Breaking the Conflict Trap
Civil War and Development Policy

A World Bank Policy Research Report
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Contents

Foreword vii

The Report Team xi

Acronyms and Abbreviations xiii

Overview 1

Let Them Fight It Out among Themselves? 1
What Can We Do about Ancestral Hatreds? 3
The Conflict Trap 4
The Rising Global Incidence of Conflict 5
Nothing Can Be Done 6

PART I. CRY HAVOC: WHY CIVIL WAR MATTERS 11

1. Civil War as Development in Reverse 13
   Costs during Conflict 13
   Legacy Effects of Civil War 19
   Conclusion 31

2. Let Them Fight It Out among Themselves? 33
   Neighborhood Effects of Civil War 33
   Global Effects of Civil War 41
   Conclusion 48

PART II. WHAT FUELS CIVIL WAR? 51

   Understanding Rebellion 55
   The Conflict Trap 79
   Conclusion 88
## CONTENTS

4. Why Is Civil War So Common? 93  
   Changes in the Global Pattern of Civil War 93  
   Changes in the Incidence of Civil War 98  
   Unpacking the Global Incidence of Civil War 100  
   Conclusion: Poverty and the Conflict Trap 117

PART III. POLICIES FOR PEACE 119

5. What Works Where? 121  
   Conflict Prevention in the Successful Developers 122  
   Marginalized Countries at Peace 125  
   Ending Conflicts 140  
   Reducing Postconflict Risks 150  
   Conclusion 171

6. An Agenda for International Action 173  
   Precedents for International Action 174  
   International Policies for Peace 175  
   Conclusion: A New Goal for 2015? 186

Appendix 1. Methods and Data 189  
   Data Set and Model 189  
   Data Sources 193

Appendix 2. A Selected Bibliography of Studies of Civil War and Rebellion 197  
   Economic Factors 197  
   Role of Ethnicity and Nationalism 198  
   Anatomy of Rebellion 199  
   Role of the State 199  
   Negotiation and Implementation of Peace 200  
   Bibliography 200

References 211

Boxes  
1.1 Violent conflict and the transformation of social capital 16  
1.2 Refugees and IDPs in Liberia and Sudan 20  
1.3 Angola 28  
1.4 Psychological trauma 29  
1.5 Landmines: A bitter legacy for Cambodians 31  
2.1 Regional arms races 34  
2.2 Eritrea 40  
3.1 Modeling the risk of civil war 58  
3.2 Oil and demands for secession in Nigeria 61  
3.3 Inefficient counterinsurgency measures in Indonesia 73  
3.4 Financing the Chechen rebellion 78
CONTENTS

3.5 Modeling the duration of civil war 80
4.1 Recurrent conflicts example 1: Afghanistan 104
4.2 Recurrent conflicts example 2: Angola 105
5.1 A comparison of Botswana and Sierra Leone 127
5.2 Transparency of oil revenues in Chad 131
5.3 The rough diamond trade and the Kimberley process 143
5.4 The Khmer Rouge and the logs of war 145

Figures
1.1 GDP per capita before and after civil war 14
1.2 Total number of refugees, 1962–2002 18
1.3 Increase in mortality rates due to civil war 24
2.1 The flow and stock of refugees, 1951–2002 36
2.2 The stock of refugees and civil wars, 1951–2001 37
2.3 Refugees and cases of malaria, 1962–97 38
2.4 Opium production, 1986–2001 43
2.5 Cocaine production, 1986–2001 43
2.6 Opium production in Afghanistan and heroin seizures in Europe, 1980–2001 45
2.7 Estimates of annual opiate and cocaine use in the late 1990s 45
3.1 Ethnic fractionalization and the risk of civil war 59
3.2 Risk of civil war for the typical low-income country with and without ethnic dominance during a five-year period 59
3.3 Risk of civil wars from natural resources endowment 61
3.4 The risk of civil war in democracies and nondemocracies at different levels of income 65
3.5 Improved economic performance and the risk of civil war 67
3.6 Military expenditures and the risk of civil war 72
3.7 Natural resources and the risk of civil war for low-income countries 76
3.8 How chances of peace evolve worldwide 81
3.9 Duration of civil wars over time 82
3.10 The risk of civil war for a typical civil war country, just before and just after war 83
3.11 Diasporas and postconflict risk 85
3.12 Military spending and the risk of renewed conflict in postconflict countries 86
4.1 The global incidence of civil warfare, 1950–2001 94
4.2 Simulating the effects of the waves of decolonization, 1950–2020 95
4.3 Proportion of civil wars that end each year 96
4.4 The global self-sustaining incidence of civil war, by decades 97
4.5 Factors changing the global risk of conflict 99
4.6 The changing rates of conflict termination 100
4.7 Divergent risks: marginalized countries relative to successful developers 102
CONTENTS

