concerns.

³¹ Its population (8.8m) and its GDP (USD 227 billion) are 15 percent and 16 percent respectively of the United Kingdom's.

The Shared Responsibility bill is a strategic national asset

The bill approved by the Swedish parliament in December 2003³² conforms to a comprehensive conception of development as a social transformation process. The bill is fully consistent with the emerging human security paradigm: well beyond the economic sphere, it equates development with the expansion of human freedoms. It supports the Millennium Development Goals and recognises that peace and development are indivisible.³³ Thus, it incorporates peace, security, poverty alleviation, environmental conservation, human rights, and democracy within the remit of the development enterprise.

Through the Shared Responsibility bill, Sweden is the first (and thus far the only) country to endorse an explicit legislative commitment to a 'whole of government' approach to global development. Remarkably, the bill aims at achieving cohesion among all the policies of the Swedish government that impact on developing countries. It requires all major policy areas to contribute to equitable and sustainable global development (security and defence, trade, migration, finance, agriculture, environment, education, social welfare, public health, industry, and employment) and it seeks to promote the same goals internationally, especially within the European Union.

The explicit inclusion of defence within the remit of the bill is notable. Going beyond aid, the bill recognises that failed and fragile states require special attention, and gives salience to conflict management and conflict prevention. Since the end of the Cold War, Sweden's defence policy has emphasised modernisation, mobility, and flexibility and the realignment of security policy towards global peacemaking. Therefore, there was substantial readiness to integrate security and development policy when the Swedish Parliament passed the landmark bill.

The bill has put a stamp of legitimacy on the principles of policy coherence for development and has opened the way for a unique experiment in joined-up government. Under the leadership of the Director General, Development Policy, of the Ministry for Foreign Affairs, every major government ministry has contributed to the formulation of the strategic goals that make up the bill. Thus, conflict prevention and management, international peacemaking efforts, strengthening of international law, and promotion of transparency and accountability with respect to the arms trade have become integral to the official mission of the Ministry of Defence and Armed Forces.

³² Government Bill 2002/03: 122; Act of Parliament 2003/04: UU3.

³³ The MDGs reflect universal aspirations but are not widely known. Sweden stands out as the European country with the highest awareness of the Millennium Development Goals (MDGs). But this only means that 27 percent of the Swedish public (compared to 22 percent for the EU-15 group as a whole, and 10 percent for the new EU member states) are acquainted with the MDGs (Eurobarometer, 2005).

The bill reaffirms Sweden's long-standing support for United Nations peacekeeping operations around the world, for example in the Democratic Republic of the Congo. It validates Sweden's advocacy efforts for human rights based approaches to development and confirms the country's commitment to conflict prevention and mediation. Finally, it reasserts the priority that Sweden attaches to the support of judicial reform and good governance in developing countries and inaugurates an integrated approach to conflict management.

The implementation of the Shared Responsibility bill is monitored through regular meetings chaired by the development wing of the Ministry. A summary report about Sweden's contribution to the Eighth Millennium Development Goal³⁴ has been published and the first progress report about the implementation of the Shared Responsibility Bill was sent to Parliament in the fall of 2004. The latter report details elaborate arrangements that give effect to the new policy, including coordination mechanisms, operational targets, reporting standards, and efforts to develop skills. A citizens' forum including representatives from parliament, NGOs, the private sector, and the academic community is expected to nurture broadly based ownership of the new policy.

Implementation of the bill constitutes a major challenge

It is too early to evaluate the impact of the new bill on the ground. Coordination appears to have improved, but coordination is not integration. Joint development of strategies across ministries, a tall order, has yet to materialise. Common pool funding to facilitate interdepartmental coordination has not been tried. Nor does the Ministry for Foreign Affairs have at hand all the instruments it needs for quick-response or innovative interventions in conflict-affected or conflict-prone countries.

The Swedish International Development Cooperation Agency (SIDA) enjoys considerable autonomy and the bulk of its grant resources are committed to long-term partnership programmes in 30 developing countries. To be sure, the Ministry for Foreign Affairs, SIDA's parent ministry, exercises major influence over the agency's work programmes and budgets and has substan-

³⁴ Goal 8, 'develop a global partnership for development', focuses on rich countries' obligations and includes seven targets: (i) develop an open, rule-based predictable, non-discriminatory trading and financial system; (ii) address the special needs of the least-developed countries; (iii) address the special needs of landlocked countries and small island developing states; (iv) deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term; (v) adopt strategies for decent and productive work for youth; (vi) promote access to affordable drugs in developing countries; and (vii) make available the benefits of new technologies, especially in information and communications.

tial weight in the Cabinet. Therefore, operational priorities for development cooperation on the ground should eventually adjust to the directives of the Ministry, if Sweden adopts some of the priorities and revised development cooperation practices outlined in Chapters 2, 4, and 5 below. But lags are inevitable and a systematic review of SIDA's operating programmes at an early opportunity could help accelerate the process.

The Shared Responsibility bill acknowledges reciprocal obligations between rich and poor countries in the pursuit of global development that were first articulated in the Millennium Declaration of 2000.³⁵ Emphasising the distinct responsibilities of rich countries, Sweden's bill looks to all donors to pull in the same direction towards the protection of the physical environment, the levelling of the playing field of international trade and finance, and the alleviation of heavy debt burdens. Such a reshaping of the rules of the game that govern international economic transactions cannot be taken for granted.

The fact is that the international community has agreed on the ends but not yet the means of global development. To allocate accountabilities among partners would require political will and harmonisation of concepts, strategies, and practices across all donors and all policies. Chapters 2, 4, and 5 below elaborate on the demanding policy changes that would be needed to improve global security and development. Sweden's role in moving the policy coherence for development (PCD) agenda forward would be one of advocacy and intellectual leadership. In particular, policy coherence for development issues would need to be promoted within the European Union and in multilateral forums. In order to lead by example, Sweden would be well advised to commission regular independent evaluations of its own PCD performance.

At the Monterrey Conference of 2002, poor countries accepted that they have primary responsibility for reducing poverty through improvements in their policies and reforms of their governance. Equally, Sweden's Shared Responsibility bill relies on developing countries' ownership of policies and processes towards these ends. But the ownership principle does not address the dilemma posed by fragile states, for reasons elaborated in Chapter 4. These states are home to one third of the poor. Few of them have the capac-

³⁵ At the Millennium Summit 147 monarchs, presidents, and prime ministers committed their nations to creating an international system in which poor nations would assume responsibility for enhancing the well being of their poor citizens and rich nations would accept the obligation to help in the achievement of specific and measurable reductions in poverty, malnutrition, illiteracy, disease, gender discrimination, and environmental stress by the year 2015. Subsequently, under the terms of the compact endorsed at the United Nations Financing for Development Conference in Monterrey in 2002, rich countries undertook to enhance the quantity and quality of their aid and to adjust the rules of the game of the global economy.

ity and/or the commitment to implement the reforms needed to achieve equitable and sustainable development. Pioneering efforts by Sweden on development cooperation in a representative cross-section of fragile states would be helpful, guided by the work recently completed by the Policy Analysis Office (Swedish Ministry for Foreign Affairs, 2005).

General principles of development cooperation are little help in achieving good results in the difficult environment of a fragile state.³⁶ Donors have shifted away from blunt aid conditionality, which had proved ineffective. In its place, they have introduced demanding criteria for aid allocations and required recipient countries to prepare poverty reduction strategy papers as a condition of debt relief. While these new approaches have encouraged aid coordination, they can be just as intrusive as the prior system, especially where additional and often onerous conditions are imposed on a project-by-project basis. For their part, some partner countries in the developing world perceive the convergence of policy stances among rich countries and multilateral agencies as 'ganging up'—ignoring their felt development needs and burdening their fragile governance processes.

Unless the new approach to aid is managed with care and sensitivity, and backed up with capacity building assistance, it could erode the sovereignty and weaken the very states that aid is supposed to bolster. Once again, the unintended by-product could be a penalty on countries that do not meet prevailing performance-based aid allocation criteria or that lack the wherewithal to prepare poverty reduction strategy papers that can pass muster in the aid community. This may accentuate the reluctance of donors to take risks for peace and invest resources in troubled countries—an undesirable outcome given the human costs and the risks involved in isolating these countries. As highlighted in Chapter 4, the current evidence is that fragile states as a group are substantially under-aided. Sweden may wish to consider taking a leading role in helping to resolve this 'aid orphan' issue.³⁷

Last, the pursuit of consistency among defence and development policy instruments through 'whole of government' approaches could have the perverse effect of subjecting aid to the imperatives of defence and diplomacy,

³⁶ Typical characteristics of fragile states are outlined in Box 14 below. A short-list of principles for good international engagement with fragile states was formulated following a Senior-level Forum on Fragile States attended by officials of the OECD DAC, the European Union, the UNDP, and the World Bank in London in January 2005 (Box 15). But these principles do not tackle issues beyond those under the control of aid ministries and have therefore limited value since policies other than aid tend to be more important in such environments. The principles will be piloted in two to five countries before the end of 2005. Their implementation will be evaluated in 2007.

³⁷ The UK Department for International Development has suggested the creation of a Multilateral Balancing Fund while Mark McGillivray (2005) has proposed that the Development Assistance Committee (DAC) of the OECD in conjunction with major multilateral agencies should organise annual events to coordinate inter-recipient aid allocation.

and facilitating a shift in security doctrines away from the 'soft power' instruments of diplomacy and development that ought to be emphasised. This is where values and principles come in. Those embedded in Sweden's Shared Responsibility bill should limit the risks of aid capture by narrow defence interests. They are also well adapted to the conduct of principled dialogues with a wide range of partners. They point to a gradual shift away from statism and nationalism and towards a new conception of internationalism that stresses human security, political equality for all human beings, the rule of law, social justice, and responsible stewardship of the environment.

C. Common objectives: human security

As pointed out by Immanuel Kant two centuries ago, we are 'unavoidably side by side'. Today more than ever, the international community is struggling with dilemmas of collective action. Severe imbalances in the world economy, the violent insurgency in Iraq, the ongoing tragedy of Darfur, and the myriad of conflicts that prevail over vast zones of the developing world, suggest a need for strong leadership and more intense international cooperation in security and development. Poor countries are plagued by insecurity problems that rich countries have ample capacities to help resolve, for example by promoting regional security arrangements. Equally, global poverty reduction is severely hindered by obstacles that rich countries could help eliminate through comprehensive policy adjustments.

Beyond achieving policy coherence among states, the growing role of non-state actors must be reckoned with. Globalisation has facilitated the ascent of the private sector as a major influence on the global policy stage and a major participant in security operations through outsourcing. Though temporarily weakened by corporate scandals, the private sector is now adopting tougher standards of corporate governance along with corporate social responsibility principles that are conducive to the establishment of public-private partnerships geared to global development.

Globalisation has also accelerated the growth of a far-flung system of voluntary organisations set up to monitor the progress of human freedom and to deliver humanitarian services. Recently, the NGO movement became more fragmented as anti-globalisation protests morphed into peace demonstrations. In response to more intense public scrutiny, NGOs are seeking to improve their governance, and to help achieve results. To this end many of them are crafting pragmatic partnerships with the business sector.

Both the voluntary and the private sector have become heavily involved in formulating norms and standards to facilitate coherence in social and environmental policies, including 'dos' and 'don'ts' in conflict-prone and conflict-affected areas. These initiatives deserve nurturing and support since they facilitate policy convergence. Just as international networks of government of-

ficials increasingly exchange information, coordinate their activities, and share good practice in order to deal more effectively with global problems (Slaughter, 2004), vertical interaction needs to be strengthened to connect individuals, local communities, civil society organisations, and the private sector.

The goal of human security should inform Swedish policy

According to Kofi Annan, human security has three dimensions: 'freedom from want, freedom from fear, and the freedom of future generations to inherit a healthy natural environment' (United Nations, 2003). There are tensions among these objectives—for example, military expenditures designed to address freedom from fear may divert resources from achieving freedom from want; equally, environmental conservation geared to the rights of future generations may require slower economic growth and reduce the prosperity of current generations, while the sustained development measures that are needed to improve the lot of the many may yield insecurities for some, e.g. through 'creative destruction' arising from free market competition. To strike the right trade-offs, risk management should play a privileged role in development policy.

Human security promotes respect for the Hippocratic Oath, 'first, do no harm'. The concept respects the traditional notion that confines security to the imperative of survival of individuals, societies, and international systems. This was the meaning of security emphasised during the Cold War when the nuclear confrontation dominated defence strategies and exerted a major influence on security studies. However, security concepts were then state-centred and focused on the military sector. The emerging human security concept is broader in scope. It recognises the individual as the privileged unit of account for policy impact.

At the same time, both poverty and insecurity have become matters of international as well as local concern. Thus, the Barcelona Study Group on Europe's Security Capabilities drew on human security concepts to design a doctrine for intervention in intrastate conflict situations adapted to European values and principles. It responds to seven principles: (i) primacy of human rights; (ii) clear political authority; (iii) multilateralism; (iv) a bottom-up approach; (v) a regional focus; (vi) use of legal instruments; and (vii) appropriate use of force.

Human security is not simply a re-labelling of existing policies. It differs from prior conceptions of security and development in fundamental ways: (i) its scope extends well beyond the threat of violence since it encompasses all major threats to human survival and well being; (ii) it addresses development risks systematically; (iii) it puts military, policing, and diplomatic functions at the service of development; (iv) it puts the individual rather than the state at the centre of the policy; (v) it brings development policy concerns to

bear on conflict management since human insecurity is most threatened by conflict; and (vi) it implies vastly different resource allocation patterns.

Human security calls on security and development professionals to work together. They have long operated at arm's length. Until recently, little effort went into dialogue or consensus building between aid and defence analysts. Each group looked at the world through its own lenses and used arcane language only intelligible within its own professional group. To help overcome policy inconsistencies, a revised framework is needed. The conflicts in goals that exist between the security community and the development community need to be overcome to discover practical methods of encouraging policy convergence.

Sweden is well placed to promote a global consensus centred on a re-vamped conception of human security that embraces protection against external threats and endorses human rights based approaches while acknowledging the scarcity of resources as well as the need for priority setting and trade-offs. It supports the

notion of global public goods that includes physical security and stability, political participation, an enforceable human rights legal order, an open and inclusive economic order and social well being. It acknowledges that exclusion and marginalisation help to explain conflict. Finally, it champions the concept of effective multilateralism that underlies the European Security Strategy and under which the individual is the point of reference. (Biscop, 2005).

For Amartya Sen:

The idea of human development... is far too upbeat to focus on rearguard actions needed to secure what has to be safeguarded. This is where the notion of human security becomes particularly relevant. Human security as an idea fruitfully supplements the expansionist perspective of human development by directly paying attention to what are sometimes called downside risks.

As Sen's formulation makes clear, the concept of human security modifies rather than displaces that of human development. It emphasises prudence and due diligence. It stresses quality in the delivery of development assistance. And it emphasises social capital creation and community cohesion. A redefinition of human security—backed up by objective assessments of risks and rewards—would help set the policy directions for development in a businesslike manner. It would have the additional merit of treating protection against the threat of violence, whether local or external, as an integral part of the analysis—instead of treating it as an exogenous factor immune from policy influence (Box 3).

Human security challenges include those that international terrorists pose for open societies and market democracies. Equally, the HIV/AIDS pan-

Box 3. What is human security?

Human security has two main strands.

The first definition of human security was articulated by the UNDP. It emphasises *freedom from want* and concentrates on protection against threats to human survival, the safety of daily life, and the natural dignity of men and women. A Commission on Human Security co-chaired by Sadako Ogata and Amartya Sen further elaborated the concept, reporting to the United Nations Secretary-General on May 1, 2003. The Commission report (United Nations, 2003a) addresses economic security, health, education, knowledge, and migration. It also includes chapters about the safety of people caught up in violent conflict and the recovery of human communities following a conflict. The Government of Japan, which sponsored the Commission, has now set up a Human Security Fund to fund community-level projects designed to deliver social services and promote empowerment and solidarity at the local level in poor countries. Canada champions the second strand of the human security agenda: *freedom from fear*. This conception of human security posits that a state can best maintain its security by ensuring the security of others. It puts people—their rights, their safety, and their lives—first. It aims to build a world where universal humanitarian standards and the rule of law protect all people; where those who violate these standards are held accountable; and where international institutions are equipped to defend and enforce those standards. It is committed to the advent of a global civil society; supports the 'responsibility to protect' principle, and endorses multilateralism as the way to keep the world a safe place.

This review seeks to combine both concepts into a single paradigm sharply focused on threats to human survival. To balance the diverse requirements embedded in this conception of security and make policy choices, a rigorous approach would be used through the systematic application of policy coherence for development principles, risk analysis, and institutional economics. These and related techniques would guide trade-offs and priority setting within the expanded security domain. United Nations Secretary-General Kofi Annan, in his report to the 2000 General Assembly, challenged the international community to forge a consensus around the issues of principle and process involved in humanitarian intervention. To respond to that challenge, an independent International Commission on Intervention and State Sovereignty was established by the Government of Canada in September 2000. The Commission's report (International Commission on Intervention and State Sovereignty, 2001) is the culmination of twelve months of intensive research, worldwide consultations, and deliberation.

Sources: >http://www.mofa.go.jp/policy/human_secu>and <<http://humansecurity.gc.ca/menu-en.asp>>

democratic was recognised as a security threat by the United Nations Security Council because it is emblematic of serious health risks that cross borders and threaten the fabric of the societies they plague. Another existential security threat is caused by the huge and growing volume of carbon emissions generated by the high dependence on fossil energy of the production and consumption patterns adopted by rich and poor countries alike.

These threats are diffuse and multidimensional and they know no borders. Individual governments acting alone cannot tackle them effectively. Stronger collective security agreements are needed to manage intrastate conflicts, reduce the risks of interstate wars, reverse the proliferation of deadly weapons, and confront the challenge of catastrophic terrorism. In an interconnected world, governments must work together. They must also involve the civil society and the private sector.

Just as threats to peace and prosperity involve non-state actors, so should the responses to them. For example, the maintenance of international financial stability requires the coordination of economic policies among governments as well as the willing participation of the private banking sector. Similarly, the management of violent conflict in poor countries requires proactive and effective engagement of governments, business, and the international civil society.

Risk management is critical to human security

Risk has to do with the uncertainty and unpredictability that induce welfare losses and generate poverty. Since the capacity to withstand risk varies among individuals and groups, risk management strategies must be geared to their specific circumstances. The poor are the most vulnerable, being exposed to more risks and having fewer means of withstanding them. Accordingly, managing risk is the essence of human security and risk management instruments constitute essential components of the human security tool kit.

Risk management involves (i) *prevention*: reducing the probability of downside risks; (ii) *mitigation*: reducing the adverse consequences that may result from downside risks; and (iii) *coping*: relieving the impact of the risk after it has occurred. It aims at (i) minimising the maximum welfare loss associated with an event; (ii) reducing the probability of a welfare loss below a given threshold; or (iii) maximising the return on resources given the variability of outcomes associated with alternative resource allocations.

The first of these goals is especially relevant for the very poor, for whom the maximum loss may involve utter destitution or death. The second is in line with the preferences of individuals of limited means, including people close to the poverty line, who are best served by savings instruments. The third applies to people in the higher income groups and is best met through portfolio diversification.

Individuals, households, communities, and states are exposed to multiple risks from natural sources (such as earthquakes, floods, droughts) or man-made sources (such as economic mismanagement, violent conflict). As development proceeds, new risks emerge and traditional, informal, exchange-based risk sharing mechanisms (for example through extended families, charitable donations, mutual gift giving, crop sharing) tend to break down. Hence, in industrialised, urban environments, more formal social protection arrangements are needed to reduce vulnerability and improve social equity (Holzmann and Jorgensen, 2000).

Violent conflict affects welfare not only through its direct effects on individuals and communities but also through the damage it causes to social protection arrangements, whether informal, market-based, or state-based. The macro risks associated with violent conflict are characterised by low frequency, severe or catastrophic consequences, and high covariance (correlated among individuals). This is why informal and market-based (insurance) instruments designed for idiosyncratic (micro) risks are not effective for managing the risks of war.

Risks are weighed differently depending on who bears them. In public affairs, the perception of risks matters more than their actuality. Highly visible risks such as those of airplane hijacking arouse greater fear than silent and dispersed risks such as the health risks associated with lack of clean water and sanitation. Risks voluntarily incurred (for example from tobacco smoking, careless driving, unsafe sex) do not elicit the same public outcry for state protection as do involuntary risks (for example from an earthquake).

Most of all, risks incurred 'out there' matter less to voters than risks faced 'right here'. For nations as for individuals, risk perceptions vary. In particular, as emphasised earlier, rich countries are highly sensitive to the risks of international terrorism while poor countries are more concerned with the risks that poverty imposes for the livelihoods of their citizens. When available statistical knowledge is poorly disseminated, individual citizens, groups, organisations, or nations may single out some risks as worthy of policy attention while ignoring others that may be more deadly. A harmonious fusion of risk perceptions is needed based on evidence, professional analysis, principled dialogue, and 'give and take'. Achieving a collective consensus is critical to policy coherence as well as effective risk management.

This does not happen on its own. Leadership is required first at the *analytical* level and next at the *operational* level. From an analytical perspective, inadequate weighing of the relative risks, costs, and benefits of alternative options, or simplistic application of the precautionary principle (for example when catastrophic risks are not involved) may lead to mistaken policy choices, excessive caution, or excessive regulation. From an operational perspective, once professional risk assessments have been carried out, agreement must be reached on shared goals, reciprocal obligations, coordination protocols, and good practices in order to share and mitigate risks.

The stakes are high since the 'securitisation'³⁸ of any public policy issue raises it to the top of the political agenda. Labelling a topic as critical to national or international security evokes an appeal to higher authority, implies priority in resource allocation, and may even connote a state of emergency that justifies the suspension of normal decision making rules (Buzan and others, 1998). Obviously, not every issue that affects human welfare justifies a security label, or else the concept loses its meaning.

This is why policy analysts are on firm ground when they resist attempts to incorporate all possible development concerns into the human security agenda. On the other hand, confining security to the military is not the correct approach when the nature of risks requires the use of policy instruments other than the military.

The economics of human security

In an era of volatility and anxiety, a new security and development logic can set priorities and induce cooperation within the expanded range of the human security domain. The conceptual building blocks exist (Treverton and Klitgaard, 2005). Risk management theory is equipped to rank threats whether they originate from conflict, infectious diseases, natural disasters, or other threats to human welfare. Cost benefit analyses combined with probability theory can be used to evaluate alternative responses to identified threats. Under certain conditions, game theory and systems analysis can test the resilience of chosen responses to the countervailing strategies of adversaries. Finally, institutional economics can be put to work to resolve collective action dilemmas and design incentives for cooperation.

The risk assessment criteria of the human security agenda differ from those that are currently used by the aid and defence establishments. But they are no less demanding. Just as health policy researchers apply a single metric to compare policy actions (e.g. the impact on mortality rates), policy coherence principles can be applied so that all relevant stakeholders participate and outcomes are Pareto-efficient ('first, do no harm'). This approach would also provide an appropriate framework for striking the necessary trade-offs.

Good governance means accountability to the public. But citizens may be fearful about trivial risks; they may underestimate serious risks, or they may fall prey to risk panics. This is why professional risk assessments and sober re-

³⁸ In finance, securitisation is a technique that pools assets together and turns them into tradable securities. In political science, it refers to the labelling of an issue or activity so that it receives privileged treatment. Specifically, it means the politicisation of an issue in ways that allow the short-circuiting of regular decision making rules, consultation procedures, etc. Development practitioners are ambivalent about 'securitisation'. On the one hand it enhances the priority of their work. On the other hand, it could be a pretext for subverting the poverty reduction goals of aid, ignoring democratic safeguards, and undermining participation.

Box 4. Peace as a public good

In theory, peace is a pure public good: its enjoyment by one party does not diminish its availability to other parties (non-rivalry) and the benefits are available to all (non-excludability). The market cannot price public goods efficiently and ownership rights cannot be defined for them. Therefore, peace has traditionally been supplied by the state, which holds the monopoly of violence. Some public goods can be given the characteristics of private goods since, in practice, 'publicness' is a social construct. It is the institutional framework (the rules of the game that are actually enforced) that defines the nature of goods. For example, intellectual property legislation has turned knowledge products into private goods.

Similarly, in an insecure neighbourhood, protection rackets turn peace into a private good. Crime syndicates forcibly exclude those who do not pay, and deny peace to their potential rivals. Gated communities turn peace into a toll good by providing protection to those who can afford the purchase price, and excluding those that cannot. Community policing helps to manage excludability through neighbourhood cooperation (common pool good), and so on. This confirms that peace is socially determined and that peace as a public good is a policy choice.

A weak army that can protect some border areas but not others will induce crowding in areas that it can secure, confirming that public goods are chronically undersupplied. The same feature of public goods explains why small countries flanked by hostile neighbours are less secure: they have trouble funding a strong enough military to supply the needed level of security. On the other hand, economies of scale will ease the under-provision in larger states. Strong incentives to compensate for free riding behaviour exist in collective security regimes where the weakest link determines the level of aggregate security. The more powerful member will usually compensate for the shortfall, since not doing so would decrease the level of security to close to zero for every alliance partner.

Incentives are critical to the design of appropriate security arrangements. Peacekeeping yields benefits to the conflict-ridden nation as well as to its neighbours, provided they devote enough resources to ensure that they do not turn into the weakest link, incur the wrath of the security guarantor, or bear the costs of resumed conflict on their territory as well as the opprobrium of the international community. The international recognition given to security-supplying nations (for example the United Kingdom in Sierra Leone) provides additional benefits.

Institutional economics also explains why defence technology matters to collective security arrangements: non-conventional weapons that require large investments (as in nuclear capability) are best-shot public goods—either they are supplied or not. Such discrete public goods will tend to have few suppliers whereas conventional forces will attract more suppliers, since even a second-best force contributes to the overall security level. Similarly, institutional economics explains the emergence of private security services as facilitating the efficient allocation of resources, by matching the level of security to the capacity to deliver the service and the capacity to pay.

Source: Kaul and others, 2003.

reflection should inform public debate (Sunstein, 2005). Security and development priorities are only legitimate if they are set following principled deliberations and protected by the safeguards of checks and balances. At the national level, they should involve the citizens, their representatives, and the independent judiciary.

At the international level, human security strategies should involve all countries, rich and poor, in equitable measure. All partners should share the objectives selected. Reciprocal obligations should be clearly specified. This implies professional policy design, a multilateral decision framework, and engagement strategies that generate country ownership. Especially complex are the institutional arrangements that ensure peace and security. To design them, institutional economics offers useful analytical tools (Box 4).

Market mechanisms undersupply public goods—including peace. What then are the economist's prescriptions for peacemaking (Brauer, 2004)? First, free riding can be minimised through forming alliances that impose selective incentives on members. This is the logic of collective security under which peace becomes a club (or a toll) good. Second, the notion of property rights, a prerequisite of well functioning markets, can be applied to generate credible guarantees of enforcement. Without them, the incentives to observe peace contracts are weak.³⁹

In turn, the contracting parties should be legitimate in order to be self-en-

³⁹ About half of the peace agreements intended to stop intrastate wars are breached.

forcing: agreement coerced by an external force lacks legitimacy. Social sanctioning of the contracting parties who share power under a peace agreement requires democratic validation. However, recourse to a higher authority that has the power to enforce the peace agreement is still needed to avoid defection and the resumption of hostilities. Hence there is a need for peacekeeping forces in transitions.

Markets fail when there is little competition, information is plentiful, and there are no externalities. For genuine peace to take hold, a pluralistic society has advantages since it favours the creation of coalitions, rather than having a single party achieve the 'peace of the grave' through coercion. Transparency also favours peace by making clear in advance the likely costs of a conflict. To internalise the costs of war for parties who initiate violent conflict requires an external authority to impose sanctions and reparations.

Collective action theory points to the need to introduce incentive frameworks that favour cooperation (for example by controlling the warring parties' access to arms and resources); that create vested interests for peace through development (facilitating the reintegration of former combatants in the peace economy); that encourage reciprocity in behaviour through training and facilitation (as is being done by International Alert and other voluntary organisations); that afford easy access to conflict resolution mechanisms; that reduce uncertainty through self-monitoring and independent oversight; that enforce subsidiarity (by conducting conflict resolution at the minimum level necessary to achieve a positive outcome); and that tap economies of scope and scale by combining peacekeeping functions that have high fixed costs under a single umbrella organisation.

The governance of human security

Insecurity in the developing world is largely the result of historical weaknesses in governance that have been sustained by a pattern of subordination to (and dependence on) rich and powerful countries (Moore, 2005). Many governments of poor countries do not exercise effective control over a significant share of their national territory. In part, this is explained by the patchy and centralised features of state institutions inherited from the colonial era. It is also the result of the international recognition granted to post-colonial states even where the central authorities exercised less than full control over the national territory.

In many instances, authoritarian regimes have been sustained by fiscal reliance on rents made possible by exports of natural resources. This circumvents the need for domestic taxation (and eliminates the obligation to guarantee the safety and welfare of citizens) while making the state subservient to external political and economic interests. Conversely, imports of modern weaponry facilitate coercive control of the population; they make political bargaining with the citizenry redundant and the legitimacy that flows from

the providing public services unnecessary for the maintenance of the regime.

State dependence on external factors and independence from the citizenry leads to vulnerability over the long run by creating incentives for domestic conflict, unless peaceful and democratic means exist for challenging the regime. Here again a pattern of dependency on extrinsic factors materialises. Exports of primary products and imports of arms also characterise insurgency movements as surely as they do the regimes they are trying to topple. Typically, rebel forces rely on revenues from illegal exports, whether drugs, timber, or diamonds, and secure their weapons from the flourishing and unregulated arms trade.

At the *country level*, the policy implications of this destructive pattern of international relations are straightforward. All instruments of engagement with misgoverned poor countries should focus on economic diversification, fiscal transparency, public expenditure management, security system reform, and development of democracy. Strengthening the state should not be synonymous with helping to perpetuate authoritarian regimes. Human security evokes a society in which each individual has an intrinsic value and each state is conceived as collective enterprise that protects the freedom of individuals. This means that state sovereignty is only legitimate if it protects human rights and facilitates economic and social development.

Nor should the focus of external engagement be limited to the national level. First, the interactions of dependency are not limited to the connections between developing countries and OECD countries: regional hegemonic powers (such as China, India, Russia, South Africa) exercise similar influences on their smaller and weaker neighbours. Second, neighbourhood effects matter: security trends in one country can have major consequences across national boundaries. Failed states can often lead to failed sub-regions. Third, global norms and standards have important effects on the dependency relations that perpetuate poor governance.

Hence, exclusive and absolute state sovereignty is incompatible with human security. The promotion of peace, prosperity, and freedom also requires *regional and global* action.

The idea that international institutions should be in a position to provide security dates back to the League of Nations. It went into abeyance following the crises of the 1930s but resurfaced after World War II in the United Nations Charter, which envisages regional agencies acting as partners in peace.

The role of regional bodies gradually expanded because of frequent gridlocks at the Security Council during the Cold War. As a result, regional and sub-regional organisations achieved considerable autonomy and sidestepped the world organisation in numerous instances. Regional action has many advantages: proximity, knowledge of local conditions, and nimbler decision making. Regional organisations have demonstrated a capacity to act where the United Nations has been unable to do so. Coalitions of the willing have

proven more cohesive and effective when rooted in regional security structures. And as a practical matter, without regional initiatives, the sheer number and range of external interventions undertaken since the end of the Cold War would have overwhelmed the capacities of the United Nations. Calculated ambiguity about the relationship between the UN and the regional organisations favours a flexible allocation of responsibilities based on subsidiarity (Pugh and Sidhu, 2003).

Beyond the North Atlantic Treaty Organisation and the Commonwealth of Independent States—which embody respectively the hegemonic power of the United States and Russia—the Islamic Conference, the Organisation for Security and Cooperation in Europe, the Organisation of American States, the Association of Southeast Asian Nations, the Caribbean Community, the South African Development Community, the Economic Community of West African States, and the African Union have all played a role in regional peace and security initiatives.

Over the past 15 years, Europe has been involved as a regional actor in Africa, the Balkans, Southeastern Europe, the Caucasus, Central Asia, and the Middle East while NATO has promoted capacity development at the European periphery and beyond. Both the EU and NATO are developing new quick-response military capacities while civilian crisis management is taking a higher profile in the EU as a complement to regional development assistance and diplomatic efforts.

In West Africa, peace operations have benefited from the mutual security initiatives of ECOWAS. In Southeast Asia, ASEAN has focused on conflict prevention while ceding the initiative to Australia and the United Nations in East Timor. The lack of effective regional mechanisms in the Middle East has been sorely felt in the wake of the unilateral intervention of the United States and its allies and its costly aftermath.

International structures, functions, and processes have only begun to adapt to the challenges of human security (Knight, 2005). The traditional multilateral model derives from state-centric security and development principles; through the deliberations of the Security Council and the General Assembly it aims at achieving better coordination of national policies and at equitable solutions. The system is under severe stress and often leads to gridlock. More flexible arrangements are needed, given the uni-polarity of the world's military order, the diffuse multi-polarity of its economic order, and the concentration of political power among a limited number of hegemonic powers. The advent of a global civil society, the growing influence of private multinationals, and the increased security threats emanating from non-state actors also call for more open and innovative organisational solutions.

Hierarchical systems are increasingly giving way to bespoke coalitions and networks focused on specific goals. These organisations bring together the public, private, and voluntary sectors and facilitate cooperation within highly decentralised decision-making frameworks. Some of them are geared to

delivering public goods, including security services. Others focus on developing common principles, cooperation protocols, behavioural norms, or codes of conduct.

In the specific field of peace and security, increased coordination between the United Nations and the European Union illustrates the trend towards pragmatic coalitions in such fields as conflict prevention, the civilian and military aspects of crisis management, and such regional issues as those in the Balkans, the Middle East, the Great Lakes Region, the Horn of Africa, and West Africa. Coordination and compatibility of mission planning is governed by a joint declaration and steering committee.

Governance for human security needs to transcend traditional governmental processes and practices. It involves a wide range of public, private, and voluntary actors. It takes place at all levels—the neighbourhood, the municipality, the province, the nation, the region, or the world. It facilitates orderly and transparent market processes while promoting broadly based, sustainable development through norms and standards designed to protect individual freedoms, empower the weak, and redress social inequities.

From this perspective, the current multilateral security and development architecture will eventually have to be reshaped. In time, the current bureaucratic and state-centric architecture may evolve towards deliberative and democratic rule making bodies connected to regional bodies and specialised networks that would provide platforms for public-private initiatives, testing grounds for policy experiments, and transmission belts for ideas and knowledge.

D. Distinct accountabilities: the imperative of coherence

Coordination within donor countries' governments has proven elusive even when dealing with economic aspects such as trade or migration. Some promising joined-up government initiatives that combine security and development have been launched. But they are very new and concentrated in a few OECD countries, and their replication cannot be taken for granted. The challenge of introducing security objectives into the development landscape of the post-Cold War era will be even more demanding.

The limits of policy coherence are confirmed by the fledgling theory of policy coherence (Box 5) and the results of an opinion survey (Box 6).

Definitions of policy coherence

The DAC *Poverty Guidelines* define policy coherence as 'the systematic promotion of mutually reinforcing policies across government departments and agencies creating synergies towards achieving the defined objective' (OECD, 2001). The DAC *Journal of Development Cooperation* uses a different formu-

Box 5. The limits of coherence

The 'here' in policy coherence is necessarily elusive (Winters, 2001). A top-down approach to policy coherence that responds to the interests of donor countries (understandably concerned with the security and economic interests of their own citizens), may not coincide with the policy outcomes that would result from a bottom-up process responsive to the agenda of developing countries and geared to achieving poverty reduction 'on the ground'.

Kenneth Arrow (1963) has proven that consistent outcomes cannot be achieved when more than one preference function need to be aggregated. Theory also demonstrates that agenda setting and sequencing of decision making are critical to the determination of outcomes when decision making is complex and involves a wide range of participants (McLean, 1987). On the other hand, unnecessary incoherence (i.e. policy options that work at cross-purposes and make both donor countries and partner countries worse off) should not be tolerated. Consequently, realistic and worthwhile goals for the agenda of policy coherence for development are: (i) to do no harm; (ii) to ensure that policy synergies are sought where feasible; and (iii) to take account of global poverty reduction objectives when rich countries' policies are formulated and implemented.

Box 6. Summary evidence from a survey of donor policy coherence practices

Replies to a structured questionnaire were received from officials familiar with policy coherence issues in Belgium, Canada, France, Italy, Japan, Sweden, Switzerland, the United Kingdom, and the United States. Most respondents stressed the importance of policy coherence for enhanced global security and for aid effectiveness in fragile states, and substantial support was evinced (especially from European countries and Japan) for greater multilateral bodies.

Only in Sweden, Switzerland, and the United Kingdom did respondents detect that a strong 'whole of government' culture was taking root. Most respondents judged that non-aid ministries had only weak capacity to respond to the results of analysis of policy coherence for

development (PCD). Thus, factors other than coordination—for example basic conflicts in objectives—were perceived as more limiting. While most respondents reported that development ministries are adequately represented in inter-ministerial working groups and committees, actual policy coordination was not rated highly in Italy, France, or Belgium.

The survey confirmed that in Belgium, Sweden, and the UK, security and military issues are fully integrated within the policy coherence agenda. Canadian, Swedish, UK, and US survey participants reported that senior policymakers are adequately informed of policy coherence for development issues, depending on the political profile of the case. In Canada, Italy, Sweden, Switzerland, the UK, and the US, the quality of policy analysis was reported to be good or excellent while in Belgium, France, and Japan it was considered marginal or poor.

Nowhere except Canada and Switzerland were good public information programmes reported to be in place. Views about the links of policy coherence to the private sector, universities, and NGOs were mixed and a majority of respondents did not consider that the media and NGOs exert a positive pressure on PCD decisions. In Canada and the UK, the development ministers have Cabinet status. Elsewhere the development portfolio is lodged within the Ministry for Foreign Affairs although a development minister within the Ministry may have a seat at the cabinet table (as in the Netherlands and Sweden).

Respondents in Sweden and UK did not perceive the quantity of their aid as a constraint whereas respondents from France, Italy, Japan, and Switzerland did. All respondents (except those from Sweden and Switzerland) considered administrative budget allocations to be constraining. The frequent lack of reporting was noted: nowhere apart from Sweden and Switzerland are tracking systems in place and only in Canada and Switzerland has a specific group within government been tasked to monitor policy coherence.

Revealingly, a majority of survey participants expect defence and security agencies to gain increased clout over the level and allocation of aid as a result of intensified interdepartmental coordination, while none, except in the UK and US, expect the aid ministry to acquire more influence as a result of PCD efforts. Defence and geo-strategic considerations seem to prevail over development concerns more often in France, Italy, and the US, while commercial considerations and historical ties are considered especially influential in the UK and France.

Source: Picciotto and others, 2004.

lation: 'Policy coherence means different policy communities working together in ways that result in more powerful tools and products for all concerned. It means looking for synergies and complementarities and filling gaps among different policy areas so as to meet common and shared objectives' (Hilker, 2004).

The first definition allows unambiguous assessment of results. The second requires prior negotiation of goals among the parties in order to define an explicit objective function against which to assess results. In the world of practice, the second definition trumps the first, because pluralistic societies thrive on judicious trade-offs among policy objectives and because political feasibility requires a balance between the demands of development and the interests of domestic constituencies. It follows that policy coherence for development is best understood as a process that aims at transparency rather than at predetermined outcomes.

From this perspective, PCD is a process designed to minimise the risks of either unintended or unnecessary incoherence—that is, of policy solutions that make both rich and poor countries worse off. It seeks synergies in policymaking, but first and foremost, it helps to avoid policy decisions that benefit vested interests at the expense of the common welfare (Picciotto and Weaving, 2004). Conversely, in certain circumstances, intended incoherence (that is, the adoption of second-best solutions) may be necessary to achieve a principled compromise while still avoiding doing harm.

Robust progress towards policy coherence for development is in the interest of rich and poor countries alike, given the interconnectedness of national economies that globalisation has brought about. For example, developing countries absorb a third of the export sales of OECD countries and half of their oil supplies. Conversely, developing countries' exports generate more than 30 times more revenue per capita than aid, and 12 times in the case of the least developed countries. Remittances from migrants are about twice as large as aid flows and they are growing. Inflows of direct foreign investment to developing countries stood at USD 156 billion in 2002 (USD 172 million in 2003), compared with aid flows of about USD 58 billion.⁴⁰

Policy coherence for development has four dimensions (Picciotto, 2004). They are interrelated and complementary and they all contribute to the effectiveness of development cooperation:

- (i) internal: the consistency among the ends, the means, and the resources that a donor country allocates to the implementation of development objectives, whether through aid or non-aid policy instruments;

⁴⁰ Other policies matter too and they can help or hurt the cause of global poverty reduction. For example, fishing subsidies by OECD countries absorb USD 15-20 billion a year, benefit large companies more than poor fishing communities, and deplete the fish populations on which poor countries' coastal fisheries depend.

- (ii) 'whole of government': the consistency between the aid and non-aid policies of a donor country;
- (iii) harmonisation: the consistency of aid and non-aid policies across donor countries; and
- (iv) alignment: the consistency between the policies and practices of one or more donor countries and its developing country partner(s).

Type (i), or internal, coherence for aid operations has been the traditional focus of development policy and evaluation. To achieve development effectiveness, a seamless relationship is sought between the inputs, outputs, outcomes, and impacts of policy. This implies the use of results-based management systems and logical frameworks in the oversight of aid programmes and projects. DAC has focused on type (i) coherence ever since its inception. Under its aegis, donors have reached agreement on principles of aid effectiveness, performance monitoring, and independent evaluation.

Much less attention has been given to type (ii) coherence—the consistency between aid and non-aid policies.⁴¹ Yet this area is equally critical. Given the capacity and policy constraints of difficult environments, non-aid policies significantly influence donor countries' relations with developing countries, especially those countries that are fragile and conflict-ridden. In particular, robust and sustained political and diplomatic action can help fragile states prevent, resolve, and recover from violent conflict. Hence in difficult environments a 'whole of government' approach is a sine qua non of effective donor engagement. Fortunately, the peer review process of the DAC helps to track the progress that individual donor countries are making towards this aspect of policy coherence (Nicod, 2004).

Type (iii) coherence has shared objectives, distinct accountabilities, and reciprocal obligations of external actors as its major ingredients. This dimension of coherence is of major importance since developing countries, and especially fragile states, must contend with a bewildering number of external bilateral, multilateral, and non-state actors.

Therefore, if donor countries' engagement strategies are to be consistent and complementary, type (iii) incoherence issues must be tackled in parallel with those of type (ii). On the operational plane of development cooperation, DAC has taken steps to codify the simplification and harmonisation of aid practices and coordination of aid activities (the Rome agenda)⁴² but non-aid policies remain hostage to economic competition and geopolitical imperatives.

⁴¹ See Netherlands Minister for Foreign Affairs, 2004. Denmark, Norway and the United Kingdom also report on their contributions to MDG 8.

⁴² < <http://aidharmonisation.com/> >

Type (iv) coherence is enshrined in the DAC Principles of Development Cooperation under the ownership and partnership labels. Of all four aspects of coherence, this is the most neglected in practice.

E. Reciprocal obligations: human rights

Both in security and in development the focus has shifted from 'needs' to 'rights'. The new people-centred approach is reflected in the mainstreaming of concern for human rights throughout the United Nations system. In the security domain, the growing recognition of a 'responsibility to protect' reflects a distinct shift in the locus of accountability: 'victims' are becoming 'rights-holders' while domestic governments and international agencies are becoming 'duty-bearers'. Similarly, in development, the concepts of empowerment and participation have supplanted references to 'beneficiaries' and 'target groups'. The adoption of social and environmental safeguard policies by international financial institutions (and by some multinational companies) reflects the same evolution.

A vast array of human rights initiatives and agreements in the civil, political, and development domains are now in place, ranging from the United Nations Charter, the Universal Declaration of Human Rights, and the International Covenants on Economic, Social, and Cultural Rights to conventions on the status of refugees, the political rights of women and the elimination of all forms of discrimination against women, the status of stateless persons, the abolition of slavery and forced labour, the elimination of racial discrimination, the suppression of apartheid, and the rights of the child—as well as the conventions that govern the environment and the use of natural resources.

Civil rights protect the right to life, liberty, and personal security; the rule of law; the right to worship; and the freedom of the individual from state-sanctioned interference or violence. Political rights guarantee freedom to be involved in public affairs and affairs of state. Civil and political rights have been termed negative rights since they are upheld simply if they are not violated. By contrast, social, economic, and cultural rights are 'aspirational' and programmatic: governments are enjoined to achieve these positive rights, which cannot be guaranteed without adequate capacity and fiscal resources. Finally, solidarity should address rights to public goods (including peace, development, and the environment) and this has transnational implications.

Strengthening the legal machinery to enforce existing rights at the global and regional levels is an unfinished task. In particular, much remains to be done to adapt the international legal framework to emerging issues of war and peace.

Agreements on the use of weapons and the practice of torture are embedded in conventions, treaties, and customary international law. However, the bulk of the violence currently visited upon poor countries results not from

declared wars *among* states but from wars within states. Hence international law needs to extend to the role of individuals, as illustrated by the establishment of the International Criminal Court.⁴³ Yet, whereas the rules of warfare provide for immunity of non-combatants, the advanced technologies of warfare create considerable collateral damage that is not forbidden under international law.

Frequently, violent coercion by state and non-state actors involves flagrant human rights violations (for example systematic rape and ethnic cleansing) that lead to massive refugee movements. On a smaller scale, development projects (dams, mines, roads) may involve involuntary resettlement and other negative social and environmental consequences for local communities or indigenous peoples. The exposure of abuse by human rights advocates, combined with a constructive and cooperative search for sustainable solutions, helps to ensure that the environment is protected and that mitigation options are fully explored and adequate compensation is offered to affected communities.

The gradual convergence between the security and development agendas coincides with a vigorous debate about the compatibility of their respective principles, goals, and methods. Conflict prevention strategies in particular call for harmonisation of objectives and practices. Here too human rights concepts and rules can help induce coherence by clarifying the roles and responsibilities of duty bearers. Whereas humanitarian work typically has a short-term focus on protecting human welfare and/or alleviating the consequences of conflict or socially unsound investments, security and development activities tend to address root causes over the medium and long term.

Thus, the human rights framework fully supports the human security agenda (Table 1).

Politicisation, co-option by political actors, and incompatibility of goals or means constitute major risks in the 'securitisation' of development. The safety of aid personnel may require protection by one party to a conflict and undermine the impartiality of development activities. Typically, development practitioners seek to steer clear of political engagement to maintain their integrity and their credibility among all those who may benefit from their work. Yet they must take account of the governance context in planning their interventions. The line is hard to draw precisely and it does not always coincide with security imperatives.

The principles of neutrality, impartiality, and independence associated with needs-based development activities can clash with security policy considerations. It is not possible to generalise about appropriate ways of resolv-

⁴³ The perpetrators of 9/11 could be apprehended based on a variety of legal instruments, including the Hague Convention on the Suppression of Unlawful Seizure of Aircraft of 1970.

Table 1. Human security and categories of human rights

	Positive (provision of benefits through resources, policies, etc.)	Negative (protection against practices that violate rights)
Civil and political	Good governance, judicial reform, democracy development, etc.	Protection vs. violence, arbitrary detention, torture, disenfranchisement, unfair trial, etc.
Economic, social, cultural	Access to health, education, social protection etc.	Prevention vs. ethnic and gender discrimination in employment, social services, etc.
Solidarity	Conflict prevention, biodiversity, clean air and water, development aid, debt reduction, etc.	Environmental pollution, unfair trade, etc.

Source: Landman, 2005.

ing these dilemmas. Punishment for past human rights violations may have to be forsaken, for example to facilitate a peace settlement, promote reconciliation, and accelerate economic recovery. In other cases, maintaining development activities in circumstances of blatant state-sponsored human rights violations may be perceived as legitimising repression.

The means used to enforce law and order or to combat an insurgency so that reconstruction can proceed may not comply with the human rights principles evoked above. On the other hand, rights-based approaches that allow legitimacy considerations to come into play may make it easier to harmonise security and development approaches. In general, the search for synergy between security and development activities is greatly helped by human rights approaches that specify the obligations of duty bearers and enhance the legitimacy of both types of interventions.

At their September 2005 UN Summit, world leaders agreed to double the budget of the Office of the High Commissioner for Human Rights over the next five years and also agreed in principle that the discredited Commission on Human Rights (where abusive governments were able to block condemnation of their practices) should be replaced by a Human Rights Council. The responsibility to set up the new body was deferred to the General Assembly. The President of the General Assembly, Jan Eliasson of Sweden, has been charged with negotiating the mandate, modalities, functions, sized, composition, membership, working methods, and procedures for the Council.

F. Conclusions

Human security faces tough challenges. Yet some silver linings can be discerned. Public opinion supports the convergence of security and development efforts. The number of conflicts in the world has declined, partly as a result of conciliation and peacemaking efforts. The limits of military coercion are now better appreciated. The 'overstretch' of United States military power caused by the Iraq insurgency has favoured the advent of a more positive approach to international diplomacy and development cooperation. Transatlantic relations have begun to improve.

