

VIOLENT CONFLICT, POVERTY AND
CHRONIC POVERTY

Jonathan Goodhand, May 2001
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CPRC Working Paper 6

Chronic Poverty Research Centre
ISBN Number: 1-904049-05-2

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EXECUTIVE SUMMARY

Background

This paper is one of a number of studies prepared for the Chronic Poverty Research Centre. The purpose of this paper is to provide an overview of the literatures on chronic poverty and conflict, map out current policy debates and identify areas for future research.

Since the fall of the Berlin Wall, over four million people have been killed in internal and regionalised forms of conflict. It is estimated that one third of the world's population is exposed to armed conflict. While violent conflict is not confined to the global South, a disproportionate number of conflicts take place in poor countries. More than half the countries in Africa are affected by armed conflicts. These conflicts are not temporary emergencies but have systemic and enduring features. The chronically poor increasingly live in contexts of chronic insecurity.

In addition to their direct impacts, violent conflicts have major development costs. Development donors have set themselves ambitious global poverty targets but these are unlikely to be achieved in a context of growing insecurity. Violent conflict is therefore not a 'side issue' that can be ignored by developmentalists. It needs to be better understood, accounted for and tackled if development goals are to be achieved. To date however, there has been limited empirical research, which examines the nature of the relationship between poverty and conflict (and virtually no research, which focuses on *chronic* poverty and conflict).

Linking chronic poverty and conflict

The nature of the links between conflict and poverty are explored by critically examining three propositions:

Conflict causes chronic poverty

The macro and micro impacts of conflict are examined with a particular focus on how rural livelihoods and entitlements are affected. Conflict has a more severe impact than other external shocks because of the deliberate destruction of livelihoods. **Chronic insecurity increases chronic poverty**, but the impacts vary according to a range of factors including age, ethnicity, gender and region. Classic conceptualisations of vulnerability may not apply; conflict may reverse pre-existing power relations causing new groups to become politically vulnerable.

Poverty causes conflict

The processes through which **chronic poverty generates grievance** leading to violent conflict are examined. Chronic poverty by itself is unlikely to lead to conflict - the chronically poor often lack political voice and organisation. However, horizontal inequalities and social exclusion, particularly when they coincide with identity or regional boundaries may increase a society's predisposition towards violent conflict. Such background conditions can be exploited by political entrepreneurs. Chronic poverty may also be a significant factor in sustaining wars as violent crime and predation become the only viable livelihood strategy for the chronically poor.

Resource wealth causes conflict

Finally, the argument that **greed rather than grievance causes conflict** is briefly examined. High value primary commodities such as diamonds and timber provide opportunities for rebel groups to finance their military activities. It is argued that rebels generate a loud discourse of grievance to hide their real economic motives. The 'greed'-grievance' debate merits further examination, but rather than framing the debate in 'either-or' terms, the key seems to be in understanding the interaction and synergies between the two.

Policy responses

It is argued that academic debates about the relationship between poverty and conflict have important policy implications. Three broad alternative approaches can be mapped out for poverty focused donors:

Working around conflict: donors avoid the issue of conflict or treat it as a negative externality. Macro reform processes therefore adopt a 'one size fits all' approach irrespective of a country's vulnerability to conflict. In areas of open conflict donors withdraw activities and put development 'on hold'.

Working in conflict; donors recognise the need to be more sensitive to conflict dynamics and adapt policies and programmes accordingly. This may mean adapting SAPs and conditionalities according to an analysis of conflict-related risks. It might also involve greater experimentation with sustainable livelihood approaches in unstable contexts. Donors could develop more politically informed poverty programmes which address underlying sources of grievance. These programmes may not address conflict in the short term but may decrease a country's predisposition to conflict in the long term.

Working on conflict: this would involve a more explicit focus on conflict management and resolution. This would entail a more explicit focus on 'greed' as well as 'grievance'. Policies which limit the opportunities for greed would need to be developed, including the development of international regulatory systems, targeted conditionalities or providing profitable alternatives for conflict profiteers.

It is argued that working around conflict is in the long run likely to be counterproductive. If chronic poverty is going to be more effectively addressed, donors need to develop approaches for working 'in' and 'on' conflict, drawing upon and adapting rural livelihoods approaches that were developed in more stable contexts.

INTRODUCTION

This paper is one of a number of studies prepared for the Chronic Poverty Research Centre. The purpose of this paper is to provide an overview of the literatures on chronic poverty and conflict, map out current policy debates and identify areas for future research.

Chronic poverty and violent conflict have, in the main, been treated as separate spheres of academic inquiry and policy. It is argued in this paper that development policy needs to be better attuned to the links between the two, in order to respond to the challenges of growing conflict and chronic poverty. There is some consensus amongst Northern and Southern governments about the need to address poverty and to achieve international development targets. However, during the last 20 years one half of the world's poorest countries have been seriously affected by civil strife or war; one third of them since 1990. If the problem of endemic instability is not tackled, donors' poverty-focused goals will be undermined.

Violent conflict is therefore not merely a 'side issue' that can be ignored by developmentalists. It needs to be better understood, accounted for and tackled if development goals are to be achieved. To date however, there has been limited empirical research, which examines the nature of the relationship between poverty and conflict. There has been virtually no research, which focuses on *chronic* poverty and conflict. Theoretical and empirical work have tended to treat the poor as an undifferentiated category. Most of the literature on poverty and conflict has focused on largely descriptive accounts of the impact of conflict on poverty ie. poverty as a *consequence* of protracted conflict. There has also been a small body of work, which examines poverty as an underlying *cause* of violent conflict. While there is a level of agreement that chronic conflict is likely to lead to chronic poverty, the reverse argument is more contentious. Recent research, mainly by political economists argues that *greed* (opportunities for predatory accumulation), rather than *grievance*, (generated by poverty and social exclusion) tends to cause violent conflict.