4.8 Development of risk of civil war for the marginalized and successful developers, 2000–2020 103
4.9 The conflict trap: risk of civil war relative to a country with no recent war 106
4.10 The conflict trap by type of country 107
4.11 Risk components for marginalized countries in the conflict trap, relative to the same countries preconflict 107
4.12 The conflict trap in 2000: annual flows into and out of conflict 109
4.13a The conflict trap in 2020: annual flows into and out of conflict 111
4.13b The conflict trap in 2050: annual flows into and out of conflict 111
4.14 The incidence of civil war in South and East Asia and in Oceania, 1950–2001 112
4.15 The incidence of civil war in Latin America and the Caribbean, 1950–2001 113
4.16 The incidence of civil war in Eastern Europe and Central Asia, 1950–2001 113
4.17 The incidence of civil war in the Middle East and North Africa, 1950–2001 114
4.18 The incidence of civil war in Sub-Saharan Africa, 1950–2001 114
4.19 The incidence of civil war in Africa and other developing countries, 1950–2001 115
5.1 The contribution to peace of faster growth in the successful developers 124
5.2 The contribution to peace of faster growth in the marginalized countries 135
5.3 The contribution to peace of shortening conflicts 141
5.4 The contribution to peace of successful postconflict policies 151
6.1 The contribution of the policy package to peace 187

Tables
1.1 Major refugee and IDP populations, 2001 19
1.2 Mortality rates among children under five in refugee and IDP camps, selected conflicts 25
1.3 Effects of civil war on public health 26
1.4 HIV prevalence in the military, selected countries and years 27
2.1 Production of opium and coca, selected countries and years, 1990–2001 42
2.2 Prevalence estimates of opiate and cocaine use, selected industrial countries and years 46
3.1 Size of rebel organizations, selected countries and years 55
Foreword

WHY SHOULD THE WORLD BANK FOCUS ON CIVIL WAR?

Basically, there are two reasons. First, civil war usually has devastating consequences: it is development in reverse. As civil wars have accumulated and persisted, they have generated or intensified a significant part of the global poverty problem that is the World Bank’s core mission to confront. Part of the purpose of this report is to alert the international community to the adverse consequences of civil war for development. These consequences are suffered mostly by civilians, often by children and by those in neighboring countries. Those who take the decisions to start or to sustain wars are often relatively immune to their adverse effects. The international community therefore has a legitimate role as an advocate for those who are victims. The second reason why the World Bank should focus on civil war is that development can be an effective instrument for conflict prevention. The risk of civil war is much higher in low-income countries than in middle-income countries. Civil war thus reflects not just a problem for development, but a failure of development. The core of this report sets out the evidence on the efficacy of development for conflict prevention and proposes a practical agenda for action. The World Bank and its partner development agencies can undertake parts of this agenda, but other parts depend on international collective action by the governments of industrial countries. One important forum for such action is the Group of Eight.

Our research yields three main findings. First, civil wars have highly adverse ripple effects that those who determine whether they start or end obviously do not take into account. The first ripple is within the country: most of the victims are children and other noncombatants. The second ripple is the region: neighboring countries suffer reduced
incomes and increased disease. The third ripple is global: civil war generates territory outside the control of any recognized government, and such territories have become the epicenters of crime and disease. Many of these adverse consequences persist long after the civil war has ended, so that much of the costs of a war occur after it is over.