A change in leadership at the World Trade Organisation and recent proposals by the United States to reduce agricultural subsidies provided the European Union reduces its tariffs on food and agriculture products are raising faint hopes for progress in trade talks. Aid volumes are trending up and debt reduction has made substantial headway. Donors have begun to consider more active engagement with fragile states. Finally, based on the outcome of the September 2005 Summit, the United Nations is considering ways and means of strengthening its peacebuilding and human rights machinery.

Shared responsibility implies results-oriented partnerships

The Shared Responsibility bill is a precious asset for Sweden and the international community. Its impact will depend on the extent to which Sweden can leverage its own activities and resources through effective partnerships. This will require a sharpened strategic focus directed towards shared objectives (a revamped notion of human security), distinct accountabilities (with-in a coherent policy for development framework), and reciprocal obligations (embedded in human rights based approaches to security and development).

To translate the human security agenda into operationally useful results, policy needs to support three goals:

- (i) adherence to policy coherence for development (PCD) principles;
- (ii) advocacy of a rules-based international order in support of human rights;
- (iii) strengthened multilateral machinery to promote aid quality and implement human rights approaches. These approaches should be promoted globally and in the context of the European Neighbourhood Policy.

First, PCD is needed for peace and prosperity, because international crime and terrorism thrive on social tensions and inequities and because a global policy environment that is more supportive of sustainable and equitable development would improve security for all. Hence even in terms of their own long-term interests, rich countries should be encouraged to implement the PCD agenda. Engagement with developing countries, especially fragile states, will require a coherent combination of aid and non-aid policies.

The PCD performance of rich countries should be monitored with the same rigour as the efforts of developing countries to reach the Millennium Development Goals. Tracking the progress of rich countries towards specific indicators with respect to trade, aid, debt reduction, foreign direct investment, migration, intellectual property, international security, and the environment would require strengthening the Eighth Millennium Goal and unbundling it by specifying the performance indicators that rich countries' efforts ought to be judged by.

Second, progress towards a rule-based international order would help in the implementation and mainstreaming of human rights approaches, a prerequisite for their sustainability in the security and development arena. A key trend, explored in Chapters 3 and 4, is that 9/11 has re-confirmed the critical role of the state in the protection of individual and group rights. The spread of human rights values means that the legitimacy of the state now rests on its capacity and willingness to protect basic freedoms. Thus, while states remain critical to the assured protection of the security and welfare of their citizens, the strengthening of international law and more effective monitoring and enforcement are essential components of the policy convergence challenge.

Third, accelerated reform of the international security and development system is desirable. For a start, increased aid and reform of the aid industry are vital credibility tests for the international community. It is high time for the aid business to implement basic reforms regarding tied aid, the harmonisation of aid practices, the coordination of donor programmes, and the alignment of aid objectives and delivery with developing countries' own budgetary and planning processes. Decisions could be guided by the recent United Nations' review of progress towards the Millennium Development Goals (Sachs 2005) and its assessment of collective security arrangements (United Nations 2005). The proposals of the United Nations Secretary-General (UN, 2005) remain relevant to the design of collaborative policies that respond symmetrically to the felt needs of rich and poor countries alike.

The global and country-level strategies of engagement elaborated by this review would be consistent with the regional approach of the European Neighbourhood Policy (ENP). The new borders of the European Union have created new opportunities as well as new threats. Europe may have to sustain its efforts towards further enlargement, even at the cost of offering more restrictive forms of membership to its neighbours, as the most effective way of creating a protective belt of friendly and well-governed countries at its periphery. In the meantime, EU policy will have to respond to the diverse mix of problems faced by individual neighbours. To this end, concerted action among EU members is critical and so is the ability to achieve harmony among policy instruments. In other words, policy coherence is fundamental for the ENP as it is for development cooperation with distant countries.

The prospects for a new policy compact have improved

Cooperation is easier to secure after a catastrophic event or when ominous dangers loom. Thus, the Indian Ocean *tsunami* of December 2004 elicited unprecedented private and public donations. Similarly, the climate of anxiety generated by the troubled aftermath of 9/11 is generating a pent-up public demand for strong international leadership aimed at peacebuilding and economic prosperity. Yet, the advent of terrorism as a transnational insurgency tactic has transformed the security and development equation in unexpected ways and with destabilising consequences (Overseas Development Institute, 2003).

Instead of generating intensified advocacy in support of global peace and security and triggering an open dialogue among nations, 9/11 has divided international opinion. It has provoked a blunt, coercive, and ultimately counterproductive response by the United States. Mired in conventional war thinking, the American security establishment has so far proved incapable of combining the military, civilian, and developmental assets needed to counter the Iraq insurgency. Paradoxically, the sobering effect of this prolonged setback may have improved the prospects of a diplomatic effort designed to achieve a greater measure of harmony in the international community.

Could 2005–06 be turnaround years? Globally, tentative agreements have been reached for the United Nations to strengthen its Secretariat, reform its human rights structure, condemn international terrorism, and strengthen its capacity to respond to conflict. A new realism about the state of the world is taking hold, along with a search for a better balance among the various instruments of international relations (defence, diplomacy, development). The enormous cost of recent military interventions has highlighted the rewards of conflict prevention, peacebuilding, regional security arrangements, and long-term development cooperation. The once shunned concept of state building has been restored as a priority aid objective.⁴⁴ With inspired leadership, fragmented energies and resources could yet be mobilised to promote a more equitable and sustainable economic and social order.

Looking ahead, in order to avoid chaotic conditions in poor countries that may end up affecting entire regions or even the world, rich countries may be induced to act as security providers as well as aid providers. Democratisation may well be an effective bulwark against extremism over the long run. But an incremental approach that stresses domestic ownership, judicial reform, transparent management of public spending, and the emergence of a civil so-

⁴⁴ On February 16, 2005, the Administrator of USAID, Andrew Natsios, said that the United States is threatened more by 'failed, failing, and recovering states' than by 'conquering states' and that ignoring failed and failing states 'can pose great risks, including the likelihood of terrorism taking root'.

ciety may be more effective than pressing for regime change or electoral breakthroughs through coercion.

A constructive approach to developing countries that treats them as partners remain central to success. Poor countries have a stake in anti-terrorism efforts and their cooperation is critical. But the suppression of legitimate dissent should not form part of the human security agenda, since it would fuel future instability.⁴⁵ Instead, rich countries should help poor countries in their poverty reduction and policy reform efforts. They should give priority to creating a more propitious policy climate for development and strengthen the effective delivery of their own humanitarian and development activities.

What if the climate for international cooperation turns sour?

Sweden's impact on global security and development depends on the leverage it can achieve through partnerships and alliances. Should conditions for collective action continue to deteriorate, the priorities of global security and development would not change, but the need for Sweden's development leadership would be even greater even as returns on Swedish investments in dialogue and mediation decline.

Two sets of risks should be considered. First, the United States may retreat into isolationism or militarism. This could occur if its economy suffers a hard landing or if another major terrorist attack takes place on the US homeland. In such a circumstance, Sweden and like-minded EU members would need to try and compensate for the withdrawal and team up to sustain an outward orientation for the European Union that would reach out not only to close European neighbours (such as Turkey, Ukraine, Serbia, and Montenegro) and to Africa and the Middle East but also to Asia and even to Latin America and the Caribbean.

Second, Europe may lapse into a prolonged period of introspection. Under such a scenario, Swedish foreign policy would need to rely less on the EU partnership and more on activities where Sweden can achieve results on its own or in concert with non-European partners, including the United States. Here too, adjustments in the scope and direction of Swedish development cooperation policy would need to be considered. Both scenarios would be politically and administratively demanding and both would require adjustments to the selectivity criteria currently promoted by the DAC, which are based on developing countries' performance.

This said, the fundamental security and development policy emphases sketched in this review are unlikely to change and a policy of proactive en-

⁴⁵ In some countries, the global war on terrorism has also helped to justify repression against dissidents of all stripes.

agement within Europe, the United States, and developing countries would continue to be suited to the management of risks and the exercise of policy influence by Sweden.

Chapter 2: Towards a more secure global development agenda

The central issue of contention is not globalisation itself, nor is it the use of the market as an institution, but the inequity in the overall balance of institutional arrangements—which produces very unequal sharing of the benefits of globalisation

Amartya Sen

This chapter focuses on the policies that OECD countries should adopt to help developing countries secure freedom from want as well as freedom from fear. These twin goals are anchored in the Millennium Declaration endorsed by all United Nations heads of state at the turn of the century. But are they mutually consistent? What policy instruments should be used to achieve them? What changes in global policy directions and goals are needed?

Section A highlights the need to break through the firewall that separates security and development, and presents the rationale for paying special attention to the coherence of policies towards fragile states. Section B describes the major policy coherence challenges of globalisation—challenges that go well beyond increases in the quality and quantity of aid. Section C probes the other major policy vectors that need reorientation: trade, private financial flows, foreign direct investment, migration, the environment, and the arms trade. Section D proposes a new initiative that would complement the Millennium Development Goals with additional goals and indicators that would help to ensure that the full human security agenda outlined in Chapter 1 is implemented. Section E concludes.

A. Policy coherence and security

Throughout the 1990s, the development agenda centred on facilitating globalisation. Liberated from the strictures of the Cold War, the development cooperation business succeeded in building a distinctive professional identity focused on common principles and objectives aimed at creating a world free of poverty. These are major achievements, and despite initial reservations by the United States the world leaders at the September 2005 Summit reiterated the need to meet the Millennium Development Goals.

In pursuit of these goals and because the nations of the world are now more interconnected and interdependent than they have ever been, the penalties associated with inconsistent policies have risen. This applies to security as well as to development. It has become clear that neither development strategies nor peacebuilding policies can be fully effective unless they are formulated in concert.

This means that the 'rules of the game' that govern the relationships between OECD countries and developing countries should be adapted to the emerging global economic order but also that policy coherence should embrace security as well as development.

Fragile states are the weak links in the global system. These states are where violent conflict is concentrated, where global development meets its most challenging test, and where the proactive and coherent engagement of donor countries is needed the most. And yet, these are the very states that have been neglected by the international community and where the principles of development cooperation, patiently constructed to fit the circumstances of 'good performers', are largely inapplicable.

Until recently, the aid business bypassed the issues faced in countries that are unable or unwilling to adopt market-oriented policies and poverty reduction programmes. Ownership of the right policies was considered a prerequisite of donor engagement. Little if any attention was devoted to the needs of conflict prevention or the reform of security systems. Conversely, national security strategies took no explicit account of the potential security benefits of aid. And the MDGs focused on making poverty history without addressing a fundamental obstacle to poverty reduction: violent conflict.

Path dependence weighs heavily on government institutions so that the strategic upheaval of 9/11 has yet to be translated into major changes in the modalities of aid. Lip service is paid to the convergence of security and development but actual changes in aid allocations, instruments, and practices have been slow and uneven. Revealingly, only where the political constituency for development assistance has been nurtured over the years by a strong civil society has the notion of joined-up government become a priority goal of public policy. This is also where the true dimensions of the challenge of policy convergence between security and development have been acknowledged. Countries that have made the most progress along this road—the Netherlands, the UK, and Nordic countries—have included security within the agendas of all their major ministries. But even these countries are still at the steep end of the learning curve (Box 7).

Given the scope and complexity of operational issues at the intersection of security and development, more is required to achieve policy coherence than fine-tuning of policy processes or small and symbolic projects that combine security and development objectives. Such initiatives are useful in testing new approaches and building local capacities. But what needs to emerge is a paradigm shift towards a comprehensive concept of human security that combines security system planning and embraces conflict prevention and peacemaking, together with broadly based development that aims to leave no country behind.

Box 7. Towards policy coherence between security and development in the United Kingdom

The United Kingdom first made an explicit policy connection between conflict and poverty in its 2000 White Paper (*Eliminating World Poverty: Making Globalisation Work for the Poor*). This highlighted the links between security and development, related violence to governance issues, identified personal safety as a prerequisite of sustainable livelihood, argued for integrated security and development approaches, and stressed that partnership is essential for conflict prevention and management. Policy work continued with a focus on small arms, security sector reform, conflict assessment, and fragile states.

Public service agreements (PSAs) have provided a ready-made incentives framework to help promote joined-up approaches to strategy formulation by the Ministry of Defence, the Foreign and Commonwealth Office, and DFID. The Global Conflict Prevention Pool (GBP 74 million a year) and the Africa Conflict Prevention pool (GBP 60 million a year) provided further fillips to interdepartmental cooperation.

A common committee structure allocates funds and oversees the implementation of projects. Joint Public Service Agreement targets monitored by the Treasury, and expanded budget envelopes for departmental initiatives, have induced interaction and sharing of policy analysis both across departments and in the field. The new integrated Post-conflict Reconstruction Unit (350 trained civil and military personnel) confirms a readiness to change and adapt processes and practices to evolving security and development challenges.

Development aid as an investment in security

Aid is equivalent to only seven percent of the resources absorbed by the military worldwide. On average, rich countries devote 0.25 percent of their national incomes to development assistance, compared to 2.3 percent for the military. After the decline that followed the end of the Cold War, the resources allocated to aid have begun to rise again in absolute terms. But defence expenditures have been growing more rapidly, so the imbalance is not being rectified.

Over the past ten years, world military expenditures have risen annually by 2.4 percent in real terms. The budgetary burden of military expenditures is especially heavy within developing countries. These countries currently ab-

sorb two thirds of arms exports by rich countries (Grimmet, 2001).⁴⁶ According to the Stockholm International Peace Research Institute, between 1993 and 2002 the growth of military expenditures was much faster in developing countries than in the world as a whole: it reached 38 percent in the Middle East, 30 percent in Africa, and 23 percent in Asia. After 2002, the growth of world military expenditures accelerated sharply, driven by that of the United States, to reach USD 1,035 billion in 2004. The 2004 level is equivalent to 2.6 percent of world GDP⁴⁷ and USD 162 per capita. At current growth rates, world military spending will soon reach the level of 1988, when it was close to its Cold War peak.

Increases by the United States, with expenditures that account for 47 percent of the total, and by other powers trying to keep pace, will continue to fuel continued growth until the security situation of the world improves and/or the ballooning US budget deficit induces a policy shift. For fiscal year 2004 alone, the US military budget is more than USD 400 billion, compared to an average of USD 343 billion during the Cold War. It is six times as large as that of Russia (the second largest spender) and twice the combined spending of at least the next 25 nations. So far, the war in Iraq alone has incurred a price tag of USD 186 billion.⁴⁸ In addition, intelligence operations absorb about USD 41 billion annually.

By way of comparison, to meet the development objectives agreed at the Millennium Summit in 2000, the Millennium Project estimates that total aid would need to be USD 135 billion in 2006, rising to USD 195 billion in 2015; that is, 0.4 and 0.5 percent of donor GNP, or 17-25 percent of what is currently spent on the military. If the amounts required to reach the Millennium Development Goals have not been forthcoming while the military machine has continued to expand, it is because national security considerations continue to dominate public opinion.⁴⁹

Whether current expenditures patterns reflect actual threats is debatable. Huge resources remain locked into military uses that reflect Cold War priorities. Logically, arms transfers and military assistance should be subjected to

⁴⁶ Developing countries used USD 43 billion for arms imports in 1999, according to the United States Department of State.

⁴⁷ Many developing countries allocate a far larger share of their national income to the military; they include Angola (4.7 percent); Burundi (5.9 percent); Eritrea (19.4 percent); Iran (3.8 percent); Morocco (4.2 percent); and Turkey (4.9 percent).

⁴⁸ This is the aggregate of United States budget expenditures for the Iraq war and for reconstruction for fiscal years 2003, 2004, and 2005 according to the *Washington Post* of May 1, 2005. It rivals the total aid provided by OECD countries to all developing countries in the same period.

⁴⁹ Liberal critics of the Bush administration detect a dangerous trend away from the nation's democratic ideals towards the militarisation of the popular culture (Rieff, 2005; Bacevitch, 2005)

impact assessments instead of responding to imaginary threats or narrow domestic policy considerations (such as providing jobs in military bases that have dubious security value). Ideally, the value of additional military assets for security should be compared with the security gains that would flow from collective security arrangements and development assistance. An integrated analytical approach would pay rich dividends. For example, it might demonstrate that the supply by OECD countries of reliable security guarantees (e.g. in support of collective regional security arrangements), would have very high security returns at modest cost, especially in zones where regional tensions are contributing to an arms race.

We know that poverty does not necessarily lead to violence and that security alone does not guarantee development. But we also know that development and peace are positively correlated (Collier and others, 2003). Developing countries that have achieved or are on track to achieve middle-income status face a risk of civil war just four times as high as that incurred by high-income countries of the Organisation for Economic Cooperation and Development (OECD). By contrast, low-income countries that have been unable to adopt and sustain sound development policies face risks 15 times as high.

The need for more and better aid geared to security as well as development is illustrated by the demographic situation of the Middle East, Africa, and Asia where a vast reservoir of unemployed youth constitutes a development challenge as well as a security risk. The Cold War ended when the military containment of the Soviet Union was combined with visible proof that open societies work better than authoritarian ones. Similarly, if the contest with fundamentalist ideologies (such as Maoism or *jihadism*) is to be won, it will be more through the promise of political participation and the provision of economic opportunity than through military force.

In particular, extremist organisations will only be defeated when decision makers in regions currently plagued by unrepresentative governments and stagnant economies opt for economic and social reform and decide to restrain the extremists in their midst, or persuade them to abandon their radical ideologies through increased participation in the decisions that affect their lives.⁵⁰

In fragile states, policy coherence is the key to aid effectiveness

In the United States and Southern Europe, public support for aid is shallow and short-run security concerns dominate. In other OECD countries, aid

⁵⁰ A key reason why religious totalitarians have the upper hand in many parts of the world is that they have secured the loyalty of the common people through religious charities that provide efficient social services that the state has been unwilling or unable to provide.

agencies seek early results and focus on countries that have the willingness and capacity to adopt market-friendly policies and manage poverty reduction programmes. In most cases, a policy of benign neglect towards fragile states has been the preferred option. Yet, an integrated approach to security and development would emphasise long-term engagement with fragile, conflict-prone states.

The results of a survey of donors' coherence practices in fragile states are outlined in Box 8.

The shift in approach that is needed should embrace the entire development community, since fair and predictable sharing of risks demands collaboration and consistency of goals and policies among donor countries. This is critical in difficult operating environments where administrative structures are weak and where effective donor coordination, reduced transaction costs, and harmonised procurement and disbursement procedures are crucial to aid efficiency. High-level coordination mechanisms are also needed to ensure that goals are congruent, but the most serious development effectiveness constraints are in the field.

Even if development initiatives are well coordinated within individual donor governments, they can impose excessive burdens on administrations in fragile states unless donors harmonise their practices with those of partner countries under strong, proactive, and sympathetic leadership, not only at headquarters but also 'on the ground'. Ultimately, greater reliance on multilateral channels would deliver policy coherence at low cost. But the injection of security issues into development has tended to 'bilateralise' aid. Thus, harmonisation and coordination among large number of donor agencies on a case-by-case basis remains the only practical option.

The problem of inadequate coordination is recognised by the UN Secretary-General's *In Larger Freedom* report (UN, 2005), which argues for a coherent approach by all parties concerned with conflict management. To achieve this approach will require stronger capacities within the UN, the World Bank, the EU, and the OECD. In parallel with reforms in the global governance system, OECD would have to strengthen its ongoing efforts to harmonise the approaches of bilateral and multilateral agencies to policy coherence for development.

A significant achievement of the September 2005 Summit at the United Nations was the agreement to set up a Peacebuilding Commission, backed by a Support Office attached to the Secretary-General and focused on improved support processes for post-conflict interventions and monitoring. Obviously, the success of the Commission will hinge on what actual support is forthcoming from member states. The travails through which successive drafts had to go through suggest a lack of consensus over the Commission's mandate, size, structure, and responsibilities. There is widespread support for a strengthened civilian component in peace operations. But the mobilisation of adequate resources, the sustained political attention of the Security Coun-

Box 8. Summary results of an opinion survey

Twenty-one policy researchers and practitioners in donor countries responded to a questionnaire about policy coherence for development in fragile states. Most of them ranked humanitarian considerations and progress towards the Millennium Development Goals ahead of global security concerns and access to natural resources as rationales for donor countries' engagement in fragile states. By an overwhelming margin, they pointed to good governance as the first priority of engagement. Next, they stressed the importance of social services, safety nets, and youth employment and investments in skills and policy reform.

By a substantial margin, respondents perceived the 'war on terror' as the greatest threat to policy coherence for development, well ahead of commercial interests and inadequate aid flows. They ranked poor coordination among donors as another major obstacle to policy coherence, slightly ahead of conflicting objectives between donors and the partner country and of inconsistencies between the goals and the means of aid policy. Thus, joined-up government was viewed as the least important link in the policy coherence chain. Nonetheless, respondents still considered this approach as the most important thing that an individual donor country can do to improve policy coherence in difficult environments. They ranked consistency between aid and non-aid policies ahead of improved policy research and analysis, an informed public opinion, or a more assertive legislature.

Neither giving the aid minister a seat at the cabinet nor efforts to align non-state actors with government policies were considered of high significance by a majority of survey respondents. Diplomacy, development, and defence (ranked in this order) were identified as the key policies that need 'joining up', ahead of trade and migration. Strikingly, about 85 percent of respondents considered that current aid allocation policies should be less restrictive towards fragile states. Further, 60 percent of respondents expressed doubt about the use of macro-economic conditionality in difficult environments and 70 percent held the view that the comprehensive approach embodied by the MDGs remains valid in fragile states.

Almost half of the respondents were not prepared to abandon the 'country-led' approach to aid even in the difficult circumstances of fragile states. On the other hand, about two thirds did not advocate using the central government as the main aid channel in these circumstances. Public-private partnerships ranked first as the preferred channel for assistance. Almost three times as many respondents opted for channelling aid through NGOs, sub-national levels of government, or social funds rather than through central government. Sectorwide programmes, technical cooperation activities, and investment projects were perceived as more likely to deliver results in fragile states than policy-based operations or lines of credit.

Source: Picciotto and others, 2004.

cil, the provision of planning capacities, and the efficacy of coordination arrangements—without which progress will remain elusive—hinges on getting individual member states to accept ownership of the outcome of peace operations.

Managing the interface between military, humanitarian, and developmental objectives will be especially critical. To ensure a smooth interaction, adjustments will also be needed in the government-led model of aid. Fragile states, let alone failed states, cannot be expected to subscribe instantly to the liberal economic policies and social development goals that OECD countries hold dear. 'Ownership' of specific poverty reduction goals by domestic authorities cannot be taken as a given—nor should it be a prerequisite of donor country involvement. On the other hand, broadly based engagement with non-state actors can lay the groundwork for a gradual evolution towards a transparent and responsive governance structure. Proactive engagement with domestic constituencies to achieve commonality of purposes—type (iv) coherence, as defined in Chapter 1—takes time and is worth nurturing since it is the most critical aspect of aid effectiveness in fragile states.

Given the distorted policies and the weak fiduciary standards that prevail in most fragile states, large-scale aid in the form of budget, sector, and balance of payments support may not be warranted. Other forms of assistance can be used but the commitment and participation of reform-minded actors requires careful and systematic support. Equally, aid practices need to be harmonised in order to avoid fragmentation of efforts and high transaction costs. This adds to the imperative of delegating appropriate authority to donor countries' country representatives and setting up a 'unity of command' structure for external interventions in fragile states.

In other words, to achieve development effectiveness in fragile states, all four aspects of policy coherence should be tackled simultaneously. Security is 'developmentalised' where defence professionals recognise that investments in development are investments in security. Equally, 'securitisation' has its place if it complies with basic development tenets capable of addressing the treacherous combination of human insecurity and social instability that plagues fragile countries. While the security agenda can and should be mainstreamed within development activities, its policy focus should not be distorted in the process or else the basic thrust of policy coherence for development would be lost.

Policy coherence for development has yet to embrace security

While all relevant aspects of security were included in the Millennium Declaration endorsed by all UN members in the year 2000, the current policy coherence research initiative of the OECD does not extend much beyond issues geared to making the international marketplace fairer and more efficient and aid more conflict-sensitive. This selective approach is consistent

with the focus of the initiative on the Eighth Millennium Development Goal. But recent shifts in the authorising environment would justify broadening the agenda for policy coherence for development, to embrace the full range of human security concerns, including the cost effectiveness of military expenditures, the consequences of weapons proliferation, and the economic consequences of international crime and terrorism, along with such topics as conflict prevention, security sector reform, and related issues (such as disarmament, demobilisation, and reintegration activities) that have been tackled at the policy level but do not yet feature in the research agenda of OECD departments or the Development Centre.

Both at the international and at the national level, security officials still tend to focus on protecting the state against direct internal and external threats instead of emphasising conflict prevention and peacemaking. On the other hand, peacemaking measures address the political, economic, and social consequences of war and aim to tackle the structural causes of conflict. Hence, a realignment of security strategies to take account of the relative weight of needed military and civil interventions is overdue. In particular, aid donors should consider giving greater weight to social protection and to the priority that poor people ascribe to their individual security. This means adopting rights-based approaches, enhancing democratic governance, and promoting the participation and empowerment of the poor in decision making. Conflict prevention, conflict resolution, and post-conflict rehabilitation activities should be adequately resourced.

Many poor countries have not been served by access to collective security arrangements. Hence, they have reached out to OECD nations for loans and guarantees to facilitate their weapons purchases, some of which have been used for internal warfare (Nepal) or military incursions into neighbouring countries (Uganda). Oxfam has shown that out of 17 countries it surveyed that are parties to the European Union Code of Conduct and/or the OSCE principles, only ten would admit governance or conflict prevention concerns as grounds for denying an export licence; only four have ever denied an arms export licence on these grounds; and only two (UK and the Netherlands) have a policy of consulting their development departments.⁵¹

In order to protect 250 jobs at home, the United Kingdom authorised the export of a USD 40 million air traffic control system to Tanzania, originally based on questionable defence grounds and over the objections of the UK Department for International Development and the World Bank. Countries such as Uzbekistan have used police equipment—imported to improve domestic security—to further internal coercion and human rights abuses. A huge quantity of small arms manufactured by OECD countries, China, Russia, Israel, and South Africa flows through a vast and unregulated network of

⁵¹ See <<http://www.id21.org/insights50/insights-iss50-art04.html>>

independent arms dealers, brokers, middlemen, and criminal networks.⁵² Too many of them end up in the hands of rebels in war-torn countries and make local wars bloodier and harder to control.

Regrettably, the war on terrorism has been used to justify increased military aid and arms sales to authoritarian regimes, and has provided a cover for human rights violations, ranging from lack of due legal process for suspected terrorists to unfair targeting of minorities and repression of political oppositions. A legal framework for better control of the arms trade has become urgently necessary for restraining violence in poor countries.

Hybrid pilots have begun to combine security and development on the ground

Military power is one way to exercise influence. Economic inducements are another. Both sets of incentives can be used in combination. Soft power—the 'ability to entice and attract'—reduces the need for both (Keohane and Nye, 2000), but it does not substitute for either. Exclusive reliance on coercion can be counterproductive, since it may generate resentment and promotes countervailing alliances. Conversely, a foreign policy geared to commercial considerations alone can have deleterious consequences for security, for example by facilitating access to sensitive military technologies.

Similarly, exclusive reliance on inclusion and attraction ignores the real risks that are posed by rogue states and non-state actors driven to violence by greed or ideology. A hybrid and flexible approach to diplomacy, combining military deterrence with development cooperation, is more effective than one that relies on either sticks or carrots. But ultimately, only a collective multilateral security system that ties all states together through mutually advantageous economic, political, and security links holds the promise of sustainable peace and global prosperity.

Meanwhile, the Afghanistan and Iraq wars (and before them the Balkan conflicts) induced joined-up approaches to security and development planning on the ground. 'Mission-defined coalitions' have displaced multilateral initiatives. More private contractors are being used along with voluntary organisations in the delivery of social services. Along with smarter weapons designed to minimise collateral damage, humanitarian work is being called upon to mitigate the effects of military intervention and demonstrate to international public opinion the ethical values of open societies. In parallel, there is a clear trend towards greater government oversight of voluntary agencies that operate in insecure environments.

⁵² The legal trade in small arms and light weapons is worth USD 4-6 billion. Another USD 1 billion worth flows through semi-legal and illegal channels (Burrows, 2002).

Thus, humanitarian agencies and international organisations are being invited to participate in conflict management and peacekeeping tasks in support of contested and politicised security agendas. If they refuse to participate, they forgo the opportunity to relieve the human costs of war to civilians and they risk losing their institutional relevance. If they join the effort, they risk abrogating the principles of impartiality and neutrality on which their credibility depends.

At stake is the fundamental question of whether the integration of security and development serves one objective at the expense of the other. New protocols, new operating practices, and new institutional arrangements will need to be forged to resolve the tension and ensure that, at a minimum, policy coherence does no harm. In pursuit of more effective practices, new approaches to conflict management by the European Union⁵³ and NATO should be pioneered by Sweden and its like minded partners.

B. Managing globalisation

How then should global policies evolve to meet emerging threats to peace and prosperity? First and foremost, all policy tools—not just aid—should be used in concert since flows of trade, investment, knowledge, and people contribute even more than aid to human welfare. Second, globalisation should be managed better, rather than slowed down, since greater economic interconnectedness generates welfare benefits that can be used to improve the well being of people everywhere. Third, since the insecurities associated with globalisation are rooted in the weakest elements of the global system, development efforts should give their due to fragile states, where state building goes hand in hand with market integration. Fourth, the delivery of global public goods should be emphasised, since the network effects of globalisation have negative as well as positive consequences and require public intervention.⁵⁴ Fifth, policies that protect the environment should be favoured, since current patterns of development are not sustainable. In all five dimensions, briefly reviewed in what follows, the burdens of the adjustment process should be shared by the public sector, the private sector, and the voluntary sector.

⁵³ The European Union is preparing 7,500-man crisis groups for peacekeeping and a 60,000-man rapid reaction force.

⁵⁴ Unless the weakest links of a network are reinforced or replaced, the benefits of interconnectedness cannot be tapped. This is why all network beneficiaries should contribute to the central delivery of goods and services that are not generated locally because of weaknesses in network links.

Aid is one tool among many

Aid is a very useful policy tool for making globalisation work for all. But to be effective, aid should be combined with other policies, especially those that shape the rules of the game of the international marketplace. These policies increasingly affect the development prospects of poor countries, as shown by the experience of Bangladesh.

In the early 1990s, Bangladesh received USD 1.6 billion from foreign aid, USD 2 billion from exports, and USD 0.8 billion from remittances. By 2001, its aid receipts had shrunk to USD 1.4 billion, but its exports had risen by more than six times (to USD 6.5 billion)—and this despite an erosion of its terms of trade (by 10 percent over the past two decades). Bangladesh's receipts of remittances have more than doubled, to USD 1.9 billion, and its inflows of foreign direct investment, at USD 222 million, are seven times what they were ten years ago. Bangladesh pays the United States more in import duties than France, even though the value of French exports to the United States is 13 times as high—a reflection of the open trade regimes that tie rich economies together in contrast to the trade barriers that separate rich and poor countries (Rahman, 2004).

Private capital flows to developing countries overall are four times larger than aid flows, but the distribution of foreign direct investment (FDI) is skewed. Least developed countries collectively receive only 0.5 percent of global FDI flows, in reflection of their poverty and poor investment climates. Of this amount, 86 percent goes to ten countries, and more than half goes to four oil-producing countries. The whole of Sub-Saharan Africa receives less than 2 percent of global FDI, directed to a handful of countries and focused on natural resource extraction. In general, the policies that influence the volume and direction of private capital, knowledge, and technology transfers have been designed with the interests of OECD countries in mind without adequate consideration of the needs and potentials of poor countries.

The protection of intellectual property rights has been strengthened under WTO rules without adequate consideration of basic human needs in developing countries. Trade-related intellectual property regimes have restricted access to essential drugs and other knowledge-intensive products and services. Developing countries face growing pressure to strengthen intellectual property protection based on the current practices of developed countries. But in developing countries that are large net importers of technology, standards that may be suitable for developed countries produce more costs than benefits. As a result, USD 60 billion will flow from the South to the North to pay for patent protection, compared to USD 10 billion now. This projected reverse flow is nearly as large as all the aid that flows from the North to the South.

Migration regimes matter too: while aid contributed about USD 49 billion in net official financing to developing countries in 2002, official gross mi-

grant remittances to developing countries were estimated to be USD 93 billion.⁵⁵ Most OECD countries face a major demographic transition characterised by a rapidly aging population. And yet the very restrictions that are imposed on immigration on security grounds have created incentives for criminal rackets to smuggle human beings. Freer flows of people across borders, like freer flows of goods and services, would enhance global welfare⁵⁶, but only if combined with measures to facilitate the integration of migrants in society and to protect homeland security. Tough but fair policy tradeoffs must be struck. To reach the right balance, the voices of developing countries in the corridors of Western power should be amplified to resist the extreme pressures applied by domestic vested interests.

Globalisation should be managed better, rather than slowed down

The rapid expansion of cross-border flows made economic by the new information, transport, and communications technologies has made the protection of national markets harder to justify. Continuous technological advance should sustain the incentives for freer and more open cross-border exchanges. The economic justification of further market integration will remain strong, provided the risks attendant on globalisation are managed judiciously. Currently, we seem to be experiencing a pause but globalisation has yet to run its course.

Despite the interregional variations shaped by colonial regimes and the exigencies of distance, markets for labour and capital were far more integrated at the beginning of the twentieth century than they are today. In the last 25 years only 2 percent of the world's people have changed their permanent residence, compared to 10 percent in the 25 years prior to World War I. While world trade grew twice as fast as world output in the second half of the twentieth century, and foreign direct investment grew three times as fast, the ratio of trade to output has not increased much in Europe, and has declined in Japan, compared to what it was before World War I. The ratio of US international trade to output would need to grow six-fold to achieve equivalence between internal and cross-border trade.

As the history of the first half of the twentieth century shows, a breakdown in the economic globalisation process is not inconceivable. Such a development would be a major setback for people everywhere since the bene-

⁵⁵ This estimate excludes reverse flows (migrants' transfers of funds to rich countries or among developing countries) that may be as high as USD 40 billion. On the other hand, unofficial remittances to developing countries may be as high as USD 30-35 billion, and official aid numbers should also be discounted (International Organisation for Migration, 2005).

⁵⁶ Letting poor workers into rich countries in modest numbers (equivalent to 3 percent of the labour force) for a limited period would yield benefits to the developing world worth \$200 billion a year, according to Rodrik (2002).

fits that can flow from equitable and sustainable forms of economic integration are enormous. A reversal could be triggered by a major economic depression, a major environmental crisis triggered by energy shortages, or a combination of shocks resulting from dissension among major powers, policy mistakes, or sustained incoherence in policy responses. To withstand such challenges as these, states need market institutions, economic management skills, and the legitimacy required to mediate among competing claims.

There is no necessary trade-off between the growth of trade and the growth of government. This is because social spending is needed alongside the economic expansion associated with international trade. Historically, the industrial democracies have combined open trade with the welfare state.⁵⁷ Successful 'globalisers' among developing countries have done the same. This is because open trade increases workers' economic insecurity, as a direct result of the competition and innovation that drive productivity gains. In turn, this calls for policy responses that involve greater spending on social safety nets.

Hence, for globalisation to proceed unimpeded over the medium and long run, governments must combine a market-friendly stance with people-friendly measures, including compensation, training, and social insurance, as well as environmental regulations designed to protect consumers and future generations. In the short run, differences in regulatory frameworks may arise as poor countries seek to attract foreign direct investment through a 'race to the bottom'. Over time, however, labour, environmental, and other standards are likely to converge and create a virtuous circle that helps to balance growth and equity concerns.

Fragile states need assistance for capacity building and market integration

There is considerable room for further integration of national economies, and well-managed globalisation has the potential to unlock major benefits for all. But state fragility is an obstacle to equitable globalisation and it also creates security risks. This is why state building through development cooperation should acquire new salience in policymaking.

Policy coherence is critical to the security as well as the prosperity of fragile states. Under the rules of globalisation, they are marginal players. Shunned by private investors, their economies are often reliant on natural resource extraction activities that do not generate the gains in employment

⁵⁷ Recently, the expansion of the European Union has made it less cohesive so that the Union has had more difficulty sheltering its social and welfare systems from the rest of the world. Its new boundaries are more porous and its industries are increasingly vulnerable to competition from the fast-growing, low-cost economies of China and India.

and productivity associated with diversified economies. In operating environments that lack fiduciary controls and transparency, the public revenues secured from taxes and royalties are diverted to private ends by corrupt elites.

Fragile states will remain poorly equipped to connect to the global marketplace as long as they lack the institutions needed to protect property rights, to observe the rule of law, and to offer good infrastructure and the comfort of sound economic policies to private investors. To achieve these institution-building objectives, they need external support and 'policy space' to reform their institutions and acquire the skills needed to function as full-fledged development partners. But they also need 'security space' to create auspicious business conditions and facilitate the implementation of poverty reduction programmes.

The economic and social prospects of fragile states must improve, not only to avoid international instability but also to ensure that globalisation is not stopped in its tracks. Avoiding this outcome is a matter of self-interest for rich and poor countries alike.

The network effects of globalisation can only tackled through cooperation

Globalisation has increased the flow of ideas, goods, services, capital, and people by expanding the scope and the intensity of relationships over long distances and across borders. This has increased the thickness of global networks and the speed of communications through them, and therefore the spread and extent of positive as well as negative spillovers. The resulting network effects generate chain reactions, amplify relatively small fluctuations, and result in volatile or chaotic outcomes. Good ideas and productive innovations spread like wildfire. But so do noxious ideologies and dangerous substances, with catastrophic consequences.⁵⁸

Some of the risks associated with economic growth (climate change, for example) are inherently non-territorial, and can only be managed through global agreements designed to change national behaviours in a coherent fashion. Others (for example land erosion in a watershed fully within a country's borders) are purely territorial and have no discernible impact on other states. Still other risks (infectious diseases, itinerant terrorists) can be isolated through border controls (quarantine).

⁵⁸ Free trade enthusiasts do not recognise the unintended risks associated with the transmission of 'problems without passports' through thick networks. Conversely, misplaced attribution of 'weak link' effects to increased market integration underlies the anti-globalisation opposition to open trade. The remedy to these negative network effects is adequate sequencing of trade reform in relation to institutional strengthening.

Such controls create inconvenience and unintended costs (such as a reduction in business and tourism travel), but if they are not exercised—for example if an infected passenger or a terrorist originates in or passes through a state that does not exercise effective border controls—a major cross-border externality can materialise, for example in the shape of a global pandemic or a terrorist act. The probability of such a transaction taking place depends on the fragility of the weakest links in the chain of states involved in the transaction, while the instability that results depends on the scope and density of the network in question.

Corporate globalisation, driven by neo-liberal thinking, has shaped trade, investment, and financial flows. Limits on the process have been set by a popular movement—civic globalisation—that contests the market-driven model, embraces human rights, and operates on a global scale using the same information and communications technologies as the multinational firms while states retain a critical role to play in screening the negative network effects of globalisation and ensuring collective security. To manage network effects for the welfare of all participants involves agreement on standards and dedicated partnerships, forged within interlinked and disaggregated networks that bring together governments, the business sector, and the global civil society.

In this fluid and interconnected context, where the weakest link in the system can create problems for all network participants, neglecting fragile states poses a strategic risk. Hence state fragility has become a pivotal issue for sustainable and equitable development. Programmes to provide global public goods and standards are critically needed to compensate for the inevitable failures of the global market. In designing them it is important to discriminate between risks of globalisation that are genuinely trans-national in character and risks that a state can handle without consequences for other states. To avoid the transaction costs of cumbersome global bureaucracies, risk management is best left to the lowest level at which it can be handled, i.e. individuals, corporations, local communities, or individual states based on agreed standards and the principle of subsidiarity.

This still leaves a wide range of risks that can only be managed multilaterally. In response, collaborative programmes that generate norms and standards or deliver regional or global public goods have proliferated. Some have been voluntary and based in the private sector. Others have been embedded within international organisations. Still others have been handled by coalitions of states under the aegis of specialised United Nations agencies. Typically, donor countries have financed global and regional public goods programmes through trust funds arrangements controlled by them rather than as core activities of international agencies. The reluctance of rich countries to let go of control of such programmes explains the ad hoc nature of individual schemes. All too often, the end result has been a weak results orientation, high transaction costs, and a lack of voice of developing countries in management (World Bank Operations Evaluation Department, 2004a).

Greater use of multilateral agencies would be rational, but these agencies are perceived to suffer from a democratic deficit, and are subjected to fierce criticisms from both the extreme right and left of the political spectrum while the silent majority ignores them or takes them for granted. The public image of multilateral organisations is unlikely to improve until the expectations set for them become more realistic⁵⁹ and broadly based advocacy strengthens public support for them. Currently, rich and powerful states have the larger say in setting global standards and initiating global collaborative alliances. Looking ahead, they will need to reach out to developing countries, especially the rising economic powers, and give regional organisations and global multilateral bodies more authority than in the past. Only then will ownership and control of global security and development initiatives be shared more equitably.

Current development patterns damage the environment

Current production and consumption patterns in rich countries, emulated by poor countries, are inducing unprecedented pressures on the physical environment. The same characteristics of dense networks that are associated with the integrated global economy have facilitated an extraordinary increase in production and productivity, accompanied by rising environmental stress. During the second half of the twentieth century, the human population increased 2.4 times—from 2.5 billion to 6.2 billion people. In the same period, wheat, steel, and wood pulp production increased by 4.1 times, 4.3 times, and 14.2 times respectively. This involved an increase in registered motor vehicles, electricity generating capacity, and oil consumption of 10.3 times, 21 times, and 7.2 times respectively.

By mid-century, the world's population will approach 9 billion. Virtually all of the growth will be in developing countries, where the population will rise from 5.1 billion to 7.7 billion. According to an assessment commissioned by the United Nations Secretary-General (Board of the Millennium Ecosystem Assessment, 2005), 'human activity is putting such strain on the natural functions of Earth that the ability of the planet's ecosystems to sustain future generations can no longer be taken for granted'. A worldwide health check of 24 ecosystems, carried out by 1,360 experts, found that only four were increasing their ability to benefit human populations and that fifteen were in decline.

Industrialised countries dominate global environmental management

⁵⁹ 'It has become commonplace to say that our global institutions are not up to the challenge of our unprecedented global interdependence. But the reason for this mismatch lies partly in our schizophrenia. Sometimes we pour scorn on ... international bodies, and starve them of resources. Sometimes we talk as though they must have superhuman strength, and we lumber them with impossible objectives' (Mallaby, 2005).

through the heavy ecological footprint of their production and consumption patterns, and indirectly through their influence over the global regimes that govern the global commons. These countries' lack of environmental leadership, combined with the rapid growth of the Asian giants, presages no early relief from further environmental degradation. Red lights are flashing for climate change, air quality, wild fish, freshwater sources, wetlands, and tropical forests.

Some environmentalists believe that natural resources are being drawn down and pollutants are being produced at such a rate that the world is already in an 'overshoot' mode.⁶⁰ Others believe that investments in cleaner technologies, proactive conservation policies, public education, and empowerment of local communities could reverse the ongoing degradation of ecosystems.

Canada's environment minister has called climate change a bigger threat than terrorism. While the threat has attracted considerable scientific interest and public attention, adequate technological solutions have yet to be identified and a global consensus about policy actions has remained elusive. Rich countries, home to 20 percent of the world's population, account for 63 percent of the carbon dioxide that has accumulated in the atmosphere since 1900. The United States, with a population of 288 million, is responsible for more emissions than 151 developing countries with a population of 2.6 billion people. According to the Intergovernmental Panel on Climate Change, there is enough evidence to conclude that carbon dioxide, surface temperature, rain, and ocean levels will increase significantly during the twenty-first century unless government policies change decisively. Scientific models estimate increases in temperature of about 0.3 degree per decade. While only indicative, the projections are worrisome: global warming could add 1.4–5.8 degrees to land surface temperatures and ocean levels could rise 80–90 centimetres during the century.

A doubling of CO₂ emissions may cause economic losses of 1.6–2.7 percent of GDP for developing countries. There could be more heat waves, floods, droughts, fires, cyclones, and pest outbreaks. Small island economies are especially vulnerable. Africa's food security is likely to be set back. Severe flooding would threaten many parts of Asia. Agricultural productivity would

⁶⁰ Economic growth is not sustainable if it is achieved simply by running down the stock of natural capital, without making compensatory increases in agricultural capital, industrial assets, knowledge, skills, and/or institutional capacities. Ecological devastation caused the collapse of the Easter Islanders, Anasazi, Mayans, and Norse (Greenland) civilisations due to their inability to replace increasingly scarce natural capital with other forms of productive capital (intellectual, physical, human, institutional, etc.). 'Green' national accounts that track the value of all forms of wealth would be needed to rank the sustainable development performance of nations. According to Dasgupta (2005), such accounts would show that 'development in the poor world (barring China) has been unsustainable'...

drop in tropical and subtropical regions. Water availability may decrease in water-scarce regions, especially in the subtropics. Mortality may rise, due to insect-borne and water-borne diseases. Bangladesh would lose 15 percent of its land surface. Tens of millions of people would be displaced. Coral reefs, glaciers, and alpine systems may be damaged. Plant scientists from Asia project reductions in crop yields of 30 percent over the next 50 years due to rising temperatures. The fight to achieve food security will have to be fought not only on the energy and transport front, in order to reduce emissions, but also on the science and technology front, to come up with economically viable solutions.

Fisheries are being depleted due to rich countries' subsidies, fishing fleet overcapacity, and poor resource management practices. Three out of every four major fisheries are being harvested beyond their biological limit. New fish detection technologies and dragnets lead to unsustainable patterns of exploitation. Aquaculture, which now accounts for a third of fish production, involves chemical pollution and biological risks. Sustainable approaches to resource management exist but they require exploitation ceilings and fishing bans that have proven politically hard to enforce.

Forests in developing countries are shrinking at a rate of about one percent a year. A fifth of tropical and subtropical forests have disappeared over the past 40 years. Unwise road investments, subsidised livestock production, slash-and-burn agriculture, and commercial logging are degrading forest areas. Forest fires are becoming more destructive and more frequent. With reduced forest cover in water catchments, effective watershed management is hindered. Sustainable forestry management and plantation development solutions exist but have not been promoted aggressively enough. There is no legally binding international instrument regulating all aspects of sustainable forest use.

Biodiversity losses are increasing at an alarming rate. Sixty percent of coral reefs that provide habitats for fish are threatened. Half of coastal mangroves have already disappeared. Twenty percent of mammal species and twelve percent of bird species are at risk. Collective action is needed to preserve the resilience of ecosystems and the diversity needed for crop breeding and pharmaceutical research, through area ecosystem management, protection of environmental hot spots, trade regulation, and sustainability certification.

Ecosystems in China are severely stressed by extraordinary economic growth and large-scale displacement of people. In Rwanda, while causal links cannot be precisely established, heavy demographic pressures, rapid declines in farm size, and burgeoning income inequalities intensified the long-standing political confrontation and the social tensions that eventually led to the genocide (Box 9).

Box 9. Rwanda: Structural antecedents of the 1994 genocide

Rwanda, one of the world's poorest countries, has a history of social and political instability. A civil war that had been halted in 1993 by the Arusha Peace Accords resumed after a plane carrying the President of Rwanda and the President of Burundi was shot down. Pre-planned killings took place under a *de facto* interim government organised by local officials and militias. Instructions were issued by the Prime Minister's office. Propaganda and fear of reprisal motivated the killers. 800,000 people were massacred.

Foreign powers and the international community committed major sins of commission and omission that contributed to the tragedy. Beyond these external contributing factors, two structural theories have been offered. Both acknowledge that economic decline and misdirected aid contributed to the dysfunctional context out of which violent conflict eventually erupted. However, the emphasis given to underlying causes varies.

The political explanation of the genocide gives pride of place to the legacy of colonialism that contributed to highly centralised state controls and divisive policies that institutionalised social differentiations along lines of ethnicity, location, and wealth. According to this theory, aid dependence greatly exacerbated social tensions. It was channelled to communities where the regime had its power base. Central authorities followed exclusionary policies and used rural development schemes as a way of controlling local communities. Civil society organisations involved in aid projects were controlled by the state.

The resource scarcity explanation argues that Rwanda was caught in a Malthusian trap characterised by rapid rural population growth, poor agricultural performance, low productivity, and land degradation. Rwanda is landlocked and its population density is among the highest in Africa. Since independence, population growth has been more than 3 percent a year and average farm sizes have fallen from 2 hectares per family to 0.7 hectares currently. Access to land is a key social issue. More than 60 percent of the population subsists below the poverty line, with large urban-rural differentials. Only a fifth of the aid inflows have supported rural development. Aid has ignored social and political factors and emphasised macroeconomic fundamentals rather than environmentally sustainable rural development.

Source: Piron and McKay, 2004.

C. The transmission belts of globalisation need adjustment

Managing globalisation means adjusting the policies that govern the international flows of goods, services, and factors of production. As noted in Chapter 1, the rules of the global economic system have widened the inequality among nations and exacerbated social tensions and security risks. But conversely, the closer interconnectedness made possible by globalisation has increased the rewards of international cooperation. The untapped potential for global welfare gains through policy coherence and further integration of the global market economy is enormous.

