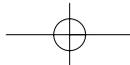
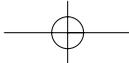
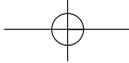


Breaking the Conflict Trap

Civil War and Development Policy

**A World Bank
Policy Research Report**





Breaking the Conflict Trap

Civil War and Development Policy

Paul Collier
Lani Elliott
Håvard Hegre
Anke Hoeffler
Marta Reynal-Querol
Nicholas Sambanis

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1818 H Street, NW
Washington, DC 20433
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E-mail feedback@worldbank.org

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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**

3. What Makes a Country Prone to Civil War? **53**

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
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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

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.

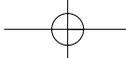
Our research yields three main findings. First, civil wars have highly adverse ripple effects that those who determine whether they start or end obviously do not take into account. The first ripple is within the country: most of the victims are children and other noncombatants. The second ripple is the region: neighboring countries suffer reduced

FOREWORD

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

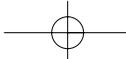


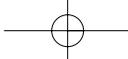
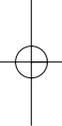
FOREWORD

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
Senior Vice-President
and Chief Economist
The World Bank
April 2003





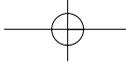
The Report Team

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.

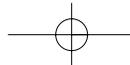
Many of the project papers are referred to in the text of the report, and most of them are posted on the project's web site: <http://econ.worldbank.org/programs/conflict>. Selections of the papers have also been published as special issues of the *Journal of Conflict Resolution, Defence and Peace Economics*, 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

We thank for their excellent work Polly Means, who did the graphics; Audrey Kitson-Walters, who processed the report; Alice Faintich, who edited it; and Susan Graham, who was in charge of production.

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