The second finding is that the risks of civil war differ massively according to a country’s characteristics, including its economic characteristics. As a result, civil war is becoming increasingly concentrated in relatively few developing countries. Two groups of countries are at the highest risk. One we refer to as the marginalized developing countries, that is, those low-income countries that have to date failed to sustain the policies, governance, and institutions that might give them a chance of achieving reasonable growth and diversifying out of dependence on primary commodities. On average, during the 1990s these countries actually had declining per capita incomes. Such countries are facing a Russian roulette of conflict risk. Even countries that have had long periods of peace do not seem to be safe, as shown by recent conflicts in Côte d’Ivoire and Nepal. It is imperative that such countries are brought into the mainstream of development. The other high-risk group is countries caught in the conflict trap. Once a country has had a conflict it is in far greater danger of further conflict: commonly, the chief legacy of a civil war is another war. For this group of countries the core development challenge is to design international interventions that are effective in stabilizing the society during the first postconflict decade.

The third finding is that feasible international actions could substantially reduce the global incidence of civil war. Although our proposals are wide-ranging, including aid and policy reform, we place particular emphasis on improving the international governance of natural resources. Diamonds were critical to the tremendous economic success of Botswana, but also to the social catastrophe that engulfed Sierra Leone. The Kimberley process of tracking diamonds is intended to curtail rebel organizations’ access to diamond revenues. The “publish what you pay” initiative, launched by the nongovernmental organization Global Witness, is intended to increase the transparency of natural resource revenues to governments. Transparency is, in turn, an input into enhanced domestic scrutiny of how such revenues are used. If rebel finances can be curbed and citizens come to believe that resources are being well used, civil war will be less likely. A third element in a package of improved international governance of natural resources is to
cushion the price shocks that exporters commonly face. Price crashes have been associated with severe recessions that directly increase the risk of civil war and have sometimes destabilized economic management for long periods. At present the international community has no effective instrument to compensate for these shocks.

International collective action has seldom looked so difficult, but the cost of failure will be measured in violence and poverty.

Nicholas Stern
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The World Bank
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The Report Team

This report was prepared under the supervision of Nicholas Stern, chief economist and senior vice-president. It was written by a team led by Paul Collier (director, Development Research Group) and consisting of Lani Elliott, Håvard Hegre, Anke Hoeffler, Marta Reynal-Querol, and Nicholas Sambanis.

The report builds on research by the Economics of Civil War, Crime, and Violence project in the World Bank Development Research Group. The project was initiated and directed by Paul Collier and has been ongoing since 1999. Ibrahim Elbadawi, Håvard Hegre, Marta Reynal-Querol, and Nicholas Sambanis were the project’s core staff. In addition, the project has commissioned a large number of studies from researchers outside the World Bank. The project received funding from the Norwegian, Swiss, and Greek governments; the World Bank Post-Conflict Fund; and the World Bank Research Committee.

The project has been collaborating with United Nations Studies at Yale, the International Peace Research Institute in Oslo, the Agence française de développement, the Economic Commission for Africa, and the African Economic Research Consortium. Conferences have been held in Addis Ababa, Irvine, Kampala, New Haven, Oslo, Paris, Princeton, and Washington, D.C.

Many of the project papers are referred to in the text of the report, and most of them are posted on the project’s web site: http://econ.worldbank.org/programs/conflict. Selections of the papers have also been published as special issues of the Journal of Conflict Resolution, Defence and Peace Economics, the Journal of Peace Research, and the Journal of African Economies. A set of country studies is being prepared for publication under the supervision of Nicholas Sambanis.
THE REPORT TEAM

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The judgments in this policy research report do not necessarily reflect the views of the World Bank’s Board of Directors or the governments they represent.
Acronyms and Abbreviations

CPIA country policy and institutional assessment
DALY disability-adjusted life year
DDR disarmament, demobilization, and reintegration
ELN Ejército popular de liberación (Colombia)
ETA Euskadi ta azkatasuna (Spain)
EU European Union
FARC Fuerzas armadas revolucionarias colombianas (Colombia)
GAM Gerakan Aceh Merdeka (Indonesia)
GDP gross domestic product
IDP internally displaced person
IMF International Monetary Fund
IRA Irish Republican Army
LICUS low-income countries under stress
MIGA Multilateral Investment Guarantee Agency
MNC multinational corporation
NATO North Atlantic Treaty Organization
NGO nongovernmental organization
OECD Organisation for Economic Co-operation and Development
RENAMO Resistência nacional Moçambicana (Mozambique)
RUF Revolutionary United Front (Sierra Leone)
STD sexually transmitted disease
UN United Nations
UNHCR United Nations High Commission for Refugees
UNITA União Nacional para a Independência Total de Angola (Angola)
UXO unexploded ordinance
WHO World Health Organization