Unfair global trade rules should be changed

Rich countries impose trade obstacles on poor countries that are much more serious than those they impose on each other. Average tariffs on agricultural commodities are twice as high as those on manufactures. Tariff peaks are imposed on labour-intensive products that poor countries can produce competitively, such as textiles, clothing, and processed foods. The end result is to undermine the economic security of poor people in poor countries. Rich countries' agricultural subsidies, at USD 311 billion, deliver to their farmers six times the volume of aid accorded to poor countries (USD 52 billion in 2001).

United States subsidies to cotton producers are three to four times larger than US aid to Africa. These subsidies benefit very few, relatively prosperous, farmers and agro-industrial firms. Rich countries' subsidies encourage intensive agriculture with negative consequences for the environment. They support uneconomic production of meat, dairy products, sugar, rice, cotton, and other crops that developing countries can produce at a fraction of the cost. One-sided fishing agreements, onerous rules of origin, and massive subsidies to OECD fishing boats operating in poor countries' waters undermine local fishing industries.

The cost of trade policy distortions is borne not only by consumers and taxpayers in OECD countries but also by poor farmers in the developing world. Similarly, the highest tariffs on industrial goods imposed by OECD countries affect products—such as steel, textiles, clothing, leather—that are critical to economic prospects in developing countries and consumed by relatively poor consumers. According to research models, the welfare benefits for developing countries of trade liberalisation for agriculture and manufactures range anywhere from USD 108 billion to USD 760 billion.⁶¹ Including

⁶¹ The high end of the range is drawn from Dessus and others, 1999 and is based on a dynamic model with productivity growth. The low end of the range is from Anderson et al., 2000 and is based on a steady-state model.

the liberalisation of trade in services raises the estimated benefits by a factor of four to five (World Bank, 2002).

Non-tariff barriers almost double the protection afforded to rich countries' producers. They take different forms (including shipment inspections, rules of origin, quotas, cumbersome food safety requirements, administrative procedures, customs fees). Anti-dumping measures with no economic justification are especially damaging. Preferential trading arrangements discriminate against excluded countries and distort trade flows. According to World Bank models, trade liberalisation in agriculture, industry, and services could add a notional USD 1,400 billion to developing countries' incomes, equivalent to 22 percent of their aggregate GDP.

Beyond the economic benefits, the social benefits of trade liberalisation would be considerable, since unskilled and rural populations would benefit the most. On the other hand, substantial adjustment problems would need to be managed. In particular, food importing countries and poor countries now benefiting from preferential trade regimes would need to receive substantial assistance in the transition period.

Finally, steep declines in commodity prices have caused severe economic harm to developing countries. More than 50 developing countries depend on three or fewer commodities for more than half their export earnings. From 1980 to 2000, prices of tropical beverages were 60 percent below their 1980 levels. Those of agricultural raw materials, ores, and metals were down by about 30 percent. The collapse of coffee prices between 1995 and 2001 cost Uganda USD 323 million in export earnings. Stabilisation of prices through supply management would require cooperation among developing countries as well as support from rich countries.

The European Union is the largest protector of agriculture in the world. Thus from a policy coherence and human security perspective, Sweden should support drastic reform of the Common Agricultural Policy. International trade reform should concentrate on:

- (i) removing tariffs, quotas, rules of origin, and other barriers to access in developed countries under the Doha round, with special emphasis on immediate elimination of trade-distorting support for cotton, sugar, and fish;
- (ii) pressing for firm agreements by developed countries to end all export subsidies and trade-distorting support for agriculture by 2010 and to bring all tariffs to zero by 2015 while reducing non-tariff obstacles;
- (iii) promoting removal of developing countries' own trade barriers while providing these countries with sufficient policy space for judicious sequencing and adjustment;
- (iv) providing transitional aid to poor countries to adapt to the liberalised trading environment;
- (v) gearing aid to the reduction of commodity dependency by poor coun-

- tries through economic diversification, encouragement of private sector investment in primary product processing, and exploration of new approaches to international primary commodity price stabilisation; and
- (vi) enhancing poor countries' capacity to trade by providing assistance for customs reform, removal of restraints on transport and trade, improved governance, and regional integration.

The global financial architecture needs to be strengthened

The mobility of capital limits the capacity of countries to tax it. Fiscal competition among countries restrains excessive government expenditures but it can be inefficient and inequitable, given the tax avoidance that offshore havens make possible. Equally, the international financial system is highly vulnerable to volatility because of highly leveraged banking operations, the contagion effects associated with panic withdrawal of funds, and the lack of global regulation.

Financial crises are particularly severe in countries with shallow, narrow, and poorly regulated capital markets and they are especially cruel to poor people in poor countries that lack social safety nets. The East Asian crisis caused 4-5 million Indonesian workers to lose their jobs and threw 40 million people into poverty. In Argentina following the *peso* crisis, unemployment shot up to more than 25 percent and more than half the population was impoverished. Worldwide, the economic downturn following 9/11 destroyed 11 million jobs in the travel and tourism industry alone.

The volatility of short-term capital flows is a major problem for economic management in developing countries. It is linked in part to the large debt overhang of some developing countries. Capital surges affect real exchange rates and domestic demand, with consequent disruptions in the real economy. The existing international financial architecture relies on international financial institutions that provide liquidity and impose conditionality to restore solvency. This is appropriate when lack of fiscal discipline is the culprit, but not when a crisis is related to private sector deflation and lack of liquidity. No procedure exists to declare bankruptcy, write off unserviceable debt, and replace management. Ultimately, such a crisis is resolved by transferring part of the private debt to the international financial institutions.

The design of a new financial architecture is beset with dilemmas. National sovereignty is not compatible with market regulation and capital market integration, but politicians are loath to choose only two of these three objectives. Efforts to limit volatility by providing more information can have only a limited impact, since different analysts may interpret the same indicator as strength or weakness. Uncertainty, grounded in the reflexivity of markets, cannot be hedged. Financial regimes are freer than ever before, as the result of investment and double taxation treaties, but no multilateral in-

vestment or taxation agreement exists, nor are there bright prospects for reaching agreement on international commercial legislation.

This is ultimately why capital mobility has limits. Conferring more regulatory authority on the international financial institutions to make the system more equitable is not in the cards, because the move would be opposed by the financial industry and because it goes against the imperative of national sovereignty. The creation of a global central bank would require existing central banks to cede their authority. The creation of single global currency is another unlikely prospect. Global regulation by a board of overseers that would develop standards and evaluate institutions under its purview begs the question of the political authority to which it would be made accountable. The same applies to proposals for international bankruptcy courts that would sit in judgment over sovereign governments.

In sum, structural reform has limits, and imperfect information creates dilemmas, but there are several ways to make current financial arrangements more resilient to financial crises:

- (i) increase the participation of developing countries in global financial governance and the definition of international norms (International Financial Institutions, Bank for International Settlements, Basle Committees);
- (ii) improve transparency, disclosure, and dissemination of financial information on developing countries and on international capital and banking markets;
- (iii) assist developing countries in sound economic management, prudential regulation of capital inflows, commercial banking oversight, and crisis prevention through judicious regulatory restraints (especially in boom years); and
- (iv) encourage stronger supervision and regulation of the international financial system (for example excessive leverage by hedge funds);
- (v) improve communication among financial authorities (for example through an expanded and strengthened Financial Stability Forum) and strengthen information disclosure requirements for offshore centres.

Enhancing the benefits of foreign direct investment

The Millennium Development Goals emphasise socioeconomic outcomes but their achievement rests substantially on the mobilisation of private capital and skills. Profitable, socially responsible businesses (whether large multinationals, small and medium-sized enterprises, or individual entrepreneurs) hold the key to wealth creation, technical innovation, and quality of life for developing countries. Conversely, unsound and corrupt business practices increase social tensions and contribute to environmental stress.

The removal of rich countries' restrictions on capital flows and the in-

creased convertibility of currencies and trade liberalisation have created a propitious environment for increased foreign direct investment in poor countries. The overwhelming evidence is that FDI benefits developing countries by creating employment, enhancing competition, connecting their emerging economies to world markets, transferring technology, and disseminating modern management practices. FDI can promote a more competitive business environment and generate domestic and enterprise development. But it may yield only limited benefits to host countries if it is associated with capital-intensive development, corrupt use of royalties, limited links to the local economy, negative environmental impacts, or deleterious social consequences for local communities. Thus, policy coherence for development requires the encouragement of appropriate corporate behaviour through government regulation and civil society suasion.

Up to now, FDI has been concentrated in relatively few developing countries, as detailed above. But in contrast to fickle flows of debt and private portfolio investment, FDI has been a relatively secure source of long-term finance for those developing countries able to attract it. According to UNCTAD, FDI flows represented three quarters of net capital flows to developing countries in 2002, compared to 25 percent in 1990 and 6 percent in 1980. In 1992, FDI into developing countries was roughly equal to official capital inflows, but ten years later it had become about three times as large.

The Uruguay Round Agreement on Trade-related Investment Measures (TRIMS) forbids WTO members from maintaining local content requirements and preferences, import-export balancing requirements, foreign exchange balancing requirements, and export requirements. However, TRIMS does not address the protection of foreign investment from expropriation, restrictions on remittances, technology transfer requirements, domestic sales requirements, government-mandated offset programmes, or limitations on equity or majority ownership. Thus, there remains scope for further liberalising FDI rules. But developing country policymakers and nongovernmental organisations fear that further liberalisation of foreign investment rules under WTO would reduce unduly the industrial policy space that developing countries need to promote domestic infant industries.

Except for national security restrictions, rich countries impose no restraint on outward FDI. Balance of payments concerns in developed countries no longer constrain FDI. Differences in tax treatments among different destinations have become less pronounced as bilateral investment treaties inspired by OECD guidelines have spread. On the supply side, intensified global competition is driving private firms offshore to the developing world in search of cost savings, new markets, and access to natural resources. On the demand side, poor countries (prodded by the international financial institutions) are improving their investment climates.

Multinational companies contribute a third of world output. They compete through economies of size and scale and increasingly through branding,

knowledge, and innovation. Numbering some 60,000, with some 800,000 affiliates in 190 countries, they constitute a bewildering variety of firms. Some are small and networked, while others are large and diversified; some are specialised and still others use franchises and licensing to expand their production and their markets. Given their global reach, they have contributed to the spread of international standards, especially in manufacturing and finance. Most multinational companies espouse more rigorous social and environmental standards than domestic firms and their operations are more closely scrutinised by nongovernmental organisations.

Information and communications companies appear especially suited for priming the FDI pump in risky environments.⁶² Here as in other industrial and service activities that promise quick paybacks, diaspora entrepreneurs tend to lead the way in post-conflict environments. Generally, FDI has been constrained by lack of infrastructure and skills, over-regulation, corruption, weak judicial systems, poor economic management, and political instability.

OECD tariffs have discouraged investment in the processing of primary commodities within producing countries (their tariffs are typically 3-7 percent on imports of processed copper, aluminium, zinc, and oil). From a human security perspective, the key to enhancing the flow and the benefits of FDI is to promote good enabling policy environments in poor countries. The triumph of market-based economic policies improved the efficiency of resource allocation in most countries. However, serious policy mistakes have raised doubts about blueprint approaches to market liberalisation and privatisation (World Economic Forum, 2005). Where social safety nets are absent, governments are plagued by graft, and market distortions are rampant, premature privatisation damages the society. For basic social services (water, transport, education, and health services), equitable access and affordable pricing are central to the sustainability of private provision. In military and security services, public oversight over private suppliers is needed to ensure that human rights are protected.

Only within a framework of good governance can the private sector contribute fully to socially and environmentally sustainable development. The critical priority is to ensure that the public revenues generated by FDI are invested for poverty reduction and that they benefit local communities. To start with, governments and companies must ensure that FDI does no harm. Voluntary and regulatory efforts must prevent corrupt use of revenues, poor labour practices, complicity in human rights violations, and environmentally damaging project designs. But in addition, source countries should encourage

⁶² In Afghanistan in the two years following the fall of the Taliban, private investment in telecommunications reached USD 130 million. In post-Saddam Iraq, 200 private consortia submitted bids for phone licenses.

companies that promote domestic employment, spread innovation, and champion corporate social responsibility.

Rules for FDI are multifaceted, multilayered, and constantly evolving both at the national and international levels (UNCTAD, 2004). Service regimes in particular are changing fast. Complexities and inconsistencies in coverage and obligations abound. The challenge is to find a judicious balance between forging international investment agreements that attract FDI and protecting the policy space needed to pursue national poverty reduction strategies. Many industries are deeply embedded in the political and social fabric of poor countries that lack the regulatory framework needed for nurturing a liberalised and competitive environment. The pace and sequence of liberalisation should be governed by the speed at which adequate infrastructure and sound regulatory capacities can be established.

From a human security perspective, the following policy directions should be emphasised in order to enhance the benefits of FDI:

- (i) Encourage FDI in developing countries and especially in the least developed countries that are now marginalised, by ensuring that international investment agreements are flexible enough to provide developing countries with the policy space they need to adopt judicious sequences of liberalisation and privatisation.
- (ii) Support harmonisation initiatives that are geared to simplification and to removing inconsistencies between national regulatory frameworks and bilateral, regional, and international agreements; support developing countries' involvement in such processes (for example the OECD Initiative on Investment for Development).
- (iii) Enhance the role of aid in developing market institutions, improving the investment climate, creating appropriate regulatory frameworks for private investment, and enhancing the transparency and effectiveness of public expenditure management in poor countries.
- (iv) Encourage multinational companies to adopt voluntary codes of conduct that reflect sound norms of corporate social responsibility and transparency and help developing countries and international financial institutions to achieve harmonisation between domestic regulatory frameworks and current social and environmental safeguard policies.
- (v) Ensure that support for FDI by official sources and financial intermediaries is contingent on the strict application of social and environmental safeguard policies (such as the Equator Principles⁶³).

⁶³ In 2003, ten major banks from seven countries agreed to a series of guidelines known as the Equator Principles on social and environmental issues in loans to developing countries. The Equator Principles are based on policies and guidelines of the World Bank and the International Finance Corporation. The banks apply the principles globally and in all industry sectors, including mining, oil and gas, and forestry.

- (vi) Explore with banks and investment guarantee organisations the provision of incentives to multinational companies that comply with sound social and environmental safeguard policies.

New migration policies should be forged to balance the needs of rich and poor countries

When economic opportunity is lacking, people seek to migrate in search of a better life. Migration has historically acted as a major instrument of convergence in living standards, and today greater labour mobility would generate a much wider dispersion of the gains from international economic exchange (Pedroni, 2004). But in rich countries, immigration is severely restricted. Wage differentials between rich and poor countries are large, leading rich countries' electorates to strongly resist increases in immigration. Yet, as a result of a dramatic decline in fertility, the population of rich countries is aging rapidly. In particular, by 2050, the median age of Europe's population will have risen to 48 years from 38 years at the turn of the century.⁶⁴ Labour markets will have fewer workers to meet a growing demand for services, especially in health care and domestic services.

Immigration can help but on its own it cannot deal with the demographic imbalance, given the social difficulties of large-scale absorption of immigrants and also because migrants themselves grow old. The share of migrants in the world's population is modest (about 3 percent) but political opposition to increased immigration is strong in part because the numbers are rising rapidly—from 70 million in 1970 to 200 million in 2005, including 9 million refugees.⁶⁵ Populist exploitation of the 'immigration issue' is frequent because policies to integrate migrants into the receiving country are often weak and also because the costs and benefits of immigration are unequally distributed.

On average, the impact of migration on wages is quite small, but in certain occupations the impact may be significant. As a result, aggregate economic benefits to the society are perceived as costs from the perspective of vocal interest groups. Country nationals often fear immigration. They feel that they 'own' the infrastructure, institutions, and cultural traits that contribute to the economic productivity of the nation and do not wish to see their equity share diluted. They do not recognise that migrants often work harder

⁶⁴ In 2004 there were more deaths than births in 43 percent of the 211 regions that make up the European Union.

⁶⁵ In the year 2000 the share of migrants in the total population was 19 percent in Australia, 13 percent in North America, 8 percent in Europe, 2 percent in Africa, and 1 percent in Asia and Latin America. The three most important host countries were the United States (35 million), Russia (13 million), and Germany (7 million). The three most important origin countries were China (35 million), India (20 million), and the Philippines (7 million).

and pay more taxes than native citizens, relative to the welfare benefits they receive, and that they are often engaged in occupations that most native citizens are unwilling to perform. Thus, given the political sensitivity of immigration, rich countries have been more willing to consider increased mobility of temporary labour and to allow selective immigration that allows the import of scarce skills.

On the supply side, migration is often part of livelihood strategies aimed at enhancing the security of the household. Remittances act as a safety net for poor families. Family reunification provides additional comfort to family members. It has become the largest cause of migration from poor to rich countries (60 percent in Europe and 75-80 percent in the United States). Community and ethnic ties, too, play a large role in determining the direction of migration flows. Illegal migration may account for 10-20 percent of the total number of migrants. Smugglers and criminal syndicates assist or forcibly move about half of illegal migrants. Migrant women play a growing role as family providers and development agents in Africa and Asia. But they also constitute the majority of illegal trafficking victims.

The United Nations Convention Relating to the Status of Refugees regulates humanitarian migration. Given the restrictions placed on migration for employment in Europe, the Convention has become a major channel of migration: refugees account for about one third of all entries into Europe, compared to 8 percent in the United States. Globally, 9 percent of international migrants are refugees (16 million out of 175 million migrants in 2000). In addition, in 2002 more than 25 million people were internally displaced as the result of armed conflict and human rights violations.

Educated people leave for the West when their home countries provide a discouraging environment for private enterprise and professional advancement. Where sending countries are severely short of skills, the emigration of the educated has a high opportunity cost, and often a substantial fiscal cost. On the other hand, globalisation has expanded the ways in which migrants can remain actively involved in the economic and social development of the sending countries. Enhanced exports of food, cultural, and other products consumed by emigrants abroad give an economic boost to migrants' countries of origin. Equally, remittances, business partnerships, Internet communications, hometown associations, and holiday travel provide links to the motherland that can be strengthened by policies in both sending and receiving countries. Finally, temporary migration also leads to brain gains and to inflows of savings by returning migrants. Migration is critical for drawing developing countries into the global economy through the intermediation of migrant communities (International Organisation for Migration, 2005).

Heightened security concerns in rich countries have had a chilling effect on migration. Stigmas arising from perceptions of poor migrant health have had a similar effect. Targeted policies and development aid that can address migration health issues have been neglected. More stringent visa restrictions,

profiling, detention without due process, and forcible repatriation have become frequent. Efforts have been made to justify increased development assistance on the grounds that it will reduce the supply of migrants. But poverty reduction efforts may in fact have the opposite effect by providing potential migrants with the resources they need to undertake the journey. From a development perspective, the considerable economic benefits of remittances must be weighed against the loss of skilled people.

Labour immigration policy must strike a balance between collective welfare and individual rights; and among the interests of citizens of receiving countries, the migrant workers, and their countries of origin. Policy coherence for development does not mean that citizens should waive their rights to preferential access to the national labour market. But it does mean that the basic rights of migrant workers should be protected and that the import of skills should be managed in development-friendly ways. In particular, given the critical importance of migration for development, coherent policies regarding labour mobility, family reunification, brain drain, brain gain, and remittances are needed to ensure a fair balance between the needs of rich and poor countries. Human security also requires coordinated action towards expanded resettlement and reintegration opportunities for refugees and internally displaced peoples, ensuring the safety of migrants, fair burden sharing for asylum needs, and control of illegal human trafficking.

New policies should be forged to tap the considerable human security benefits of migration while minimising their costs. A comprehensive set of principles for action by the international community is laid out in the Report of the Global Commission on International Migration (2005) set up by the United Nations. A selective list follows:

- (i) Promote public understanding of the positive role that a managed liberalisation of migration could play in stabilising the labour force and social security systems of rich countries, in order to increase mutually beneficial migration from poor countries and, in conjunction with improved border controls, to reduce the incentives for illegal migration.
- (ii) Press for progress on liberalising services in the Doha round of trade talks in order to encourage temporary (Mode 4) migration.
- (iii) Facilitate a dialogue between rich and poor countries about the design and management of temporary foreign workers' programmes, including measures to achieve a judicious balance between brain drain and brain gain and to ensure a fairer distribution of costs and benefits between sending and receiving countries.
- (iv) Focus public policy in sending and receiving countries on migration health issues to address the special health issues faced by migrant workers, to promote human resource development in the health professions, and to minimise the disruptive impact of large-scale exports of nurses and doctors on poor countries' health systems.

- (v) Assist developing countries in the design of tailor-made policies that focus on the three Rs—recruitment, remittances, and return—in order to minimise the impact of skills exports through human resource development, reduce the transaction costs of remittances, and encourage brain gain and enterprise development by returning migrants.
- (vi) Promote a global consensus on the governance of international migration issues, drawing on current initiatives (International Labour Conference, International Dialogue on Migration, Berne Initiative, and Global Commission on International Migration) so that the United Nations General Assembly High-level Dialogue on Migration and Development in 2006 will yield concrete results.

More international cooperation is needed to achieve environmentally sustainable development

More evidence of global warming emerged in 2004 (United Nations Environment Programme, 2005). Atmospheric carbon dioxide levels surged and weather events were severe (including four severe hurricanes). The European Environment Agency detected impacts of climate change on glaciers, marine systems, and biodiversity.

Environmentally sustainable development is an essential feature of human security. Rich countries are better placed to adopt sustainable solutions and are less likely than poor countries to suffer from the results of environmental mismanagement. Thus, they bear a special responsibility to act as responsible stewards of the global commons. But the rapid growth of large middle-income countries that have adopted the same consumption and production patterns as high-income countries will impose further burdens on an already fragile environment, and within regulatory frameworks that are far less effective.

There are ways to address the global warming problem. They involve decreasing emission ceilings, eliminating fossil fuel subsidies, increasing energy taxes, increasing forest areas, relaxing current restraints on nuclear power plant construction, and implementing measures to promote clean energy development. Political support for the full range of measures needed is scarce, especially in the United States, given the inevitable costs to economic growth that the measures entail in the short run. With its ratification by 55 countries, the Kyoto Protocol has entered into force in 2005, but the United States has rejected it⁶⁶ and even its modest targets may not actually be implemented. On the other hand, many countries are promoting renewable en-

⁶⁶ The United States participates in the Carbon Sequestration Leadership Forum and the Methane to Markets partnership. Eight US states and New York City have a lawsuit against five power companies pressing for a reduction in their emissions.

ergies and setting specific targets for increasing their share in total energy use.

In 2004, international agreements had been reached with respect to chemicals management, biodiversity on land and in marine ecosystems, and biosafety. An international treaty to conserve plant genetic resources has come into force and the United Nations will complete ten-year reviews of key environmental agreements on disaster reduction and small island developing states in 2005.

Key policy priorities include:

- (i) Strengthened monitoring and verification of existing international environmental undertakings and agreements.
- (ii) International cooperation and dialogue on global warming to help ensure that Kyoto Protocol targets are reached, with emphasis on market-based solutions and intensified research.
- (iii) Substantive progress towards improved governance of global forests and better management of international fisheries.
- (iv) Intensified support for environmental management capacity development in poor countries.

Regulating trade in arms and weapons

To maintain their defence production facilities, all major military powers have sought to promote their exports of conventional weapons systems, with the result that competitive pressures have made advanced weapons technologies more readily available. Demand has been sustained by concerns over the growing military clout of China and the general turmoil in the Middle East. New methods of financing have been devised, prices have declined, and proliferation risks have grown. Large defence companies have also sought to compete by subcontracting part of their supply chains to advanced developing countries, and the liberalisation and globalisation of the arms trade has increased the competitive pressures.

Weapons are perhaps the largest manufacturing sector worldwide. In real terms, total military spending, fuelled by the US military build-up, grew by 6.5 percent in 2002 and 11 percent in 2003. It is now about a trillion dollars. The United States dominates the export market with about half of the total sales and 40 percent of the sales to developing countries. Private companies are now integrated in the global market so that an increasing share of technology sales for advanced weapon systems is out of military control and in private hands, raising questions about the ultimate destination of arms and weapons supplies. Commercial competition among arms suppliers for a share of developing country markets has increased, and the diffusion of military hardware has become especially pronounced at the small arms end of the spectrum.

Technology has made many small arms cheap, light, portable, and easy to use even by a child. Assault rifles, grenades, rocket launchers, landmines, and explosives do not require logistical support or elaborate maintenance. They are omnipresent and represent a much greater risk to human welfare than the formal arms trade geared to interstate wars. Small arms are responsible for most of the casualties in intrastate conflicts. In weak states, economic necessity—more perhaps than greed or grievance—combined with the ready availability of cheap arms, explains the culture of violence; many young people caught in the conflict trap of intrastate wars have few choices other than violence to make ends meet. In the face of severe deprivation, the resort to small arms has become a rational tactic of survival for criminals, warlords, and their recruits. They routinely engage in systematic looting of natural resources and keep forced labour in line through intimidation and violence.

The downsizing of official arms stocks and the collapse of the Warsaw Pact at the end of the Cold War increased the supply of second-hand weapons disposed of at cut-rate prices. This has been a major factor in triggering and sustaining chronic violence and intrastate conflicts. Plentiful supplies of small arms in constant circulation among fragile states have created a climate of pervasive insecurity. The easy access to small arms has encouraged arms races among local factions and contributed to large-scale refugee movements induced by pillage, rape, and ethnic cleansing. There is evidence that despite international decisions to stop the flow of arms to the Sudan, brokers continue to export arms to that country.

As recommended by the Commission for Africa (2005), a key priority for the international community is to reduce the proliferation of small arms and light weapons by filling gaps in current control agreements, and to carry out independent verification of implementation of existing and future agreements:

- (i) Negotiations for an international arms trade treaty should be launched without delay.
- (ii) More effective and legally binding agreements on arms brokering and common standards for monitoring and enforcement should be integrated into the international trade treaty.
- (iii) Transport regulations should be tightened to avoid transport of illicit weapons through better policing, registration of transport agents, and new insurance rules.
- (iv) National and regional capacities to monitor compliance should be strengthened.

D. Missing goals?

Security and development policies need to converge for a simple reason: the emerging threats to international stability and prosperity demand it. First, in-

trastate warfare at the periphery has supplanted the ideological confrontation between East and West as the major threat to international stability. Second, the growing interconnectedness of nations and societies has led to the globalisation of violence. Third, a proliferation of frail and failed states is causing international instability.

Global security requires collective action by capable states. The new security challenges cannot be met with policy instruments conceived for the Cold War era. Nor can global prosperity be secured by focusing aid on states that perform well while neglecting the special needs of those that are fragile. The increased role of non-state actors, the emergence of asymmetric warfare⁶⁷, and the strategic risks posed by state fragility mean that development has become an instrument of security. Conversely, development priorities must now extend beyond global economic integration, if only because the spread of intrastate violence associated with state failure hinders the achievement of the Millennium Development Goals.

The Millennium Development Goals themselves are a very valuable asset for the international community. However, they do not respond adequately to the legitimate security aspirations that are expressed by people worldwide—even though the Millennium Declaration in which they are embedded addressed peace, security, and disarmament. (Specifically, the Declaration advocated action against international terrorism, organised crime, and traffic in small arms and light weapons.)

Such a broad conception of the historic compact between rich and poor countries ought to be translated into agreed security goals for the international community. The report of the High-level Panel on Threats, Challenges, and Change (UN, 2004) opens up an opportunity to bridge the divide between security and development concerns. Is it time to broaden the policy coherence for development initiative to include Millennium Security Goals?

Some would argue that the Millennium Development Goals should be achieved first before taking on more global commitments. But given the heavy weight of conflict-prone states among least developed countries and considering the vast waste of resources currently taking place in the security arena, it seems illogical not to seek agreement on Millennium Security Goals. They should be grounded in people's—and especially poor people's—own interpretation of their vulnerabilities; a human security orientation would provide a useful test of relevance for state-centred approaches to collective security. Prioritising the 101 recommendations of the High-level Panel and translating them into action would be a useful first step towards a human security consensus (Box 10).

⁶⁷ Asymmetric warfare is a military term to describe conflicts in which the two belligerents are mismatched in their capabilities or accustomed methods of engagement, such that the militarily disadvantaged power presses its special advantages and effectively exploits its enemy's weaknesses in order to prevail.

Box 10. Towards Millennium Security Goals

The 101 recommendations of the UN High-level Panel on Threats, Challenges, and Change would tackle new and old threats and address the security concerns of all countries, weak and strong, rich and poor. If agreed by member country governments, the High-level Panel's far-reaching recommendations would add up to a comprehensive system of collective security.

Capable and responsible states constitute the lynchpin of the proposed system. The High-level Panel recommendations are consistent with the Millennium Declaration and complement the Millennium Development Goals agreed at the United Nations Financing for Development Conference in March 2002. The detailed findings and recommendations of the High-level Panel Report provide ample evidence for identifying specific indicators to track progress towards international peace and stability.

The eight major security goals embedded in the report are listed below:

1. Reduce conflict between and within states.
2. Promote nuclear, radiological, chemical, and biological disarmament.
3. Design and implement a collective strategy against terrorism.
4. Combat transnational organised crime.
5. Implement and enforce effective sanctions to protect human security.
6. Authorise the use of force, based on agreed criteria.
7. Strengthen peace enforcement, peacekeeping, and peacebuilding and protect civilians.
8. Reform the United Nations to meet the challenges of human security.

Source: United Nations, 2004.

E. Conclusions

Working to achieve policy coherence for development in an age of interdependence and insecurity is essential but it is also fraught with problems, especially at the global level. Agreements must be reached through intergovernmental processes in consultation with the private sector and the civil so-

ciety. Since it is not politically feasible to override the national interest of a rich country in order to assist a poor country, it is best to focus on policy options that improve aggregate welfare in both.

Fortunately, the scope for policy reform within this domain is vast. To reconcile policy objectives, a commonly agreed set of security and development goals should be constructed. Based on the report of the United Nations High-level Panel on Threats, Challenges, and Change, it is now possible to put the capstone on the new development cooperation architecture unveiled at the United Nations Financing for Development Conference in Monterrey in March 2002. Sweden should help to sponsor such a participatory process for the formulation of Millennium Security Goals under the aegis of the United Nations.

Each donor government should adopt a 'whole of government' approach. Since this approach is thus far the exception rather than the rule, Sweden should provide support to the OECD for sharing good practice in this field. Equally, policy coordination among countries should be improved. This raises very tough issues of international relations at the multilateral level. To facilitate progress in the adjustment of aid, trade (including trade in arms), international migration, foreign direct investment, intellectual property, and environmental policies, Sweden should sponsor a participatory process to review progress towards the Eighth Millennium Development Goal, leading to specific indicators of progress that would be tracked as rigorously as those for the other development goals.

Achieving harmony among the policy goals of individual donor countries in support of global security and development is very demanding, especially within conflict-ridden countries. The relationship between humanitarian, peacekeeping, and development interventions raises conceptual issues. There is a clear trend towards greater military oversight of nongovernmental organisations that operate in insecure environments. The extent of outsourcing to private security contractors is growing. Proposals for mixed military-civilian intervention forces are under consideration. Sweden should encourage the design of generally accepted norms for the participation of humanitarian agencies and international organisations in conflict management and peacekeeping.

Policy coherence that embraces security and development requires new methods of intervention 'on the ground' that Sweden is well placed to pioneer. At the global level, Sweden should provide intellectual leadership and use its good offices (and the opportunity offered by its presidency of the United Nations General Assembly) to help mainstream the agenda of policy coherence for development in global forums.

Chapter 3: The new security landscape

War is an act of force, and there is no logical limit to the application of that force. Each side, therefore, compels its opponent to follow suit; a reciprocal action is started which must lead, in theory, to extremes.

Carl von Clausewitz⁶⁸

This chapter lays out the key variables of the new security equation that must be mastered before the international community can achieve a consensus on what Millennium Security Goals should be, and discusses how such goals might be reached. Section A presents alternative conceptions of conflict and analyses historical trends, and Section B reviews the state of knowledge regarding intrastate wars. Section C examines the nature of the international terrorist threat and the policy options available to counter it. Section D outlines the proliferation dilemma. Section E draws the security policy implications of all these threats, which are intertwined with the development issues covered in Chapter 2, and Section E concludes.

A. The antecedents and trends of violent conflict

The management of social conflict is part and parcel of the democratic experience. According to Albert O. Hirschman (1995a), conflict is essential for socialisation and an eminently efficient producer of integration and cohesion—a 'democratic miracle' akin to Adam Smith's 'invisible hand' that shapes a positive overall outcome even though the intent of participants is to pursue their own gains. But Hirschman notes that just as markets function well only where property rights are protected, social antagonisms get resolved and leave behind a beneficial residue of social capital only where the initial institutional conditions are propitious.

Without a resilient enabling environment, conflict acts as solvent rather than glue. The community spirit that democratic market societies need to function smoothly does not arise spontaneously. It requires a combination of shared values, political leadership, and social entrepreneurship. Very often it is hard to distinguish whether or not a society is in conflict. Within a state, criminality and war constitute a continuum. This is why the conflict cycle metaphor does not fit the reality of intrastate warfare. It is also why the pro-

⁶⁸ For Clausewitz, 'absolute war' was a Platonic ideal whereas real war was 'an act of policy' subject to inevitable resource limits which eventually constrained the intensity and duration of the conflict. Weapons of mass destruction at the hands of terrorists may have made this logic obsolete.

posals of the Barcelona Report to the European Union for a human security response force would require a mix of policing and military forces to address crises covering a wide spectrum between law enforcement and combat (Kaldor and others, 2004).

Three major explanations of poor countries' proneness to violent conflict compete for policymakers' attention. The first connects poverty and conflict through political antecedents. This doctrine is rooted in the notion of structural violence (Box 11). It holds that democracy and activism hold the key to peace and prosperity: democracies do not fight one another and they are more prosperous than autocracies (Siegle and others, 2004).

The evidence regarding this doctrine is mixed. First, not all authoritarian governments adopt radical policies or threaten global stability (Alexander, 2004). Second, the path towards democracy tends to be perilous. Indeed, statistical evidence shows that rapid transitions to democracy are associated with violence, especially where civil society is weak (Mansfield and Snyder, 2004). When social mobilisation runs ahead of economic and institutional development, ethnic violence tends to erupt (Rwanda), secession may occur (former Yugoslavia), or the state is captured (Taliban in Afghanistan) (Burnell, 2004).

An alternative explanation links both poverty and conflict to state capacity gaps. It postulates that where the state cannot raise taxes, deliver public goods, or make productive investments in development, poverty grows as well as discontent, social strife, and eventually violence. But capacity shortfalls are not enough to explain why violence erupts or states fail: out of 32 insecure countries, 12 are in the top three capacity quintiles, according to the Center for Global Development (2004).

The third explanation of the poverty-conflict association points to competition for resources, demographic characteristics, group inequalities, and social grievances as the major antecedents of conflict in poor societies. Here too, examples can be found to counter the theory. Indeed, it is the absence of reliable mediation mechanisms among competing identity groups that causes social tensions to escalate and provide the space for political entrepreneurs to break the monopoly of violence and capture the levers of state power.

In short, each of the three explanations has value as well as limitations. The mechanisms that link poverty and conflict are complex and diverse. Conflict and state disintegration are the combined result of fragility, exposure, and shocks. Fragility is structural. It is linked to capacity constraints (Liberia, Sierra Leone) as well as lack of legitimacy (Poland under communism, Ukraine until the Orange Revolution). By contrast, exposure is a function of location and geopolitical status: shifting alliances, abrupt political transitions, and bad neighbourhood influences can generate mortal threats. Finally, economic fluctuations and natural disasters can produce brutal shocks, whose effect depends on the country's economic and social resilience.

Box 11. Structural violence as a root cause of conflict

Johan Galtung (1969) originally framed the term structural violence to refer to any constraint on human potential due to economic and political structures. Inequity in access to resources, political power, education, health care and legal standing constitute structural violence. Such violence is embedded in institutions that are rooted in past conquests and in colonial history, rather than in fair competition on a level playing field. The number of deaths caused by unequal distribution of wealth and power within a society (or across societies) is a measure of structural violence. On this basis, structural violence has been estimated to be 60 times greater than the annual average number of battle-related deaths, or 1.5 times as great as the annual average number of civilian and battlefield deaths during World War II. Every four days, it is the equivalent of Hiroshima.

Structural violence is problematic in and of itself and it may also lead to direct violence. Huge income disparities need protection. Large security establishments drain resources away from social programmes, in turn generating more structural violence. The reverse is also true: brutality terrorises those who would otherwise have protested social injustice, while ruling elites rarely suffer from conflict. Excessive militarisation produces structural violence on a planetary scale. As income disparity increases, structural violence takes root. Structural violence is invisible except when it leads to flagrant human rights violations that are made visible by voluntary action.

Given human agency and contextual factors, conflict prediction is a highly speculative venture. But all conflict prevention options are linked by a common thread: the role of the state. Effective engagement with the state is the key to achieving results. Hence, development cooperation programmes should be tailor-made, based on conflict assessments. They should lead to nimble, adaptive, flexible donor engagement strategies that combine defence, diplomacy, and development in a coherent policy package.

Security in historical perspective

The stability of the state-centric world order that originated in Europe with the treaties of Westphalia in 1648 depended on maintaining a balance of power among sovereign states that were nominally equal under international law but varied in size, wealth, and power. The tension between states' ter-

territorial sovereignty and political equality, on the one hand, and the disparities in military and economic power, on the other, induced shifting coalitions. The needed adjustments in international relations were achieved either through diplomacy or through violent conflict.

The changing fortunes of individual states and the dynamics of international competition led to imperial wars in the nineteenth century, interstate European wars in the first half of the twentieth century, and civil wars with international ramifications in developing and transition countries after 1945. By then, the two superpowers were vying for world domination and the availability of new weapons of awesome destructive power made all states vulnerable to catastrophic attack. A balance of terror prevailed.

Since the end of the Cold War, however, when there were 30 major conflicts in 25 locations, the worldwide number of conflicts has declined.⁶⁹ 2004 witnessed 19 conflicts in 17 locations, the lowest on record.⁷⁰ It was also the first year when SIPRI reported no interstate war (Dwan and Holmqvist 2005).

The number of battle-related deaths, which peaked during the two staggeringly brutal world wars, has also been trending downwards.⁷¹ The late 1940s and the 1950s were plagued by deadly conflicts in East Asia: the civil war in China, the Korean War, and the Indochina war. The second half of the 1960s and the first half of the 1970s witnessed intensifying conflicts in Vietnam, Cambodia, and Laos, which generated new though lower peaks in battle deaths. Still another (again lower) spike of military fatalities emerged with the Soviet invasion of Afghanistan and the Iran-Iraq war. Following the end of the Cold War, battle deaths rose again for a time due to conflicts in the Balkans, the former Soviet republics, and the Gulf war, but since 1997 the trend has again turned down.

⁶⁹ The Conflict Barometer of the Heidelberg Institute on International Conflict Research also records a decrease in the number of high intensity conflicts—from 47 in 1991 in the wake of the Soviet Union collapse to 36 in 2004—following its rapid rise from a level of only 7 following the end of World War II. <<http://www.hiik.de/en/main.htm>>

⁷⁰ Major conflicts have become shorter on average—from twelve years pre-1990 to four years post-1990—and less costly—from eleven to six months of pre-conflict economic activity (Staines, 2004). Asia and Africa are now the theatres for six conflicts each—more than in the other regions. But they are also the regions that have seen the largest net drop in the number of conflicts. For Asia, the peak year was 1990 (twelve conflicts) and for African it was 1998 (eleven conflicts). In relative terms, on the other hand, a similar decline occurred in the Middle East (from six during 1993-96 to three in 2004) while the steepest drop was in Europe (from a peak of four in 1994 to one in 2004) and the smallest drop was in the Americas (from a peak of five in 1990 to three in 2004).

⁷¹ Data on non-battle-related deaths are scarce, especially for interstate wars. Yet, both interstate wars and intrastate wars cause massive deaths of civilians not only from violence but also from disease and starvation. The two world wars involved 23 million deaths in the military and 40 million civilian deaths. The Korean war caused about 1 million military deaths and 5-6 million civilian deaths. The war in the South of Sudan involved 100,000 combat deaths and about 1.2 million civilian deaths until 1997.

Conflict trends and battle death statistics convey five key messages:

- Though the international community has become somewhat more adept at resolving and managing conflict, international war has not been banished, and violent intrastate conflicts have continued to erupt, many of them with international ramifications. This means that conventional military preparedness will continue to feature in national security strategies.
- Intrastate wars of various kinds have come to dominate the security environment.⁷² These wars resist classification and require tailor-made treatment.
- The pattern of casualties has changed radically: civilians rather than combatants have become the major victims of warfare. This raises humanitarian and human rights concerns and creates justifications for external intervention.
- The endgame of most wars is no longer characterised by a formal military cease-fire, still less surrender. Instead, a political agreement by external actors is imposed well before a clear victor emerges. Hence hostilities tend to be bottled up rather than resolved—and, in about half of the cases, to resume with tragic consequences (as in Liberia and Rwanda).
- Violent conflict is costly. Major international wars in the quarter century since 1980 have involved direct costs estimated at USD 550 billion (equivalent to about half the annual total military expenditure around the globe).⁷³

In a disordered and fragmented world system, centripetal economic forces interact with centrifugal political forces. Civil strife weakens states and they become prone to social fragmentation. Chaotic conditions result in tensions that may lead to war. These post-modern conflicts are both a cause and a symptom of a systemic global disorder that arises because of the negative network effects that were described in Chapter 2. This reflects the dispersion of political power in the world and the reluctance or inability of the sole remaining superpower and its allies to devote enough resources to contain turmoil at the periphery (Cooper, 2004). Whereas conflict in the nineteenth and twentieth centuries was driven largely by competition among strong

⁷² In 2004, all major conflicts were classified as intrastate wars. The growing dominance of intrastate vs. interstate conflicts is confirmed by the statistics of the Conflict Barometer of the Heidelberg Institute on International Conflict Research. This records no interstate high intensity conflicts, but 36 intrastate high intensity conflicts. However, other states were sometimes involved in the conflicts (e.g. the US coalition in Iraq, or Pakistan in Kashmir)

⁷³ This gross figure hides some significant variations that reflect the very different severity of such wars. 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, in constant 2003 dollars. By contrast, the Falklands War cost both sides around USD 5 billion; the Peru/Ecuador conflict 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 source for these estimates is the International Institute for Strategic Studies.

states, in the twenty-first century, conflict originates mostly through implosion, rebellion and/or external interference within weak states.

War casualties are lopsided towards civilians, especially women and children. In Africa alone the number of internally displaced people is 13 million and the number of refugees is 3.5 million. Localised violence due to communal fighting, lack of effective and honest civilian policing, and weak legal systems also claims victims. Thus far, the response of the international community has been hesitant and weak except in conflicts that obviously endangered international security or access to natural resources. The humanitarian and development rationales for intervention have been accepted in principle but applied in an inconsistent and uncertain manner. Yet experience demonstrates that the human costs of war can be drastically reduced through conflict prevention or external intervention.

Medical aid, food, and shelter for displaced persons, economic reintegration of refugees and former combatants, and security sector reform have begun to account for a significant part of aid programmes. As noted in Chapter 2, further expansion of aid under fire will require new ways of providing security so that humanitarian workers are assured of safe access to victims and threatened populations. Post-conflict rehabilitation, reconstruction, and development will need to be pursued in parallel with peacekeeping activities, in order to tap synergies and avoid discontinuities in the transition to peace.

State fragility is correctly perceived as a strategic risk, but the search for strictly military solutions to the new global security equation appears to be futile. Initially, the global war on terrorism received wide support. Good will towards the United States was sustained through the robust military response in Afghanistan. But the costly military intervention in Iraq⁷⁴ and the protracted and costly⁷⁵ 'war after the war' that it spawned has harmed rather than helped the war on terrorism. By now, the military and economic hegemony of the United States has generated worldwide unease (out of concern about 'imperial globalisation'⁷⁶), and as a result, goodwill towards the United

⁷⁴ The monthly cost of the US occupation of Iraq is USD 4.1 billion, or 12-13 times the cost of all 16 UN peacekeeping missions currently underway.

⁷⁵ The war on terrorism is favoured by half or more of public opinion in the US (81 percent); Russia (73 percent); Britain (63 percent); Germany (55 percent) and France (50 percent) but only by 37 percent in Turkey; 28 percent in Morocco; 16 percent in Pakistan, and 12 percent in Jordan according to a nine-country Pew opinion survey dated March 16, 2004. In eight countries surveyed by the Pew Attitudes Survey in the same month, a majority of respondents said that the Iraq war had done more harm than good in the global war on terrorism.

⁷⁶ According to a nine-country survey by the Pew Research Centre for the People and the Press dated March 16, 2004, unfavourable ratings of the United States reached 42 percent in the United Kingdom, 63 percent in France, 62 percent in Germany, 53 percent in Russia, 70 percent in Turkey, 79 percent in Pakistan, 95 percent in Jordan and 73 percent in Morocco. According to a June 23, 2005 Pew survey of 16 nations, anti-Americanism shows modest signs of abating but the United States remains broadly disliked in most countries, especially in the Muslim world.

States has dissipated. This is contributing to a mood of uncertainty and anxiety that is not conducive to trust and cooperation.⁷⁷

Interstate wars remain part of the equation

Most contemporary conflicts have been classified as intrastate wars but traditional wars between two or more states have not been banished and their destructiveness is exceptionally high, especially when rich and middle-income countries are involved. In the last 25 years the most destructive example of a traditional war has been that between Iraq and Iran (1980-88), which accounted for at least 800,000 of the one million or so battle deaths ascribed to traditional wars during this quarter century. It unleashed again the spectre of human wave attacks, chemical weapons and the indiscriminate use of missiles against civilians. It also threatened interference in Gulf shipping routes.

The most internationally significant wars have been the two Gulf intervention wars of 1991 and 2003 which pitted a wide, and then a narrow, coalition against Saddam Hussein's Iraq. Victory in the first war, in liberating Kuwait, proved to have a number of unintended consequences both for Iraq and for the allied coalition that was assembled to fight it. Saddam's defeat led to further repression inside Iraq, international monitoring of the country's infrastructure, and an ongoing air war between some of the allies and Iraq. The second Iraq war of 2003 involved more ambiguous allied motives. Its effects on the Greater Middle East and the insurgency that followed are still being assessed. However they eventually play out, the effects on international politics will not be trivial. No other traditional war during the last quarter century has had anything like the human or political consequences of this conflict.

Thus, it is critical to integrate interstate war perspectives into the search for new security paradigms. The ongoing threat of instability arising from interstate war must be taken seriously for the foreseeable future. Each decade appears to throw up at least one example of a significant interstate conflict. Competition for resources, disputes over the jurisdiction of territory or peoples, demographic and environmental pressures, autocratic aggrandisement, or sheer miscalculation must still be expected to occur between states, as well as within the more vaguely defined societies of the present chaotic system. Some of these tensions may result in traditional war.

If the twenty-first century is destined to be the 'Asian Century'—if only because of sheer population trends—international wars that are fought for

⁷⁷ Public confidence in the United Nations was a major casualty of the Iraq conflict. According to a Pew survey of 16,000 people in 20 countries conducted in May 2003, more than half of the respondents in 16 countries believe that the UN is less relevant than it used to be.

the motives mentioned above could have massive human and political consequences. Western powers may have technical superiority in their military forces but some Asian powers dispose of massive armies.⁷⁸ In 2001, after five Kashmiri separatists attacked the Indian Parliament, killing nine people, the resulting crisis between India and Pakistan led these powers to mobilise more than a million troops on their joint border. Both countries possessed usable nuclear weapons, and there was little the outside world could do to contain the crisis which, in the end, was defused by the protagonists themselves.

Any war arising from a Chinese attempt at military seizure of Taiwan, even without US involvement, would involve no less than a million troops in total. Any war in the Korean peninsula between the Democratic People's Republic of Korea and the Republic of Korea (again leaving aside potential US or Chinese involvement), would involve more than a million troops and threaten widespread urban destruction, given the weight of artillery and conventional airpower that could be brought to bear.⁷⁹ In short, if the international system cannot contain the tensions behind these plausible war scenarios, or if the deterrence of the major powers fails to prevent their outbreak, any of them might turn into hugely destructive conflicts with crucial international implications. In the present environment these prospective wars may be regarded as low-risk but high consequence possibilities that must be factored into any security strategy

The potential for the unintended consequences of all wars to become internationally destabilising is heightened by the fluid state of current world politics and the tendency for wars to exacerbate or even cause the failure of states. Many international wars have a tendency to become open-ended and to drift into civil conflict. The clear-cut defeat of Iraqi forces in 1991 sparked a Western-inspired revolt in both northern and southern Iraq that, in the north at least, continued for a decade. Similarly, the victory of US-led forces in 2003 may have laid the foundations for a civil war in Iraq. The insurgency it provoked has undermined the wider political objectives of the US coalition.

A traditional military response to 9/11 took place in Afghanistan, where the US invoked the principles of national self-defence to attack a state that

⁷⁸ China is believed to field around 2.4 million active service personnel, India more than one million, and Pakistan some 600,000. Indonesia fields around 300,000, and Japan around 230,000. Taiwan keeps a very competent 370,000 active military personnel and the two Koreas between them maintain more than 1.6 million military personnel. For comparison, even the US now only fields around 1.2 million active service personnel and Russia around 1 million. More typically, Sri Lanka, with an active list of about 110,000, fields an army of 95,000, only slightly smaller than the current British army of 100,000.

⁷⁹ Both coalition wars in the Gulf in 1991 and 2003 involved major mobilisations from the Western powers that brought fewer than half a million troops to the battlefields, fighting against Iraqi forces who effectively numbered less than 100,000 on both occasions.

had harboured its terrorist attackers. This was not a straightforward response, even though the world generally accepted its legitimacy and the right of the US to respond. The resulting small war was conducted in a proxy fashion and resulted in the routing of the Afghani government and the occupation of the country by foreign forces, pending the installation of a new government. Here too, a traditional battlefield victory turned into an insurgency while the entire international community confronts the need for a 'nation-building' exercise in the midst of continued insecurity and unrest.

B. Intrastate wars resist classification

All ongoing intrastate wars are taking place within national borders and they all share the distinction of involving one or more non-state groups. But it is otherwise hard to generalise about them. Some are highly localised but eventually acquire international and sometimes transnational characteristics in their dynamics and consequences. Others remain bottled up and hidden from international scrutiny, and without external engagement they generate hardship, suffering, and death over decades. Some countries (Afghanistan and Iraq) endure occupation by foreign troops. Others (Sudan's neighbours) face large-scale refugee inflows. Still others provoke the incursion of combatants from neighbouring territories (Cote d'Ivoire, DRC). Diasporas often contribute money and arms (Sri Lanka). In truth, the classification between intrastate and interstate warfare has become blurred.⁸⁰

Management of contemporary intrastate armed conflict cannot rely on general precepts, given the wide range of situations, the multiplicity of causal factors, and their complex interplay (Dwan and Holmqvist, 2005).⁸¹ Typically, many rebel groups are involved (Burundi, Colombia, Indonesia, Sudan), whose agendas tend to differ and may not conform to the grievances that the rebels articulate. War tactics are diverse. They tend to cause more casualties among civilians than among combatants (including indirectly, through disease and hunger) and there is often no difference in the kinds of outrages committed by rebel groups and government special forces.

The extent of cross-border impact varies. It has been high in the successor states of former Yugoslavia, in the African Great Lakes Region, and in West Africa but relatively confined elsewhere (Algeria, Colombia, Myanmar, Su-

⁸⁰ Casualties in ongoing armed conflicts have been the largest in Algeria, Colombia, Russia, Sri Lanka, and Sudan (total deaths in the 40,000-70,000 range) followed by India, Myanmar, Peru, the Philippines, and Turkey (20,000-40,000 deaths) and by Burundi, Iraq, Israel, Nepal, Rwanda, and Uganda (up to 20,000 deaths).

⁸¹ Though every complex human emergency is unique, common challenges and constraints recur. The specificities of context should not be an excuse for repeating the same mistakes, nor should they stand in the way of using theory to illuminate practice.

dan, and Turkey). Even though their direct impact on regional and global security may be limited, most intrastate wars have destabilising international dimensions in the form of smuggling, infiltration, refugee flows, environmental stress, and the general lawlessness that results from warfare.

The new strategic focus on intrastate wars has major implications for Western military policy. Expeditionary operations are gradually becoming a significant part of NATO's role. The transformation has been incremental, given the opposition of some members to a major shift away from NATO's traditional territorial defensive posture. But NATO intervened in Kosovo, its high-readiness response force is now operational, and it has assumed command of a significant share of security assistance operations in Afghanistan. The division of labour between nationally led troops, NATO, and the European Union remains unclear. For a long time to come, it is likely that the arrangements for coordination between NATO and the EU (and hence between defence forces, counter-terrorism units, and humanitarian action) will need to be designed on a case-by-case basis.

Poverty and conflict go together

Recent policy research about poverty and conflict confirms that security and development are two sides of the same coin. While development has always been viewed as dependent on adequate security conditions, there is evidence of a two-way causality (Stewart, 2004).

First, security facilitates development: insecurity reduces a country's growth, exports, consumption, calorie consumption, government revenue (although not always), and the propensity to invest. Second, development helps to achieve security, certainly in the long run. In the short run, economic growth may generate local disruption or expectations that cannot be satisfied quickly enough, thus creating its own instability; rapid economic growth from a low baseline has to be handled carefully to avoid a security backlash.

Available research confirms that in the long run, development helps to achieve security. For any individual country the best predictors of internal conflict are low average incomes, low growth, and high dependence on primary products. When a country's income per person doubles, the risk of civil war is halved. Economies in conflict grow 1-2 percent more slowly than economies at peace. For each additional percentage point of growth, the risk of conflict falls by a point.

In other words, common distinct variables make up the security and development equations. Civil strife and conflict are associated with decline/stagnation in per capita incomes, low life expectancy, horizontal inequality (income inequality among regions and groups), vertical inequality (inequality within the same identity group), poverty, reduced government revenue, cuts in social spending, lack of political participation, weak over-

sight over natural resources, and tolerance of illegal activities. The numerous feedback loops create vicious (though sometimes virtuous) cycles. The links are complex and hard to disentangle at both the micro and macro levels. They exist at both ends of the results chain—goals as well as means. Development and security are inputs as well as outputs.

At the aggregate level, there is a strong and robust statistical correlation between violent conflict and poverty, as well as between violent conflict and poor growth performance. Research shows that the per capita income of a conflict-affected country is only one-third that of a peaceful country. A country with an income of USD 4,000 per capita is three times less likely to be affected by a new conflict than is a country with USD 1,000 per capita. A country with a -6 percent growth rate is twice as prone to conflict as a country with a +6 percent growth rate. From this perspective, traditional growth-oriented prescriptions are antidotes to conflict. Out of 20 countries with the lowest human development index values in 2002, 16 were in conflict or just emerging from conflict.

We do not know for sure why these relationships hold or how non-economic factors intervene to explain the poverty-conflict linkage. But the evidence that conflict prevention should have top priority is strong. On average the cost of a civil war is two and a half times the value of the country's GDP at the time the conflict starts. Just as wars create poverty, negative income shocks matter to security: it has been estimated that a 5 percent negative income shock raises a country's risk of civil war by 50 percent. Yet another reason why poverty and conflict are linked is that poor states tend to be weak states that are more vulnerable to takeover, and hence more likely to be attacked by neighbours and/or captured by insurgents.

As discussed more fully in Chapter 4, these relationships mean that in aid strategies focused on fragile states, the building of state capacity should have pride of place. Sound and equitable economic management is important in these states, since failed economic strategies can lead to conflict. In turn, conflict may weaken the resolve of the state to adopt the demanding measures required to rekindle growth. Broadly based development, focusing on reducing group and regional inequities, should be the goal, since rapid increases in horizontal inequality are much more likely to induce conflict than are inequalities within the same identity group. Provision of health services is also critical, since infectious disease may affect a society's most productive elements and increase its vulnerability to conflict. In turn, conflict may spread the disease and increase poverty.

Breaking the iron triangle of poverty, state failure, and conflict

There is no single explanation for the poverty-conflict linkage. Variable combinations of poor economic management, weak governance, demographic pressure, environmental stress, natural resource dependence, and unequal de-

velopment patterns make up an iron triangle that links poverty, state failure, and conflict. Exogenous factors and human agency also intervene.

As a result, civil conflict often explodes as the result of entirely local tensions and escalates with unintended consequences. Weak governments do not, or more precisely cannot, respond appropriately to local instabilities so that violence often escalates within weak societies simply because there is nothing to stop it. Such violence may also institutionalise itself within a society as aspiring leaders bid for a constituency—whether a regional, ethnic, religious, or socioeconomic group—by heightening local grievances to the point that they become political fissures in the national social fabric.

The process of disintegration in Lebanon or in the former Yugoslavia, as Woodward (1995) demonstrates, followed this latter logic to create a dynamic of violence that could not be halted by any of the forces within society (and was not addressed early or powerfully enough by the international forces outside). In a different context, and even in the midst of an international occupation, a similar dynamic of disintegration may be starting to take hold in Iraq, where severe economic dislocation and a protracted political vacuum is increasingly filled by local politicians bidding for constituencies while violent local flare-ups take on a momentum of their own.

Past development interventions have not been sufficiently attuned to such context-specific risks. A deliberate reorientation of the development enterprise towards security would reflect hard-won lessons of experience. Tailor-made conflict-sensitive country strategies are needed to address the most relevant structural obstacles to security and development. Without such strategies, reorientation of security and development policies will not be translated into results on the ground. From this perspective, it is unfortunate that world leaders did not include early warning and conflict prevention in the remit of the Peacebuilding Commission.

At the level of individual projects funded by aid, under pressure from advocacy groups, the development community has adopted social and environmental safeguards to mitigate social and environmental costs. But broader support for domestic policy reform and capacity building geared to the protection of local communities and weaker elements of society has lagged. In particular, progress in mainstreaming gender considerations within development strategies has been slow and the rights of indigenous peoples and minorities have been given short shrift in the design of development programmes and policies.

Economic policy tends to be neglected during and soon after a conflict, with significant consequences for growth (Staines, 2005). Policy performance starts to deteriorate soon after a conflict starts and this worsens the negative impact of conflict itself on the economy. After a conflict, good policy performance can yield very rich dividends. Conflict is often sustained by vested interests that capture scarce national resources at the expense of the common people, thus feeding grievances among deprived groups and con-

tributing to the cycle of violence. Hence, in peace settlements, power-sharing arrangements that favour narrow interests ought to be discouraged, and during the reconstruction phase broadly based economic strategies should be put in place as soon as possible (Addison, 2003).

C. Terrorism can be tackled through democratic means

Terrorism has diverse and complex causes and a long history. Given data and definitional problems, no resilient trend can be ascertained with respect to international terrorist incidents, but a recent report by the US National Counterterrorism Center (2005) confirms that terrorism is diverse and that most international terrorist incidents are small in scale and take place in developing countries.⁸² In the first half of 2004, for example, India accounted for 47 percent and Iraq for 31 percent of 283 incidents; by contrast, OECD countries accounted for five, or fewer than two percent. Out of 651 significant incidents in the whole of 2004 (involving 9,321 victims), only 64 involved a US citizen and/or a US facility (103 US victims). South Asia and the Near East together accounted for 597 attacks and 5,194 victims.⁸³

Pape (2005) has compiled a database of every suicide bombing and attack around the globe from 1980 to 2003 (315 in all) and found that the connection with religious fundamentalism is less pronounced than commonly believed. Most of the suicide bombings (96 percent) took place as part of organised political or military campaigns. Democracies (France, India, Israel, Russia, Sri Lanka, Turkey, United States) were the main targets. The attacks were invariably directed at a strategic objective and geared at establishing political self-determination, and they usually involved resistance to a military presence.

Of course, religion is used to recruit and motivate terrorist bombers. Except for radical leftist or Maoist groups active in Colombia, Nepal, and Turkey, most terrorist groups that claim responsibility for attacks listed by the US National Counterterrorism Center are Islamic militants (for example, the Taliban in Afghanistan, Al Qaeda in Saudi Arabia and Spain, Al Qsa and Hamas in Israel, and a variety of *jihadi* groups in Kashmir). The *jihadi*s use tactics that

⁸² According to the *Washington Post* (May 1, 2005), tighter border security and counter-terrorism efforts may be yielding results. While the US homeland security system remains vulnerable (e.g. sea ports, chemical plants, nuclear plants, etc.), intelligence officials report that credible terrorist threats against the United States, while still 'elevated', are 25-50 percent fewer than they were over the past two years.

⁸³ Definitions of terrorist attacks are to some extent arbitrary. According to the *Financial Times* (July 6, 2005), the Bush administration has released new figures for global terrorism. Whereas in April, the US State Department had reported 651 'international' terrorism incidents for 2004, using a broader definition—to include attacks that 'deliberately hit civilians or non-combatants'—the National Counterterrorism Center has raised the number to 3,192 for the same year. The incidents resulted in deaths, injuries, or kidnappings of almost 28,500 people.

make military deterrence impractical. They rely on a network of private donors. Their suicide bombings and kidnappings are modest in cost; even the 9/11 attacks are not estimated to have cost more than USD 500,000 in total, and the Madrid bombing to have cost less than a tenth of that. Their shadowy, diffuse, and decentralised organisational structure is resilient. Their movement—in reality a shifting network of networks—can survive the death or the capture of individual cadres given the vast pool of idle, discontented, motivated, and educated youths ready to serve the *jihadi* cause.

Terrorism is as old as warfare itself. Some terrorism has had significant impacts on domestic society in provoking governmental responses that have served to change the course of national politics, for both good and bad. But no terrorist campaign until now can be said to have significantly affected the international system as such. The present terrorist phenomenon does have this potential impact, however, partly because it has shown itself able to tap into a growing wellspring of anti-Western sentiment around the world, and also because it has provoked the sole superpower—a major pillar of the international system—into a war mentality.⁸⁴

Current terrorism must also be seen in a different light because the ambitions of *jihadi* terrorism unite an aspiration to global revolution with the prospects of political chaos generated by failing states and the possibility of access to technologies of mass destruction. The chances of terrorists getting hold of a functioning nuclear device or a highly destructive chemical or biological weapon are not great. But they continue to strive to secure these weapons or their constituent elements. Even if the destruction caused were less than is popularly imagined, attacks on urban centres involving a weapon of mass destruction would certainly have a powerful psychological effect on Western societies.

Following the same logic, *jihadi* terrorists constantly search for novel ways, many of them low-tech, of wreaking destruction and causing panic. If they can use the inherent openness, and the day-to-day routines and technologies, of Western societies to perpetrate panic, then so much the better for their cause. And though the statistical incidence of successful terrorist attacks of this sort against Western society is much lower than that of terrorist attacks within warring societies such as the territories of the Arab-Israeli dispute, Algeria, Iraq, Chechnya, or Turkey, they have nevertheless created a spectre of potentially destabilising terror that deserves to be regarded as new and different from previous strands of terrorist behaviour.

⁸⁴ While Al Qaeda had targeted US interests in Yemen (1992), New York (1993), Somalia (1995), and Saudi Arabia (1996), the United States did not declare 'war on terror' until the spectacular terrorist hits on New York and Washington. Since then, there has been no significant terrorist incident on the US mainland, so that the impact of 9/11 on the popular mood is waning. While a policy legacy remains, 'search and destroy' tactics are beginning to be complemented by 'transformational' diplomacy and increased support to fragile states.

Towards a balanced anti-terrorism strategy

Economic and political grievances matter in the fight against terrorism. If terrorism is to be successfully contained and its political salience reduced to traditional levels where it is not regarded as a threat to international stability, then intelligence and policing must be combined with a positive policy towards developing countries: a 'hearts and minds' campaign carried out on a global scale through development cooperation and democracy promotion.

The Iraq military intervention has its own separate origins and may not presage future actions along similar lines. But it is likely to fuel more terrorist attacks as veterans of the ongoing insurgency export their techniques to soft targets outside Iraq. A long twilight struggle lies in store as long as the industrial democracies maintain troops and military installations in fragile states run by governments that lack popular support and in territories that terrorists consider their homeland (Tertrais, 2005).

Though the impact of modernity on the rigid societies and stagnant economies of the Middle East has been destabilising (Zakaria, 2002)⁸⁵, the current root cause of Islamic terrorism is more political than cultural or economic. More than half the population of the Middle East is less than 25 years old. Thousands of young people lack jobs and find no productive outlets for their energies. They are frustrated by the lack of political participation and the vast disparities in wealth and power in their societies. They are disoriented by the alien and hedonistic lifestyles of the West displayed by the mass media. They feel humiliated by the economic and military dominance of Israel and express outrage at the plight of the Palestinians. No wonder then that some of them seek solace in extreme forms of religious fundamentalism and (following systematic indoctrination) are willing to sacrifice their lives for their faith and the lofty dream of Islamic resurgence.^{86,87}

Terror spreads where domestic political grievances are left unattended. Struggles for national identity or regional autonomy have always used terror. They are doing so in Afghanistan, Chechnya, Iraq, Kashmir, Pakistan, Saudi Arabia, Sudan, and the West Bank. To be sure, the strong military responses triggered by 9/11, the brutal treatment of prisoners, and the discriminatory

⁸⁵ In 2003, according to the Annual Report on Conflict by the Institute for International Conflict Research at University of Heidelberg, 17 of the world's 36 high-intensity conflicts involved member states of the Islamic Conference, of which 7 are in the Arab League. Out of 19 major conflicts listed by the Stockholm International Peace Research Institute (SIPRI), eight involve members of the Islamic Conference, of which four are in the Arab League.

⁸⁶ According to the Pew Research Centre Global Attitudes Project for 2002, the median of positive responses to the question of whether suicide terrorism against civilians in defence of Islam can be justified was about a third of Muslim respondents from 12 countries. See Harris (2005).

⁸⁷ The reduction of suicide bombings in Israel has required extraordinary measures that have taken a heavy toll on the welfare of a majority of Palestinians.

treatment of West Asian immigrants and Muslims have encouraged the spread of radical Islam. Al Qaeda leaders have made it clear that their goal is to expel foreign forces from all Muslim lands, take power in Arab states now aligned with the West, and ultimately spread their brand of the Islamic faith throughout the world.⁸⁸ Such ambitions constitute a goal of world revolution, not for a twentieth century ideological revival (for which Western nations have been psychologically well prepared) but for a twenty-first century religious revival (for which they have not).

Leaders in the West as well as the Middle East describe the Al Qaeda movement as a fanatical strain of religious extremism. Yet, radical Islamists justify suicide bombing as the only effective way to resist.⁸⁹ Whereas the West should be exploiting the fault lines among disparate terrorist movements around the world and seeking alliances with moderate leaders in Islamic communities, the rhetoric of the global war on terrorism has conflated all terrorist threats into a single adversary, thus playing into the hands of those who seek to promote a global struggle against the West (Barkawi, 2004). The United States is unlikely to mount another military intervention as a counter-terrorism measure but Iraq is already serving as a training ground and an indoctrination centre for *ihadists* around the world.

The international legal issues raised by terrorism should be settled

Whatever the root causes of terrorism (and a strong case can be made that a fair solution to the Israeli-Palestinian conflict, the gradual democratisation of the Middle East, and the accession of Turkey to the European Union would do much to reduce the appeal of radical Islam), the development of a cogent anti-terrorism policy in OECD countries has emerged as a prerequisite of peacemaking in our times. To be sure, the perception of international terrorism as a clear and present danger to the security of industrial countries will gradually fade if these countries are spared periodic attacks. But this seems

⁸⁸ The Afghanistan and Iraq wars are in part the consequence of failed policies in the region. During the 1950s the United States helped to overthrow the nationalist Mossadeq government in Iran. In 1980, Arab states and Russia encouraged Iraq to invade Iran. Following the first Gulf war the victorious coalition imposed sanctions that had serious humanitarian consequences. Next, the United States and its Arab allies provided funds and arms to radical Islamists to defeat the Soviet Union in Afghanistan. They also failed to stop meddling by neighbours after the Soviets withdrew and did not provide major economic assistance, thus laying the foundation for the Taliban takeover.

⁸⁹ Suicide as a military strategy has long history. The current revulsion of Westerners towards suicide bombings in Iraq (60-70 a month) resembles the horrified reaction to the martyrdom of early Christians in pagan Rome. Japan and the Soviet Union used suicide missions to destroy enemy targets in World War II. The Tamil Tigers perfected the technique for political assassinations. There have been 1,000 suicides to bear witness to a cause since the immolation of a Buddhist monk in Vietnam in 1963. See Bunting (2005).

increasingly unlikely, so that the voting public is likely to insist on further security and retaliatory measures that could lead to an endless spiral of violence—unless strong and enlightened leadership that respects the very democratic norms that are challenged by the terrorists comes into play.

After decades of wrangling among international lawyers and diplomats about the meaning of terrorism, the United Nations Secretary-General delivered an authoritative definition in his *In Larger Freedom* report (UN, 2005): 'Any action...intended to cause death or serious bodily harm to civilians or non-combatants with the purpose of intimidating a population or compelling a government or an international organisation to do or abstain from doing any act.'⁹⁰ Based on the UN Secretary-General's proposals, attacks on civilians should henceforth be viewed as illegitimate by the international community always, everywhere, and by anyone, even in support of a just cause.

Thus, the targeting of civilians (for example through suicide bombing) would not be considered legally justified even if done by stateless peoples with legitimate grievances or by national minorities seeking secession from an oppressive regime. Already, the resort to and use of force by states is regulated under international conventions under which states cannot legitimately target civilians. But the lack of agreement on a definition of terrorism at the September 2005 UN summit reflects widespread anger at the numerous civilian casualties that state power is actually inflicting within occupied lands.

Democratic countries can fight terrorism and remain democratic

If militant groups are prevented from launching major attacks using biological, chemical, radiological, or even nuclear weapons, the threat of terrorism may gradually cease to dominate international security policy. But success will require patience and a change in tactics towards those that were recommended by the Club of Madrid in March 2005.⁹¹

⁹⁰ He thereby endorsed the definition of terrorism proposed by the United Nations High-level Panel on Threats, Challenges, and Change in December 2004: 'Any action, in addition to actions already specified by the existing conventions on aspects of terrorism, the Geneva Conventions and Security Council resolution 1566 (2004) that is intended to cause death or serious bodily harm to civilians and non-combatants, when the purpose of such an act, by its nature or context, is to intimidate a population, or to compel a government or an international organisation to do or to abstain from doing any act.'

⁹¹ On March 11, 2004, an international terrorist network caused ten bombs to explode in four trains during the Madrid rush hour. Almost 200 persons died and 2,000 were injured. On the first anniversary of this traumatic attack, a comprehensive plan of action to confront terrorism emerged from a conference in Madrid that brought together 57 current and former heads of state, 250 leading experts, official delegations from 40 countries, and heads of inter-governmental and international organisations.

First, the Club of Madrid meeting endorsed the same definition of terrorism proposed by the United Nations High-level Panel and espoused by the UN Secretary-General. It urged zero tolerance for terrorism and the ratification and implementation of all anti-terrorism-related conventions by all states, as well as the speedy completion of a Comprehensive Convention on International Terrorism. It concluded that coercive or repressive counter-terrorism actions, even if successful in the short run, may alienate the population and create a backlash that increases the risks of terrorist attacks over the medium term.

Second, the Madrid agenda proposed the protection of human rights as the acid test of legitimacy for anti-terrorism activities and posited that democratic principles and values should be observed in all circumstances. Wherever possible, terrorism should be treated as a criminal act to be handled with full respect for the rule of law. Accordingly, human rights laws should be incorporated in all anti-terrorism programmes and policies of national governments and international bodies. A special rapporteur would be appointed who would report to the United Nations Commission on Human Rights on the compatibility of counter-terrorism measures with human rights law.

Third, the Madrid conference highlighted the need for solidarity and cooperation among democracies. The transatlantic rift that had resulted from the American-led campaign in Iraq was a victory for the terrorist networks.⁹² Terrorists tend to target democracies, and the transition to democracy may destabilise a country and make it vulnerable to terrorism in the short run. The Madrid conference concluded that to minimise the risks, democracy assistance programmes should respect local values and cultures and reach beyond support for free and fair elections to emphasise the rights of minorities, the enhancement of capacities in fragile states, the need to strengthen the economic foundations of democracy in poor countries, and the active participation of the civil society, especially women's groups. The establishment of a global citizens' network that would provide early warning of terrorist threats and help to defuse local conflict was also proposed.

Fourth, the Madrid conference warned against explaining terrorism simply in terms of background conditions. As participants recognised, poverty as such is not a cause of terrorism. Nor is globalisation. But both can provide pools of potential support from which determined terrorist groups can draw and in which terrorist acts can be regarded as morally acceptable. Economic

⁹² The rift was the result of different perceptions regarding the justification of military action against a threat that, while not imminent, could turn calamitous with little or no warning. Hence a practical doctrine that empowers the Security Council to deal with the threat in a legal manner that is timely, proportionate, and effective would reduce the risk of unilateral action and allow forcible action against terrorists in conformity with United Nations values and principles.

and social policy should therefore mitigate social exclusion and the impact of disruptive economic change. Hence, the Madrid conference endorsed the implementation of the Millennium Development Goals and the adoption of long-term trade, aid, and investment policies that promote participation and empower marginal groups.

Finally, the Madrid agenda stressed the global nature of the terrorist threat and recommended the establishment of international mechanisms to strengthen and coordinate bilateral, regional, and global law enforcement, intelligence activities, and databases, as well as the systematic interdiction of funding for terrorist networks.⁹³ It recommended the provision of assistance to states that need to build their financial resources and capacity if they are to implement their anti-terrorism obligations. It also called for new mediation and peacekeeping initiatives in conflict-prone societies, a focus on accountability mechanisms for addressing political grievances, and measures to protect against the proliferation of weapons of mass destruction.

In sum, the Madrid meeting confirmed that international terrorism ought to be regarded as a unique and frightening phenomenon that requires special approaches to policing, intelligence, and homeland security. But countering terrorism also requires the same commitment to international cooperation, broadly based development, and state building as does peacemaking. Only far-flung networks of cooperation involving governments, the private sector, and civil society can undermine the effectiveness of terrorist networks and divorce them from their potential bases of public support. Only development can drain the swamp of insecurity and despair within which terrorism flourishes.

D. Proliferation should be reversed

During the Cold War, the balance of terror between the two competing spheres of influence restrained the spread of nuclear weapons. Since then, the demand for these weapons has grown. A black market in nuclear technologies and materials developed through the covert operations of the father of Pakistan's nuclear bomb, A. Q. Khan, and evidence has surfaced about Al Qaeda's efforts to obtain access to nuclear weapons. The disdain of the most powerful states for a rules-based approach to international relations is evident in their attitudes concerning the Nuclear Non-Proliferation Treaty (NPT) and hinders the further agreements that are urgently needed to remedy the treaty's weaknesses.

⁹³ According to Cecilia Wikstrom (*International Herald Tribune*, June 6, 2005), European Union governments remain reluctant to share sensitive intelligence, to coordinate investigations into terrorist crimes, and to support Eurojust, the judicial cooperation agency, in the fight against terrorism.

The NPT has been more successful than most other arms control regimes, and certainly more successful than most analysts expected in the late 1960s. It induced many states to abandon (or mostly not take up) nuclear weapons programmes. But it has now run into difficulty both as a treaty and in respect to the regime-centred approach to arms control it embodies. Unfortunately the recent five-year review of the NPT has failed to produce a consensus on the road ahead. The United Nations Secretary-General, Kofi Annan, has called the failure at the 2005 September summit to agree on a strategy to prevent the spread of nuclear weapons 'a real disgrace'.

To be sure, the number of warheads in the world has dropped from 65,000 to 20,000 and the United States and Russia have agreed to reduce their arsenals to between 1,700 and 2,200 warheads apiece by 2012. However, Russia's massive nuclear stockpiles remain uncertainly secured, and its decommissioning programmes are lagging. And no nuclear state has announced an unequivocal commitment to dismantle its nuclear arsenal.

There is no universal agreement among nuclear states to abjure first use against non-nuclear states, although various declarations point in a positive direction. The comprehensive test ban treaty is no longer honoured. The costly development of a missile shield by the United States has not been shelved and may induce other nations to follow suit. A perception of double standards is palpable given that nuclear states are not honouring their commitment to total nuclear disarmament—which they made in exchange for non-nuclear states' agreement to forsake the development of nuclear weapons.

It is generally believed that some twenty regional powers have now secured or are actively seeking access to chemical weapons, eleven to biological weapons, and six to nuclear weapons. All have the potential industrial infrastructure to pursue credible WMD programmes and produce or operate workable delivery systems. North Korea quit the Nuclear Non-Proliferation Treaty two years ago and it has announced that it is reprocessing more plutonium for its nuclear weapons programme. Iran intends to end its voluntary freeze on uranium enrichment activities and may exit the NPT if ongoing negotiations with Europe fail. The lack of sanctions on some non-NPT members (India, Israel, and Pakistan) and the unwillingness of nuclear states to fulfil their own long-standing obligations to disarm may add to the temptation to withdraw from the NPT. Other nuclear-capable states may be induced to acquire a nuclear capability, especially following the United States' decision to assist India's nuclear programme.

The treaty allows countries to enrich and reprocess nuclear fuel provided they keep the International Atomic Energy Agency (IAEA) informed. Iran has failed to inform IAEA of such activities, which means that action to curb them cannot be taken under the multilateral treaty, leaving unilateral action (or action by a coalition) as the only option. A toughened inspection regime is clearly required since substantial quantities of weapons-grade plutonium

are known to have gone missing, especially in Russia but even in the United Kingdom and Japan.

Of course, national security considerations are likely to drive proliferation, so that the number of states embarking on a nuclear weapons programme may well remain small. The greater risk lies in access by non-state actors, which is not regulated or monitored by the NPT. This risk is hard to measure and is finite, but it is not impossible to visualise and its human and geopolitical consequences could be dramatic.⁹⁴

An ambiguity at the heart of the current regime, explicitly built into the original bargain, is that it guarantees NPT signatories an inalienable right to have access to nuclear technology for peaceful purposes (the founding principle of 'atoms for peace' that underlies IAEA) and it also allows them to withdraw from the treaty after 90 days, without having to return equipment or fuel enriched under the provisions of NPT membership. Lack of progress on how to identify violations and penalise the violators compounds the risks of non-compliance. The worthwhile suggestion by the International Atomic Energy Agency during the May 2005 non-proliferation treaty review, that *all* states should forgo new enrichment activities until a foolproof inspection regime is in place, was not endorsed.

The miniaturisation and modernisation of nuclear weapons as a way of countering other threats such as biochemical warfare may also weaken the taboo against their use and erode existing psychological barriers to proliferation. The High-level-Panel Report on Threats, Challenges, and Change (UN, 2004) makes a number of detailed proposals to address these deficiencies in the current regime, but it is not yet clear whether the UN member states will be prepared to implement any or all of them, as they consider in a broad package the future of the organisation. Thus, many obstacles stand in the way of nuclear non-proliferation 35 years after the international community agreed to promote it (Box 12).

Proliferation of *chemical and biological weapons*, too, poses serious risks of large-scale casualties. With more than 6,000 chemical facilities worldwide, chemical agents are in abundant supply and relatively easy to obtain. The deadline for complete destruction of 70,000 tons of declared chemical weapons agents under the Chemical Weapons Convention has been post-

⁹⁴ 'If terrorists do get their hands on nuclear weapons, the most momentous result will not be the death of hundreds of thousands of innocent people. It will be the fact that all the democracies will have to place themselves on a war footing. The measures their governments will consider it necessary to impose are likely to bring about the end of many of the socio-political institutions that emerged in Europe and North America in the two centuries since the bourgeois revolutions. They may return the West to something like feudalism.' Rorty, 2004. Access to chemical weapons and dangerous precursor chemicals is far more prevalent and represents a significant threat in areas of instability and state fragility, but the destructive impact of chemical warfare would not be as great.

Box 12. Reversing nuclear proliferation

The 1970 Nuclear Non-Proliferation Treaty (NPT) combined an undertaking by non-nuclear ratifying countries not to develop nuclear weapons with an agreement by the five 'declared' states that possess nuclear weapons (US, UK, France, the Soviet Union, and China) to provide non-nuclear states with access to nuclear technologies for peaceful purposes and to pursue negotiations in good faith on general and complete disarmament. The only countries that have acquired nuclear weapons since (India, Pakistan, almost certainly Israel and probably North Korea currently stand outside of the treaty and are therefore not subject to international safeguards and inspection. They are not even defined as 'nuclear powers'—a term reserved for countries that exploded a nuclear device before 1967.

The NPT signatories are allowed to build the capacity to enrich uranium and reprocess plutonium that can be used both to generate nuclear power and to manufacture nuclear bombs. No incentives or penalties have been agreed to encourage restraint. Therefore, Iran is exploiting the loophole and Taiwan, Egypt, and South Korea could follow suit. Nuclear disarmament and non-proliferation must go together. The goal of general disarmament by the nuclear states has proven elusive. More than 30,000 nuclear weapons remain in their arsenals. A New Agenda Coalition has brought together Brazil, Egypt, Ireland, Mexico, New Zealand, Slovenia, South Africa, and Sweden. It aims to encourage nuclear weapon states to proceed towards disarmament.

The United States has not ratified the 1996 Comprehensive Test Ban treaty. It has turned its back on the 1972 Anti-Ballistic Missile Treaty and it has announced its intention to develop ballistic missile defence and new tactical nuclear weapons. Its executive branch is seeking congressional approval for the development and testing of a new generation of 'cleaner' and smaller nuclear weapons. This stance is generating incentives for other states to join the nuclear club and develop other unconventional weapons of mass destruction. On the positive side of the ledger, Libya abandoned its clandestine programme in 2004 and the United States has sought to strengthen the enforcement of measures designed to deprive non-nuclear states of the option of developing nuclear weapons, including export controls and vessel interdiction on the high seas. A Proliferation Security Initiative led by the United States and comprising 15 'core' countries and 60 collaborating countries has engaged in search and seizure of vessels carrying weapons of mass destruction, missiles, and related technology.

Source: Byers, 2005.

poned till 2012 and the extended deadline is unlikely to be met. Similarly, research facilities capable of producing biological weapons are numerous and cannot be readily identified. Evidence exists that terrorist cells have had ready access to ricin, a biological toxin, one gram of which could produce fatalities that would rival those of a nuclear explosion. Nor do obstacles exist to the use of new DNA technologies to design new diseases or revive eradicated diseases in forms that will resist treatment (Pearson and Dando, 2005).

The consensus of expert opinion is that a multi-layered web of assurance is needed to protect the public from the dire risks posed by chemical and biological weapons. Existing international and national regimes should be strengthened to totally prohibit production and use and provide verification. Control measures should be instituted nationally and internationally to address handling, use, storage, and transfer of dangerous pathogens and chemicals. Protective measures spanning civilian and public health defences should be strengthened to ensure preparedness, detection, diagnosis, and medical support. Finally, enforcement through diplomatic actions, sanctions, and interventions should be provided for under the aegis of the Security Council.⁹⁵

E. Implications for security policy

Frail and failed states

Frail and failed states are at the top of the international security agenda for at least three reasons:

- Fragmenting or collapsing states provoke local insecurity and create pressures for external intervention, whether for national gain, regional competition, or reasons of conscience. Not all such states have attracted international intervention. Yet the overall pattern of the last 15 years indicates increasingly powerful inducements for external intervention, albeit for diverse and sometimes confused (and confusing) reasons.
- Though terrorists have often concealed their operations within relatively strong states (Afghanistan, Iran, Northern Sudan, Saudi Arabia as well as OECD countries), frail and failed states (such as Somalia) have been used as safe havens, transit facilities, and recruitment platforms.
- Frail and failed states offer fertile ground for promoting anti-Western resentment and extremist ideology. With their wellsprings of angry resentment, particularly among the young, they can be used as exemplars of failed Western economic and social policies. Ignoring them involves risks of instability.

⁹⁵ United Nations Security Council Resolution 1540 was designed to create a mandatory international regime to keep weapons of mass destruction out of unauthorised hands. But it remains very preliminary and has been sufficiently controversial to prevent it being a major step, so far, towards a new international regime.

Reconsidering coercion

The military establishment and the security policies of the United States, while in flux, are still shaped by the experience of World War II and the Cold War, when the overarching objective was to defeat hostile ideologies. This meant deterring, pre-empting, or preventing other states from challenging US military primacy. By now, given its mastery of modern technology and the awesome destructive capacity of its forces, the United States is without rivals in military might.

But, as stressed above, among the major new threats to international stability are the consequences of intranational wars and the activities of non-state actors. The latter disdain the rules of traditional warfare (Byman and Waxman, 2002) and react in unpredictable, unconventional, and brutal ways in order to sap morale and spread fear. They do not respect neutrality protocols. They deny their adversaries visible military targets and exploit the restrictive rules of engagement of states that are intent on minimising civilian casualties. They evade capture by mingling with non-combatants, use women and children as human shields, and take refuge in churches, mosques, and cemeteries. They use violence to intimidate reporters, diplomats, and aid workers. Against them, the threat of brute force is not particularly effective.

For non-state actors, sustaining opposition until public opinion tires of the financial and human costs of coercion can be a winning strategy. Insurgents are adept at eroding support for military intervention by denouncing foreign intervention, showing resilience in the face of adversity, and appealing to the peace-loving public. Since they have no incentive to protect civilians or to spare the national infrastructure, they deliberately blur the distinction between combatants and non-combatants and are keen to provoke counter-attacks that cause collateral damage. The resulting destruction and the associated civilian tragedies are then used to manipulate public opinion and undermine the legitimacy of military responses. These tactics are deliberately designed to reduce the value of military assets.⁹⁶

Conventional military forces still have a role to play towards hostile states intent on challenging the United States and its allies on matters of vital interest. In principle, the sheer scale of the damage that nuclear weapons could inflict and the potential readiness of an authoritarian regime such as North Korea to suffer large-scale casualties may restrict the capacity of the United States to turn its massive capability advantage into actual influence. But the main limits of coercion are those that would arise should non-state actors prove able to add weapons of mass destruction to their terrorist arsenal or

⁹⁶ The Iraq war and its aftermath demonstrate the deadly impact of asymmetrical tactics as well as their disproportionate impact on local security forces and civilians. While the United States coalition has incurred about 1,800 military deaths, Iraqi security forces have lost 3,600 men and Iraqi civilian deaths are about 21,000-24,000. *Washington Post*. May 1, 2005.

should a nuclear state fall prey to a radical ideology hostile to Western interests.

Emphasising conflict resolution

New mechanisms for resolving human conflict appeared when the development of nuclear weapons threatened human survival and multidisciplinary research groups discovered common elements in the conflicts that arise among individuals, families, and communities, and in industrial relations, national politics, and international relations. The introduction of mediation techniques that had made their mark in labour relations and community affairs to the diplomatic and security arenas encountered stiff resistance at first but by the 1980s, the new ideas were achieving some success in Northern Ireland and South Africa. The new specialist field came of age after the dissolution of the Soviet Union, when the historic ideological contest subsided and left room for intranational struggles aiming at state capture, secession, ethnic dominance, or looting of natural resources for personal gain.

Just as entrepreneurs of violence occupied themselves in dislocating weak states, voluntary organisations and foundations (such as the Carter Centre, Nyerere Foundation, and International Alert) sprang up to apply a wide range of conflict mediation and resolution techniques. Since then, controversy has swirled around the impact of such initiatives. Does the involvement of voluntary organisations undermine diplomatic and military efforts? Does neutral intervention prolong conflict through moral hazard (for example by enhancing the legitimacy of warlords, drug kingpins, war criminals, and terrorists)? Does it promote moral relativism by failing to take sides in an unjust contest that victimises the weak? Does it favour the strong and help perpetuate inequality and oppression? Are theories and techniques that were forged during the Cold War relevant to the post-Cold War era?

On the one hand, conflict resolution has limits since it does not address root causes. On the other, it has become a vital instrument of peacemaking in governance environments where state sovereignty has broken down, social bonds have dissolved, and violence has become decentralised and privatised (Miall and others, 1999). In such contexts, conflict has many sources and responses are required at various levels. High-level negotiations with top leaders are now combined with problem-solving events at the middle level and training interactions at the grassroots. Force itself may have a role to play, for example as part of a peace support operation designed to stop ethnic cleansing or genocide or to counter the sabotaging of a peace settlement.

A multi-track approach is required. It needs to involve the United Nations, aid agencies, and international financial institutions as well as international NGOs, church groups, and private businesses. The approach should use such tools and techniques as constituency building within the contending groups, involvement of indigenous champions of peaceful solutions

(many of whom are women), and coalitions between external third parties and peacemaking parties embedded within the local culture. Simultaneous action is needed within and outside the country since diasporas are usually involved on one side or the other, outside governments may be covert or overt parties to the conflict, and local peacemakers are often connected to international advocacy or church groups.

Promoting inclusion

European powers have used robust military force to hold on to their empires, but their own experience of horrific industrial warfare has made them averse to military solutions to international disagreements.⁹⁷ The European Union idea is grounded in shared values and the promise of inclusion in a community of nations that protects the safety of its citizens, combines pluralism with tolerance, renounces violence as a way of settling disputes, and delivers economic growth to its citizens. The broad popular appeal of this vision has acted as a powerful incentive for adjoining countries to adopt democratic reforms and market-based policies.

Of course, this foreign policy stance has been made possible by the security guarantees offered by the United States. Europe has yet to develop its own defence shield against the use of force by hostile powers. It has only begun to plan, deploy, and test shared European capacities for security and defence. The main focus of these shared capacities has been on peacekeeping missions, where 50,000 troops have been deployed in support of a common security strategy that aims at securing Europe in a better world. The transformation of military establishments into nimble instruments of warfare able to project European power over distant theatres of war is still at an early stage. Integrated crisis management capacities, including intelligence support and logistics, are still embryonic. So is the pooling of resources for research and development and the standardisation of weapons and systems across European nations.

More advanced is Europe's 'soft power' arsenal, built out of the extraordinary human suffering of two world wars. This emphasises market-friendly and people-friendly economics, greater freedom of movement of people and goods, and a readiness to impose limits on national sovereignty to facilitate international cooperation. The translation of power into influence ('compellence') requires the combined use of 'carrots and sticks'. Despite its growing

⁹⁷ According to Stokes (2005), from a 2004 German Marshall Plan Fund poll, one in three Americans believe that the West should threaten Teheran with military action to thwart its nuclear ambitions, whereas only one in eight citizens of France and one in sixteen citizens of Germany support such an approach.

pains and the democracy gap implicit in its governance structure, the European Union has embodied a compelling post-modern vision of political governance.

Geographical, cultural, and political obstacles are hindering the further expansion of the European commonwealth, but might be overcome as electorates realise the enormous security value of a broader union. Such a union may eventually resort to thresholds of rights and obligations for different categories of members (as in the case of the euro, which some EU members have not adopted).

Leadership by example and a proven ability to carry out state building through advice, suasion, and the magnet of membership would help to maintain Europe's edge in foreign policy. Many of Europe's new Eastern neighbours have not fared well following the transition from the plan to the market. Their industries have collapsed. Their standards of living are low. Many are managed by oligarchies. They pose security risks to the EU, given porous borders and the prevalence of criminal networks. Further enlargement of the EU would be an effective way to promote institutional change within them and to protect EU security.

In any event, strong links with these countries should be nurtured across a variety of economic and cultural domains. In addition, the EU should define a mutually beneficial strategic partnership with Russia that facilitates constructive engagement with shared neighbours. Special emphasis should be given to conflict prevention and mediation (for example in Moldova). Security sector reform, which has not been a focus of European Community cooperation thus far, should become a privileged vector of engagement. Benign neglect is not a useful approach even for such difficult partners as Belarus; an imaginative approach that mixes positive and negative incentives should be designed. Intensified relationships with South Caucasus countries (for example with a Black Sea dimension) should be explored (Lynch, 2005).

Beyond the near-abroad, systematic use of trade, investment, and aid instruments would favour regional and sub-regional coalitions and reduce the risks of conflict. Proactive support for regional bodies, say in the Mediterranean region, would sow the seeds of collaboration in support of economic cooperation and collective security. Thus, like-minded developing nations would translate their yearning for peace and stability into concrete collaborative initiatives across borders, including encouragement of foreign direct investment, support for civil society organisations, research institutes, and environmental initiatives.

In this way, the European Union would help fragile states to build their capacities towards achieving a more democratic future, and to improve their economic prospects through economic reform. In support of such strategies, soft power instruments such as information sharing, cultural exchanges, people-to-people contacts, and involvement of diasporas would be brought to bear along with aid. But much remains to be done to translate such a Euro-

pean vision of peaceful inclusion into specific policies that tap synergies between security and development

In the final analysis, the highest security priority for Europe's neighbours may be Europe's readiness and capacity to provide security for countries victimised by intrastate conflicts: the crises previously faced in the Balkans, the tragedy of Darfur, and the travails of the United Nations in the Democratic Republic of the Congo show that, at least in the short and medium term, global and regional security organisations are unlikely to shoulder the full burdens of peacekeeping unless Europe and the United States team up to provide military and financial support.

Dealing with the terrorist menace

Evidence is growing that the structural impact of the 9/11 attacks on the international order may be smaller than originally feared. However, international terrorism does require a concerted and well-considered global response because it is a telling symptom of global disorder. Other consequences, such as far deadlier international crime than experienced so far, could materialise. As a specific security challenge, the success of terrorism depends in large part on whether or not it succeeds in amplifying fear and causing changes in government behaviour that can be used to spread anti-Western sentiment and to foster division among the industrial democracies. As a telltale sign of things to come, on the other hand, it provides important and disturbing evidence of the deeper malaise that characterises the current international security and development environment.

Addressing proliferation

As noted above, the fundamental weakness of the Nuclear Non-Proliferation Treaty is that it addresses arms control from the state-centric perspective of the 1960s, whereas current concerns regarding nuclear proliferation are a mixture of state and non-state concerns. To sustain the success of the regime-centred approach, the treaty needs to be buttressed by collective security measures that deal with non-state actors.

Fragile states are a genuine problem in the proliferation picture for at least three reasons. First, fragile statehood creates regime instability in areas that are subject to proliferation pressures, notably South Asia, Central Asia, and the Middle East. Second, state failure, if ignored by the world community, increases the incentives for regional powers to pursue major weapons programmes, so as to compensate for the lack of reliable security guarantees that the Cold War era had provided. Third, in areas where nuclear technologies are available, state fragility increases the risk of nuclear devices falling into the hands of determined terrorists. The destructive potential of this possibility is so large that the risk must be considered with the utmost seriousness.

So far, the problem of nuclear leakage, and leakage of other elements of WMD, has been dealt with largely through a series of essentially bilateral or trilateral initiatives, such as those between the US and Russia or Ukraine.

The European dimension

The new global politics are shaped by a lone superpower, a few primary regional powers, several secondary regional powers, and a growing number of minor but largely autonomous local powers. The European Union is committed to effective multilateralism and a rule-based international order and therefore seeks to constrain the unilateral predilections of the United States. It favours multiple decision-making structures and diversified networks of influence that can aid the resolution of specific regional security dilemmas. Thus, it adopts flexible and at times competitive relationships among global and regional organisations.

In this evolving context, regional and sub-regional cooperation among states that share economic interests and cultural values offers major scope for improved collective security. As the largest and most successful regional player, the European Union is well placed to share in the responsibility for global security.

The 2003 European Security Strategy recognises that the security threats of the post-Cold War era cannot be tackled by purely military means. Dealing with proliferation calls for harmonised export controls along with political pressures and diplomacy; anti-terrorism require a mixture of police, judicial, and military means; restoration of order in failed states involves a combination of humanitarian, development, and crisis management interventions; and regional conflicts call for political solutions backed up by military assets and civilian crisis management.

Inevitably, the European Union has concentrated its resources on threats and challenges lying close to its borders. Many of Europe's new Eastern neighbours have not fared well following the transition from the plan to the market. Many are managed by oligarchies and they pose security risks given porous borders and the prevalence of criminal networks. There are political constraints on the further expansion of the European commonwealth, though these may be overcome as electorates realise the security value of a broader union. In addition to continued efforts in sustaining the peace in the Balkans and taking a stronger interest in the Southern Caucasus, the European Security Strategy is giving priority to proactive engagement with Mediterranean partners and resolution of the Arab/Israeli conflict.

Improving relations with European Muslim communities

Over the past three decades, the Muslim population of Europe has more than doubled, to about 23 million people, and its rate of growth is accelerat-

Box 13. Connecting with Islamic communities: a priority challenge for Europe

Achievement of the European Union's security strategy^a will remain an elusive goal without a constructive engagement with Muslim societies, which account for one in five of the world's people today and will account for about one in four in two decades. The Muslim presence has grown nearly six times faster in Europe than in the United States. The enlargement of the European Union and the strategic opportunities offered by Turkey's potential EU accession imply a need for strong and positive links with Muslim-populated states that stretch from Casablanca to the Caucasus. The Europe-Islam security and development nexus has several strands (economic, political, diplomatic, cultural, theological). The challenge is external as well as internal.

Most of the Muslim states that border Europe face serious problems of unemployment and social stress. Many suffer from economic stagnation and lack of political participation. Already, Muslims constitute about 5 percent of Europe's population. With Turkey included, the figures are 90 million and 15 percent; by 2015, their numbers are expected to double while the non-Muslim population is likely to fall by about 3.5 percent.

While they do not constitute a monolithic group, European Muslims (especially the young) increasingly identify with Islam rather than with the country where they reside or their country of origin. They are proud of their heritage and wish to maintain their Islamic identity. That is, they seek integration but resist assimilation. Unfortunately, the general public in European countries tends to perceive them as foreigners or immigrants rather than as full-fledged fellow citizens. Discrimination in employment, low educational achievements, limited economic participation by Muslim women, and intense security surveillance characterise Europe's relations with its Muslim communities.

^a European Union, *A Secure Europe in a Better World: European Security Strategy*, Brussels, 12 December 2003.

ing (Box 13). Within Europe, birth rates are now more than three times higher among Muslims than among non-Muslims while, at the edge of Europe, the population of the Middle East and North Africa is likely to double over the next three decades. Given labour shortages in Europe, and chronic youth unemployment in the Middle East and North Africa, most of the future legal and illegal migrants into Europe are likely to be Muslims.

European governments will need to make a combination of adjustments in domestic and foreign relations to achieve a coherent and constructive policy stance towards Muslim communities. The global war on terrorism, the forcible removal by Western powers of Muslim governments in Afghanistan and Iraq, restraints on domestic civil liberties in the West, and fissures in the Atlantic alliance have induced mistrust and misunderstanding among Muslim countries and communities. In Europe, the extremism of a minority of fundamentalists has distorted perceptions of Islam.

A fresh discourse of tolerance combined with proactive engagement will be needed so that relations between Europe and Muslim communities improve. Involvement of the diasporas of Middle Eastern countries can play a useful role in improving mutual understanding within the Mediterranean region. Policy dialogue should be part of the strategy, since the domestic dimensions of Europe's relations with Islamic communities are critical and inextricably linked with the foreign policies that EU member countries pursue towards the Middle East, as well as with the conflict patterns within Muslim societies.

F. Conclusions

At a time of anxiety and division, Sweden should seek to balance the demands of international stability, security, and justice. 2005 could mark a turning point. Recent progress by the international community in resolving and managing conflict should be strengthened. International war has not been banished and therefore, it is critical to integrate interstate war perspectives into the search for new security paradigms. But the prevention of intrastate wars, as well as sustainable conflict resolution, should move to centre stage in the design of security and development policies. Intrastate wars resist classification and require tailor-made treatment. Enhanced protection of civilians is an imperative.

The policy research literature confirms that the security and development equations are interconnected. There is a strong and robust statistical correlation between violent conflict and poverty, as well as between violent conflict and poor growth performance. We do not know for sure why these relationships hold or how non-economic factors intervene to explain the poverty-conflict linkage. But we know enough to change the direction of development policy and to view equitable and sustainable growth as a conflict prevention mechanism. The policy of inclusion of the European Union has been an effective tool of security policy and the promise of gradual enlargement should be kept alive.

International terrorism requires a concerted global response consistent with democratic principles. Policy should aim at denying terrorists the leverage provided by restraints on civil liberties, ill-considered military responses,

and division among the industrial democracies. The Non-Proliferation Treaty should be supported and additional measures taken to deal with a mixture of state and non-state concerns. State failure should not be ignored since it can provide safe heavens for terrorists. The catastrophic risk of a nuclear device falling into the hands of determined terrorists should be tackled with the utmost seriousness, and this means addressing the problems of leakage of nuclear technology and materials.

Sweden should continue to support conflict resolution and mediation resolution initiatives by the United Nations and the international voluntary sector. It should be prepared to offer its own good offices when so requested by the parties. It should support a stronger NPT and promote the anti-terrorism policies designed by the Club of Madrid. In the context of the European Union, Sweden should help its partners to adopt a proactive foreign policy towards Europe's neighbours, with special emphasis on preventing and mediating conflict and on security sector reform. In particular, Sweden should help connect Europe and its neighbours through a continued focus on enlargement of the European Union, trade, information sharing, cultural exchanges, and people-to-people contacts. Finally, it should promote substantive dialogue with Muslim communities inside and outside Europe.

Chapter 4: Rethinking development cooperation

Although problems and catastrophes may be inevitable, solutions are not.

Isaac Asimov

Geopolitical upheavals have put security at the centre of development cooperation. Chapter 1 considered the conceptual and strategic issues involved in the convergence between security and development under Sweden's Shared Responsibility bill. Chapter 2 identified the policy adjustments that rich countries should consider, to level and secure the playing field of the international economy. Chapter 3 examined the security threats that need to be tackled to protect human security.

The present chapter shifts the spotlight to development at the country level, looking at human security from the vantage point of a development cooperation industry in transition. Section A reviews how conceptions of development have evolved to fit changes in the international order. Section B traces the relevance of state fragility to conflict and poverty reduction. Section C takes a human security perspective and considers what should be the new policy directions of development cooperation. Section D outlines the needed reforms in aid, and Section E concludes.

A. Changing conceptions of development cooperation

The development enterprise has always reflected a mix of geopolitical concerns, economic interests, and democratic ideals. At the end of World War II, foreign assistance was dominated by the reconstruction challenge of war-torn Europe. Next, it focused on the overseas possessions that colonial powers yielded to national independence movements. The transition was marked by a rise in the number of violent intrastate conflicts. The complex human emergencies they created brought forth a vast increase in humanitarian relief operations. These absorbed a steadily growing share of aid flows, drew the international civil society into aid operations, and turned voluntary organisations and multilateral institutions into influential development actors.

Throughout the Cold War, aid to the developing world was used as an ideological weapon in the East-West contest. 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. It fed corruption, contributed to internal coercion, and perpetuated economic mismanagement. The geopolitical approach to aid distorted priorities and yielded mixed development results. But it provided a 'self-in-

terest' justification for increased aid flows and it exposed rich countries' citizens to the realities of turmoil and deprivation in poor countries.

The ending of the Cold War raised hopes for rapid progress towards peace and democracy. But with the disintegration of the bipolar international order, civil strife spread and separatist conflicts broke out. These induced large refugee flows that the United Nations and the voluntary sector were called upon to manage—often with inadequate military protection, as in Bosnia and Rwanda—demonstrating the reluctance of powerful governments to intervene with sufficient force unless they had pressing domestic policy imperatives to do so (Ogata, 2005). Outside the zones of turmoil and violence, aid was pressed into service to promote market-based policies and global economic integration.

By then, policy leverage had become a fixture of development cooperation. Eventually, the conditionality instrument fell into disrepute. Doctrinal tensions among human rights activists, humanitarian aid practitioners, and advocates of economic reform intensified. But while the radical and vocal wing of the anti-globalisation movement captured the attention of the media, the mainstream of the various development constituencies found pragmatic ways to work together. Eventually, they joined forces behind a debt reduction agenda and a poverty reduction focus that was adopted by all members of the United Nations at the turn of the century.

Thus, from the fall of the Berlin wall to the collapse of the Twin Towers, substantial progress was made towards a common normative framework for development cooperation. The effort was shaped by a variety of concerns: the imperative of saving lives, human rights values, democratic governance ideals, and the drive to globalisation. The Millennium Declaration approved by all heads of state in 2000 was consistent with a broadly based, comprehensive, and cosmopolitan vision supportive of a globalisation process that was expected to benefit all. At its core was a consensus that was made explicit at the Monterrey Conference of 2002.

That historic compact, outlined in Chapter 1 above, matched improved governance and implementation of poverty reduction strategies in poor countries with adjustment of policies in rich countries, including more and better aid, debt reduction, and greater access to rich countries' markets. By 2002, however, transnational terrorism was affecting international relations. While terrorists inflicted fewer casualties than war and poverty⁹⁸, they used fear—the most powerful of human emotions, according to Machiavelli. The strong military responses that they induced led to major changes in the geopolitical order. In the resulting upheaval, conflicting security perspectives

⁹⁸ 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.

undermined the harmony that had made the universal adoption of the Millennium Declaration possible.

The Millennium Development Goals now seem out of reach, 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 failed to elicit the necessary aid resources and the political will required within rich countries to level the playing field of the global economy. It also sidestepped conflict and security issues that have become matters of urgent concern to people everywhere. These are the gaps that must be addressed by the new development cooperation agenda in an environment characterised by volatility, uncertainty, and risk.

The meaning of risk has evolved

The concept of risk has acquired new prominence.⁹⁹ In the halcyon days of development, risk was simply the probability of an event combined with the associated gain or loss. The term still carries this meaning in science, insurance, and gambling. Not so in public affairs where it has come to refer exclusively to potentially negative outcomes, and other terms (such as opportunity and change) are used to signify that good things lie in store. This evolution in the meaning of risk reflects a gradual erosion of trust in public institutions. Transparency, oversight, and legal recourse are now perceived as prerequisites of development effectiveness.

Disillusionment with aid performance, in relation to unrealistic expectations, has contributed to aid fatigue. Chronic optimism in programme design and systematic underestimation of potential human hardships were all too common. A growing awareness of the obstacles to development effectiveness in poor countries induced distrust in the accuracy and relevance of cost-benefit calculations. Aid critics allege that downside risks have been deliberately downplayed so as to get dubious projects funded. Responding to these perceptions, aid agencies have gradually shifted from rate of return 'point estimates' to qualitative risk assessments that assert rights, claim privileges, and express aspirations, rather than producing professionally derived 'best estimates' of collective gains and losses.

International conventions and safeguard policy norms are now expected to provide social and environmental guarantees to individuals and communities affected by development activities. Public officials and international bureaucrats have become accountable for results on the ground. 'Pareto optimality',

⁹⁹ We live in an era of acute anxiety: the survey of 43,000 people in 51 countries was commissioned by the World Economic Forum: twice as many of the respondents think the next generation will live in a less safe world than respondents who expect an improvement. <<http://www.weforum.org>>

whereby no one is made worse off as a result of the intervention, has become a central test of development effectiveness. Anyone who suggests that no battery of safeguards can guard against all possible dangers is taken to shirk responsibility. The same climate of opinion has generated rights-based approaches in development agencies, corporate social responsibility initiatives in the business sector, and a bewildering proliferation of social audits and impact assessments in the voluntary sector.

Typically, risk assessments emerge out of consultative processes that are designed to empower individuals or groups who may be negatively affected by a public investment or a policy decision. These processes zero in on the potential damage that policies, programmes, and projects may cause to poor people and future generations. As a result, the concept of risk has become a stick that the weak wield against authority—an instrument of accountability, a way to amplify the voices of the poor, and a forensic resource. Thus in development as in medicine, the Hippocratic Oath, 'first, do no harm', has become a key performance benchmark.

At the same time, security strategists have come to recognise the limits of military might, and the disenchantment with the industrialisation of war has led to the innovative application of new information and communications technologies to combat so as to achieve victory while cutting down on human casualties, minimising collateral damage, and reducing the risk of battle (Coker, 2004). This post-industrial doctrine of warfare is grounded in the notion that success should be measured, not in 'body count' or in the capacity to level cities and immobilise armies, but in the ability to use information to direct firepower towards critical nodes, neutralising the opponent with minimum harm. Thus, the new millennium could witness the 're-enchantment of war'. This bracing vision underlies current reforms of the United States military establishment, but it has proven premature in the Iraq quagmire where the most sophisticated military systems have failed to overcome simple and flexible intermediate technologies wielded by highly motivated insurgents. Nevertheless, the concept of low-casualty conflict retains its hold on the imagination of security policymakers, who have also come to realise that diplomacy and development can be used as strategic assets in asymmetric confrontations.

The convergence between security and development is raising concerns

In this new security context, the aid industry is once again under pressure to further the geopolitical interests of rich countries. Not surprisingly, these interests do not always match the priority demands of poverty reduction. After the Cold War helped to marshal Western development assistance towards common political goals, and the post-Cold War era produced a historic consensus behind a vision of equitable globalisation, the trends in aid since 9/11

signal a diffusion of development cooperation goals. Yet this is a time when the world cannot afford fragmented approaches, given the growing interconnectedness of national economies and societies.

Since perceptions of security risks differ among donor countries, efforts to align aid with foreign policy objectives have induced a retreat from multilateralism. International financial institutions, restrained by constitutional charters that prevent them from taking account of political considerations in their operations, have lost ground to bilateral agencies. Weakened support for the United Nations in the wake of the Iraq oil-for-food scandal has accelerated the trend. Aid activists and professionals now worry that security fears are diluting the focus on human rights and undermine the credibility and independence of aid. While they view joined-up government as useful for aid effectiveness, they insist that policy coherence should continue to be geared to poverty reduction rather than refocused to serve donor countries' security interests.

Based on Cold War experience, waste could arise if once again aid became subservient to narrow geopolitical imperatives. Too close an association between aid, foreign affairs, and defence bureaucracies could undercut the credibility of aid givers. Meanwhile, the United States coalition has brought aid under a military umbrella in support of reconstruction and state-building activities in Afghanistan and Iraq, while post-conflict experience in Africa has confirmed the utility of combining conflict management and development activities for achieving results (Box 21 below).

Aid resources risk being diverted away from poverty reduction

Short-changing the legitimate poverty reduction aspirations of developing countries in order to satisfy rich countries' security concerns would be an ironic outcome of the desired rapprochement between security and development. While the record to date does not suggest that major diversions have occurred, pressures to reward states that support the war on terror have been and remain high.

Thus, aid to Pakistan from the United States jumped almost tenfold, from USD 89 million in 2000 to USD 775 million in 2001, and that from the United Kingdom trebled, from USD 24 million in 2000 to USD 70 million in 2002. The reconstruction needs of Afghanistan and Iraq have required a shift of resources away from other programmes in middle-income countries where 140 million people live in poverty.¹⁰⁰ Similarly, Denmark has redeployed USD 23 million of its aid towards projects in the Middle East and

¹⁰⁰ For example, Afghanistan, Iraq, and Pakistan now top the list of DFID's bilateral recipients while reductions in spending to middle-income countries may amount to GBP 100 million in 2004-05 and 2005-06.

more than twice this amount has gone to Iraq reconstruction. These allocations might otherwise have gone to Africa (Christian Aid, 2004). There is little doubt that security and development goals do not always coincide, and that resources risk being diverted away from poverty reduction.

Thus far, however, the increased aid from the United States and European countries to 'front-line states' of the Middle East and Asia has been made possible by expanding the overall aid budget envelope rather than by diverting funds away from aid to from low-income countries. Multilateral programmes have yet to be significantly affected.¹⁰¹ In other words, the main budgetary impact of 9/11 and 3/11 thus far has been an increase in special appropriations and supplemental aid budgets (Woods and others, 2004).

In March 2005, the OECD Development Assistance Committee adjusted its strictures on the types of aid eligible for official development assistance (ODA) status, in partial compliance with the wishes of donors who wished to allocate aid funds to programmes managed by the military, development training for security forces, and security sector reform assistance programmes that involve working with military establishments. Consensus was reached on the eligibility of expenditures for: (i) improved civilian oversight and democratic control over security expenditures; (ii) enhancing civil society's role in the security system; (iii) supporting measures for preventing the recruitment of child soldiers; (iv) security sector reform; (v) civilian activities for peacebuilding, conflict prevention, and conflict resolution; and (vi) controlling, preventing, and reducing the proliferation of small arms and light weapons. On the other hand, training the military in human rights and other non-military matters is not considered eligible.

Given the severe budget constraints that all industrial democracies are currently facing, further expenditure switching away from the Millennium Development Goals cannot be ruled out. Future aid flows will need to be vigilantly monitored to ensure that poverty reduction programmes are not short-changed. And a further relaxation of eligibility rules, to count military-related expenditures as ODA, should be resisted, if only to maintain the integrity of ODA statistics.

B. State fragility and conflict

The main impetus for reorienting development assistance towards state building has been the fear that the repercussions of state failure may affect the welfare of rich countries. Given the use of Afghanistan as the operational base of Al Qaeda, security planners have concluded that fragile states by-

¹⁰¹ Some reorientation of existing multilateral programmes can be discerned. For example, the Financial Action Task Force that had been set up to combat money laundering has been mobilised to help interdict financial support to terrorist organisations.

passed by the march of economic progress and democratic development could be tempted to provide safe havens for terrorists and criminals and threaten international stability.

The shift in security doctrine could have far reaching consequences for development. It could be as significant as the reorientation that took place following the 1980s debt crisis, when market-driven policies captured the commanding heights of development policy. Since only capable and resilient states can be relied upon to maintain security and reduce poverty, the mainstream of development thinking is now coming to acknowledge that capacity building and state building matter for security as well as for development.

The state is back

The state is back on the radar screen of development policymakers who acknowledge that low-income countries need resilient and capable public institutions not only to grow and prosper but also to improve the prospects of international stability. The grand project of global economic integration that animated development cooperation in the 1990s has largely been achieved, insofar as well functioning economies are concerned. Fragile states represent the final frontier of economic globalisation. But a sharper focus on fragile states also makes sense from a security perspective as poor and rich countries alike begin to appreciate each others' legitimate concerns about poverty, insecurity, and instability.

While democratic values and human rights principles may be universal, views necessarily differ as to the desirable scope of the functions of the state. Fukuyama (2004) notes that state scope may have to be traded off for state strength. The trend for many years has been towards the weakening of states, as a reaction against the excesses of authoritarianism and as a result of the growth of the global market economy and the increased clout of the non-governmental sector. But a withered state is a dangerous state. It follows that the international community should focus its state building efforts in the first instance on the essential prerequisites of legitimacy, accountability, transparency, and the rule of law.

At one extreme, the state may be conceived as an association of citizens, i.e. individuals formally equal in their rights before the law and united in their recognition of the legitimacy of a single civil authority tasked with law enforcement. At the other extreme, the state may be defined as a collective project in and of itself, and citizens as mere contributors to large national undertakings. These rival and idealised conceptions of the state lead to different modes of governance. Whereas the civil state produces procedural rules with no clear goals in sight, the enterprise state produces managerial and instrumental rules.

The civil state seeks equality of *opportunity* for its citizens whereas the enterprise state aims at equality of *outcomes*. This difference means that the types

and degrees of freedom afforded to individuals vary depending on the conception of the state. An enterprise state is more likely to go to war against another state since it will tend to subordinate citizens' interests to the national interest.¹⁰² On the other hand, intrastate wars are likely to erupt where the state lacks the capacity or the resilience to fall into either of these categories.

The centrality of governance is ultimately the reason why development cooperation must reach well beyond the project of policy adjustment that dominated the development debate after the Cold War. We now know that policies that are not embedded in institutions cannot be relied upon to generate sustainable and equitable growth—as shown by the frequent failure of aid conditioned on macroeconomic policy prescriptions to deliver high growth and poverty reduction. Conditionality worked reasonably well where institutional capacity was adequate and policymakers 'owned' the policy package. But in weak governance environments, it tended to generate unintended social tensions and to create insecurity. This experience underlines the need for a development paradigm that puts human security first.

In authoritarian or corrupt states, deep political and economic change may be needed to achieve the necessary social transformation. In turn, change may hinge on domestic leaders' ability to mobilise a critical mass of opinion intent on reform. But external support is equally critical. Imported blueprints are widely resented.

Thus, the European neighbourhood policy rewards countries that are on the path to democratic reform, but it also recognises that democratic movements must be home-grown and adapted to local conditions, and that no standard model can be imposed from the outside, given the diversity of cultural and administrative traditions within which governance must be embedded. Indeed, the success of the European Union's approach to state building lies in its focus on shared values of participation, cohesion, and solidarity combined with an institutional development emphasis that spans political, economic, social, and cultural domains.

This combination contrasts with the narrow economic and technocratic orientation of development cooperation programmes. The trading and budgetary incentives associated with EU membership are, of course, critical. But so are the comprehensiveness and adaptability of the policy anchoring and skills development activities associated with membership. The long and patient period of capacity building that precedes the accession process contrasts with the 'quick fixes' and partial solutions that characterise capacity building projects in the aid business.

¹⁰² Jesse Norman. Speaker at Chatham House meeting of March 9, 2005 about Philippe Sands' *Lawless World: the US, Britain and the Making and Breaking of Global Rules*. Chair: Andreas Whittam Smith.

Overcoming the predicament of state fragility

Quite apart from the ethical considerations that underlie aid, the cost of unrest at the periphery is such that the self-interest of OECD countries justifies a stronger drive toward engagement with weak states, state building, and inclusive human development. Conversely, developing countries have much to gain by participating in the global quest for international stability and security pursued by OECD countries since they suffer the most from intrastate wars, international crime, and the economic consequences of international terrorism.

Nor is there a conflict between the recommended focus on fragile states and the overarching priority of poverty reduction. About a third of low-income countries have been classified as fragile by the World Bank. Home to about one billion people and a third of the absolute poor, they represent the core of the development challenge (Box 14). Yet, at a time when 'policy performance' and good governance were considered as the key criteria for aid

Box 14: Fragile states are the core of the development challenge

Low income, fragile states number 46-48^a. Home to 0.9-1.3 billion people, or 14-19 percent of the world's population, they represent the core of the security and development challenge. Malnutrition, affecting one of every three people, is twice as high in these countries as in other developing countries.

These countries constitute difficult environments for aid but they cannot be left out of the development enterprise altogether since they include:

- 28-35 percent of the absolute poor in developing countries.
- 32-46 percent of the children who do not receive a primary education in developing countries.
- 41-51 percent of the children who die before their fifth birthday in developing countries.
- 33-44 percent of maternal deaths in developing countries
- 34-44 percent of people living with HIV/AIDS in developing countries.
- 27-35 percent of people deprived of safe drinking water in developing countries.

^a World Bank; 4th and 5th quintiles of CPIA ratings.

Source: Policy Division, DFID.

Box 15. Principles of good international engagement in fragile states

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

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

Source: OECD, 2005.

allocations, these countries have often been isolated and bypassed by development aid.

Fragile states are called 'difficult partners' in the OECD lexicon. But in truth, they constitute a very mixed group and their problems, while numerous and acute, differ little in character from those faced by other poor countries.¹⁰³ They require long-term engagement, politically savvy treatment, and tailor-made solutions that take account of local leadership capacities. But so do other developing countries. Hence, it is not surprising that the principles that were agreed by the Development Assistance Committee (DAC) of the OECD, following the January 2005 High-level Forum on Fragile States, do not differ fundamentally from the basic principles of development cooperation that the DAC has long promoted (Box 15).

Not all fragile states are poor or eligible for aid. The Failed States Index compiled by *Foreign Policy* and the Fund for Peace (*Foreign Policy*, 2005) covers all states that are vulnerable to violent internal conflict based on twelve economic, political, and military indicators.¹⁰⁴ Together these states are home to two billion people. The list identifies 60 countries at significant risk of failure. It includes Bosnia, Colombia, Egypt, Iraq, Iran, Lebanon, the Philippines, Russia, Saudi Arabia, Syria, Turkey, and Ukraine.

The concept of state building is poorly defined but it normally refers to tasks undertaken after a conflict or a crisis and encompasses the creation or restoration of effective governance, the reconstruction of the economy and the society, and the promotion of a national identity. A friendly regime and the successful establishment of a self-sustaining democracy are often considered part of state building. Such objectives are very difficult to achieve, especially with the inadequate resources and short-term horizons that tend to be allocated to the task.¹⁰⁵ Lack of a shared vision among external partners adds to the difficulties.

Following his review of nation building activities in Afghanistan, Cambo-

¹⁰³ Brazil, Mexico, Thailand, and South Africa are committed to democratic norms and market-based policies but many of their citizens do not benefit from basic social protections. Afghanistan, Haiti, Liberia, Somalia, and Sierra Leone are characterised by an oligopoly of violence due to state collapse. Most developing countries fall between these extremes and vast zones within them do not offer minimally adequate human rights protection, personal safety, or access to social services (examples are Cote d'Ivoire, Jamaica, Nigeria, Pakistan). Debiel and others, 2005.

¹⁰⁴ Demographic pressures, refugees and displaced persons, group grievance, human flight, uneven development, economic decline, de-legitimisation of state, public services, human rights, security apparatus, factionalised elites, and external intervention.

¹⁰⁵ A case in point is Liberia, where after 18 months of peace there is still no electricity or running water and where the annual cost of the UN peacekeeping operation is four times the budget of the transitional government. According to George (2005), USD 59 million (the 'daily burn' rate in Iraq) has not been found for a programme designed to reintegrate former combatants into society despite indications that they may again take up arms as they did after a prior peace agreement broke down.

Box 15B: Learning from state building experience

The challenges of state building depend on a country's prior governance conditions, level of economic and social development, and national homogeneity. Among controllable factors, the most important is the level of effort measured in time, manpower, and money.

- Multilateral approaches are more complex to organise and manage but they are less burdensome for individual partners and they produce more national and regional reconciliation as well as more thorough institutional transformations.
- Unity of command and broad participation are compatible if the major actors share a common vision.
- The higher the size of the stabilisation force, the lower the risk in terms of casualties suffered and inflicted.
- Neighbouring states exert significant influences on outcomes.
- Remediation of past grievances is an especially difficult and controversial feature of state building.
- There is no shortcut to state building. Five years may be the minimum time needed for an enduring transition.
- Controversy about state building, and institutional resistance to regarding state building as part of the core mission of defence, diplomacy, or development, have inhibited the investments needed to do a better job.
- Governments tend to treat each state building task as if it were the first and the last. As a result, learning from past mistakes has been modest.

Source: Dobbins and others, 2003.

dia, Mozambique, and Somalia, Jonathan Moore, former US Ambassador to the United Nations, reported that the dominant factor in these human emergencies was the highly fragmented and inchoate approach of donors, international agencies, and NGOs. He noted that 'different bureaus, ministries, official representatives within the same powerful member nations often represent conflicting positions on aid to needy countries', while bilateral aid programmes are 'frequently run in a unilateral manner that is based on nationalist interests without regard to coordination with other contributors and sometimes inconsistent with the overall recovery strategy of the recipient country' (Moore, 1996).

It is worth remembering that after World War II the reconstruction of Japan took seven years and Germany had to wait ten years to be granted full sovereignty—and these were countries where the political and institutional conditions for a revival had been very favourable. Given adverse initial conditions and various resource constraints, no such success has met the strenuous state building efforts in Bosnia, Cambodia, the Dominican Republic, Kosovo, Somalia, and South Vietnam (Pei and Kasper, 2003). Chaotic and insecure conditions, national resistance to external intervention, limited understanding of local conditions, faulty models of engagement, and unwillingness to stay the course underlie the setbacks experienced over the years (Box 15B).

From fragility to conflict

Protection of property rights, the rule of law, a sound judicial system, and accountability and transparency of public expenditure management are central to development. Equally, law and order and the fair administration of justice are acid tests of state legitimacy. This is why the exclusion of security institutions from the purview of development cooperation has been a major weakness of traditional aid strategies. The dysfunction has been especially damaging for fragile states hemmed in by trade protection, high transport costs, and tough immigration restrictions.

Fragile states may eventually reach such isolation and suffer such disintegration that legitimate enterprises have no space left to operate, and illegal pursuits become the only profitable ones. In such environments, borders become porous, customs officials become corrupt, illegal practices become culturally acceptable, and the shadow economy becomes dominant. Ineffective border controls, lax policing, and major price differentials make smuggling profitable, facilitate the subversion of state authority through corruption, collusion, and intimidation, and create conditions that encourage the recruitment of idle and disoriented youths by extremist groups.

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

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

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

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

Diverse doctrines

Three grand theories have been offered about the root causes of intrastate conflict in developing countries. Sweeping in their generality, they all acknowledge the reality of global interdependence. Each has generated its own distinctive and convincing policy narrative and each contains its share of truth. But they also have limitations, so that adopting one doctrine at the exclusion of the others leads to a distorted appreciation of the realities of contemporary interstate conflict.

First is the 'clash of civilisations' thesis: this stresses the role of culture and of identity politics in the genesis of war. Second is the 'hegemonic' worldview, which points to dysfunctions in the global economic order that nurture breeding grounds for conflict. Third is the 'neo-liberal' doctrine, which highlights the role of greed (as distinct from grievance) in triggering and sustaining violence. The merits of each of these doctrines are outlined below before a synthesis is attempted.

Samuel P. Huntington (1993) visualises a world where the major sources of conflict are located along the fault lines that divide civilisations. Whereas the conflicts of the past had pitted princes, nation states, and most recently ideologies (notably capitalism and communism) against each other, the stage is now set for a *clash of civilisations*. According to this vision, cultural differences rather than economic forces or political ideas have become the key drivers of world politics. They inflame tensions, nurture grievances, and provoke conflict both within and across states.

Huntington's thesis attributes violence between Armenians and Azeris, Palestinians and Israelis, Hindus and Muslims in the Indian subcontinent, Christian Orthodox and Muslims in Bosnia, Serbs and Albanians in Kosovo, Christians and Muslims in the Cote d'Ivoire and Nigeria, Arabs and blacks in the Sudan, Russians and Muslims in Central Asia, and among the various sects in Lebanon to differences in culture and civilisation. It postulates that sustained and violent contests between Western and non-Western societies are

occurring because Western ideas (such as individualism, democracy, free markets) are culturally determined rather than universally shared and that, beyond the consumerism associated with economic progress, non-Western societies have been and will remain resistant to the spread of liberal democratic norms and human rights concepts that have their roots in Western civilisation.

Though highly controversial and hotly contested¹⁰⁶, this narrative has had a powerful impact on public opinion and policy. The rationale for its major propositions runs as follows. First, differences between civilisations are deep, resilient, and basic: they define all human relationships and are not easily mutable since they are solidly rooted in history, culture, tradition, and religion. Second, the number and the intensity of interactions—and the likelihood of frictions—among civilisations have grown, given large-scale population movements and the advent of new transport and communications technologies. Third, the vast military and economic supremacy of the West has increased public resentment and triggered a cultural backlash that is unlikely to abate. Fourth, the stresses of globalisation have increased the lure of ethnic identity, enhanced the solace of faith, and accentuated the restoration of group pride. Finally, the thickening of economic and political relationships among culturally cohesive groups (such as the European Union and East Asian countries) has increased the risk of confrontation among civilisations.

At the opposite end of the ideological spectrum, the *structural (or hegemonic)* world view articulated by Mark Duffield conceives of conflict as the ultimate outcome of a policy of exclusion that has consigned large parts of the South to economic isolation (Duffield, 2001). From this perspective, the local wars that have come to dominate the global geography of violence are the natural consequence of formal rules that make the criminal economy of illegal trafficking in drugs, weapons, and people much more attractive than legal economic pursuits to poor and marginalised countries. The exclusion doctrine describes the global economy as a thriving system of exchange that has liberalised flows of trade, capital, and skills among OECD countries while keeping poor countries out of the system, with the result that 'black holes' of decline, poverty, and breakdown have emerged in the poor regions of the world.

According to this worldview, the new global order has been enforced through rules of the game designed and policed by integrated supranational governance networks that emphasise North-North cooperation, while imposing on the South a different logic that constrains their economic choices

¹⁰⁶ 'We can be classified according to many competing systems of partitioning, each of which has far-reaching relevance in our lives: nationalities, locations, classes, occupations, languages, politics, and many others...The recently championed civilisational classifications have often closely followed religious divisions...The deficiency of the thesis of 'clash of civilisations' ...begins well before we get to the point of asking whether civilisations must clash.' Sen, 2002.

through debt burdens, fiscal rigor, and conditionality. The same logic favours private corporations and nongovernmental organisations for the provision of social and security services. The policies associated with this logic have weakened the state and downgraded the concept of national sovereignty. They have also endeavoured to open up developing countries' markets, and have facilitated the control of labour costs in rich countries. They hinge on continuous and guaranteed access to oil, gas, and other natural resources by multinational corporations.

The third doctrine reflects the *neo-liberal mainstream*. It is articulated by Paul Collier who ascribes the rise of intrastate conflicts to microeconomic factors ('greed') rather than to political grievances or geo-economic considerations. In essence, the neo-liberal mental model perceives of warlords and terrorists as economic agents rather than as servants of coherent ideologies or champions of political agendas. These agents are simply in a business that happens to produce warfare because it is the most profitable occupation. Just as Clausewitz characterised war as an extension of politics, the neo-liberal economists depict contemporary intrastate wars as an extension of commerce: to carry out their business, warlords gain control over lootable resources, sell protection services, and evade, subvert, or capture the state security apparatus.

Warlords respond to economic incentives and use violence not only to pursue their strategic objectives but also to discipline their own organisations and intimidate their competitors. Warlords and terrorists only differ from crime syndicates in that their professed aim is to undermine or capture national economic and political systems, whereas criminal networks do not challenge the legally sanctioned economic system on which they prey. The modern business techniques of warlords, terrorists, and international criminals have helped to globalise and privatise violence by 'de-territorializing' and 'transnationalizing' conflict. International crime networks as well as warlords and terrorists rely on the thriving international arms business to secure the instruments of the violence trade. They take advantage of the cross-border circulation of people to facilitate recruitment and training. They are expert users of new information technologies as they connect within national territories and across national borders.

Inevitably, the policy implications of these alternative doctrines differ. The Huntington thesis emphasises the crucial role that diplomacy and cultural exchanges play in the ideological competition that pits liberal doctrines against radical and fundamentalist movements. Duffield highlights the global structural causes of local violence; it implicitly points to the reform of global governance structures and power relationships as the solution, since only a wholesale restructuring of the international system can give a human face to globalisation.

By contrast, the remedies that flow from neo-liberal model aim at tinkering with or reorienting the incentives framework, for example by imposing

controls on international trade and financial transactions. That model concentrates on discouraging illicit enterprises and promoting legitimate and productive business enterprises through improved regulatory regimes in developing countries. At the national level, neo-liberalism supports development cooperation as a vehicle for reform of security sector institutions, as a lever of economic adjustment, and as a vehicle for promoting private enterprise and social development. At the international level, it recommends tighter regulation of financial flows, certification of natural resources exports (as in the Kimberley process¹⁰⁷), and military intervention as a last resort.

Though the three policy narratives reflect different ideological perspectives they are not necessarily contradictory. Thus, the Huntington thesis does not preclude a contest of civilisations through hegemonic rule setting as outlined by Duffield or through the proxies of warlords motivated by lucre as depicted by Collier. Conversely, the structural thesis can be used to interpret the contest of civilisations as an economic process of competition, with cultural artefacts and ideas used as tools to help expand markets or achieve economic domination. Finally, the neo-liberal principles can be extrapolated to illuminate intrastate conflict at the higher plane of nations and civilisations just as they do at the level of the individual warlord, for example by explaining conflict in terms of privileged access to natural resources.

Towards a synthesis

We propose an alternative conception of the relationship between conflict, security, and development that connects all three of the above explanations. First, it defines state fragility as the inability to manage the combined demands of security and development. Next, it explains the achievement of security and development in terms of generating a mix of voice (participation) and loyalty (authority). Through participation, policy options are defined and conflicting views reconciled. Through authority, decisions are not only made but made to stick. But for authority to be sustained over time, it must be backed by a social contract between the government and the governed.

The terms of the social contract vary from country to country. Some states maintain a narrow range of core functions (usually defence, law and order, protection of property rights, and delivery of basic social services). Others adopt a more activist role including wealth distribution and industrial policy. But all states have one thing in common: they aspire to a monopoly of violence. In return, they undertake to protect citizens from external threats and internal chaos, deliver a range of public goods, and create an enabling environment for private and voluntary enterprise.

To deliver its side of the social bargain, a state needs capacity. To overcome

¹⁰⁷ See <www.kimberleyprocess.com>

the social tensions that its development efforts will inevitably generate, the state also needs resilience. Without the resilience associated with legitimacy, it cannot mediate among various interest groups, settle disputes, or protect its authority. Security implies safety, stability, and reliability but it can also connote stagnation. Similarly, development promises prosperity but it also implies risk and uncertainty. Good governance strikes a judicious balance between the two. Security without development cannot meet popular expectations. Conversely, a headlong rush towards development may aggravate inequality among groups and induce conflict. Finally, where security arrangements are weak, the body politic may be disrupted and violence may erupt.

The role of the state is made clear by using Hirschman's 'exit, voice, and loyalty' trilogy to examine how members of any group react when faced by a decline in performance. Group members can exercise their voice option or can exit from the group (Hirschman, 1970). While Hirschman emphasises the economic dimension of exit (as when consumers switch from brand to brand, employees resign, or workers go on strike) we interpret violence as the ultimate form of exit. One remedy against violence is coercion. But coercion fuels resentment and social exclusion. The exercise of voice (defined by participation in democratic politics) helps to manage conflict without resort to violence. Over time, it is through voice and accountability that the state achieves resilience.

The implied hypothesis is that capacity is critical to the delivery of development performance, while resilience is central to the mediation of conflict and therefore promotes security. Thus, development is integrally linked to state capacity while security is correlated with state legitimacy, but failure on one front can lead to deterioration in the other. This is when deficits in capacity or resilience, or more often in both, can lead to conflict and—given other aggravating factors such as a natural disaster—to violence and the eventual breakdown of the monopoly of violence that defines the state. This occurred, for example, after the cyclone in East Pakistan which led to spiralling civil unrest and the eventual break-up of Pakistan.

Customs, rules, and social protocols determine the balance between exit (violence) and voice (resilience). They generate various degrees of loyalty, defined as the extent to which poor performance is tolerated without resorting to exit. Loyalty is strengthened by voice, so freedom of expression and assembly are conducive to resilience. Conversely, the provision of human security that is made possible by the state's monopoly of violence strengthens loyalty and allows the exercise of voice within accepted social protocols. To continue the example from East Pakistan, the poor performance of the Punjabi elite (who controlled the Pakistan military regime) in disaster relief and rehabilitation fed popular resentment and strengthened the Bengali insurgency of the country's Eastern wing.

The logic of state resilience is that the exercise of voice generates loyalty (the margin of tolerance for shortfalls in capacity) and makes authority re-

sponsible. Voice helps to improve performance and it provides governments with the space they need to innovate and take judicious risks in the national interest. Within certain bounds, resilience can substitute for capacity, and capacity for resilience. The more legitimate a government, the greater the trust that citizens place in it and the greater their tolerance for shortfalls in government performance. This is why cultural identity matters. Conversely, a government that is capable of delivering security and other public services to its citizens may survive even if its legitimacy is partial.

Loyalty is a function of the degree to which citizens identify with the state. A common language, a distinctive culture, and national symbols contribute to a sense of identity. These societal features improve the efficacy of the voice option and strengthen loyalty. As a result, nationality provides state leaders with greater discretion than would be justified by a strict calculus of individual interests. Thus, nation building goes hand in hand with state building. Within limits, nationalism can substitute for both capacity and legitimacy. It is the potent 'civilisational' force evoked by Samuel Huntington. It channels elemental passions and unifies the scattered energies of the population, thus adding to the margin of freedom that state leaders enjoy in promoting the state interest (and/or their own selfish interests).

On the one hand, citizenship confers privileges. On the other hand, it creates obligations that allow the state to exact sacrifices from citizens. It makes taxation feasible and it requires soldiers and policemen to take personal risks (and as a last resort to offer their lives) to protect the safety of the state and its citizens. Thus, the human yearning for cultural identity is harnessed by nation-states to protect their security. Conversely, the excesses of nationalism undermine international security by promoting aggression (as in Nazi Germany), while vulnerability to intrastate security problems arises where national borders are not aligned with cultural and ethnic cleavages (as in Cote d'Ivoire, Rwanda) and triggering events or opportunistic neighbours ignite violence.

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

This conceptual framework gives equal weight to cultural, structural, and incentive factors in explaining conflict. National, ethnic, or religious identity facilitates social cohesion by building intra-group or intrastate loyalty but it can also be tapped to foment violent conflict among groups or states (clash of civilisations). Among citizens who lack the voice option, grievances build up. As presaged by the structural doctrine, unbalanced power relations that smother voice underlie the resort to coercion and violence. Finally, resort to

the extreme brand of exit (violence) can be explained simply in neoclassical economic terms of greed in situations where the incentive framework makes rebellious violence the most profitable option.

The exit-voice-loyalty model is equally applicable if the notion of human security is defined as a judicious combination of opportunity (which allows exit from as well as access to the benefits of citizenship), empowerment (based on freedom of assembly and other civil rights that give voice to all citizens), and security (which generates loyalty to the group and the society). At the global level too, good governance can be defined in terms of fairness of opportunity (underlying the policy coherence for development initiative), empowerment (based on adequate participation by all countries in the formulation of global policies and standards), and security (grounded in the rule of international law).

Redefining state fragility

We now have the conceptual apparatus needed to define state fragility. According to Leo Tolstoy, 'all happy families resemble each other and each unhappy family is unhappy in its own way'. Similarly, partner states that have the capacity and the commitment to implement pro-poor policies and programmes are alike in their aspirations to cooperate with donor countries in achieving the Millennium Development Goals and protecting global security.

The fragile states and conflict-affected countries classified by the Development Assistance Committee of the OECD as 'difficult partner countries' constitute a mixed group. Since country classifications are used for strategy formulation, resource allocation, and choice of policy instruments, they matter for policy coherence. These classifications are currently inconsistent both within and across donor countries.

In the United States, policy coherence within individual agencies is achieved at the expense of incoherence across agencies. Only geopolitical considerations apply to countries that the White House classifies as 'strategic' states (such as Afghanistan, Egypt, Indonesia, Iraq, Pakistan, or Jordan).¹⁰⁸ By contrast, the United States Agency for International Development (USAID) distinguishes between development states and fragile states based on a combination of socioeconomic and political criteria.

Finally, the Millennium Challenge Account reserves its resources for countries that are committed to good governance, respectful of human rights,

¹⁰⁸ The US Central Intelligence Agency uses its own criteria for identifying vulnerability to state failure. The criteria address the character of the political regime, its ethnic and religious make-up, infant mortality, trade openness, and prevalence of conflict in neighbouring countries. These variables were selected through statistical regression, neural network analysis, and expert surveys rather than development policy considerations. Goldstone and others, 2000.

Box 16. DFID's model of state fragility

1. Capacity

- Safety and security: control of external borders and internal territory; juridical statehood.
- Political power: checks on executive powers; engagement with the population.
- Economic management: effective public expenditures planning and management.
- Service delivery: more than 15 percent of GDP is raised in taxes.

2. Willingness

- Safety and security: equitable access to security services and justice.
- Political power: inclusion of major groups in political processes.
- Economic management: natural resource extraction revenue management transparency.
- Service delivery: equitable access to public services by regions and groups.

Source: UK Department for International Development.

compliant with the rule of law, supportive of market-oriented policies, capable of sound fiscal management, and dedicated to the inclusive provision of health and education services.

Incoherence problems also arise among donor countries. For example, the development-oriented DFID classification scheme (Box 16) deliberately excludes countries' political characteristics.¹⁰⁹ This is at odds with USAID's approach, which gives pride of place to political legitimacy criteria.

Nor is there any uniformity in country classifications proposed by think tanks and academic institutions. At the multilateral level, a typology proposed for the UNDP takes account of domestic political characteristics in its country categories while avoiding references to policy performance indicators (Box 17).

This approach does not match that of the World Bank, which excludes ex-

¹⁰⁹ By contrast, the British Government's strategy for 'countries at risk of instability' is informed by security criteria that make specific reference to the characteristics of domestic political institutions and such external factors as bilateral relationships and participation in regional groupings.

Box 17. A fragile-state typology for UNDP

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

Source: United Nations Development Programme.

explicitly political variables from its 'low-income countries under stress' (LICUS) classification and puts major emphasis on assessments of policy performance. Specifically, the World Bank's LICUS criteria give weight to macroeconomic management, the strength of institutions, and the quality of governance. The criteria combine verifiable quantitative indicators with qualitative judgments (Box 18). Regrettably, the detailed country-level indicators have yet to be made public.

The different policy postures imply different criteria and different country classifications.¹¹⁰ For example, World Bank's exclusion of middle-income countries from its list of 'countries under stress' leaves a significant gap while UNDP's comprehensive approach does not: the latter lists Algeria, Azerbaijan, Macedonia, Saudi Arabia, Venezuela, and Yugoslavia as countries worthy of 'special attention'. Box 19 illustrates the operational relevance of diverse country typologies by showing how criteria focused on policy performance yield entirely different results from those focused on security, capacity, and legitimacy that are used by the Center for Global Development.¹¹¹

¹¹⁰ The econometric evidence about the role of good policies in aid effectiveness is mixed. Current performance-based allocation protocols do not take account of conflict prevention benefits even though these are considerable.

¹¹¹ The Center for Global Development uses three criteria for defining state weakness: (i) security gap measured by the incidence of conflict during 1998-2003; (ii) capacity gap measured by immunisation rates for measles and diphtheria-pertussis-tetanus; and (iii) legitimacy gap measured by voice and accountability ratings derived from World Bank Institute sources. See Center for Global Development, 2004.

Box 18. The World Bank's Country Policy and Institutional Assessment rating system

The Country Policy and Institutional Assessment (CPIA) index is used to allocate lending resources, to shape policy directions, and to establish debt relief targets. The CPIA is a synthesis of staff assessments arrayed along 20 criteria grouped into four clusters:

- (i) *economic management*: management of inflation and current account; fiscal policy; external debt management; quality of development programme management;
- (ii) *structural policies*: trade policy and foreign exchange regime; financial stability and depth; banking sector efficiency and resource mobilisation; competitive environment for the private sector; factor and product markets; policies and institutions for environmental sustainability;
- (iii) *policies for social inclusion*: gender equity; economic opportunity; equity of public resource use; building human resources and safety nets; poverty monitoring and analysis; and
- (iv) *public sector management and institutions*: property rights; rule-based governance; quality of budgetary and financial management; efficiency of revenue mobilisation, efficiency of public expenditures; transparency, accountability and corruption of the public sector.

Source: World Bank.

Differences in approaches are to be expected: donor countries march to different drummers in their external relations and international organisations have distinct mandates. But it is difficult to visualise substantive progress being made under the aegis of the Horizontal Programme of Policy Coherence of the OECD if country typologies are not harmonised and the perspectives of developing countries are not explicitly taken into account.

Developing country policymakers have not had their concerns heeded. Donors' assessments of development outcomes still do not distinguish adequately between policy performance and the initial conditions and constraints that are imposed on developing countries by history and geography (for example conflict or natural resource dependence). Aid allocations are less sensitive to recipients' needs and potentials than they are to geopolitical and commercial concerns. This hypothesis is confirmed by the literature (Roodman, 2004a).

Developing country officials are equally critical of the unilateral 'branding'

Box 19. Different criteria yield different policy treatments

- Six countries ranked at the top (first two quintiles) of the CPIA ratings have a security gap according to the Center for Global Development (Senegal, Sri Lanka, Uganda, Indonesia, Nepal, Rwanda).
- Three countries ranked at the top of the CPIA ratings have a legitimacy gap (Vietnam, Pakistan, Rwanda).
- Eight countries at the top of the CPIA ratings have a capacity gap (Bhutan, Burkina Faso, India, Indonesia, Mali, Mauritania, Pakistan, Senegal).
- Ten countries ranked in the first three quintiles of the CPIA ratings do not meet Millennium Challenge Account criteria (Albania, Bangladesh, Malawi, Moldova, Mozambique, Benin, Burkina Faso, India, Mali, Mauritania).^a
- Out of 34 countries on the World Bank list of 'low-income countries under stress' (LICUS), seven are not on UNDP's list of countries with special development needs.
- Conversely, the UNDP lists twelve low-income countries with 'special needs' that are not on the World Bank's LICUS list.

^a However, four of them (Mozambique, Benin, Georgia and Mali) were actually selected for support by the Millennium Challenge Account.

Sources: Center for Global Development, UN Development Programme, World Bank.

of low-income countries by donors and its damaging consequences for the poorest and weakest countries. They are keenly uncomfortable with the interchangeable use of such terms as 'low-income countries under stress', 'fragile states', and 'difficult partnerships'. Advocacy groups, too, express scepticism about the objectivity of the ratings that donors use to allocate aid (Alexander Nancy, 2004). They argue that the UN and the international financial institutions should monitor and evaluate the impact of rich countries' policies on developing countries (Millennium Development Goal 8) as systematically as they currently monitor the progress of developing countries towards MDGs 1-7.

Fragility is a function of capacity and resilience

The definition of state fragility that we propose eschews judgments about precise forms of democratic government and, unlike some other models of

state fragility, it does not conflate government performance with initial conditions (about which country authorities can do little) let alone ultimate outcomes (which are the object of donor engagement). Our proposed logic of state fragility helps to connect security and development strategies by focusing on the factors that need to guide capacity building as a result of donor engagement.

Labelling a state as fragile identifies it as a state with special needs, and there is a risk that lumping all fragile states together may encourage donors to disengage prematurely or to adopt 'one size fits all' approaches. Yet, different engagement strategies are warranted towards states that have: (i) both the leadership and the means to tackle poverty reduction; (ii) the leadership but not the means; (iii) the means but not the leadership; or (iv) neither leadership nor means (Torres and Anderson, 2004).

We selected indicators that differentiate countries according to their initial and structural conditions and we assessed the effects of these factors on security and development outcomes. We included per capita income, inequality, the ratio of debt to GDP, infant mortality, malnutrition, primary products dominance, and landlockedness in the definition of initial conditions.

These variables are highly influential in determining security and development outcomes: 68 percent of countries with unfavourable initial conditions deliver poor development outcomes and again (coincidentally) 68 percent of them are insecure (Table 2).

Next we linked capacity, measured in terms of delivery of public goods (immunisation and literacy), with development (measured in terms of the Human Development Index). Finally, we related resilience (measured by ratings of voice and accountability and political freedom) with security (measured in terms of refugee outflows and conflict incidence).¹¹²

Based on their structural characteristics, out of 114 low and middle-income countries for which published data were available, 13 are rated high both on the resilience and capacity scale (not fragile); 52 are rated high on one criterion and low on the other (fragile) and 49 are rated low on both counts (very fragile). States that are rated as not fragile are twice as likely to generate good development performance as those rated very fragile (69 percent vs. 35 percent) and twice as likely to be secure (38 percent vs. 18 percent) (Table 3).

As presaged by the theory, states that rank high on capacity but low on resilience have a better chance of achieving a high development rating than states that rank low on capacity but high on resilience (45 percent vs. 38 per-

¹¹² The focus on structural factors is broadly consistent with the approach of Guillaume (2005) to the assessment of economic vulnerability of aid recipients estimated through measures of country size, natural resource dependence, remoteness and landlockedness, exposure to natural disasters, variability of agricultural production, and instability of exports.

Table 2. Share of developing countries with favourable or unfavourable endowments achieving security or development

	High Development		Low Development		High Security		Low Security	
	No.	Percent	No.	Percent	No.	Percent	No.	Percent
Favourable initial conditions (44)	26	59	18	41	17	39	27	61
Unfavourable initial conditions (70)	22	32	48	68	22	32	48	68
Total (114)	48	42	66	58	39	34	75	66

Table 3. Share of fragile and not fragile developing countries achieving security or development

	High Development		Low Development		High Security		Low Security	
	No.	Percent	No.	Percent	No.	Percent	No.	Percent
Somewhat fragile (52)	22	42	30	58	25	48	27	52
Very fragile (49)	17	35	32	65	9	18	40	82
Subtotal fragile (101)	39	39	62	61	34	34	67	66
Not fragile (13)	9	69	4	31	5	38	8	62
Total (114)	48	42	66	58	39	34	75	66

cent). Conversely, they have a worse chance of achieving security (35 percent vs. 67 percent) (Table 4).

Dealing with commitment deficits

How then should donor countries engage in difficult environments? Lumping weak, unstable, and misgoverned countries together within a single pool is inappropriate. The anatomy of risk varies from case to case and donor countries should fit their engagement to the circumstances. More often than not, the good and the bad coexist. Where external engagement is likely to do more harm than good, the first option, benign neglect, should be selected. But before doing so, the consequences of inaction should be weighed, including the potential humanitarian consequences and spillover effects on regional and global security.

To start with, a distinction should be drawn between 'difficult partner-

Table 4. Impact of capacity and resilience on security and development

	High Development		Low Development		High Security		Low Security	
	No.	Percent	No.	Percent	No.	Percent	No.	Percent
High capacity/low resilience (31)	14	45	17	55	11	35	20	65
Low capacity/high resilience (21)	8	38	13	62	14	67	7	33
Total (52)	22	42	30	58	25	48	27	52

ships' and fragile states. Poor management by donors may limit aid effectiveness, as for example when numerous project implementation units are set up and burden fragile administrations. Nor should a state's fragility be equated with lack of commitment to development. There are situations such as Afghanistan's where capacities are weak but domestic leadership is legitimate and motivated. In such circumstances donor passivity is unwarranted.

Unfortunately, commitment does not translate into capacity to deliver basic services. Capacities at various levels of government should be carefully assessed and partners selected accordingly. In the short- and medium term, use of ad hoc donor delivery systems or non-state channels may be unavoidable. However, efforts should be made to align such arrangements with state processes and agencies to the extent feasible and with a view to nurturing the legitimacy of central and local authorities. Wherever possible, capacity building assistance should be provided to facilitate an orderly transition of service delivery back to the state apparatus.

Especially problematic are instances where holders of state authority lack legitimacy or commitment to development. In such cases, government representatives should not be treated as privileged interlocutors. Instead, alternative partners should be sought within the civil society and the private sector. Regime stability should not be an overriding consideration. Nor should outside parties actively seek to destabilise a regime, given the unintended results that such social engineering from the outside may produce.

On the other hand, restraint in the provision of incentives to non-state actors is highly desirable; contacts with judiciously selected officials should be preserved, and their willingness to reform continuously tested. Shrewd use of a range of instruments that mix positive incentives with dissuasion (and in some cases sanctions) can be effective if aid, trade, and security assistance are consistently calibrated to changes in behaviour.

Inconsistent signals, bombastic threats, and 'stop-go' postures unconnected to results on the ground should be avoided. Recognition and incentives should be conditional on performance. Aid should be used with great cir-

cumspection and with adequate safeguards, and close fiduciary oversight should be maintained. Thus, even in 'low commitment' environments the country-led approach should not be jettisoned. Instead, it should be reinterpreted.

Interaction with a wide range of actors in society can nurture political will, build local capacities, and encourage dialogue between the authorities and the civil society. Long-term, coherent, proactive, and flexible country strategies are needed even more than elsewhere. Explicit assessments of the political force field, security risks, and development opportunities should guide the design of engagement strategies. Whatever the mix of instruments, the engagement should be grounded in the human assets and institutions that are in place, and it is best to adopt an evolutionary and incremental approach that nurtures harmonisation of aid practices.

C. New policy directions

A human security paradigm implies policy emphases that take account of the anatomy of conflict and its relationship to poverty. Poor countries are much more vulnerable to conflict than rich countries. Out of 20 countries with the lowest human development ratings in 2002, 16 were in conflict or just emerging from conflict. And though most terrorists are drawn from the middle classes, the ideologies they serve do not thrive in countries that have benefited from equitable and socially inclusive development.

Chapter 3 (Section B) provided some evidence about the conflict-poverty nexus. The statistical correlation between violent conflict and underdevelopment is robust even though the political, economic, and social mechanisms that connect security and development are still poorly understood. One might conclude that to invest in development is to invest in security. But not every kind of development intervention meets the security imperative. In examining the types of policy needed, the following discussion emphasises human security priorities. It calls for fine tuning of the human development agenda rather than its wholesale restructuring.

Poverty reduction strategies should emphasise safety nets and social protection

Accelerated growth remains a key development priority since it is critical to poverty reduction. Achieving the Millennium Development Goal of halving poverty by 2015 would require a doubling of the growth rates achieved over the past decade. Reduction of inequality matters as well. For example, Brazil, with its highly unequal income distribution, must grow three times faster than Vietnam to achieve the same average income increase in the poorest fifth of the population. Human security also requires a special emphasis on strengthening social safety nets. While poor people use extraordinary ingenuity in dealing with risk, they are vulnerable to illness and injury, crime and domestic violence, loss of employment, harvest failures, and price

fluctuations. Widows and divorced women are especially at risk. So are children, especially girls, when incomes drop in poor households.

Seasonal income decline is a major cause of child labour and child malnutrition. All risks are intensified by old age. Improved public expenditure management, equitable access to infrastructure and social services, and social safety nets are characteristic of pro-poor economic strategies. In turn, such strategies require the empowerment of poor and disadvantaged people and their substantive participation in the public decisions that affect their lives. Risks can be mitigated through diversification, savings, and insurance but extreme poverty usually means a desperate need for external support.

Group-based mechanisms of risk sharing and mutual support help a great deal and public policy should encourage their spread. Trading can also stimulate diversification and risk management. But without safety nets, market liberalisation can have mixed effects and hurt poor people. Ultimately, increased public intervention (health insurance, old age assistance, workfare programmes, social funds, microfinance facilities, and cash transfer) is the key to managing household risks, and this calls for a sound fiscal regime.

Youth unemployment raises risk of conflict

Demography has been sorely neglected in security and development policy formulation. This is because conflict and its consequences involve large, abrupt, and often surprising changes whereas demographic shifts tend to be slow, deliberate, and relatively predictable. From a human security perspective, population trends are critical since, in combination with other factors, they create the conditions that radical leaders exploit to foment unrest and violence. The development process invariably involves a demographic transition when lives lengthen and average family sizes decline. About a third of the world's countries, home to 1.5 billion people, are in the early stage of the transition, which is characterised by a youth bulge, i.e. a large share of young adults in the population.

Countries at this stage of the transition are nearly 2.5 times more likely than other countries to experience a civil war. In most of them, growth is not sufficient to create enough jobs for the expanding labour force. Their unemployment rates are 3-5 times higher than the average for developing countries. Among job seekers, young adult males are least likely to find work and most likely to resort to violence in response to their deprivation. Especially where the state is weak and cannot manage social tensions, the combination of low growth and high fertility is highly combustible, especially where urbanisation rates are high. The effects of youth bulges are worsened by mortality from HIV/AIDS and related diseases, which begins to strike young adults in the 20-24 year old range, jumps in the late 20s, and peaks through the 30s. Communicable diseases lead to premature deaths among key professionals such as teachers, technicians, military personnel, and police offi-

cers, leaving behind millions of under-educated and under-supervised youths and orphans.

Political and demographic analyses should be combined in assessing human security priorities. The State Failure Task Force funded by the US Central Intelligence Agency has established that illiberal democracies are more vulnerable to state failure than either fully democratic or authoritarian regimes, because economic liberalisation in its early phases provides conditions for rapid enrichment of market-savvy minorities who may exacerbate social resentments and ethnic tensions. These vulnerabilities are amplified in countries in an early phase of the demographic transition.

The policy implications of these findings are straightforward. Population policies should be designed to accelerate the demographic transition, for example by favouring girls' education, family planning, women's rights, and gender sensitivity in other policy areas. Promotion of employment reduces the risks of conflict. Hence, economic policy should focus on providing enabling environments for rural development, small and medium enterprises, and vocational training. Trade policies, foreign direct investment, credit programmes, and infrastructure development should also be geared to job creation. Emphasis on job training in deprived urban areas and community-based initiatives is especially useful as it combines social capital creation with employment.

Hunger undermines human security

A critical aspect of human security is food security. Hunger lies at the intersection of poverty and conflict. The number of food emergencies has risen from about 15 a year in the 1980s to more than 30 a year since the turn of the Millennium. Most of the increase has been in Africa, where the share of food emergencies attributable to human causes (violent conflict, sub-standard economic performance) has doubled over the past two decades.¹¹³ Remarkably, East Africa is the part of the continent most affected by hunger, even though it is less vulnerable to bad weather than the Sahel. This is because hunger is more a consequence than a cause of the violent intrastate conflicts that have sprung up in frail and failed states.

Eradicating hunger is central to freeing the world of poverty. Despite rapid urbanisation, a majority of the world's population still lives in rural areas.¹¹⁴ Given the forward links from agriculture to the rest of the economy, agriculture contributes twice as much to national income as its share in GDP (de Ferranti and others, 2005). Between 1950 and 2000 world grain produc-

¹¹³ Conflict has prevailed in 18 countries more than half of the time for the past two decades. In 13 of these countries more than a third of the population is hungry.

¹¹⁴ The urban population will catch up with the rural population, but not until the year 2017.

tion more than tripled, from 590 to more than 2,000 million tons a year. But over the past five years, global cereal production has been flat, while population has risen, driving down grain stocks and raising prices.

Poor nutrition is an underlying cause in more than half the cases of child mortality. Every day 17,000 children die of malnutrition. The opportunity cost of current levels of hunger and malnutrition in developing countries amounts to about USD 500 billion a year in present value terms (FAO, 2004). About 850 million people go to bed hungry every night. Overall progress towards the Millennium Development Goal of halving the number of chronically hungry people by the year 2015 has been slow and halting. In fact, the number of hungry people has risen over the last five years for which data are available.

But there are bright spots: 30 developing countries representing half of the world population have made major progress against crippling poverty and hunger over the past five years. There is no mystery about how they have achieved this: an average agricultural growth rate of 3.2 percent, almost one third faster than that of the average developing country. This kind of progress could be replicated across the board with appropriate food and agricultural policies and external support.

Food security requires rural development and science-based agriculture

The links between rural development and food security are complex. Hunger and malnutrition deter children from attending school and stunt their learning capacity when they do attend. Lack of rural education reduces agricultural productivity and makes children more vulnerable to extreme poverty. Managing health risks is an equally essential part of the hunger challenge. Diseases move across borders through travel, trade, migration, and refugee movements. Malnutrition also makes people more vulnerable to disease.¹¹⁵ In turn, pandemics such as HIV/AIDS devastate farm production by killing young adults during their most productive years, eventually undermining the economy and threatening social stability.

Land tenure is central to human security. Lopsided land ownership in agrarian societies (Bolivia, Colombia, Kenya, South Africa, Zimbabwe) induces inequalities and social tensions that fuel resentment and lawlessness.

¹¹⁵ Paradoxically, developing countries may also have to undertake comprehensive health and nutrition programmes designed to tackle rapid increases in obesity, diabetes, hypertension, cardiovascular and other diet-related diseases connected to higher consumption of oils, meat and dairy products, and reduced dietary fibre diets. Risk management must also take account of the changing profile of hunger and malnutrition due to urbanisation and the globalisation of food systems. This will require adjustment in agriculture policies but also in nutrition and health strategies.

Increased land values resulting from irrigation investments, mineral exploration, or forest concessions can lead to land grabs where ownership rights are tenuous and the rule of law fickle. Disputes among different ethnic groups with incompatible requirements for (and/or inequitable access to) arable land, water, forests, or fisheries tend to escalate as the natural resource gets depleted. This has been a significant factor behind local conflicts in Brazil, Cote d'Ivoire, Haiti, Mexico, Nigeria, Pakistan, the Philippines, and Rwanda. In Darfur, such violence has forced at least 1.2 million from their homes and fields.

Loss of agricultural diversity and emerging animal diseases constitute major risks to food security and public health. Industrial agriculture gives pathogens greater opportunities to infect the food chain and ultimately human health, as in the case of avian flu. Factory farming exacerbates the rapid movement of animal diseases and food-borne infections.

Biotechnology might be able to solve problems that traditional technology cannot solve in a cost-effective fashion. Technologies exist to control the inherent risks posed by genetically modified organisms, but appropriate legislation and verification are needed to ensure the safe transfer, handling, use, and disposal of such organisms and their products, taking account of local ecological conditions following competent risk assessments, so as to avoid driving entire species to extinction.

Conceivably, biotechnology will one day allow the cost-effective production of tropical export commodities in the laboratory, replacing products that are now produced in poor countries. This would have disastrous implications for poor countries, which would require major assistance for economic diversification.

Adequate compensation for the use by the North of the indigenous genetic resources of the South is another important global policy priority. The recently approved International Treaty on Plant Genetic Resources for Food and Agriculture does not specify a clear role for governments in protecting genetic resources or contain a clear statement about farmers' rights to save and exchange seeds.

Education is the bedrock of human security

Education is an essential ingredient of peace and prosperity since it enhances human capabilities to reflect, make choices, and secure a better life. While there are instances where inflammatory material and religious intolerance have tainted school curricula, most education investments promote social cohesion and good citizenship. Education is the key to productivity since growing economies thrive on knowledge and ideas. Equitable access to schooling reduces inequality. Higher education is essential as a breeding ground for future development leaders and managers.

Two United Nations conventions have recognised basic education as a hu-

man right. Yet 17 percent of adults cannot read or write, 20 percent of children in the 6-11 age bracket are not in school, and 25 percent of pupils drop out before completing five years of schooling. The overall quality of schooling in the developing world is poor and tends to decline as efforts are made to increase enrolment. Most of out-of-school children are in Asia and Africa.

In the least developed countries, adult illiteracy is 47 percent. Displaced populations, refugees, and disabled people are especially at risk of reaching adulthood without learning to read and write. Gender inequality is another major issue: 60 percent of out-of-school children are girls. Yet investment in basic education for girls has very high returns. This is because women put their knowledge to work not only by securing gainful employment but also by opting for fewer children, improving family nutrition and hygiene, and enhancing the quality of child rearing.

Basic education boosts the returns to land and other assets. It is also a tool of empowerment and a source of social capital. Schools provide convenient platforms for community development interventions, feeding programmes, health education classes, and immunisation campaigns. Achieving worldwide primary schooling by 2015 would require a switch of less than four days' worth of military expenditures a year towards basic education. Along with increased budgetary allocations to education, education quality matters as well as improved safety and affordability of schooling, parents' oversight of school administration, and effective management of educational expenditures.

A key imbalance in the progress of globalisation can be traced to the digital divide. The number of phone lines per 100 people in the least developed countries is only 3-4 percent of that in rich countries; there are more telephone lines in Tokyo than in Sub-Saharan Africa. Within developing countries, a heavy urban bias prevails—in Nepal, for example, a ratio of 100 to 1 telephone lines in cities versus the countryside. Poor countries only have 5 percent of the world's Internet hosts, and the whole of Africa has only 0.25 percent. Internet traffic between the United States and Europe is 100 times the level directed to Africa and 30 times the level directed to Latin America. Improving the connectivity and knowledge base of poor countries and making effective use of the new technologies to extend the reach of education and commerce in poor and neglected areas should have priority.

Finally, the introduction of intellectual property protection under the aegis of the World Trade Organisation needs to be reconsidered. As noted in Chapter 2, the restriction in the flow of knowledge resulting from the Agreement on Trade-related Intellectual Property Rights will be very damaging to the poorest countries. These countries depend heavily on importing knowledge; they cannot aspire to reap the innovation benefits that intellectual property protection generates. Patent protection will raise the price charged for medicines and other knowledge-intensive products. It will also deter the import of technologies that are badly needed to promote agricultural and industrial development.

Protection against disease is the acid test

Poor health may be the greatest threat to human security and also one that can be tackled most readily with increased financial resources. According to the World Health Organisation, in 2002, communicable diseases accounted for 26 percent of all worldwide deaths, compared to 0.3 percent for conflict. Preventable maternal death creates a million motherless children a year. Battles over infectious disease have been won (notably against smallpox) but the war continues. Traditional diseases such as tuberculosis, cholera, and malaria have not been eradicated. Indeed, they have spread while devastating new threats such as HIV/AIDS, hepatitis C, and ebola have emerged. HIV/AIDS has become the fourth major cause of death: the devastation has only started, even though the disease has already claimed more than 20 million deaths and infected 40 million people. In Africa, life expectancy is now 47 years, compared to 62 years had there been no HIV/AIDS pandemic.

Mass air travel and vastly increased trade flows are making the transmission of disease more rapid and harder to control. In late 2002, the SARS virus jumped from animals to people in Southern China and spread to 29 countries within six months. Thankfully, the outbreak caused relatively few casualties (800 deaths) because simple measures such as surgical masks were sufficient to arrest its spread. A more easily transmitted virus could have caused many more deaths.

Prevention efforts could avoid most of the 10.6 million deaths of children that occur annually. Vaccination for eight diseases could save 2.3 million lives a year in poor countries. Provision of clean water and sanitation would drastically improve health in poor countries. Meeting family planning needs, and providing for safe abortions and adequate antenatal care, also have priority: complications from childbirth are the leading cause of death and disability among women in poor countries; the corresponding risk is 38 times higher in poor countries than in rich.

Disease and poverty are highly correlated. Poor countries account for 90 percent of diseases and only 11 percent of health spending. Per capita health spending is 800 times higher in the United States than in Niger. Research and development spending in health is skewed against the problems of the poor. And only one percent of the drugs that reach the global market are targeted to tropical diseases that account for the greatest number of casualties. In sum, disease control and eradication will require far better coordination between rich and poor countries and far more effective health systems in fragile states.

Scarcity of natural resources is not necessarily a source of conflict ...

About 1.4 billion people in developing countries live in fragile environments. A combination of natural resource depletion and population growth has induced large-scale population movements and increased competition for ac-

cess to land, water, jobs, and social services among identity groups. Competing demands over natural resources can fuel discord especially when the structure of ownership is skewed, rights to land are contested, and the claimants (for example farmers, pastoralists, ranchers, miners) belong to different ethnic groups.

Pressure on scarce natural resources is likely to increase as climate change produces floods, droughts, and heat waves. Land disputes can be aggravated by development projects (for example for irrigation and transport) that increase land values in areas where land ownership rights are tenuous, allowing displacement of poor farmers by rich farmers and powerful politicians. Development projects may also induce intensification of land use and deprive nomadic communities of traditional grazing rights.

By 2015, 40 percent of the projected world population will live in water-stressed countries. Worldwide, more than 400 million people face water scarcity and by 2025, 3 billion people may face water-stressed or water-scarce conditions. But resource scarcity can also induce cooperation, as illustrated by peaceful sharing of international waters. Territory in 145 nations falls within international basins and 33 countries are located primarily within these basins (Wolf and others, 2005).

Disputes over the management of natural resources can lead to hostilities. Conversely, common problems regarding the use of natural resources may also bring people together both locally and internationally. Mutual dependence on a shared resource can elicit cooperation rather than violent competition whether in traditional societies, under modern governments, or even across borders among adversaries (Jägerskog, 2003). Thus, the interdependence that results from water sharing has led to negotiated agreements and informal understandings even among bitter rivals (Jordan and Israel; Mekong riparians; Nile Basin riparians; India and Pakistan).

On the premise that communities and nations can build confidence with each other by joint efforts to improve the state and management of nature, the United Nations Environment Programme, the United Nations Development Programme and the Organisation for Security and Cooperation in Europe have sponsored a collaborative programme involving governments, academia, and civil society. This is designed to increase cooperation within communities and across borders in Central and Eastern Europe, Central Asia, and Southern Caucasus by assessing the interdependency of natural environment and human security; identifying environment and conflict hotspots; disseminating the results of its assessments; raising public awareness; and delivering capacity building assistance.¹¹⁶

¹¹⁶ See <<http://www.envsec.org/about.php>>

Nor is abundance of natural resources always a curse

Natural resource exploitation (oil, minerals, metals, diamonds, timber, and drugs) has been at stake in a quarter of 50 recent wars (Renner 2002). Illicit resource extraction has supplied warlords with resources to purchase arms and recruit combatants. The lure of easy profits has also induced military incursions by neighbours, as in the Democratic Republic of Congo. Protracted conflict over valuable resources has become a common feature of the post-Cold War environment in fragile states. Neighbouring countries and private interests often play a role in these violent contests. Conversely, external intervention may hold the key to their resolution, as in Angola and Sierra Leone.

Statistically, conflict is more frequent in autocratic countries highly dependent on extractive industries. In such environments, local elites may capture the bulk of revenues, thus making domestic taxation redundant and weakening the social contract between the rulers and the ruled. But, as illustrated by now-developed countries as well as by Botswana and Chile, there is no good reason why oil, gas, and mining resources should be a curse. They have been a blessing under authorities that are able to mediate competing claims and provide a suitable enabling environment for their profitable extraction, processing, and use.

To be sure, keeping the engine of the world economy in high gear requires a steady flow of oil and minerals. The abundant natural resources in fragile states can be a source of corruption and inequality if the proceeds derived from their extraction go to enrich corrupt elites, leaving local communities to bear the costs of environmental damage and social disruption. More generally, controlling the taxes and royalties derived from natural resource extraction can allow authoritarian leaders to remain in power without regard to the needs and aspirations of their citizens. Some benefit from competition by oil importing countries for access to oil supplies, which provides them with political leverage and shields them from international pressure regarding their human rights violations.

But all of these problems are soluble. The involvement of foreign companies in natural resource extraction has led to scrutiny by advocacy groups that have promoted public awareness of the links between natural resources, conflict, and corruption. The resulting pressure of public opinion has made multinational companies more sensitive to their social responsibilities. Safeguard policies have been designed to ensure that project finance by development agencies and banks is contingent on compliance with social and environmental sustainability safeguards.

The United Kingdom has taken the lead in inducing companies to 'publish what they pay' and in encouraging poor countries' governments to disclose the allocation of their public expenditures. Unfortunately, transparency without accountability has limits, and it is far from clear that the Extractive

Industry Transparency Initiative promoted by the United Kingdom¹¹⁷ will have more than symbolic value in the weak governance environments where the Initiative is most needed.

Equally, efforts to control the marketing of diamonds, timber, and other products through registration (as in the Kimberley process) may have only a slightly positive impact on conflict prevention, given the weakness of domestic enforcement and the alternative sources of illegal gain that are available to warlords and criminals. Here again, the only durable solution lies in long-term state building, democracy development, and international cooperation on security matters.

Natural disaster prevention is an integral part of the human security agenda

Natural disasters have become more common and more serious. Twice as many were reported in the 1990s as in the 1970s.¹¹⁸ Natural disasters are tightly linked with poverty. They are more frequent and cause far more casualties in poor countries than in rich. More than 53 percent of natural disaster deaths occur in countries classified as having low-human development, which are home to only 11 percent of the people exposed to natural hazards. Natural disasters also affect poor people disproportionately, especially those compelled to settle in marginal lands and those who cannot afford secure housing. Natural disasters also destroy livelihoods: the December 2004 *tsunami* threw two million people below the poverty line; most of the people it directly affected are agriculturists and fishermen who eked out a living in remote and disadvantaged areas largely bypassed by rapid growth.

For individuals, nations, and institutions, crises constitute a litmus test of capacity and resilience. The Asian *tsunami* is no exception. Asian governments have demonstrated good economic management skills, and the business sector in the region is adaptable and resilient. Compared to the 1997-98 financial crisis or the SARS epidemic, the aggregate macroeconomic impact of the *tsunami* on the regional economy is likely to be modest or even positive. The event has not created major economic uncertainty or loss of business confidence.

The 2004 *tsunami* holds important lessons for natural disaster management. The response of the international community was remarkable. Corporations, individuals, governments, and multilateral agencies pledged USD 6-7 billion in aid in an extraordinary demonstration of human solidarity.¹¹⁹

¹¹⁷ See <<http://www2.dfid.gov.uk/news/files/extractiveindustries.asp>>

¹¹⁸ They cost an average of USD 63 billion annually, or more than the total allocated by rich countries to aid.

¹¹⁹ A distinctive feature of the rescue effort was the mobilisation of military assets from nine nations. The regional command centre set up by the United States oversaw the largest military effort in the area since Vietnam. Seven US Navy and Coast Guard ships and a US submarine carrying 2,000 marines were diverted from their Persian Gulf destination to Sumatra.

The loss of life and property from the *tsunami* was enormous but could have been many times worse. In most natural disasters, the number of injured is 3–5 times the number of deaths, but in this case, the ratios were reversed. As a result, relief officials were able to focus on sanitary disposal of corpses, clean water distribution, digging latrines and vaccination of children. The strategy paid off.

Not all natural hazards turn into natural disasters; exposure to risk results in heavy losses and fatalities only if the society is vulnerable. In turn, vulnerability can be mitigated or in some instances completely eliminated by early warning, disaster preparedness, and skilled emergency management. Adaptive capacity that reduces the human cost of disasters is correlated with democracy and a free press. It is also a function of the quality of social services, the availability of transport infrastructure, and the size and openness of the economy.

D. Reforming aid

By now, the aid business is under severe stress. Despite recent increments in the volume of aid, the amounts are inadequate to deal with the increasingly complex and far-flung, aid agenda. Official development assistance now stands at about 0.25 percent of GDP and accounts for less than 0.8 percent of the gross national income of all developing countries, or about 4 percent of their government expenditures.

For least developed countries, official development assistance has shrunk from 12 percent to 7.5 percent of GDP while debt service is about 3 percent of GDP. Debt reduction policies are highly restrictive. Declining terms of trade have meant that capital has flowed out of rather than into Africa. Administrative costs absorb 6–7 percent of aid flows.

Tying of aid accounts for about USD 5 billion a year in needless mark-ups for goods and services. Much of the technical assistance that is funded by aid has low value. Poor aid coordination and fragmentation contribute to inefficiency in aid delivery.^{120, 121} Finally, aid is misdirected: the poorest countries get less than 30 percent of the aid, and the share of aid allocated to basic social services is about half of that recommended by the United Nations (20/20 principle). These failings are serious (Box 20).

¹²⁰ Donor fragmentation has risen by 25 percent according to Knack and Rahman, 2004. The Development Gateway includes information on 340,000 projects. Tanzania alone receives funding from 80 donors for 7,000 projects.

¹²¹ Ninety one countries, twenty six donor organisations and partner countries, representatives of civil society organisations, and the private sector met in Paris on February 28–March 2, 2005. Once again, they committed their institutions and countries to continuing and increasing efforts in harmonisation, alignment, and managing for results, and listed twelve indicators of progress to be measured nationally and monitored internationally.

Box 20. The debate on the true value of aid

ActionAid International has released a report^a that discounts development assistance estimates down to 39 percent of the amounts reflected in the official statistics of the Development Assistance Committee (DAC) of the OECD.

In response, DAC argued that the adjustments for debt relief, excessive transaction and administrative costs, misdirected aid, tied aid, overpriced and ineffective technical assistance, and hosting of refugees involved misunderstandings about DAC statistics, and arbitrary judgments regarding technical value and transaction costs as well as multiple counting of discounts.

DAC acknowledged that debt relief where debt repayments are not being made does not create fiscal space or allocation of real resources by donors, but contended that debt relief did have substantive value since repeated rescheduling imposes needless burdens on recipients and donors. Furthermore, the debt relief bubble of recent years will gradually disappear as the need for debt forgiveness declines.

DAC also shared some of ActionAid's concerns about the development effectiveness of technical assistance but did not think that the discount was soundly based and stressed that DAC had issued guidelines in 1991 to help remedy the problem. Similarly, the problems of tied aid, high transaction costs, and other effectiveness issues raised by ActionAid had been fully discussed by donors and partner countries at a March 2005 conference that had led to substantive agreements on mutual accountability mechanisms under the Paris declaration. Finally, DAC pointed out that DAC members had made public commitments that by 2010 could add up to at least USD 36 billion more aid than the USD 79 billion that was provided in 2004.

The debate about the true value of aid is likely to continue for at least three reasons: because donors have not always met their commitments to improve their practices, because views differ about the effectiveness of the aid accountability mechanisms currently in place, and because many parties doubt that the quality and quantity of aid will improve unless a fairer balance of power is achieved between donors and recipients, so that both sides are held to account for using aid to benefit the poor.

^a <http://www.actionaid.org.uk/wps/content/documents/real_aid.pdf>

Better aid is as important as more aid. But the notion that most aid is wasted is wrong. There is solid evidence that aid favours economic growth. Much of the past research on aid and growth engendered aid pessimism because it examined the impact of aid over too short a period and/or included humanitarian aid—which is negatively correlated with growth, since it is given in times of crisis. Recent work at the Center for Global Development (Clemens and others, 2004) shows that aid that is designed to have a positive impact within four years (whether in the form of budget support or the lending for infrastructure, industry, or agriculture that accounts for more than half of all aid flows) has a large and positive impact on growth. In the typical country, every dollar of aid raises output by 1.64 dollars in present value terms. This correlation is highly significant and robust. Remarkably, it is not sensitive to the quality of policies or the level of income. However, the impact on growth is somewhat larger where institutions are strong and/or health indicators are favourable. On the other hand, as highlighted by recent research by the International Monetary Fund (Rajan and Subramanian, 2005), the impact on growth can be reduced when aid exceeds absorptive capacities and Dutch disease sets in.

Aid instruments, methods, and skills

Assessing the quality of aid in troubled and fragile countries is tricky both because data are poor and because we do not know what would have happened without aid. But to suspend aid efforts in low-income countries that are not performing because they labour under the handicap of poor governance and a fragmented social order is to play a game of Russian roulette with peace and stability.

In failing and recovering states, effective aid recognises that post-conflict reconstruction is mostly about people and institutions. It focuses on healing social wounds, building capacity, and transferring skills, and uses private and nongovernmental channels. In particular, in shadow states, special aid modalities are required to ensure effective engagement. Arguably, the Rwanda tragedy and the Darfur crisis might have been averted had aid been of sufficient scale, properly targeted and effectively managed, to enhance sustainable rural livelihoods and to reduce the social tensions around land use.

How then should aid instruments, methods, and skills be adapted to weak institutional environments? Pious mantras regarding ownership, partnership, and results orientation do not help produce results in fragile states. Investments in the security sector normally have a high priority in such environments, but steps must be taken to prevent military and policing assets from being used for political repression and oppression. Large revenue-producing projects may deserve support but not in the absence of sound systems for managing public spending. Assistance for democratic elections should be promoted but not if they are likely to destabilise the society.

The project vehicle, which lost favour in the era of policy-based lending, is a highly suitable one for assisting weak states. Sachs (2005) describes 'on the ground' solutions for ending poverty in poverty-stricken villages and urban neighbourhoods, and he unveils a 'new' approach to development policy formulation: 'clinical economics'. The methods he describes have merit, but they are not in fact new, since they replicate in precise detail the approaches that aid practitioners have long been using to identify development interventions suitable for external funding.

Already in 1967, Hirschman, based on his acute field observations of interventions financed by the World Bank, had identified projects as 'privileged particles of development' that can have an enormous impact on society by empowering officials to embark on far-sighted development ventures (through the providential effect of the 'hiding hand'), with the help of side effects (which Hirschman considered central to their justification), 'trait making' characteristics (i.e. actions, admittedly hard to achieve, that would not have been adopted without the aid), and the 'narrow latitudes' (i.e. the constraints on errant behaviour) that they induce with a beneficial impact on public sector country performance (Hirschman, 1995b).

For social interventions that scale up promising pilot interventions, development projects (with features adapted to the risky conditions of weak states) should regain the lustre they have lost. Certainly policy-based lending retains an important place in the development tool kit. But it is equally true—if still politically incorrect—that large infrastructure projects that have strategic value, and can be executed through transparent bidding procedures by autonomous project implementation units, are entirely appropriate in the tough operating environments of weak, failing, or post-conflict states.

Secure access to the natural resources required to fuel the global economy is a strategic imperative for OECD countries and now for the energy-hungry Asian giants. Regions at risk of conflict or already affected by conflict include countries with abundant oil, gas, metals, minerals, and timber resources where governance is weak or failing. Rather than assuming that natural resources constitute a curse, aid agencies ought to adopt can-do attitudes geared to better public revenue management, transparency of royalty payments, and the participation of local communities. They will thus help to improve the quality of foreign direct investment and assist poor countries to achieve sustainable development by converting natural capital efficiently into physical and human capital.

To this end, aid agencies should seek new partners and pragmatic solutions. They should maintain tough fiduciary standards when relying on government agencies in partner countries, and channel aid through private companies and NGOs while maintaining links with state agencies and processes. Partnerships with private mining and oil companies that incorporate fair royalty arrangements, transparent use of revenues, and strict implementation of social and environmental safeguards should be encouraged, in order to kick-

start moribund economies and provide the revenues needed to deliver social services.

It goes without saying that the misguided aid practices of the Cold War era should not be reinstated. Instead, the capacity of aid professionals to operate effectively in conflict-prone, conflict-affected, and post-conflict countries should be drastically enhanced. Currently, few aid agencies are well equipped to deal with core issues of regional inequities, ethnic imbalances, and group antagonisms. The artificial wall that has been erected between economic assessment and political analysis should be dismantled.

Conditionality is often needed as an incentive for good performance but it should be used sparingly. Aid officials have often succumbed to the temptation of 'big bang' reform packages in post-conflict situations, when governments are weak and still unrepresentative. To be sure, policy-based operations have a role to play in transferring resources, helping to strengthen or re-establish core economic ministries, and locking in basic principles of sound economic management. But these operations may exacerbate conflict and destabilise fragile governments if they involve, as they often do, shifts in resources among competing groups and if, given the law of unintended consequences, they favour one faction over the other in a conflict (Muscat, 2002).

In short, subsidy reductions, fiscal reforms, and reallocation of public expenditures can have enormous political repercussions and hence should be subjected to critical scrutiny from a conflict-prevention perspective. Finally, where states have collapsed (as in Somalia), aid agencies should accept a modified concept of sovereignty that allows their official interaction with de facto entities over a period of time. The human cost of awaiting the restoration of territorial integrity may be too high. In general, aid will have to be conceived not only as an incentive for good policy performance but also as an instrument for capacity building and conflict management.

Risks will need to be taken for peace and the current aid consensus will need to be realigned towards to a development model where institutional constraints matter as much as policy distortions, and where good governance is the *objective* of the development enterprise, rather than its precondition. This will require substantial increments of aid focused on conflict prevention, post-conflict rehabilitation and reconstruction, and security sector reform. Coordinated engagement by external actors in support of well-conceived country strategies that are 'owned' by all parties is fundamental. Aid and diplomacy should be fully integrated.

In sum, with concern for security now a public policy imperative, new analytical thinking about aid is needed. Aid policy reform now focuses on reducing transaction costs; untying procurement; reforming technical assistance; harmonising procurement, disbursement, and fiduciary practices; streamlining and effectively monitoring safeguard policies; consolidating aid delivery channels; and coordination. These are critical aims for the future of aid. Of course, security-oriented development cooperation in weak states

will not be cheap to administer. Nor will it be readily amenable to common pool funding of country budgets by donors. Achievement of results will require adequate time and substantial resources. Aid effectiveness is not the same thing as aid efficiency.

Prevention is cheaper than cure

Aid should be fashioned to become an instrument of conflict prevention. Just as public health policy goes beyond curative measures to embrace prevention, security policy should reach out to the enabling environment within which violence breeds. The rising share of aid flows allocated to humanitarian ends and post-conflict reconstruction is a reflection of inadequate investments in conflict prevention. Some 50,000 'blue helmets' are taking part in 17 UN peacekeeping operations around the world.

According to Rotberg (2003), unless the wealthy arbiters of world security provide aid to states that are prone to failure... 'the common ingredients of zero-sum leadership; ethnic, linguistic, and religious antagonisms and fears; chauvinistic ambition; economic insufficiency; and inherited fragility will continue to propel nation-states from weakness toward failure. In turn, that failure will be costly in terms of humanitarian relief and post-conflict reconstruction.' Given the heavy costs of war and its aftermath, providing capacity building assistance to conflict-prone states may be risky but it is less risky than not providing it.

Prudence dictates well targeted aid, not inaction, to help avoid state failure and its likely consequences: growing poverty, violent conflict, large-scale population displacement, and sanctuaries for criminal and terrorist enterprises. Aid priorities should be tailored to country circumstances to strengthen core institutions of governance and trigger recuperative mechanisms for society. For example, aid can support positive leadership at local, regional, and national levels, encourage productive links with diaspora entrepreneurs, remove transport and communications bottlenecks that isolate poor regions and communities from the national economy, assist rural development and slum improvement through grassroots initiatives and, above all, seek out projects that protect or benefit economically disadvantaged or repressed ethnic groups while avoiding projects that may reinforce inequalities.

Resources spent on conflict mediation and reconciliation represent investments in peace and prosperity. Neutral facilitation is a better option for nurturing a sustainable peace than backing the friendlier faction. Taking sides was the course tried during the Cold War; it made bloody conflicts bloodier and longer and led to higher reparation and reconstruction costs down the line.

After a conflict, alternatives to reconstruction aid exist but they are unpalatable (Hamre and Sullivan, 2003). Doing nothing would not be in line with the poverty reduction mandate of aid, given that 19 of the world's 20

poorest countries are experiencing or have recently emerged from armed conflict. The 'do nothing' option does not prevent the creation of terrorist sanctuaries or the likelihood of renewed conflict with its destabilising effects on neighbouring states. Quarantine involves heavy intelligence, monitoring, and interception costs but it does not remove the cause of instability. Oversight by a regional grouping helps but it can only be sustained in conjunction with reconstruction. Carving up the state among neighbours or allowing its dissolution may lead to renewed warfare or unviable and unstable units. Absorption within a larger union is appealing but it is only a realistic option for countries that border the EU and have reasonable prospects for accession.

Most violent conflicts result from a combination of precipitating and underlying causes. While the former may be amenable to diplomatic solutions, the latter require treatment of root or structural problems that range from the reduction of poverty, inequality, and resource scarcity to the reform of governance, the removal of political repression, and the protection of human rights. But equating conflict prevention with the treatment of all possible economic and social ailments is futile: it encourages the fragmentation of efforts, while actions that should receive priority to defuse a conflict may languish.

Hence, as aid adapts to its conflict prevention role, sharp analytical distinctions will need to be drawn between structural prevention, early prevention, late prevention, conflict management, and peacebuilding. Prevention that addresses structural causes is part and parcel of development strategies to promote human security. Thus, considering that late action tends to be less effective, early prevention emerges as the privileged domain of conflict prevention. It relies on preventative diplomacy and targeted development assistance and spares the international community a choice between respect for national sovereignty and the duty to intervene to protect the innocent.

Thus understood, conflict prevention is a chain with six major links: (i) predictive intelligence and analytical capacity, (ii) early warning system, (iii) toolbox of preventative methods, (iv) strategic framework for decision making, (v) capacity to respond, and (vi) political will to undertake preventative action (Menkhaus, 2004).

The first two of these links have received extensive scrutiny. Intelligence services are being criticised both for failing to cry wolf (9/11) and for crying wolf prematurely (WMDs in Iraq). The reliability of intelligence data declines as the intensity of domestic power contests rises. The sheer mass of intelligence data hinders interpretation. Human intelligence is often at a premium as multiple dots are identified but remain unconnected. Predictive models predicated on systemic variables tend to predict trouble everywhere. Even the best intelligence gathering apparatus cannot eliminate all the uncertainties. Still, much progress has been made in building early warning capacities, and through the hard-won lessons of history a toolkit has been assembled to facilitate prevention.

Equally, a variety of multi-actor models are available to help coordinate the response. With the right skills and the right incentives, preventative diplomacy can help turn spoilers into stakeholders. Conflict prevention aid can help improve governance, capacity building, and social development. It can also help to remedy social grievances and facilitate the proactive and principled involvement of non-state actors such as NGOs and private entities. Small arms monitoring, embargoes, and targeted sanctions are also part of the arsenal, along with preventative deployment of forces as the last resort.

The weakest links in the chain are the political will to act and the strategic capacity to design a response. Advocacy, political pressure, and the promotion of a culture of prevention can nurture political will. This requires shared norms, shared definitions, and shared parameters. Equally, filling the strategic deficit in peacebuilding and conflict prevention is a fundamental priority. Conflict prevention strategies should be adapted to the local environment by involving domestic actors, adopting their terminologies, and respecting their distinctive cultural traditions. The civil society has a special role to play in changing public attitudes and facilitating reconciliation.

Post-conflict aid should heed the lessons of experience

The lessons of experience should be applied to post-conflict rehabilitation and reconstruction aid (OECD/DAC, 1998). First, post-conflict assistance should be designed to promote four distinct objectives: (i) public safety, (ii) reconciliation and justice, (iii) economic and social well being, and (iv) reform of governance. Integrating military, political, economic, social, and humanitarian goals is a delicate endeavour that requires a legitimate authority with good domestic leadership and generous external assistance. Acceptable security is the lynchpin of reconstruction, but healing the wounds of war through justice and reconciliation matters too. Effective coordination between donors and building the capacity of local agencies are more important than speedy implementation. Plans for reconstruction should be based on sound damage assessments and properly sequenced interventions that display early results and provide for the return of displaced populations and their reintegration into society.

The conversion of military assets for civilian use is an important and complex aspect of the fragile transition from war to peace (Brzoska, 2003a). Realising a peace dividend is not straightforward. Many of the resources used for war (military installations, small arms) are of little use in peacetime. The reduction of military establishments may reduce tensions and build public confidence but it may also undercut legitimate national security needs. Conversion of arms production enterprises to civilian purposes raises complex issues of commercial feasibility and public sector restructuring.

Sharp reductions of military expenditures and rapid demobilisation may

have the unintended effects of privatising violence and undermining security, as unemployed soldiers turn to criminal activity in order to survive (see Chapter 5 below). Collection and disposal of weapons requires careful planning and good community relations. Recruitment of former soldiers into the police and private security forces calls for retraining programmes. Reintegration of ex-combatants into the fabric of civilian society requires investments in shelter, health support, counselling, transport, registration, subsistence, training, credit facilities, referral to private sector employers, and so forth. The reinsertion of child soldiers into their families and communities requires special support programmes.

Security sector reform should be mainstreamed in development programmes

Aid can help re-establish the state's monopoly of violence in combination with the long-term objective of achieving democratic governance over the armed forces, which constitutes the initial phase of security sector reform (Brzoska, 2003b). The concept is not new (Ball, 1988), but it did not gain prominence until Clare Short's seminal speech of 1998, and it was not codified in policy statements until recently (DFID, 2000; 2002; 2003).

The adoption of security sector reform as a regular feature of development work has lagged. There is considerable scepticism about external involvement in the sovereign affairs of aid recipient countries. Inter-agency rivalry has intervened to hinder such initiatives in bilateral aid programmes. Legal constraints (whether real or contrived) as well as political opposition by important shareholders have prevented the World Bank from becoming comprehensively involved in security sector reform, especially the military aspects.

To be sure, the evolution of aid policy towards comprehensive development frameworks (connected to the advent of debt reduction programmes and poverty reduction strategies) has sharpened the focus on releasing fiscal resources to meet social expenditure targets, and this in turn has raised the pressure for reducing military spending. Equally, transparency in public spending has become an acid test of good governance. But security sector reform has yet to assume the status of a regular sector for aid donors. This is the case even though security is the most crucial service provided by government and no public expenditure assessment is complete without an examination of the efficacy of military security services. Greater respect for the dignity of poor people, and greater responsiveness of police officials to the needs of low-income neighbourhoods, have also emerged as major demands in poverty surveys.

Current aid allocation patterns do not promote security

While aid is not the primary instrument of donor countries' engagement with fragile states, it plays an essential supporting role. The current aid allocation system short-changes fragile states and urgently needs reconsideration. It rests on three basic operational assumptions: (i) country policies cannot be changed for the better through ex ante conditionality or other forms of donor engagement; (ii) aid cannot be channelled to minimise the distorting effect of poor policies, because of fungibility and the difficulties involved in 'working around' governments; (iii) policy and governance as measured by the CPIA determine aid effectiveness.

All three assumptions are questionable. First, while the history of conditionality is a litany of broken promises, and standard conditions have often proved ill adapted to genuine country needs (World Bank Operations Evaluation Department, 2004b), policy turnaround has been facilitated by judicious conditionality combined with trade inducements (for example, Mexico and NAFTA, or Hungary and Poland, before their EU accession) while businesslike aid conditions embedded in long-term development partnerships have helped many countries to reduce poverty (for example Bangladesh, Chile, Ghana, Uganda, Turkey, Vietnam) (Branson and Hanna, 2002).

Nor is aid fully fungible. It is simply incorrect to postulate that aid funds channelled through government merely release resources for other uses. This overlooks the fact that in poor, aid-dependent, fiscally pressed countries, development spending expands as aid increases and that fiduciary rules associated with project aid are specifically designed to restrain fungibility by attesting that funds are used for the purposes intended by donors. Furthermore, to the extent that development projects incorporate 'trait-making' features (Hirschman, 1995), aid provides genuinely additional resources.

Third, as shown by Roodman (2004a), the correlations between policy quality and aid effectiveness are weak. Indeed, statistical tests show that the positive growth consequences of aid are *more pronounced* in countries of high economic vulnerability, based on indicators that give pride of place to structural factors and human resource endowments (Guillaumont, 2005). From an ethical perspective, then, the provision of aid to vulnerable countries has merit in that it helps to compensate them for handicaps over which they have little or no control in the short run. By contrast, linking aid flows to policy prescriptions that may not impact on growth performance or conflict-proneness has no redeeming social value.

Further, current aid allocation protocols pay no heed to the channels of aid delivery, which critically influence aid effectiveness. While ratings by the World Bank's independent Operations Evaluation Department (OED) confirm that projects have a poorer record in low-income countries under stress (LICUS) than in other countries, they also show that the right kind of aid can achieve good results even in a difficult policy environment. Specifically,

58 percent of the evaluated projects approved by the World Bank in LICUS during 1998-2002 had satisfactory outcomes. And, remarkably, the performance of private sector projects funded by the International Finance Corporation has been as good in LICUS as in other countries (Collier and Okonjo-Iweala, 2002).¹²²

Conversely, through a signalling and pump priming effect, aid helps to attract private flows and voluntary sector involvement in fragile countries. It helps to create the infrastructure, partnerships, and enabling conditions that allow non-state actors to participate in development operations. These externalities are not captured by current aid allocation principles. Nor do the allocation principles take account of the potential benefits associated with aid flows that are timed to compensate for economic shocks caused by natural emergencies, major adverse movements in terms of trade, or structural vulnerability created by exposure and susceptibility to shocks (countercyclical aid).

Equally, ample evidence on the interaction between aid, vulnerability, and growth shows highly significant statistical correlations: aid interventions facilitate shifts in production patterns, soften the negative impact on development expenditures, and cushion the adverse effects of shocks on the economy (OECD 2003). To this extent, deviations from the aid allocation protocol are justified, since it makes little sense to favour countries that have already reaped the benefits of economic diversification while short-changing countries that depend heavily on primary product exports.

Finally, the current aid allocation consensus is static and does not take account of the astronomical benefits of successful conflict prevention and resolution or of the counterfactual risks implicit in the systematic neglect of frail and failed states.¹²³ The mental model underlying current aid allocation practices treats violent conflict as an exogenous variable, thus evading the need to confront the security dimension. But we know that violent conflict is a major cause of poverty and economic waste. Recent research by Paul Collier suggests that, on the average, preventing a single war would save USD 64 billion a year.¹²⁴ Therefore, aid can generate very high returns if it

¹²² This conclusion is based on the degree of loss reserves, historic write-offs, default rates, equity investment measures, and independent ratings of development outcomes, normalised for the class of investment.

¹²³ The opportunity cost of five years (1983-88) of civil war in Sri Lanka has been estimated at 20 percent of the GDP (USD 1.5 billion) (Grobar and Gnanaselvam, 1993). In Mozambique, production losses have been estimated at USD 20 billion, due to the deaths of some 1.5 million people and the displacement of about half of the population from its customary sources of livelihood (Green and Mavie, 1998). In Rwanda, Bosnia, and Lebanon, GDP fell to 46 percent, 27 percent, and 24 percent of the pre-conflict peaks (World Bank, 1998).

¹²⁴ 'Economics Focus: The Price of Peace', *The Economist*, April 24, 2004. Collier and Hoeffler, 2000, estimate that less than USD 5 billion of peacekeeping yields nearly USD 400 billion in benefits.

prevents, postpones, or reduces the incidence of conflict. This is the rationale for using a fragility index that takes account of proneness to conflict.

To be sure, economic regressions do not produce clear-cut evidence that aid either prevents or reduces conflict. This is not surprising since (i) humanitarian aid is concentrated in countries where conflicts have occurred and have an even chance of breaking out again; and (ii) until recently, aid policy had not focused on conflict prevention. Yet post-conflict aid can have a wholesome impact in preventing a return to conflict (a special case of conflict prevention).

Aid allocations should be based on risk/reward assessments rather than static models based on flawed correlations. A venture capital model of aid allocation would be more relevant to the new security and development environment than the prevailing aid allocation protocols. Using notional probabilities of outcomes, Bradford University has estimated cost-benefit ratios of investments in conflict prevention at more than three to one for the international community and ten to one for the world as a whole. These investments are highly risky (only 58 percent of them succeed) but the average expected net values of the interventions are excellent. This is because the estimated requirements for conflict prevention (aid, security support, and so on) average about USD 23 billion while a major conflict costs much more to the country concerned (an average of USD 188 billion); to its neighbours (USD 57 billion); and the international community (USD 122 billion), for a total cost of USD 367 billion.

The World Bank's Country Policy and Institutional Assessment system is used to relate aid allocations to performance. Thirty countries are ranked in the fourth and fifth quintiles of this index, which are commonly interpreted as indicating difficult environments for development cooperation. Another five countries, while not rated, are classified as low-income countries under stress. Out of the 35 countries, 15 have major or intermediate security gaps, according to the Center for Global Development. This suggests that major shifts in aid allocations would result if security needs were to receive as much weight as is currently given to the degree of poverty or the quality of policies. In fact, the use of the state fragility index for aid allocation proposed in this study would allocate USD 8.5 billion to LICUS states, instead of the USD 5.5 billion they received in 1998.

E. Conclusions

Development cooperation practices need major adjustment, given past neglect of downside risks, the high incidence of intrastate conflict, and the emerging threat of international terrorism. While multilateral solutions to security and development problems are the most appropriate, aid agencies are under strong pressure to advance bilateral geopolitical interests.

The international tensions precipitated by the Iraq conflict have undermined confidence in the uni-polar world order and eroded public trust in the United Nations' capacity to resolve security crises. Under the pressure of events, Western military establishments are seeking to capture humanitarian functions and state building tasks. Aid 'securitisation' is raising concerns about diversion of resources towards the global war on terrorism at the expense of global poverty reduction. To minimise this risk, aid flows and advocacy efforts should be monitored.

Building the core capacities of the state should become a central priority of development cooperation. About a third of low-income countries are fragile, and constitute the core of the security and development challenge. Many of these countries are post-conflict states. External actors have tended to underestimate the time, resources, and knowledge needed for nation building. The task involves strengthening institutions that are able to mediate and resolve internal disagreements peacefully and to allocate resources in a fair and transparent way.

New policy emphases would result from a human security approach to development cooperation. Growth and poverty reduction strategies have not given sufficient priority to providing social safety nets, protecting vulnerable groups, or reducing horizontal inequalities. In countries with a youth bulge, employment programmes have not secured enough resources. To respond to human security concerns, the development agenda should focus on equitable access to social services, knowledge and information technology, food security, natural resource management, and natural disaster preparedness.

More aid and deeper debt reduction are critically needed and should be promoted in international forums. Equally, aid reform is critical to improve policy coherence for development. The diagnostic is well known but progress is hindered by diverse geopolitical agendas, the vested interests of parties such as consultants and suppliers, high coordination costs in a fragmented system, and aid agencies' reluctance to cede authority and their desire for a distinctive profile. Aid instruments need to be adapted to difficult environments. Creativity and innovation should be nurtured to find effective ways to engage with fragile states and to align aid activities to domestic processes.

In difficult environments, adaptable project instruments combined with safeguard policies should be favoured and conditionality should be used with care to avoid worsening social tensions. Aid allocation protocols should be reformed to emphasise state fragility, rather than relying on indicators of governance quality that reflect initial conditions, not performance. Post-conflict activities should heed the lessons of experience.

Chapter 5: Improving conflict-handling mechanisms

Politics is the process of handling demands and demands unhandled can escalate from politics to violence; conflict management that does not deal with basic causes is likely to be short-lived.

I. William Zartman

Previous chapters explored the interface between security and development. They highlighted the strong association of poverty with conflict and identified such drivers of intrastate warfare as economic stagnation, social exclusion, horizontal inequalities, youth bulges, environmental overload, and tolerance of illegal arms sales. They underscored the need for development cooperation to focus more resources on fragile states so as to help prevent the eruption of violence. They also advocated the exploration of multi-track approaches for conflict management that would entail combining a military interface with policing, community development, and local involvement, and noted that donor countries should emphasise conflict prevention in their engagement with fragile states.

Against this background, the present chapter examines the state of knowledge concerning conflict management and prevention and provides recommendations for achieving more effective support of conflict management. Based on a review of policy and practices governing international responses to conflict in different settings (Section A), Section B illustrates how gaps in policy and practice, and uncoordinated responses at several levels, mean that planned results are not achieved.

Section C identifies the key gaps that must be filled for security and development policies to converge. It finds that despite strenuous efforts to refine conflict management approaches, current international interventions and responses are not structured or resourced to deliver timely impacts on the ground, to lay the groundwork for sustained recovery and development, or to address root causes of armed conflict. Our review of the evidence further suggests that the most promising sources of conflict resolution ideas lie *within* regions and societies directly affected by conflict (Sections D and E).

Consequently, local and regional actors should be proactively involved in the design and implementation of conflict management norms and strategies. Their conflict management capacity should be developed as an integral part of external support for conflict prevention, management, and recovery. In this context, 'one size fits all' anti-terrorism efforts should not be allowed to undermine capacity development or reverse conflict prevention and management efforts. Last, beyond their inevitable focus on short-term measures, international policy responses should look beyond current crises and prevailing circumstances to help construct longer-term security and development scenarios for a changed terrain.

A. Conceptual underpinnings and policy responses

Although conflict management theory and practice are converging, a considerable distance remains between the two. The failure to tackle root causes exemplifies a gap between concepts and policy responses and an even larger gap between stated policy and actual practice on the ground. Before examining current international approaches to conflict management, it is important to clarify the definitions and doctrines that shape interventions in the three stages—conflict prevention, resolution, and management—that are visualised as prerequisites of development.

The anatomy of conflict management

The key aim in conflict management is to reduce the violence and destruction that result from conflict. Conflict resolution reaches beyond the consequences of conflict to address root causes. Both conflict management and resolution are therefore reactive; they take place after a conflict has gone beyond a threshold of violence and destruction. Conflict prevention on the other hand is proactive. It seeks to prevent violent conflict through early action by addressing underlying concerns and competing demands. Consequently, the outbreak of violent conflict indicates a lack of effective preventative action.

Conflict management includes a range of activities such as negotiation, arbitration, and adjudication at one end of the spectrum, and the use of force at the other end. Conflict resolution addresses long-term changes and reconciliation in order to modify underlying attitudes. Conflict prevention focuses on actual or potential grievances that underlie conflict and addresses demands before they escalate into a full-fledged crisis (Assefa, n.d.). For example, the prevention of interstate conflict includes timely attempts to demarcate national borders in ways that pre-empt boundary disputes with neighbours.¹²⁵

Within a state, early preventative mechanisms might entail constitutional changes and reforms of governance, as illustrated by South Africa in the immediate post-apartheid years and in Mali after the end of authoritarian rule under Mousa Traore in 1990. Conflict resolution, on the other hand, entails reconciliation to defuse the residual bitterness of long-drawn out conflicts, to assuage feelings of revenge, and to address inequalities that might be a root cause of internecine war. The goal is to bring about attitudinal change among enemies. However, differences among parties cannot be expected to be com-

¹²⁵ Algeria's efforts to demarcate its borders with Tunisia, Niger, Mali, and Mauritania in the 1980s, and Mauritania's pursuit of a resolution of boundary problems with Mali in 1962 provide notable illustrations of such initiatives. Zartman, 1990: 305.

pletely eliminated. As Zartman (1990) aptly points out, 'conflict can be prevented on some occasions, and managed on others, but resolved only if the term is taken to mean satisfaction of apparent demands rather than the total satisfaction of underlying sentiments, memories, and interests.'

Evolving approaches to conflict management

In the context of the interstate conflicts that were dominant in the Cold War period, little was done to achieve conflict resolution in ways that addressed underlying causes. International actors merely sought to modulate the conflicts to make sure they did not escalate and lead to nuclear annihilation.

Policy thinking evolved in the changed geopolitical environment of the early 1990s: with the rise in intensity of internal conflicts and a significant increase in civilian casualties¹²⁶, policymakers increasingly focused their attention on modifying such traditional approaches as conventional peacekeeping. Thus the post-Cold War period saw experiments (often triggered by international civil society) with a variety of conflict-handling mechanisms, designed to shorten conflicts and reduce the damage they caused and to prevent social tensions and low-intensity conflicts from degenerating into political upheavals with high civilian casualties. As a result, much of what was largely referred to as conflict resolution and prevention is now pursued under terms such as peacebuilding and state building.

Boutros Boutros-Ghali's *Agenda for Peace* (1992) described a conflict management cycle that includes four sequential but overlapping activities of preventative diplomacy, peacekeeping, peacemaking, and peacebuilding. He defined peacebuilding as 'actions taken to identify and support structures which will tend to strengthen and solidify peace in order to avoid a relapse into conflict'.

Since then the concept of peacebuilding has evolved and been developed under different umbrellas, including post-conflict peacebuilding, nation building, or reconstruction. In support of the diplomatic and military activities undertaken to end hostilities and provide a secure environment in which humanitarian and other activities can resume, peacebuilding entails a parallel longer-term process to consolidate the peace in order to prevent recourse to armed conflict. This process often entails activities that are geared toward building institutions, reconciling groups and people with one another, and rebuilding the economy.

On the surface, it seems logical to distinguish all of the activities in the conflict-management cycle described above and to identify which options could be applied in specific situations. But the realities on the ground call for

¹²⁶ Estimated at about 7-8 million deaths since 1990 (*Atlas of War and Peace*, 2003).

different dynamics. Indeed, neither Boutros-Ghali's (1992) *Agenda for Peace*, nor his successor Kofi Annan's *Another Agenda for Peace* (1995), envisaged that peacebuilding as described could be applied *before* the onset of violent conflict as a primary prevention mechanism, rather than just as a post-conflict activity to prevent armed conflict from recurring.

In earlier UN peacekeeping operations the vast majority of peacekeepers were military personnel who were lightly armed, used force only in situations of self-defence, and were deployed with the consent of warring factions. Now peace support operations have emerged as the most common form of conflict management, designed to intervene in deadly conflict in order to reduce human suffering and to create space for the delivery of humanitarian assistance. Here the role of peacekeeping forces has become murkier and more fluid, rapidly alternating from the limited use of force, including joint civilian-military operations, to the use of force as needed to respond to the situation on the ground, usually in environments where conflicting parties have little or no regard for the rules of war.

Efforts to make peace, particularly after conflict degenerates into complex humanitarian emergencies, require several layers and combinations of activities, including diplomacy, peacekeeping, the use of force, humanitarian assistance, and peacebuilding. The latter became part of international practice following the unveiling of Boutros-Ghali's *Agenda for Peace* in 1992, as peacekeeping missions were expanded to include tasks such as protecting civilians, assisting the conduct of elections, and demobilising and reintegrating former combatants into society. These expanded tasks were referred to as post-conflict peacebuilding.

During the 1990s, this roster of peacekeeping/peace support operations became even more complex and demanding with a proliferation of tasks, including interim administration and establishment of institutions that would take over from the UN, as was the case in Kosovo and East Timor. The complexity of the crises to which the world was responding showed that in practice, conflict management methods cannot be segregated and applied in neat sequence on the ground. Further, despite the efforts to adopt more comprehensive strategies in support of negotiated settlements, studies showed that about half of the peace agreements to end civil wars collapsed within five years of being concluded (Licklider, 1995). Today, there is still a 44 percent chance that where peace has been achieved, conflict will reignite within ten years.

What then underlies the abatement or recurrence of conflict? Either conflicting parties reach a 'saturation point' or 'exhaustion level' in the use of violence and realise that this method of pursuing their conflict is more costly than the initial injustice for which they were seeking redress (Lederach, n.d). Alternatively, conflicting parties sign peace accords and agree to pursue their conflict via non-violent means following negotiations, which build expectations that the fundamental issues that led to violence in the first instance will be addressed.

In many instances, violence recurs despite hard-won peace agreements because the expectation of social and economic justice has not been fulfilled. This is what Lederach calls 'the justice gap' in peacebuilding. Ongoing research also indicates that there is no consensus over the precise role of external actors in the implementation of peace agreements, even though there is a clear recognition that international attention and resources are crucial for successful implementation.¹²⁷

Policymakers have thus continued to pursue more effective ways to implement peace agreements without a threat of reversal. But in doing so, they have focused mainly on conflict management, giving little attention to early and late prevention. In part this is because proactive peacebuilding methods were not on the radar screen of global policy actors when the number of intrastate conflicts rose and their destructiveness became apparent. New approaches have been gradually emerging to meet practical challenges on the ground, as illustrated later in this chapter.

The Brahimi report and beyond

The so-called Brahimi Report of 2000 (United Nations, 2000) interpreted peacebuilding as 'activities undertaken on the far side of conflict to reassemble the foundations of peace and provide the tools for building on those foundations something that is more than just the absence of war.' This chronological view of the responses to conflict encouraged the compartmentalisation of external efforts to contain or mitigate conflicts on the ground, as elaborated below. Like earlier attempts to develop better policy responses to conflict, the work of the Brahimi panel was not mainly concerned with the need to establish closer connections between security and development, and the panel was not mandated to focus in any detail on other aspects of the continuum such as the conflict resolution and prevention activities that are now classified under the rubric of peacebuilding.

In 2001, the UN Security Council (2001) addressed the issue of sequencing by conceiving of peacebuilding as a longer-term mission that serves a preventative role both before and after conflict. Thus, peacebuilding activities could be employed to prevent the outbreak of armed conflict, to reduce the destructiveness of conflict once violence has broken out, and to end the conflict and prevent its recurrence. This concept of peacebuilding reflects a perception of conflict prevention, management, and resolution as a continuum.

In the meetings of the Utstein Group (consisting of Germany, Netherlands, Norway, and the UK initially, later joined by Sweden and Canada), from 1999 onwards, the focus was not on policy, but on 'better implementa-

¹²⁷ See, for example, Rothschild and Cousens, 2002.

tion through better coordination, better instruments and better use of existing instruments' (Utstein Group, 2004). The Utstein agenda highlighted eleven action points, including the need for conflict prevention and in particular, the consolidation of peace following a peace settlement.¹²⁸

A subsequent study commissioned by the Utstein Group focused on peacebuilding and assessed the lessons of experience; revealingly, it left out all military operational aspects, thus perpetuating the notion that security and development are two separate realities. On the other hand, the same study conceptualised peacebuilding as including the provision of security, the establishment of socioeconomic foundations of long-term peace, and the establishment of a political framework for long-term peace; reconciliation, and justice. Similarly, NATO conceived of peacebuilding as a long-term enterprise under the umbrella of peace support operations. Peacebuilding was to combine diplomatic, civil, and military means to deal with underlying causes of conflict and the longer-term needs of people (NATO 2003).

Thus, getting the security and development community to develop a collective vision for handling and preventing conflict remains a challenge. From a policy perspective, there has been a gradual shift in this direction among bilateral actors and slowly among global multilateral actors. The policy evolution has not yet taken hold on the ground to achieve improved results. Yet the evidence shows that closer links between security and development, and better connection between actors from the two communities, are crucially necessary to achieve policy coherence and human security.

The rest of this chapter examines conflict management efforts in armed conflicts that have attracted UN-led responses. In particular, it examines the handling of issues at the intersection of security and development, the challenges posed by situations where armed conflict is latent, and the evolving policy responses to the challenges that the UN and other actors face during conflict management.

B. From policy to practice: gaps in the field

Experiences in conflict management among regional and global actors alike have produced mixed results. Despite the stated ideals of long-term, people-centred approaches to conflict resolution, management, and prevention, the reality on the ground has proven highly demanding and complex. The experience continues to show a lack of attention to root causes and a disconnect between security and development. To bring the two fields closer together, a coherent approach to conflict handling will have to be designed.

¹²⁸ See 'The Utstein Group partnership', at <http://www.u4.no/about/u4partnership.cfm>; and 'Utstein Principles', at <http://www.u4.no/document/Utsteinprinciples.cfm>

Multiple actors, mixed results

The conflicts raging across the world have attracted different responses from a cross-section of actors including interventions by single nations, regional organisations, and global actors, particularly the UN. However, it is the responses of the UN that have produced the most prominent lessons for conflict management.

Of the ten most recent missions, only one was a classical 'blue helmet' operation designed to keep warring parties apart (Ethiopia and Eritrea). The others combine civilian and military means and vary greatly in scope from the largest, in the Democratic Republic of the Congo (about 19,000 strong), to the smallest, in Kosovo (about 6,000 strong). Civilian missions are operating in Iraq and Afghanistan while small peacebuilding offices operate in Tajikistan, Guinea-Bissau, and the Central African Republic. The results of UN conflict management interventions have been mixed and this is why world leaders have welcomed the proposal to set up a Peacebuilding Commission.

Past United Nations successes include the ending of armed conflicts, as in Angola, Ethiopia-Eritrea, Mozambique, and Sierra Leone. But the recurrence of armed conflict or continued threat of violence has been frequent, as in Liberia, Cote d'Ivoire, and the DRC. The sustainability of new (transitional) administrations in Kosovo and East Timor is still not assured, while the hope of transformation from security to development is bleak at best in Haiti. In Cyprus, Lebanon, and Western Sahara traditional peacekeeping and observation tasks have only managed to maintain the status quo. The most dramatic failures of military peacekeeping (which left civilian peacebuilding little chance of success) were in Bosnia, Rwanda, and Somalia.

In many cases, the post-conflict situation remains precarious, without offering much hope for a sustained move toward long-term stability and development. And most of the post-conflict countries have remained consigned to the bottom of the human development rankings. Furthermore, the cases considered by the UN Security Council only tell part of the story of contemporary conflict around the world. Many conflicts are not inscribed on its agenda. Some have the potential to affect international and regional peace and security and could benefit from more systematic intervention, involving international action, regional mediation, and single-nation diplomatic efforts; they include those in Chechnya, Colombia, Sri Lanka, Togo, and Zimbabwe.

Regional actors, still neglected, can make a contribution that extends beyond their support of UN peacekeeping missions and peace support operations. Given their relative proximity to the conflicts and their awareness of the consequences for national and regional security, regional organisations tend to be more willing than outside parties to apply radical but effective measures to nip deadly conflict in the bud. They have become more creative in developing normative frameworks for conflict prevention, and they can provide longer-term engagement in circumstances where the UN may be di-

verted away by the frequently changing postures of its powerful members.

The African Union, for example, adopted the Algiers Declaration in 1999, effectively rejecting any unconstitutional takeover of power in African states. Subsequent prevention efforts by leaders of the Economic Community of West African States (ECOWAS) have sought to take early action to reverse military coups (as in Nigeria and Sao Tome) or to prevent the takeover of a state by military personnel (as in Guinea Bissau). Taking early action to prevent the escalation of armed violence serves the interests of regional actors, but the strengths of regional institutions have not yet been sufficiently harnessed to ensure more effective responses to conflicts.

Overall, regional actors have intervened in far fewer conflict situations than has the UN, and most of their interventions have been smaller, simpler, and less multifunctional than UN peace support operations. Examples include the European Union's Operation Artemis in Ituri and the African Union's intervention in Burundi. In several cases, regional operations have focused on prevention and early political response (as did ECOWAS in Guinea Bissau and Liberia in 2003), and on offering a first line of peacekeeping response before the UN arrives on the scene (as did ECOMOG in Sierra Leone from 1997-2000 and in Liberia and Cote d'Ivoire in 2003).

In cases where conflicting parties are unreceptive to peace overtures, regional organisations or coalitions led by a single state—usually a global or regional power—have shown greater willingness than United Nations-sponsored initiatives to employ necessary force in the bid to deal with humanitarian crises. Examples of this include the Nigerian-led ECOMOG interventions in Liberia (1990-97) and Sierra Leone (1997-2000), the South African-led intervention in Lesotho (1998), the NATO intervention in Kosovo, and Australian-led force in East Timor. More recently, Afghanistan and Iraq have been included in this category.

Arguably, the US-led interventions in Afghanistan and Iraq cannot be described as classical conflict management situations, given the interventionist role of a coalition led by the lone superpower and its allies. Thus, they may not provide a useful template for future peacemaking. While humanitarian objectives have been mentioned, the military interventions of the United States and its allies were not initially motivated by a desire to address the deep-rooted conflicts of these societies. Instead, they responded to proven and potential threats faced by the industrial democracies—an undisputable global terrorist menace in the case of Afghanistan and a perceived threat from Iraq, which had used weapons of mass destruction against its own people and was initially believed to be stockpiling them for use against the West—an allegation thus far unproven.¹²⁹

¹²⁹ A distinction may be made between the 'retaliatory intervention' in Afghanistan, the Kosovo model of 'containment', and the 'preventative' military action illustrated by the Iraq intervention. John Mackinlay, 'Participating in International Forces after 9/11' (forthcoming).

In both these cases, the desire to build governance structures to address the sources of conflict in local society emerged after the military action and constituted a secondary motivation. Thus, in terms of lessons, they have little to offer a potential UN or regional response to civil strife in Guinea, Mauritania, Sri Lanka, Togo, or Zimbabwe. Nonetheless, they offer sobering lessons in terms of the impact of peace operations led by big nations and illustrate the risks of military action to address the global terrorist threat.¹³⁰

Overall, recent experience shows that internal crisis attracts international attention only when all the early warning signals have been missed or ignored: when the neglect of group demands and poor governance arrangements degenerates into violence, and in some cases, when violence spills across national boundaries, with increased human suffering and attendant security challenges. In reality, peacebuilding action to prevent the onset of armed conflict is rare and even when peace support missions are deployed to address ongoing conflict or prevent its recurrence, there are significant gaps between the shorter-term security-related objectives and longer-term peacebuilding/development goals.

One of the key lessons to emerge from more than a decade of responses to the outbreak of armed conflict, through a roster of tasks from diplomacy to peacebuilding, is that international action has not yet produced effective and sustainable results on the ground and therefore the threat of recurrence of armed conflict is real in many post-war environments.

A related lesson is the need for better collaboration and a clearer division of labour between the UN and the regional actors that are more likely to offer first-hand responses to crisis in their neighbourhood. Their complementary strengths have yet to be properly harnessed. The vast majority of conflict situations within states do not attract the attention of the United Nations or the great powers. Among the more than 50 civil wars that have ended since 1989, only half have attracted efforts by the UN to help address root causes through peacebuilding (Forman, 2005:2).

The persistent failure of peacemakers to steer war-torn societies toward long-term security and development is partly explained by the inadequate integration of conflict management instruments such as diplomacy, preventative deployment, peacekeeping, and peacebuilding. These have been used sequentially whereas they should have been implemented together, as stressed by Boutros-Ghali. This has led to task-oriented responses rather than a strategic approach focused on achieving outcomes.

Another explanation has to do with inadequate and half-hearted responses in pre-conflict settings. Early warning mechanisms exist but they seldom lead to prompt action. Related to this is the failure to link peacemaking in

¹³⁰ Mackinlay's forthcoming paper also discusses some of the implications of the Afghanistan and Iraq operations for nations seeking to participate in international missions.

conflict environments to situations in neighbouring states where conflict might be imminent. As discussed below, the United Nations is slowly beginning to address this problem through regional efforts at demobilisation, disarmament, and reintegration (DDR), although not noticeably through preventative diplomacy.

Lastly, gaps remain in programmes aimed at developing the capacity of regional actors to prevent and manage conflict. Regional organisations and their benefactors are not yet operating on the basis of a joint strategic vision that marries local and regional norms and values and locally-driven ideas to the sophisticated planning resources of the developed world.

The dysfunction underlying these manifestations of failed interventions is referred to as 'the process-structure gap' by Lederach (n.d.). In mindset, language, and thinking, all actors responding to peace construe peace as either a process or a definite end state. Peace is considered a process until a peace accord is signed, after which those implementing the peace plan think only in bureaucratic terms, translating processes into structures on the ground with sharply defined roles for different actors. But in fact, peace should be seen both as a process and as a structure.

The result of conflict management efforts would differ in many cases if peace accords were not seen as ending conflict but rather as leading to a continuous process of relationship building while adapting to changes and real life situations on the ground. Lederach thus urges that long-term peace structures should be reconceived 'such that they reflect the inherent responsiveness often present in periods of active negotiation and avoid trappings of isolating 'peace' functions in bureaucracies implementing time-bound mandates with little capacity to adapt and change to on-the-ground real-life needs' (Lederach, n.d.).

Absence of a coherent longer-term strategic vision

Peace implementation on the ground invariably reflects the immediate objectives and priorities of the underwriters of the peace plan. Attention has focused on attaining political stability and creating a secure environment, rather than on the longer-term goal of creating lasting conditions for sustainable security and development. In UN-led operations, the lack of strategic links between various levels of response remains a problem.

At the core of this problem are the strictures of UN Security Council mandates. UN mandates usually envisage the narrow, short-term objectives of political settlement and elections, and they encourage early exit. This lack of attention to the root causes of crises is compounded by inadequate interaction between political/security missions and the development side of the UN system. Thus UN activities do not ensure a common strategic vision and linked actions, let alone a shared vision with international financial institutions and nongovernmental entities at work in the country.

The lack of strategic focus remains even though the best practice guidelines set by the UN Secretariat clearly outline objectives in multidimensional operations that go well beyond establishing a secure environment (United Nations, 2003b). The UN has attempted to address the problem of lack of coordination between many parts of the UN system, by combining all its field presence into one country team in each location and, more recently, by deploying integrated missions (as in Liberia and Afghanistan).

Planning for multi-dimensional operations now regularly includes support for the development of national institutions that guarantee accountable governments, respectful of human rights, able to manage disputes effectively, and capable of implementing the national strategies for social and economic recovery that are a key aim of peacebuilding. Peace support operations therefore encompass a combination of peacekeeping and peacebuilding activities aimed at creating initial conditions and national capacity to meet this objective, including the following:

- military operations to monitor agreement and create a secure environment;
- facilitation of political dialogue and negotiation;
- disarmament, demobilisation, and reintegration of former combatants into society;
- human rights monitoring and support for a national truth and reconciliation process;
- facilitation and monitoring of an electoral process; and
- facilitation of the establishment of governance and rule of law institutions; this often entails training and support for national law enforcement services.

However, the execution of peace support operations in the field often reinforces the gaps and absence of coordinated action (a type (iii) incoherence problem, as outlined in Chapter 1 above). Not only do short-term mandates make it difficult to undertake longer-term planning and implementation to achieve the peacebuilding objectives highlighted above, but funding is not always guaranteed, nor is it coherent. There remains evidence of compartmentalisation and territorialism in the way initiatives are funded and implemented. The responses to complex crisis environments reveal these gaps, which sometimes lead to duplication of effort in the field. This is most visibly demonstrated by separate funding appeals and forums and overlaps in planning and competing programmes, particularly between the work of peacekeeping missions and agencies that existed in the field before the arrival of the mission,

Addressing compartmentalisation in peace support operations

In most peace operations, attention focuses almost exclusively on the security component and on the mechanics of peacekeeping rather than on a strate-

gic vision of the longer-term change that intervention or peace implementation is seeking to achieve (such as longer-term rehabilitation of the society and economic recovery). While the immediate priority of societies in conflict is usually a secure environment and a political commitment from conflicting parties, there is a tendency to stick to the same priorities even after local conditions justify a reorientation towards longer-term development concerns. Part of the reason lies in the types of tasks that assigned to the various components at the mission planning stage. This is explained further below.

UN peace support missions are typically organised to include the following:

- Diplomatic functions and overall peacemaking, embodied in the special representative of the Secretary-General (SRSG), who is the head of the mission and of the entire UN presence in the field.
- In addition to the SRSG's office, the headquarters components of a UN mission include several other units and functions. To provide security, the force commander is responsible for the military operations and the police commissioner is responsible for policing functions.
- Other headquarters components under the SRSG include units in charge of non-military tasks that support the peace process, for example those in charge of DDR; civil affairs including the rule of law and policing; child protection; and human rights, including gender components in some cases. In recent times, missions have included advisers on gender and HIV/AIDS.
- The nature of peace agreements in conflict situations that have led to state collapse has also required the peace support missions to include security sector reform on their agendas (most recently in Liberia).

It is not uncommon for the headquarters of a peacekeeping mission to exist separately from other aspects of the UN presence in a country (although contexts vary), including development and humanitarian teams that were operating well before the deployment of the peacekeeping mission. While UN country teams have become better organised and coordinated over the years and the concept of integrated missions is still being tested, there is still a tendency for various parts of the UN family to act in uncoordinated ways (Forman, 2005). The lack of coordination extends to bilateral and multilateral agencies and international nongovernmental organisations.

Thus, the 'disconnect' between security and development in peace support operations is due to the compartmentalisation of different elements of peacemaking and conflict management. Components of peace operations, both civil and military, have been fine-tuned and heavily professionalized, so that each element is segregated and confined to a narrow area of activity, without a strategic link to other activities.

This institutional approach neglects the opportunity to maximise the talent of contingents who could contribute meaningfully to long-term devel-

opmental objectives. The planning for military components of peace support operations, for example, focuses on achieving specific often short-term objectives such as the provision of security in specific locations, and institutional attention focuses almost exclusively on the mechanics of the military operation. Even where the military devotes time and talent for rebuilding programmes (for example for schools or mosques, often as part of 'quick impact' projects, this is rarely done in ways that help to advance other components such as DDR. The basic purpose of such actions by military personnel in peace support operations is to win 'hearts and minds' in the short run, not to promote long-term development (United Nations, 2003b: Chapter 1).

Likewise, civilian components of peace operations tend to focus on objectives that can be delivered in the short term, even when the situation demands longer-term attention. For example, elections are focused on as a benchmark for the achievement of democracy, and a trigger for the early exit of peace missions. Yet there might be a strong case for ensuring a series of institutional reforms, starting in some cases with a constitutional reform agenda (as in Liberia and Cote d'Ivoire) or in other cases, shepherding transition processes over a much longer period (as in East Timor). As discussed above, however, this problem is rooted in the nature of the mandate provided by authorising bodies, which does not give room for longer-term planning.

The costs of compartmentalisation are most visible in responses to conflicts that have degenerated into humanitarian tragedy. Often a range of activities and tasks are carried out with no strategic links between key security and humanitarian/relief and developmental activities. As such, military operations carried out in these environments differ greatly from the often-preferred traditional peacekeeping ones, which are conducted with the consent of warring factions and entail minimal use of force. The military operations are robust; they may entail the use of force to achieve various short-term objectives, including the creation of safe spaces/corridors, where humanitarian aid can be administered to the affected communities, sometimes numbering hundreds of thousands of people.

Increasingly, these robust operations are performed by actors other than the UN. In Liberia and Sierra Leone, for example, Nigerian-led ECOMOG forces led enforcement operations; in Sierra Leone in 2000, the UK force led the counter-attack against invading rebels (Box 21); in East Timor, Australia provided the lead in an operation authorised under UN Chapter VII; and in Iraq and Afghanistan, the US led coalition forces in counter-insurgency operations.

In such circumstances, the task of co-coordinating military, humanitarian, and peacebuilding and developmental activities is a daunting one. Peacebuilding and developmental activities are very rare at the height of intense military operations. Achieving any link among these activities is virtually impossible when the state of insecurity is high and civilian actors are removed from the scene. At several stages of the crisis in Liberia from 1990 to 1997,

Box 21. Restoring security to Sierra Leone

Sierra Leone's experience shows that the interface between economic reconstruction and post-conflict programmes such as disarmament, demobilisation, and reintegration; security sector reform; and small arms and light weapons programmes should be strengthened at early stages of peacekeeping. Much was achieved but economic dynamism is needed for sustainable results.

First, a national security strategy was designed with help from UK advisers. The Office of National Security led a participatory Security Sector Review which led to the establishment of provincial and district security councils to serve as early warning monitors and to help in local conflict resolution.

Second, a police reform process overseen by a UK Inspector General for Police was carried out. The resulting community safety and security programme was shaped in coordination with the military and the UN civilian police. In parallel, a justice and penal reform received support from the Commonwealth Secretariat, the UNDP, and the International Committee of the Red Cross while DFID designed a justice sector reform initiative aligned with the objectives of Sierra Leone's Poverty Reduction Strategy Paper.

Third, military reform and comprehensive training programmes were undertaken under a joint civilian military strategic structure that was successfully tested by the outbreak of war in May 2000. Disarmament, demobilisation, and reintegration and crackdown on small arms proliferation started well but were hindered by the slow progress of economic recovery and reconstruction programmes.

Source: Fitz-Gerald, 2004.

where armed groups terrorised the civilian population and waged total war on the regional force, the military was the only actor on the ground with any substantial capacity to provide humanitarian assistance.¹³¹ This is increasingly the case in dangerous environments where civilian actors are at risk, as seen in Iraq, where the US Army has been in charge of humanitarian assistance in some locations.

¹³¹ See Minear and Smith, forthcoming. The chapters on Liberia and Iraq illustrate that military actors are sometimes the only actors present to perform humanitarian functions.

The coordination problem continues to occur in other types of partnerships between actors responding to conflict. This is illustrated by several situations where regional actors and individual mediators championed the diplomatic process (for example, the Organisation of African Unity in Ethiopia/Eritrea) and the military response (as in Burundi, Liberia, or Sierra Leone) and thereafter transferred responsibility for conflict management to a bigger actor—in most cases, the UN. Experience has shown that vital memory is lost during such transfers as the result of lack of systematic and continuous interaction among all actors. Social and economic recovery, for example, should form part of the strategic focus of all actors and should not be considered the sole preserve of one agency.

Maximising the benefits of 'quick impact projects'

Quick impact projects (QIPs), now increasingly supported by UN peace support operations, are a first step in addressing the challenge of excessive concentration on security and the mechanics of peacekeeping. They have been seen to deliver immediately visible results for local communities in Eritrea, Kosovo, and Sierra Leone, among others, where some battalions have rebuilt local infrastructure such as schools, hospitals, and mosques.¹³² While the primary focus of QIPs is on winning the hearts and minds of the local population, implementing those projects in ways that complement an overall plan such as DDR will help to deliver some of the strategic objectives on the ground.

It is important to take the needed strategic view right from the mission planning stage. In Liberia, for example, the UN Mission (UNMIL) was criticised by parts of the local population for building temporary demobilisation sites in some counties and later dismantling them for re-erection in other counties as part of the phased approach to DDR. The locals argued that the resources for building the temporary sites could have been better used for renovating the vocational training centres located in each county of Liberia, for use in longer-term youth reintegration efforts.¹³³ It might have been possible to renovate some centres as part of quick impact projects, particularly where some of the contingents were so inclined.

Two issues require considerable attention if these types of activities are to deliver the right results on the ground. First, of the 15 peacekeeping missions

¹³² In Sierra Leone, the Bangladesh Battalion (Banbatt 6) was especially praised by locals for its support and building of a school in 2002. Mission of the United States Office of the Special Representative of the Secretary-General for Children and Armed Conflict (OSRSG) to Sierra Leone, July 2002.

¹³³ Report on Consultations held in Liberia by the Conflict, Security, and Development Group, (International Policy Institute, King's College London) and the Geneva Centre for Democratic Control of Armed Forces, August 2004.

overseen by the UN Department of Peacekeeping Operations in 2005/06, only six have a budget for QIPs. And the proportion of the budget of peacekeeping missions devoted to quick impact projects is often too small for these projects to achieve any significant impact on the ground.¹³⁴ Clearly QIPs are not considered relevant in some of the conventional peacekeeping missions such as in Cyprus (UNFICYP) and Western Sahara (MINURSO), while in others (such as Sierra Leone, Kosovo, or Ethiopia/Eritrea), a transition might have been made to mainstream development work under the management of the national government or a development agency. Even so, it is conceivable that some of the international military personnel who remain in these countries could continue to assist with infrastructural development where needed.

A second issue is a lack of coordination between peacekeeping missions and other agencies on the projects funded, allowing for duplication even though the UN guidelines stipulate that peace missions should coordinate QIPs with the work of the development and humanitarian community. There is a natural tendency for peacekeeping missions to look inward, giving privileged attention to political/security concerns, rather than gravitating toward other parts of the UN community that existed on the ground before the mission.

Political and peacebuilding support offices

The largely civilian tasks that form the entire focus of UN peacebuilding support offices offer potential bridges between security and development; and can contribute significantly to a strategic vision leading to sustainable development. The UN Department of Political Affairs is in charge of ten peacebuilding missions around the world, half of them in Africa.¹³⁵ The aggregate capacity in these ten peacebuilding offices consists of 436 international civilian staff; 37 military and civilian police advisers and liaison officers; 1,076 local civilian personnel; and 42 UN volunteers.¹³⁶

¹³⁴ For example, out of a total budget of USD 478 million for the mission in Haiti (MINUSTAH) for 2005/6, 1.5 million will be spent on QIPs. In Liberia, QIPs will cost USD 1 million out of a budget of USD 722 million, the same as in Cote d'Ivoire (UNOCI), with a budget of USD 364 million as well as in Burundi (ONUB), with a budget of USD 296 million for the same period. In the DRC (MONUC) the budget for QIP is USD 300,000 out of a total budget of USD 384 million; and in the Sudan (UNMIS), QIPs will cost USD 630,000 out of a total budget of USD 315 million. See UN doc. A/c.5/59/29, General Assembly, 26 April 2005.

¹³⁵ UN peacebuilding missions in Africa include those in Central African Republic (since February 2000), Office of the SRSG for the Great Lakes (since December 1997), Peacebuilding Support Office in Guinea-Bissau, (since March 1999), Political Office for Somalia (since April 1995), and the Office of the SRSG for West Africa (since November 2001).

¹³⁶ <www.un.org/peace/ppbm>

The central role of these missions is to help establish legitimate states with the capacity to protect citizens, manage disputes, and ensure respect for human rights. More importantly, peacebuilding missions offer a chance to address underlying issues that in many cases heightened group inequalities and a pattern of social exclusion. External parties could play a useful role in facilitating institutional reforms, including constitutional reforms to change patterns of revenue allocation and resource distribution. The role of the UN Department of Political Affairs as the focal point on peacebuilding is to facilitate a coherent response by the UN system in these post-conflict environments.

In reality, situations where peacebuilding (or peace support) missions work toward a common strategic framework, driven by the needs of the local population, are the exception rather than the norm. Only the inclusion of local ideas through creative means can bring about the desired transformation in post-conflict settings. Yet in contexts where the society is divided sharply along ethnic lines or by other issues at the root of the conflict, finding a coherent local agenda can be difficult, and it is a challenge for the UN to forge such coherence through its political presence on the ground. Each post-conflict context is unique and peacebuilding agendas must creatively seek the right balance and level of relevance to local needs.

The role of the special representative of the Secretary-General (SRSG)

The choice of an SRSG, or in some cases RSG, can determine the extent to which a peace mission will succeed. The UN Secretariat outlines a profile for the SRSG/RSG, who is expected to serve as a role model, work to a high standard, lead by personal example, and observe the principles of impartiality and transparency (United Nations, 2003: Chapter I). In addition to this, however, it is important for the SRSG/RSG to possess certain attributes that can serve the strategic vision of the peace mission. The representative is expected to be diplomatically astute, with an excellent grasp of the issues of concern to the target communities; and her or his judgment should be respected by the local population, not least the conflicting parties who should have confidence in the peace process.

This is all the more important in internal conflict situations where the SRSG's role can be even more delicate, given the possibility that s/he may have to work with armed groups that are not recognised by the international community. It is crucial that the representative be able to take a strategic view in the implementation of the mandate and assume intellectual leadership on all aspects of peace implementation, ensuring their relevance to the situation on the ground. Thus, the choice of a representative can make all the difference.

In summary, peace operations should heed the following lessons of experience:

- (i) Peace and development should be envisaged as both a process and a structure, in order to avoid the current tendency of seeing the peace accord as an end state, after which new processes are launched to create local structures.
- (ii) Peacemakers should avoid rigid bureaucratic practices and build sufficient flexibility into the processes of implementing peace agreements, so as to allow for relationship building and capacity to adapt to evolving realities on the ground.
- (iii) The planning of peace support operations should envisage better links and use of QIPs in ways that can add value to DDR and other reform initiatives further down the line.
- (iv) More resources should be provided for QIPs so that they can have the desired impact and pave the way for the achievement of longer-term objectives such as reintegration and community development.
- (v) SRSGs should provide intellectual leadership for the fulfilment of all aspects of UN activities on the ground, ensuring that the strategic vision matches the needs of the communities that the UN is expected to serve.
- (vi) Through the leadership provided by the SRSG, greater emphasis should be placed on conflict transformation so that the conflicting parties are persuaded to pursue the resolution of differences via non-violent means. As such, peace missions should make better use of people with experience in conflict transformation actions that address the root causes of conflicts.
- (vii) The attention of peacebuilding support offices, which tend to focus largely on politics, should be broadened and sustained to provide the leadership and support required for national reform processes and capacity building in the security and other sectors.

C. Addressing the conflict-to-development gap

The success or failure of peace support operations depends to a large extent on how well peacebuilding and civilian components are implemented. In turn, the manner of implementation partly depends on whether or not violence has recurred. DDR, security sector reform (SSR), and the nature of international response to youth crises are three neglected areas of current conflict handling approaches.

Disarmament, demobilisation, and reintegration (DDR)

Often DDR programmes fail to achieve the strategic objective that DDR is meant to serve. The choice of programme goals is the single most important determinant of the contribution that a DDR programme will make to sus-

tainable security and development. In many cases, the planners of DDR choose objectives that fall short of what is needed to ensure a better link between security and development: as indicated above, the most common goal of DDR programmes is the attainment of relative political stability and security—rather than the greater goal of ensuring conditions for sustainable security and development.

Chapter 4 raised some of the strategic considerations that must shape the design and implementation of disarmament and reintegration initiatives if a successful transformation is to be made from conflict to development. For example, the transformation needs to accomplish the conversion of military assets to civilian use without undermining objective security needs. In the same vein, Chapter 4 warned that sharp reductions of military spending and rapid demobilisation may have the unintended consequences of privatising violence and undermining the very security that a DDR programme aims to provide. Thus the technical exercise must be balanced with good community relations and adequate investments in areas such as shelter, health support, counselling, transport, registration, subsistence, training, credit facilities, and referral to private sector employers.

International efforts to implement effective DDR programmes confront several challenges. First is the nature of the peace agreement that precedes a DDR effort. DDR is an intensely political activity. Peacemakers need to ensure that armed groups who prospered during active hostilities do not return to the battlefield or devise ways to undermine efforts to achieve sustainable peace and development. In many internal conflict situations it has been difficult to transform former armed groups into viable political parties or entities in the post-conflict, pre-election period.

Even though warring factions or armed groups lack the support of an organised constituency, this problem is not unrelated to the pursuit of early elections and early exit by the UN and other peacemakers. There is a tendency to superimpose models of peace agreements that have succeeded in other contexts, neglecting the socioeconomic and political context in the target environment. For example, it is not uncommon to find peace agreements that include the creation of institutions such as national human rights commissions or truth and reconciliation commissions, even where traditional healing and reconciliation mechanisms might have been more effective.

In Liberia, the DDR plan was clearly derived from the plan in neighbouring Sierra Leone, but in the overall peace implementation the leadership of the mission was inclined to superimpose the models that had worked in the Balkans—a choice that was heavily criticised by the Liberian community.¹³⁷ It is important to ensure that models that have succeeded elsewhere are not superimposed on environments that require other methods to tap local op-

¹³⁷ Interviews in Liberia in July-August 2004.

portunities that can make a difference on the ground, as further indicated below.

The way in which a DDR plan is implemented may have a significant bearing on the outcome of the exercise. Issues that often create major challenges include the identification of parties to be disarmed; the nature of the incentives and the contents of the demobilisation package; the quality and relevance of reintegration programmes; and the time elapsed between the demobilisation and reintegration phases. The timing of DDR is significant for several reasons. Long gaps between disarmament and demobilisation or between demobilisation and reintegration can lead erstwhile fighters to pursue other agendas that undermine the peace plan and process. In Sierra Leone, fighters who had been in cantonment sites pending demobilisation for several months (for lack of funding to proceed to the reintegration phase) rejoined the rebels during the invasion of January 1999. In West Africa, particularly in the Mano River area and Cote d'Ivoire, warlords have used gaps in DDR programmes in neighbouring states to re-recruit demobilised fighters who were not fully reintegrated into their societies.

It is important to synchronise, where possible, the timing of DDR in one country with that in another, and in particular, to avoid creating huge disparities in the contents of the DDR programmes. In Liberia and Sierra Leone, demobilisation packages included cash incentives of USD 300 per former fighter. But in neighbouring Cote d'Ivoire, the DDR plan included cash incentives at least twice as large. This created a potentially lucrative alternative for young fighters in Liberia, whose sole livelihood in a neighbourhood ridden by war for more than a decade had been based on the use of weapons. After a short demobilisation (pre-discharge orientation) period of five days spent in cantonment sites, young ex-fighters were free to roam across borders in search of the next war. For Liberian demobilised youth, Cote d'Ivoire and Guinea offered the next opportunity.

Thus, unless a region-wide approach is taken to DDR, and particularly the reintegration of young men and women, peace processes no matter how comprehensive may be derailed. The UN and other multilateral actors have taken steps to address this weakness in West Africa and the Great Lakes region of Africa but it is too early to assess the impact on the ground. In West Africa, DDR coordinators have met periodically since 2004 to share experiences and devise strategies for addressing the regional challenges, particularly following a proposal to extend DDR programmes into neighbouring states that are not necessarily in conflict.¹³⁸ In the Great Lakes, the Multi Donor Reintegration Plan which has been in place since 2003, has encountered sev-

¹³⁸ See for example, the UN Secretary-General's report on sub-regional and cross-border issues, UN Doc. S/2004/200; and the report of the UN Security Council Mission to West Africa, UN doc. S/2004/525.

eral challenges, not least the situation in the DRC, which makes implementation particularly difficult.

Fourth, local ownership of a DDR process is crucial. Unless creative ways are found to include local ideas for demobilisation and reintegration in the design and implementation of DDR initiatives, reversals in peace processes will continue to outnumber successes. Local communities not only have better knowledge of their territory and their own situation, they have to live with the consequences of armed conflict and of failed conflict management efforts. They very often have innovative ideas for reintegration that can lead to lasting solutions. But the international institutions present in these environments often lack creative channels or the flexibility to accommodate local ideas and initiatives. This problem cuts across many internationally driven initiatives and is not limited to DDR.

Last, even with all the brightest and most innovative ideas for an effective DDR programme, funding gaps can very easily derail the DDR process. More often than not, failure to redeem pledges from donors or lack of commitment to longer-term reintegration and rehabilitation efforts ensures that those programmes are doomed to fail and do not even stand much chance of meeting their shorter-term objectives set in the first instance. Donors tend to commit to relatively cheap short-term initiatives, as in Liberia where a five-day demobilisation exercise had a limited impact on skilled fighters who had been engaged in warfare for the better part of a decade. A programme that provided for cantonment for at least six months would have ensured that fighters were not free to roam the sub-region and were instead groomed for a functional existence in society. Just such a proposal failed to attract the support of donors whose aid priorities lie elsewhere, given Liberia's limited geopolitical importance. This choice is characteristic of an attitude prevalent among development actors who shy away from new ideas and programmes (no matter how innovative) because of a lack of dedicated resources at the neglected intersection of security and development.

In West Africa, for example, an option that places ex-fighters in national youth service schemes with a focus on community development for a sustained period, as part of the regional reintegration process, may not be preferred by donors or development actors. Yet it offers the promise of a structured approach to youth reintegration. Not only would it allow the ex-fighters' progress to be monitored and documented over a sustained period, but their talents could be directed toward implementing relevant community service programmes that can offer them adequate training and apprenticeships for alternative livelihoods.

Security sector reform (SSR)

Like DDR, reform of the security sector is critical for sustainable security and development not just in post-conflict environments but also as a conflict

prevention tool, particularly in states showing signs of collapse. Collapsed states often present the best opportunity for comprehensive reform of the security sector because they offer a 'clean slate' and a chance for complete transformation.

Just as for DDR, the strategic vision for SSR should go beyond the need to achieve immediate stabilisation of the conflict environment to a people-centred agenda for security and development. Thus the key principles behind SSR are designed to address some of the issues at the root of the breakdown in governance systems that led to state collapse in the first instance.

As pointed out in Chapter 4, external aid can help withdraw the monopoly of the use of force back into the hands of the state, within the context of a longer-term objective of democratic governance. That chapter also drew attention to the origins of the concept of security sector reform, which as pointed out by Ball and Fayemi (2004), aims at achieving:

- a security sector that is accountable to elected civil authorities and the establishment of oversight institutions and adheres to domestic and international law;
- transparency, such that information on security sector planning and budgeting is widely available;
- capacity of civil authorities to exercise political control;
- capacity of civil authorities to monitor the security sector and to provide constructive input into the political debate;
- adequately trained, professional, and disciplined security personnel;
- an environment conducive to regional and sub-regional peace and security.

In war-torn societies it is a daunting task to move the security sector from its pre-war and war-time state to a situation where the above principles are applied. Such a transformation will be the result of a long-term reform process that transcends the external conflict management intervention. But much depends on the ability of conflict managers to set the scene for this at an early stage in the peace process.

Very few peace agreements have included plans for comprehensive security sector reform. Those in Liberia and Sierra Leone are two of the exceptions. Even so, the Lome Peace accord of 1999 (for Sierra Leone), did not explicitly refer to SSR, but rather provided for the rebuilding of the Sierra Leone Army. The Comprehensive Peace Agreement (CPA) on Liberia in 2003 refers explicitly to SSR.

Implementing SSR as part of a UN-led process and other conflict management processes entails overcoming challenges in several areas. First is the lack of an agreed conceptual framework. The concept of SSR is relatively new: the term was introduced into the lexicon of conflict prevention and development only in the late 1990s, although some of the activities envisaged under SSR have long existed. The new SSR agenda conceives the security

sector much more broadly than previously accepted. It moves beyond organisations mandated to use force, including the defence forces and the police and intelligence services, to non-state security organisations such as militias and private security forces. It also includes the judicial and public safety bodies and civil oversight bodies.

This broad agenda is rooted in two institutional reform goals: ensuring the establishment of oversight mechanisms that are consistent with democratic norms, and creating affordable, professional security forces. SSR and the democratisation of the security sector are not just about skills formation and capacity building—they have to do with social transformation and governance reform. Thus, if the governance of the security sector is not addressed, it may be impossible to provide security for the majority of people, thus creating a dependence on non-state security groups such as ethnic militias and vigilantes.

Second, as with DDR, it is the nature of the peace agreement that often decides how and whether SSR will be successfully implemented. Two issues are relevant here. One is that many peace agreements fail to address SSR. This affects how a new government will respond to the issue; a peace agreement that includes the commitment to undertake SSR would induce leaders to adopt this core governance reform as a priority task for the post-election agenda.¹³⁹

A related issue is that the crafters of many peace agreements show a dire lack of knowledge about SSR and what it entails. As a result, peace agreements do not contain relevant details to offer guidance on how comprehensive the SSR should be. For example, while the Liberian Comprehensive Peace Agreement explicitly provides for the reform of the armed and security establishment, it does not explicitly demand the reform of oversight institutions, nor does it propose the development of a coherent national vision of security that will allow for effective governance of the security establishment.

While the presence of the UN or other multilateral actors can play an important role in pressuring local leaders to reform and offer direction on the content and scope of SSR, it has been difficult to get UN missions or other agencies to provide intellectual leadership on SSR on the ground. The result of this is that SSR activities are undertaken in isolation, without the inclusion of all needed components, and without a connection between the components being implemented (Ball and Fayemi, 2004; OECD/DAC, 2004; Centre for Democratic Control of Armed Forces, 2003, 2005). There is an urgent need to put the guidelines to work, particularly in environments

¹³⁹ Of course, this is not always full proof, as shown by Liberia's experience in 1997, when Charles Taylor failed to adhere to a previous commitment to reform the Liberian armed forces after winning elections by a landslide.

where the UN is leading conflict management and rebuilding efforts. It is unfortunate that though OECD/DAC has helped to develop guidelines on security system reform, there is virtually no knowledge or understanding of these issues on the ground in peace missions where the same OECD members have contributed massively to the regeneration of war-torn societies.

The Liberia peace mission is a glaring example of UN efforts to reform the police without strategic attention to the overall SSR strategy, though with some actions in the justice sector. Neither has the current mission provided any oversight of the programme aimed at rebuilding the security forces. The United States has not yet internalised the same approach to SSR as some of its OECD partners, in another instance of type (iii) incoherence. In effect, the rebuilding of the Armed Forces of Liberia is being undertaken by a private security firm with no link to the key principles of civilian control and oversight mechanisms.¹⁴⁰ The new OECD/DAC guidelines, which allow for the use of official development assistance in support of SSR, can potentially have a huge impact on the role of development actors in SSR and related programmes (bearing in mind the gaps identified in Chapter 4 above). But the lack of linkage between the guidelines and work on the ground threatens to slow down any progress.

The link between SSR and DDR and the synchronisation of both activities are crucial for the success of a conflict management process. Actors are still grappling with the need to understand the complexities of both activities and their convergences and divergences. The extent to which they succeed will determine the success of efforts to maintain the security-development continuum.

In the aftermath of conflict or state collapse, the defence sector attracts considerable attention. But the institutional challenge lies in connecting the defence sector to other reforms in policing, justice, and intelligence that also require resources in order to reform. The focus of SSR activities differs among regions; for example, those in Sub-Saharan Africa focus largely on the defence sector, while those in Latin America focus more on internal security (e.g. police reform). East European countries have undergone reform in a different setting. Sharing of experience across regions might provide valuable lessons to practitioners.

Last, there are real challenges for the implementation of a comprehensive SSR even when the roles of strategic actors are better coordinated. These include, for example, the lack of tradition of democratic norms and practice; lack of understanding of varied political contexts; and the need to balance the need for democratic accountability with security sector professionalism and discipline.

¹⁴⁰ Reuters, 'Liberia: U.S. Hires Private Company to Train 4,000-Man Army', February 15 2005; James West, 'Armed Forces of Liberia Training to Begin Soon' *Liberian Observer* (Monrovia) 19 May 2005.

Dealing with excluded youth and young people affected by armed conflict

The concerns of disaffected and excluded youth constitute perhaps the single most prominent issue at the intersection of security and development; and one of the key issues straddling pre-conflict, conflict, and post-conflict settings. Yet peacemakers and conflict management strategies have yet to systematically address this issue.

Much attention in post-conflict environments has focused on children associated with fighting forces, who are usually under the age of 18. Child protection was first included as part of UN peace support operations in 1999 with UNAMSIL's mandate in Sierra Leone, and the first child protection adviser was recruited in this mission in April 2000. Since then, missions in the Democratic Republic of the Congo, Angola, and Afghanistan have included child protection components. Even with this achievement, however, the two leading actors on this issue—the Office of the Special Representative of the Secretary-General for Children and Armed Conflict and UNICEF—do not always manage to coordinate their responses.

A significant gap is the continuing inattention to young people who have fallen through definitional cracks. They include, for example, those who joined armed groups as children and left as adults over 18; and other youth associated with fighting forces. These groups too require rehabilitation and reintegration.

More broadly, the youth problem requires a coherent approach across the board. Current trends in many parts of the developing world point to a multi-faceted youth crisis, with the surging population of young people creating pressures for jobs, education, and health, while policy responses to these issues are slow, inadequate, or non-existent. The real concerns of young people have failed to attract the attention of peacemakers, policymakers, and donors. Indeed, there is a remarkable lack of policy debate to indicate that these concerns are a priority. But numerous indicators warn that if the youth problem is not addressed in the near future it will exacerbate insecurity and stall development efforts in many developing countries, particularly across Sub-Saharan Africa where youth make up more than half the population.

On its own, a youth bulge is not necessarily a negative factor or cause for concern, particularly in countries that focus on social development and can use this resource to promote their nations' development and economic growth. Countries can boost the economy by providing good education, skills training, apprenticeship systems, and a stable labour market, as South Korea has done.

But the converse has been true in many fragile states whose conditions do not allow young people's skills to be harnessed in a positive way for development. Africa, the worst-affected continent, is home to 80 percent of the world's estimated total of 300,000 young soldiers (aged 10-24). Unemployment rates among African youth, according to the International Labour Or-

ganisation, average 31 percent: the highest youth unemployment rates in the world.¹⁴¹ Africa also has the lowest rate of school enrolment. Out of the world total of 133 million illiterate young people, the majority are in Sub-Saharan Africa; and out of an average of 7,000 young people a day who are newly infected with HIV/AIDS, the majority are in Sub-Saharan Africa. This is not to mention the estimated 21 million youth, already infected, who require treatment.

The political marginalisation of young people increases their vulnerability and makes them more susceptible to participating in illicit sources of livelihood, including crime and armed conflict. The experience of countries such as Nigeria suggests there is a very close link between the social and economic marginalisation of youth and ethnic or religious violence. Young people continue to be excluded from decision making processes that affect their lives and from formal political participation.

Youth are also marginalised in the design of poverty reduction strategies and the monitoring of the Millennium Development Goals. Peace-related matters affecting youth are not incorporated in most engagement strategies of donor countries that tend to neglect such topics as discrimination, violence, post-trauma healing and integration, and peace education. Job creation is still regarded as of secondary importance to macroeconomic stability.

In Liberia the lack of effective policies to address the youth crisis helped to ignite and sustain the violence of the 1990s. The mobilisation or voluntary participation of even small numbers of youth in armed groups can pose immediate security challenges (as in Nigeria and Cote d'Ivoire). But the more serious, longer-term challenge to security and development is the impact of a growing population of uneducated, unskilled, unemployed, and idle youth in a context of stagnant economic growth.

A high proportion of the victims of youth-perpetrated insecurity are other young people. High crime rates, corruption, and inefficient administration of justice create the conditions for economic inefficiency, stagnation, or decline, which in turn exacerbates unemployment and other societal dysfunctions, thus increasing levels of insecurity. The youth crisis is more pronounced in societies affected by armed conflict, in part because the social disruptions associated with violence can predispose youth to violence.

Furthermore, in countries attempting to recover from the effects of war, youth face the difficult challenge of replacing a way of life they have become accustomed to with a new life whose prospects are uncertain. DDR programmes implemented in post-conflict situations are often inadequate, as noted above. Although only small minorities of a country's youth typically belong to armed groups, long periods of armed conflict can militarise entire

¹⁴¹ These statistics do not include the working poor, most of whom are confined to activities in the informal sector.

societies, posing a key part of the challenge to be addressed in the post-conflict phase.

Invariably, once the imminent danger of armed confrontation is reduced, youth tend to be neglected and marginalised. Their aspirations and concerns are rarely dealt with systematically in the context of peace agreements or during the peacebuilding and reconstruction phase. Thus, the opportunity is lost to transform the enthusiasm for peace shown during the peacekeeping phase into more sustainable foundations for peace.

Failure to deal with the political and socioeconomic aspects of reintegration can raise crime rates and create a climate of insecurity that may lead a country back to violent conflict. This was seen in Liberia, where a combination of two crucial factors led to a resumption of armed conflict: the consolidation of the political power base of a warlord, and the failure to provide viable social economic alternatives for young combatants who remained attached to the command structures of their former factions.

Better analysis of the nature of the youth crises in fragile states, which further exacerbates the slide into armed conflict, is needed if the transformation to longer-term security and development is to be achieved. Such a study should examine existing opportunities for empowering young people and how they can be increased in the prevailing governance environment. Effective regional agendas should also be sought for promoting youth development across regions, particularly those with a growing number of fragile states, where there is a noticeable pattern of youth vulnerability and exclusion.

In summary, if these issues at the intersection of security and development are to be effectively addressed (particularly in post-conflict settings) in ways that can guarantee lasting peace and development, greater attention must be paid to the following:

- (i) The planning of DDR should envisage creative ways to ensure the reintegration of former combatants and include strategic links with related activities including security sector reform.
- (ii) The local communities in which DDR and SSR are undertaken should form an integral part of the plan for long-term reintegration. Planning and programming should be flexible enough to accommodate local ideas and proposals for reintegration. Only the mobilisation of local (public and private) efforts can guarantee the successful reintegration of former combatants.
- (iii) Peace negotiations and agreements should strategically address critical issues such as the transformation of armed groups into political entities and actors.
- (iv) Peace agreements should specify the conditions that must be fulfilled for institutional reforms, including the need to move beyond providing training to ensuring capacity development for oversight of the security sector.

- (v) Creative solutions should be found for the reengagement of idle, unemployed, and uneducated young people, not all of them former combatants. The solutions might include national service programmes focusing on community development and providing for longer-term apprenticeships that can convert functional illiterates into productive members of communities.

D. The prevention deficit: where wars are waiting to happen

It is often argued that conflict prevention work goes unnoticed and that only failed attempts at prevention are recognised. Yet the real prevention work is yet to be done in many fragile states that are at risk of war.

The telltale signs of state failure and vulnerability to armed conflict are all too apparent in 'shadow states' whose public institutions are only a façade. Beneath the façade, one may detect indicators of impending disintegration and collapse: (i) the prevalence of armed groups other than those sanctioned by the state, including civil/ethnic militia, vigilantes, and private security groups, all which point to a state's loss of monopoly over the use of force; (ii) other 'self-help' initiatives beyond the provision of private security arrangements; (iii) rampant privatisation of social services, for example in education and health, with which the rich compensate for weak or nonexistent public services.

In states managing to avoid a slide into war, a thriving informal sector can be used to provide much needed support for common people, though this further highlights the weakness of the state. Other services may be shored up by a high level of external aid (as in Uganda; Tanzania) thus creating aid dependence and potential risks of decline if the life-support machine on which the state relies is suddenly withdrawn.

In fragile states, peacebuilding activities—SSR, DDR, and measures to address youth vulnerability and exclusion, all of which can be linked to a longer-term reintegration programme for members of armed groups—can be conceived as conflict prevention tools. But the reality is that they are part and parcel of the long-term development effort, as highlighted in Chapter 4.

Unfortunately, these approaches have yet to receive enough emphasis in multilateral programmes until after a conflict has erupted and has run its deadly cycle. Conversely, bilateral and civil society actors who deal with fragile states may not provide adequate, or adequately sustained, resources to deal with the requirements. The UK support for the SSR programme in Sierra Leone is one of the few exceptions. Even this is being delivered as part of a post-conflict assistance package. Only a change in aid allocation protocols combined with new and much more active policies of multilateral engagement in conflict prevention focused on fragile states will make a lasting difference.

Currently, the incentives built into the aid system encourage the initiation of conflict in order to benefit from the vast allocation of resources that is associated with post-conflict recovery programmes. It would be more cost effective to focus on conflict prevention and peacebuilding in fragile states before they slide into war or endure a complex humanitarian emergency. The various sources of bilateral and multilateral (European Union) assistance provided to African regional organisations such as the African Union and ECOWAS, for building capacity for conflict prevention, would be good platforms for initiating changes in development cooperation policies consistent with the demands of conflict prevention.

As well as building the capacity of regional organisations to prevent conflict and respond to crisis, there is a need to achieve better coordination among regional organisations, the UN, and other multilateral actors. It is important to establish a clear division of labour and principles of burden sharing. But it must be stressed that claims to national sovereignty (and moral hazard considerations) remain a serious challenge to any attempt to prevent conflict.

Bilateral and multilateral actors seeking to manage and prevent conflict must find judicious entry points (apart from the outbreak of armed conflict) to intervene. From this perspective, the focus of the proposed Peacebuilding Commission (UN Secretary-General, 2005) on post-conflict operations and the reluctance of many countries to give it a conflict prevention mandate are very unfortunate.

Despite the challenges and gaps highlighted above, conflict management processes have shown a steady improvement. Organisational learning is evident in the UN and other multilateral and bilateral organisations in pursuit of better and more effective methods for keeping the peace and for triggering sustainable security and development in troubled and vulnerable regions. Acceleration of this learning process would yield rich dividends.

There is evidence of momentum toward building a closer link between security and development. Academics, policymakers, and civil society activists alike are championing efforts to bring the two fields closer together in policy and action.¹⁴² Additionally, the report of the Secretary-General's High-level Panel (UN, 2004) underscores the natural connection between the two fields and promises to take the UN a step closer to achieving the much needed convergence between these endeavours. Efforts to prevent conflict in fragile states should henceforth consider:

- (i) Implementing some of the programmes previously restricted to post-conflict environments in these environments as part of prevention ap-

¹⁴² See for example, the *Journal of Conflict, Security & Development*, vol. 4, no. 3, December 2004, which is devoted to a discussion of issues at the intersection of security and development and the challenges of achieving closer links between the two disciplines.

- proaches (including DDR, SSR, and special youth development programmes).
- (ii) Fragile states adjacent to war-affected countries should be included in peacebuilding initiatives.

E. Reliance on regional actors for conflict management

The role of regional actors is critical to the success of conflict management, but thus far their contribution to the management of regional conflict has received only limited recognition from international actors. UN-led interventions have received by far the greatest resources (though still inadequate), in more than 50 wars that have ended since the end of the Cold War. But UN peacebuilding operations have been staged only in 21 cases. Post-conflict situations that do not attract the United Nations hold the potential of deadly reversals. Given the limited resources, regional actors are left to pick up the pieces.

Regional actors are crucial to the sustainable success of future conflict management efforts for several reasons. First, their proximity to the crisis makes them more inclined and more responsive to calls for early action. Second, they often have a better grasp of the socio-political context in which a neighbourhood crisis is unfolding.

Third, through their experience of difficult neighbourhood crises, regional actors, particularly African regional organisations, have developed norms and standards for preventing and managing conflict and robust approaches to dealing with violent conflict. For example, the African Union, and several sub-regional organisations including the Economic Community of West African States (ECOWAS) and the Southern African Development Community (SADC) have included in their treaties and guiding principles the right of intervention in a member state when crisis or humanitarian tragedy is imminent.

This principle is similar to but more robust than the 'responsibility to protect' principle that emerged after the ECOWAS approach (ICISS, 2001). Beyond bold statements and agreement on norms, some regional actors have taken daring steps to undertake conflict prevention work to halt the deterioration of situations that could have moved well beyond their conflict management ability. Examples include Nigeria in Sao Tome and Principe, and ECOWAS in Guinea-Bissau and Togo.

Fourth, some regional organisations have advanced further than the UN in their approaches to collaboration with local actors, particularly civil society groups across the region. This is the case with ECOWAS, which has formalised its involvement with West African civil society. The greatest criticism of the proposal for the Peacebuilding Commission among West African civil society actors, for example, is that it does not envisage the inclusion of civil society actors.

Regional organisations have major weaknesses but the UN and other development agencies can help to remedy these. In Africa, for example, while a number of member states have continued to contribute personnel to peacekeeping operations within and outside the continent, the capacity to deploy troops to the area of operation remains a challenge. While there is now a continental framework for peace and security, including planning and executing peace support operations, such a framework has yet to be created for peacebuilding. This is partly because the imperative has been to respond to emergency situations that require rapid responses, and partly because African regional organisations lack sufficient capacity to provide peacebuilding support. Much of the peacebuilding work on the continent is undertaken by local civil society actors and nongovernmental organisations (largely international NGOs).

Even while short of resources, regional organisations can play a critical role by developing local and regional ideas on effective peacebuilding, which exist in abundance, into a continent-wide strategy that could provide a basis for UN and international support and give the proposed Peacebuilding Commission a highly valuable regional partner.

The complementary role of UN and regional actors is grounded in the notion of subsidiarity. The weaknesses of one can be overcome by the strengths of the other. And the success of emerging policy responses such as the proposal for the establishment of a Peacebuilding Commission calls for alliances between the UN, regional, and local actors that the European Union might also encourage and support. The trinity of diplomacy, security, and development upon which the work of the Commission should focus would be well served by combining regional strengths in diplomacy and security (such as the execution of peace operations) and the UN/international community's strengths in peacebuilding and development assistance.

The future of conflict management is burden sharing between regional, national, and global actors. Those able to respond rapidly to regional crisis without Security Council constraints would do so as the UN and other international actors attend to situations on the Security Council agenda. The issue of capacity becomes all the more important in this regard. The efforts to develop the conflict management capacity of organisations in Africa, the region most affected by deadly conflict, appear to concentrate only on peace support operations, partly for the same reasons that Africans themselves have focused on this area. The EU Africa Peace Facility of ? 250 million is earmarked mostly for peace support operations and capacity development in this specific area.

The UN has assisted the development of planning cells at the African Union. In addition, several bilateral actors have been actively engaged in helping ECOWAS develop its capacity for peacekeeping and early warning. But focusing on capacity for peacekeeping alone, and in particular on the development of an African standby force of five regional brigades by 2010, is not enough. A more ambitious capacity building programme is needed. Since

security conditions are evolving and will continue to do so as more conflicts are resolved or transformed and assume other forms, arrangements for institution building should be flexible.

African institutions should be equipped to respond effectively to a wide range of security challenges, including lower intensity conflicts and national crises that stem from the threats and challenges discussed in this chapter. The capacity to plan and implement peacebuilding related to DDR, the reform of the security sector, and planning for better youth reintegration will very likely assume greater importance in the next decade.

F. Conclusions

If ongoing regional and global attempts to improve conflict management approaches for security and development in regions in turmoil are to make a meaningful impact on the ground, radical change must occur at several levels: in the minds of leaders; within regional and global institutions, and among bilateral actors keen to make a difference. First, most promising policy responses are the result of commitment to change among innovative leaders. But just as changed leaders produce changed institutions, improved institutions can elicit new and innovative leadership. It is crucial that decision makers in critical positions appreciate the need for change. But governance reform holds the key to improved leadership over the long term.

Second, the decision making framework within which organisations—global and regional—respond to conflict needs to achieve a closer link between security and development. A strategic vision of the desired outcomes of conflict management must be precisely articulated and disseminated. It is important that the UN assume intellectual leadership of this process. The journey began with the Report of the Secretary-General's High-level Panel (United Nations, 2004) and the Secretary-General's subsequent report, *In Larger Freedom* (United Nations, 2005) (Box 22). The bracing vision of both reports should not be abandoned despite the limited progress achieved at the September 2005 summit of world leaders.

Third, UN peace support operations should be refocused on a strategic vision and desired outcomes and milestones that include social and economic recovery and community reintegration. The special representative of the Secretary-General should assume leadership for the connection of security and development objectives and activities in her area of operation. As such, the SRSG must have oversight for DDR, SSR, and economic recovery and integration programmes to ensure that they all flow toward the strategic vision. In addition the SRSG must promote and nurture strategic partnerships that will lead toward the strategic objective and collective vision.

The Government of Sweden could insist that the best candidates for SRSG positions be selected and it could press the UN to focus on a coherent

Box 22. Key proposals of the United Nations Secretary-General

- Increased aid to meet the 0.7 percent target of gross national income by 2015 or sooner;
- Mitigating the impact of climate change through research and a more inclusive international framework following the expiration of the Kyoto Protocol in 2012;
- A comprehensive convention against terrorism;
- A UN Peacebuilding Commission to improve assistance to post-conflict countries;
- Replacement of the Commission on Human Rights by a Human Rights Council;
- Endorsement of the 'responsibility to protect' to facilitate collective action against ethnic cleansing and crimes against humanity;
- Establishment of a Democracy Fund for technical assistance;
- Expansion of the Security Council to make it more representative; and
- Streamlining of the UN Secretariat to make it more flexible, transparent, and accountable.

Source: <www.un.org/largerfreedom>

strategic vision that links security and development on the ground in war-affected countries. Local and regional input should be factored into the planning of all responses to conflict, whether at the level of the UN headquarters or in the field in the area of operation. The Peacebuilding Commission provides the opportunity for this, provided that the connection to the field is strong. It is critically important that structures and leaders responding to conflict allow for flexibility to accommodate local ideas and initiatives within the strategic framework.

Fourth, innovative thinking is needed if peace processes are to deliver the desired goal of security and development in the long term. The area of youth reintegration and development is one where much-needed innovation must occur. As a contributor nation to UN operations, Sweden might play a useful role in steering the UN toward the development of reintegration programmes that focus on relevant, locally-driven, long-term youth development. The proposal for national youth service programmes focusing on community development is an area worth exploring. The study of DDR commissioned by Sweden is a first step.

Fifth, the UN should provide leadership in ensuring that practice is consistent with principles, particularly in security sector reform. Sweden should play a role in influencing the UN at headquarters and in the field to take on board the OECD guiding principles and apply them coherently in the field.

Sixth, the increased focus on anti-terrorism activities poses a major challenge for efforts to transform war-torn societies as well as fragile states and to establish a closer connection between security and development. It is important that external assistance should not undermine the capacity building and democratic reforms needed for sustainable peace and long-term prosperity. This is especially relevant in the area of security sector reform, where there is a potential for states to hold on to (or revert to) old authoritarian modes of governance that are inimical to transparency and civilian oversight, for example by using the pretext of anti-terrorism to give excessive scope to the unregulated activities of intelligence agencies and to undermine human rights.

Last, despite the challenge created by the continued insistence of states on national sovereignty and the resulting restrictions on pre-conflict peace-building by external organisations, it is important to ensure that the 'responsibility to protect' be backed by a 'readiness to help prevent' by the international community. For this kind of work, regional organisations have a distinct comparative advantage and offer the best hope for preventing more damaging and costly crises. Sweden and the European Union have a distinctive role to play in helping to build their capacities.

Chapter 6: Sweden's future security and development strategy

Sweden is seen in the developing world as a committed partner. This reputation has permitted it to play a role well beyond the ODA volumes that it can provide.

DAC Peer Review (2005)

Sweden's outward (seafaring) orientation and its economic dependence on trade, foreign investment, and imported energy have made it sensitive to international concerns. In its international relations, the country is perceived as progressive, objective, and impartial. A pioneer of peacekeeping and humanitarian initiatives, it has been a stalwart supporter of the United Nations and it enjoys a long tradition of peaceful conflict resolution.

Sweden ranks high on all national performance league tables. Its record in development cooperation is strong and it is committed to continue building on it. Thus, it proposes to allocate one percent of its national income to aid by 2006 (from about 0.8 percent in 2003). According to the Centre for Global Development's Index of Commitment to Development (Box 23), Sweden ranks third out of 21 donor countries for the development friendliness of its policies towards developing countries.

A. Need for a new strategy

The sustainability of Sweden's bold and comprehensive development cooperation stance and its generous aid levels hinge on demonstrating not only that Swedish aid is effective but also that the alliances through which Sweden implements its new policy (within the European Union, across the Atlantic, and with developing countries) are delivering results. Mobilising the new national Forum for Global Development and making it as representative and influential as possible would help consolidate the foundations of this record within the society.

In its 2005 peer review of Sweden's development cooperation performance, the Development Assistance Committee of OECD raised three questions about the strategic allocation of Swedish aid resources: (i) whether a greater concentration of resources to fewer countries would be more effective; (ii) whether the interface between multilateral contributions and Swedish aid is appropriate; and (iii) whether the criteria used for channelling aid through NGOs are appropriate (DAC/OECD 2005). Sweden is considering all three.

With respect to the first question, Sweden already directs three quarters of its allocable aid to least developed and other low-income countries. Half goes to

Box 23. Why didn't Sweden rank first on the Commitment to Development Index?

The only systematic ranking of rich countries' policy coherence publicly available is the Center for Global Development (CGD)'s Commitment to Development Index. The methodology and judgments rendered are disputed but the work is professional.

In 2004, Sweden ranked third out of 21 donor countries—just behind the Netherlands and Denmark. With respect to aid, Sweden ranked first, with Denmark, the Netherlands, and Norway running close behind. Sweden's aid is most generous in terms of the size of its economy, and only a very small proportion of it is tied to domestic supply sources. Sweden ranks above the mean for trade (4th place), technology (6th place), the environment (7th place) and migration (9th place) but below the mean for security (12th place) and foreign investment (19th place). The security-related contributions to development are measured by the estimated cost of contributions to peacekeeping missions and humanitarian missions. Sweden with annual contributions estimated at 0.114 percent of GNP trails well behind Australia, the United Kingdom, and the United States. Remarkably, no attempt was made to estimate the impact of military sales or arms exports—a major drawback of the index.

With respect to foreign investment, Sweden gets full marks for providing political risk insurance and for avoiding double taxation but the Center for Global Development analysts 'perceive problems' in Sweden's implementation of OECD guidelines on the Prevention of Corrupt Practices. They point to 'lack of evidence' that Sweden allows tax incentives in developing countries, assists private parties and pension funds to invest in poor countries, or helps develop capital markets in emerging economies. They even penalise Sweden for a lack of participation in Extractive Industries Initiative meetings!

Source: www.cgdev.org/rankingtherich/home.html See also Roodman, 2004b.

Africa. As SIDA reconsiders its criteria of prioritisation, future aid allocations should continue to give weight to the fragility of aid recipient states.¹⁴³ Instead of emulating the current aid allocation precepts used by the World Bank and

¹⁴³ Based on the fragility typology proposed in Chapter 4 above, Sweden appears to be performing relatively well on this score, since eight out of its ten largest aid recipients (Afghanistan, Bosnia, DRC, Mozambique, Nicaragua, Russia, Palestinian territories, Serbia/Montenegro, Tanzania, and Uganda) are fragile.

other major donors, Sweden should give explicit attention to state fragility. In particular, it should not penalise poor countries that are not performing well because of tough initial conditions. Beyond this, it should consider taking the lead in the development community to help resolve the aid orphan issue.

The other two questions have to do with partnership. They go to the core of the strategic issues that Sweden faces in reshaping its development cooperation activities. Given Sweden's size¹⁴⁴, the resources it can allocate to international cooperation are limited. In order to deliver meaningful results, it must leverage its impact by working closely with its Nordic neighbours and with other bilateral and multilateral actors. It should also give privileged attention to European Union affairs. Therefore, the impact of its work in development cooperation hinges in the first instance on the quality of its alliances.

First, Sweden's new policy coherence agenda should be translated into strategic partnerships that would carry out integrated programmes cutting across departmental lines, with clear operational priorities, specific operational targets, and performance indicators that can be tracked in a transparent way. In other words, Sweden's new development cooperation programme should cut across the whole of government, reach out to external partners, and be monitorable. Independent evaluation arrangements should be set up to ensure accountability and facilitate institutional learning. Substantive and visible progress in this area would make Sweden a role model in the development community.

Second, Sweden should align its competencies and its foreign policy tools to the constraints of the enabling environment and the achievement of its strategic vision. Selecting the right partners for the initiatives it decides to undertake will be critical. Effective partnerships are grounded in shared objectives, distinct comparative advantages, and trusting relationships that can tackle the challenges of uncertainty and ambiguity. To craft and nurture effective development alliances, new competencies will need to be assembled and special efforts devoted to capacity building in developing countries and regional organisations, especially in Africa.

Third, so as to ensure that the lessons of this review are put to work, Sweden should:

- (i) adopt a human security policy framework;
- (ii) invest in conflict prevention;
- (iii) pioneer new conflict management methods;
- (iv) develop a strategy of engagement with fragile states; and
- (v) provide enhanced global development leadership.

These recommendations are detailed below.

¹⁴⁴ Its population (8.8 million) and its GDP (USD 227 billion) are 15 percent and 16 percent respectively of the United Kingdom's.

B. Towards a human security policy framework

In September 2005, world leaders assembled in New York to review progress towards the ideals and goals embedded in the Millennium Declaration. No single vision for the United Nations' future emerged but some progress was made. In particular, the final summit document includes commitments to set up a Peacebuilding Commission and to strengthen the human rights machinery of the world body. Sweden should continue to stand resolutely on the side of those who back the United Nations Secretary-General in his efforts to reform the United Nations and strike a fair balance between the legitimate concerns of rich and poor countries.

To this end, a clear view of threats and challenges to human security is essential. Priorities should be set among them: selectivity is best achieved on the basis of full information about the upside opportunities and the downside risks of alternative policy actions. Thus the proper framework for decision making is a comprehensive human security framework that combines the joint pursuit of freedom from want and freedom from fear—while ensuring that duty bearers are made responsible to deliver on their respective accountabilities to protect the basic human rights of individuals and groups.

Through its public and visible support for the Secretary-General's proposed construction of an 'iron triangle' that connects collective security, development, and human rights, and through its leadership of the United Nations General Assembly, Sweden could help bridge the different perspectives of developing countries, Europe, and the United States. Such a course provides no guarantee of success. But failing to forge links of understanding across the Atlantic and around the world is no solution either. Nor does it make sense to use partial and incomplete definitions of human security that divide development advocates. The definition should be broad enough to embrace the diverse concerns of different countries and narrow enough to have technical credibility as an analytical framework.

To be sure, there are serious obstacles to reaching agreement on such a definition. On the other hand, substantial intellectual investments have already been made, ranging from those of the Ogata-Sen Commission on Human Security to the recent Worldwatch annual report and useful academic and civil society initiatives can be mobilised to achieve results.¹⁴⁵

¹⁴⁵ The Human Security Gateway <<http://www.humansecuritygateway.info>> sponsored by the Ministry for Foreign Affairs of Canada, the Trust Fund for Human Security of the Ministry for Foreign Affairs of Japan <http://www.mofa.go.jp/policy/human_secu> and the Global Partnership of the Prevention of Armed Conflict <www.gppac.net> list useful support sources for human security activities. See also <www.humansecuritynetwork.org> for information on an initiative that comprises the governments of Austria, Canada, Chile, Costa Rica, Greece, Ireland, Jordan, Mali, the Netherlands, Norway, Switzerland, Slovenia, and Thailand, and South Africa as an observer.

Given that only two percent of wars occur in rich countries and all ongoing conflicts are within poor countries, it is not enough to use the interstate security policies of the past to address the security issues of today. Nor is a fragmented approach that treats violent conflict, human rights, and various facets of poverty in separate compartments likely to succeed in an interdependent world. As shown in earlier chapters, human security is built on five pillars: (i) primacy of the individual and respect for human rights; (ii) legitimate and responsive states; (iii) compliance with international law; (iv) subsidiarity (i.e. devolution of responsibility to the lowest competent level) and (v) participation (i.e. involvement of civil society groups and individuals in the decisions that affect their lives).

In combination with policy coherence for development tenets that ensure a joined-up process of analysis and priority setting (and the assignation of duties and responsibilities embedded in transparent governance arrangements), the human security paradigm facilitates the convergence of security and development policy formulation. It addresses the predicaments of violent conflict along with those created by poverty and deprivation. It responds to the universal aspirations that were captured by the United Nations Secretary General's *In Larger Freedom* report.

Operationally, the human security paradigm conforms to principles of social responsibility and risk assessment that are increasingly being adopted by voluntary agencies and the private sector. It offers a framework for nurturing common values across the diverse constituencies that make up the security and development communities. Through risk management, it addresses issues of vulnerability, prevention, protection, and control. It also brings to bear the prescriptions of international law and the analytical models of the social sciences, including the new institutional economics.

For Sweden, the adoption of a comprehensive human security agenda would mean:

- (i) Gradually *enhancing the methodology* underlying the annual report to Parliament about implementation of the Policy for Global Development (PGD) bill to comply with results-based management and human security principles.
- (ii) Commissioning regular *independent evaluation of PGD performance* with emphasis on the key policies that affect the welfare of developing countries (aid, trade, migration, foreign investment, intellectual property, environment, and security).
- (iii) Promoting the proposed human security agenda in international forums and encouragement of independent *monitoring and evaluation* of rich countries' policy performance with regard to their obligations to level the playing field of the international economy ('MDG 8 plus').
- (iv) Sponsoring a participatory and analytical process to formulate *Millennium Security Goals* that would complement the Millennium Development

ment Goals and transform the recommendations of the *In Larger Freedom* report and those of the UN High-level Panel on Threats, Challenges, and Change reports into an action plan that can be monitored.

- (v) Mainstreaming the human security agenda by preparing and making full use of *country engagement strategies* that would guide the design and implementation of development cooperation activities in all government departments.

C. Investment in conflict prevention

Nurturing a culture of conflict prevention in development cooperation is the main priority under this heading. Any engagement with a fragile state creates incentives as well as disincentives for peace. The first priority is to do no harm. This implies that steps would be taken to assess how policies, programmes, and projects promoted by development cooperation affect the society. This would be done in close collaboration with developing country partners and should take account of the social impact of interventions, especially their impact on core government competencies including public expenditure management, horizontal (group and ethnic) inequality, youth employment, and natural resource management. Encouragement of broadly based development strategies would have pride of place along with sound policy prescriptions aimed at macroeconomic stability, effective fiscal management, and equitable access to social services, social protection, and safety nets.

Targeted assistance to help strengthen democratic systems that facilitate non-violent resolution of conflicts and the protection and inclusion of minorities is central to conflict sensitivity. So is the nurturing of basic state functions, including security system policies and processes under civilian control. Working 'in' and 'on' conflict rather than simply 'around' conflict and making peacebuilding a priority would be combined with a long-term engagement strategy of institutional development. In conflict-prone situations, aid is not always the most appropriate instrument, so other instruments must be used and great care exercised not to reward opportunistic behaviour. Thus, development assistance and other forms of recognition would favour behavioural change directed to support the achievement of goals specified at the outset.

Conflict impact assessments and scenario building are useful instruments to help design country assistance strategies that facilitate donor collaboration in pursuit of sustainable peace. Policy coherence is critical to the effectiveness of aid, and thus development cooperation activities in trade, finance, investment, foreign affairs, and security would be guided by a single engagement strategy and coordinated closely with those of other donors. The emphasis would be on structural stability, respect for the rule of law, human

rights, and social development. Working with a human rights focus through a conflict prevention lens ensures that duty bearers are made aware of their responsibilities. It also provides a bridge between civil and political rights and the social, economic, and solidarity rights of the human security agenda.

Community-driven development, social funds programmes, women's education, and gender equality initiatives, in combination with enhanced delivery of social services, provide entry points for building trust, enhancing the legitimacy of the state, and including disenfranchised youths in rewarding activities that can compete with the appeal of extremist ideologies. Strengthened governance institutions, modernised financial, security, and justice systems, and the involvement of diasporas in development work and the promotion of foreign direct investment would also make valuable contributions to human security. Of course, DAC strictures on what activities are eligible for official aid must be scrupulously observed, so that the integrity and credibility of aid reporting is preserved.

The DAC Guidelines on Poverty Reduction¹⁴⁶ underline the critical importance that the poor ascribe to their security. Beyond the protection from military incursion, human security extends to the survival and protection of persons and property. Helping poor countries build clean, lean, and able systems of security—in defence, policing, justice, and penal systems—would be made a central feature of country assistance strategies. Aid can help improve the capacity of relevant civilian bodies in government to manage the security forces more effectively. It is paradoxical that professional assessment of military spending programmes is not yet a regular feature of public expenditure reviews and that security sector reform has yet to be integrated into poverty reduction strategy papers.

Since intrastate conflicts often spill over national borders and may be caused by incursions by non-state actors from neighbouring countries, conflict prevention strategies need to be shaped by a regional perspective. Equally, to the extent practicable, they should be implemented through regional organisations. Regional cooperation is vital to the suppression of drug trafficking, the control of international crime, the prosecution of terrorists, and the regulation of trade in small arms and light weapons. To contribute to peacebuilding, development cooperation programmes should emphasise regional cooperation connected to collective security, coordinated education and health protection initiatives, infrastructure development (e.g. transport corridors), and watershed development. Adequate capacity building assistance to regional bodies naturally flows from this precept.

Unless the foreign policies of major external actors are coordinated, conflict prevention is undermined. At the same time, however, care must be taken not to subject human security to the foreign policy priorities of individual

¹⁴⁶ See <www.oecd.org/document/1/0,2340,en_2649_34621_1885953_1_1_1_37413,00.html>

donor countries. The objective application of human security principles (focused on the impacts of alternative policy options on human lives) implies that poverty reduction should remain the privileged objective of development cooperation. This does not detract from the need to combat the catastrophic risks of violent conflict or terrorist attacks. But legitimate local actors and the civil society need to be closely involved to ensure that resources are not diverted to schemes that do not match the needs of developing countries or their respect for the human rights of local populations.

Investment in conflict prevention means that Sweden should:

- (i) Cultivate a culture of conflict sensitivity by ensuring that professionals working in conflict-prone areas are trained and fully cognisant of the social, political, and economic circumstances of the countries they are helping as well as adequately trained to operate effectively in conflict-prone areas. All staff should be equipped with adequate multidisciplinary skills and analytical instruments to assess regional and ethnic imbalances and political dynamics.
- (ii) Carry out conflict assessments, social analysis, and risk assessment to ensure that country assistance strategies are conflict sensitive and implemented by all government departments to guarantee policy coherence. Equally, development cooperation activities should be planned with due concern for their regional cooperation dimensions and appropriate capacity building provided to regional bodies to facilitate their involvement.
- (iii) Develop conflict sensitivity criteria for country assistance strategies. Realism, a long-term perspective, adequate risk management safeguards, concentration of efforts on a few visible actions, involvement of reform-minded local actors, and innovative approaches that nurture the civil society and the private sector would characterise these strategies.
- (iv) Manage risks of unintended consequences (such as corruption, capture by a dominant group, etc.) associated with aid in conflict-prone environments. In particular, make sure that social and environmental safeguards and accurate political analysis are part of the quality assurance process for operations planned in conflict-prone environments.
- (v) Promote domestic ownership by identifying reform-oriented interlocutors and interacting with them during the formulation and implementation of country assistance strategies.

D. Pioneering new conflict management methods

External actors sometimes intervene without considering the political consequences of their involvement and make matters worse. Supporting one warring party against another may energise insurgents. Interrupting a civil conflict with an externally imposed agreement, without genuine reconcilia-

tion, may lead to a longer and more deadly war. Humanitarian assistance may be diverted or taxed by warlords. Anti-terrorism assistance may favour heavy-handed military options and invite intensified violence. Well-meaning growth-inducing investments may increase horizontal and vertical inequalities and provoke social resentment. Large-scale operations can fuel inflation, distort the exchange rate, exacerbate unequal unemployment patterns, favour local elites, and induce corruption. In brief, the risks of external involvement must be weighed along with the potential rewards.

Typically, development interventions start too late. The familiar mental model of diplomacy, military intervention, conflict management, peacemaking, reconstruction, and finally development does not match the realities on the ground. Once the complex emergency is over, the humanitarian intervention is labelled a triumph. By then, the voluntary agencies that deliver services for this phase of the aid cycle are ready to move on to the next crisis. Meanwhile, the reconstruction phase and the development intervention are still at the planning stage. Yet experience has shown that the post-conflict phase should be launched at an early phase of peacekeeping, so as to accelerate the economic recovery that is needed for reintegrating combatants into society and reconfiguring political coalitions.

Conflict management interventions should take account of the lessons of experience. First, regional actors have been woefully neglected and inadequately supported. Given their relative proximity to the conflicts and the consequences for national and regional security, they tend to be more willing than outside parties to apply radical but effective measures to nip deadly conflict in the bud and to provide longer-term engagement that ensures sustainability. They may be more sensitive to early warnings of potential conflict and more willing to take account of deteriorating situations in neighbouring states.

Second, peace support mandates have been too narrowly focused on short-term objectives of political settlement and elections. They have encouraged early exit without dealing with the root causes of crises. This problem has been compounded by inadequate interaction between the political/security mission and the development side of the UN system, the international financial institutions, and NGOs. Resources allocated by peacekeeping missions to quick impact projects have been too limited to achieve any significant impact. Better links to timely security sector reform and DDR operations are needed.

Third, the management of peace support operations should be fully empowered to coordinate all operations on the ground. Peacebuilding support offices should address the transformation of domestic institutions and assist in national institutional reform processes in the security system and related sectors. Sufficient flexibility should be built into planning and programming to accommodate local ideas and proposals for reintegration.

Fourth, peace agreements should strategically address such critical issues

as the transformation of armed groups into political entities and actors. Equally, peace agreements must move beyond training to ensure capacity development, for example for oversight of the security sector, for the engagement of idle, unemployed, and uneducated young people in development programmes, and for involving fragile states adjacent to war affected countries.

The following recommendations are offered regarding Sweden's role in pioneering new conflict management approaches:

- (i) Draw on knowledge gathered by peacemaking nongovernmental organisations to develop *criteria of engagement* (and non-engagement) that help to prevent unintended consequences in conflict situations.
- (ii) Experiment with joined-up approaches to *military-civilian interventions* in conflict situations, in ways that protect the principles of independence and non-partisanship that characterise humanitarian and development activities.
- (iii) Help design and pilot new kinds of *integrated operations* that combine short-term rehabilitation, security sector reform (SSR), and disarmament, demobilisation and reintegration (DDR) together with long-term development assistance that involves non-state actors and draws on domestic energies, local talent, and—above all—regional actors.
- (iv) Encourage multilateral development organisations and international financial institutions to *remain engaged in conflict-affected countries*, provide economic and development management advice, and help *mainstream security sector reform and military expenditure reviews* in poverty reduction strategy papers and similar development planning instruments.
- (v) Influence the UN to broaden the mandates of its interventions, to strengthen their links to other multilateral, regional, bilateral, and voluntary actors, and to select special representatives of the Secretary-General with care and empower them to address the full range of recovery and capacity development issues on a timely basis.

E. Engaging with fragile states

The Policy Analysis Office of the Swedish Ministry for Foreign Affairs recently completed a report about fragile states that contains all the elements needed to draw up a policy statement for Sweden's engagement with fragile states. Unfortunately, the report concludes that no 'generic' strategy is needed because 'each situation should be dealt with on a case-by-case basis'. While a tailor-made approach is obviously critically important, this does not preclude the elaboration of a policy that incorporates lessons of experience and helps to avoid repeating mistakes.

Engagement with fragile states has usually been motivated by past colonial

links, economic interests, or a geographical location close to the donor country, rather than by objective criteria. Thus instead of a tailor-made approach based on contextual analysis and human security criteria, decisions on whether or not to engage are based on purely political or strategic considerations. It is to guard against such a risk that an explicit policy is needed.

The combination of a general reluctance to invest resources in troubled countries (because they are 'poor performers'), a frequent lack of agreement among donor countries about how to handle the situation, and the normal syndrome of bureaucratic risk avoidance tends to result in benign neglect that lets crises fester. By the time a major intervention becomes unavoidable, only limited results can be expected—at very high cost and with uncertain outcomes. When things go wrong, one or more donor countries may decide to use the exit option. This usually makes things worse, so that a new crisis erupts and the prior pattern is repeated. This stop-go sequence is usually associated with engagement strategies that focus on treating the worst symptoms of the crisis instead of addressing its root causes.

The reluctance to apply adequate resources is often due to a prior determination that fragile states are not considered fit for development assistance until they have had a conflict and it has been 'resolved'. This paradoxical stance arises precisely because there is no policy in place that justifies early intervention in situations characterised by high risks but also high potential rewards in human security terms. A second cause of confusion arises from the mistaken notion that ownership, partnership, and results orientation are prerequisites of engagement instead of constituting *outcomes* that the engagement is intended to produce.

A third intellectual obstacle to the design of responsive country assistance strategies is the tendency to lump all fragile states together in the same operational category, whereas fragile states, like Tolstoy's unhappy families, are all different. The fourth and final constraint on donors' harmonisation of policies can be traced to a lack of agreed criteria as to what constitutes a fragile state, how to measure fragility, and what the operational implications of different fragility characteristics are.

To overcome these obstacles, Sweden should consider adopting a policy towards fragile states that takes account of the following recommendations:

- (i) Carry out *risk-reward analyses* based on human security principles instead of relying only on political factors in deciding whether or not to engage. Among the risks is the potential harm that may be caused by appearing to support a regime that does not protect human rights and has no interest in poverty reduction. Among the rewards may be the protection of human rights, the prevention of large-scale kidnapping of children and rape as weapons of war, the preservation of regional stability, and the prevention of major human hardship and destruction.
- (ii) Intervene in *de facto states* (for example Somalia) without presuming

that illegitimate and corrupt local authorities are entitled to act as channels for the assistance, and provide for building capacity in the civil society that may improve the chances of political participation and eventual legitimacy.

- (iii) Use SSR and DDR interventions as potential entry points for initiating *state building and economic recovery* through sequenced interventions coordinated within the donor country, harmonised among donor countries, and aligned with the existing or shadow processes of the fragile state.
- (iv) Focus on results in the use of private, public, or voluntary channels of assistance and direct capacity building assistance to the local community, the regional level, or the central government.¹⁴⁷
- (v) Apply the *lessons of policy research* in designing country engagement strategies for fragile states. That is, encourage the adoption of growth oriented strategies that emphasise safety nets and social protection, accelerated demographic transition, gender equity, youth employment, food security, enhanced access to education and health services by all, and better natural resource management and natural disaster prevention.

F. Providing leadership to the global development community

This study has highlighted a number of constraints on the effective pursuit of security and development at the global level. Sweden is well placed to help its development partners relax these constraints, for example by:

- (i) Sponsoring a participatory and analytical process to unbundle the Eighth Millennium Development Goal and enrich it¹⁴⁸ so that its progress can be monitored through specific performance indicators.
- (ii) Promoting a revision of current aid allocation formulas by the international community so that they give adequate weight to state fragility criteria and do not create 'aid orphans'.
- (iii) Encouraging the harmonisation and transparency of definitions of the fragile state across the development community (under Development Assistance Committee auspices).

¹⁴⁷ The creation of capacity and resilience at the central level has obvious advantages if legitimacy can be nurtured but it may involve serious risks if the leadership is venal and brutal. By contrast, nurturing of social cohesion at community level can have high conflict prevention value especially if it holds prospects for subsequent up-scaling.

¹⁴⁸ 'MDG 8 plus' would include reform of policies towards aid, trade (including arms and weapons), the international financial architecture, foreign direct investment, migration, intellectual property.

- (iv) Giving priority support to policy coherence for security and development within the European Neighbourhood Policy context;
- (v) Encouraging the European Union to act as a security provider and as a strong supporter of regional security initiatives in Africa, the Middle East, and the former Soviet republics.

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The present study attends to the emerging field of security and development. Some of the key questions addressed in this comprehensive overview and analysis are:

- How to further develop the Human Security concept
- How to engage in 'fragile states'
- How to develop conflict prevention and conflict management methods
- How to make development co-operation 'conflict-sensitive'
- How to harmonise donor approaches in conflict areas within donor countries as well as between donors and thereby increasing policy coherence

The study makes recommendations for how Sweden and other donors, including international organisations as well as development banks, can improve their strategies for addressing the security-development nexus. Among others it proposes strategies, how to reach 'tailor-made' approaches for engagement in conflict regions and fragile states and how a revamped human security concept, including both freedom from want as well as freedom from fear, can be a guiding light for improvements in this challenging field.



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