This debate about cause and consequence, greed and grievance, has important policy implications and deserves to be explored further. Current donor policy for instance tends to be underpinned by the assumption that poverty and social exclusion cause conflict. Poverty eradication programmes are therefore justified (in addition to their impacts on poverty) as a form of conflict prevention or management. There is however, limited empirical evidence to support or refute this claim. If there is only a loose correlation between today's conflicts and chronic poverty, as argued by the political economists, this suggests that the policy focus might shift towards addressing more immediate incentives systems related to 'greed'. We will argue in this paper that rather than setting the debate in 'either'-or' terms, there is a need to examine in more detail the interaction between 'greed' and 'grievance' in particular contexts.

The paper is structured as follows: in Section 1 we define terms and provide an introduction to debates on chronic poverty and conflict. In Section 2 we explore the links between chronic poverty and conflict by examining three propositions; (i) Violent conflict causes chronic poverty (ii) Chronic poverty causes violent conflict (iii) Resource wealth causes conflict. In Section 3 we set out the implications of theoretical debates for current policy and practice and highlight some of the emerging challenges for development donors in light of these debates. In Section 4 we map out the principal research

questions that could usefully be explored further to inform poverty-focused development policy and practice. Finally in Section 5 we map out some tentative conclusions and recommendations.

SECTION ONE: CONCEPTS AND DEFINITIONS

1.1 Understanding conflict

Conflict is a struggle, between individuals or collectivities over values or claims to status, power and scarce resources in which the aims of the conflicting parties are to assert their values or claims over those of others (Goodhand and Hulme, 1999: 14). In this study we do not assume a model of functional harmony, with conflict in some way representing a departure from the norm. It is recognised that conflict has a positive dimension and is an essential part of the process of social and political change. Conflict management or resolution is not about preventing conflict but about supporting institutions which are able to manage conflict in an inclusive and non violent way.

Conflict is embedded in society and cannot be separated from ongoing political and social processes. Mainstream analysis often tends to reify conflict. It is seen as somehow being detached from society and can be 'impacted upon' and influenced by external agencies, in isolation from other processes. We have attempted to take a holistic approach, in which human security or insecurity is the result of wider social, political and economic processes.

In this paper our focus is on militarised violence, although it is recognised that the distinctions between war, predatory violence and crime are becoming increasingly blurred¹. It has been estimated that over one third of the world's population is exposed to armed violence (Stewart and FitzGerald, 2000). Although a recent study² found that armed conflicts within and between states have declined during the 1990s, serious armed violence persists in many parts of Asia and Africa. Poor countries are at a greater risk of falling into no-exit cycles of violent conflict. Going by the standard definition of war, a total of 1,000 battlefield deaths per year, more than half the countries in Africa are affected by conflict. 75% of the global arms trade is directed at poor countries (UI Haq, 1999: 129).

It has become commonplace to cite that most conflicts and protracted political crises today do not occur between sovereign states but are of an internal or regionalised type (Duffield, 2000: 73). Of the 27 major armed conflicts that occurred in 1999, all but two took place within national boundaries (Collier, 2000). The term Complex Political Emergency (CPE) has been coined to describe what are essentially hybrid conflicts that combine transnational and internal characteristics. CPE, is not an analytical tool but a descriptive category which provides a short hand expression for many, often dissimilar conflicts. To an extent conflicts have always been complex and had political characteristics. What is different about the post-Cold War era is the 'complexity' of the politics of humanitarian intervention itself. Some writers prefer the terms 'emerging

¹ In 'post conflict' settings levels of militarised violence and crime may increase. In South Africa for instance, there were 12,000 murders in 1986 and 25,000 in 1997.

² Gurr et al (2001)

political complexes' or 'situations of chronic political instability' (SCPIs) (Schafer, 2001) as they better capture the enduring, structural nature of such phenomenon.

Since the fall of the Berlin Wall, over four million people have been killed in internal and regionalised forms of conflict. While death and disablement are a common feature of both 'classic' and contemporary CPEs there has been a horrifying shift in the distribution of suffering; at the beginning of the century, 90% of the casualties were combatants, whereas the majority of casualties are now inflicted on civilians. CPEs have fuelled a rapid rise in the global number of refugees and internally displaced, from 22 million in 1985 to a current level of around 40 million. In 1995 one in every 115 people on the earth was forced into flight from war, starvation or genocide (Weis, 1995).

In response to growing conflict, there has been a substantial growth in spending on humanitarian relief and peacekeeping. In 1980 the value of relief aid (excluding food aid) from OECD countries was US\$680 million. By 1996 this value had increased nearly fourfold to US\$2.7 billion (Macrae, 1999: xiii) and during peak years it has reached 15% of all aid. The growth of relief funding has eaten into already declining development budgets. However the costs of peace keeping have been even greater. In 1994 the United Nations spent \$4 billion on peacekeeping, the same figure as had been spent in the previous forty eight years of its existence (Ul Haq, 199: 137). Critics of the international response argue that it is highly selective and in areas of limited strategic interest humanitarian relief has become a substitute for robust political action.

Conventional theorising around war between states no longer appears to be so relevant. Neither do a number of contemporary forms of analysis which view conflict as either *temporary* (resulting from development malaise), *irrational* (based on misunderstandings or communication breakdown between groups) or *backward* (the result of a return to ancient enmities) (Duffield, 2000). More illuminating analyses in recent years have focused on the political economy of conflict. Mark Duffield for instance links the spread of CPEs to the related processes of the declining power of the nation state and the intensification of transnational commerce. Firstly, the end of the Cold War era and the impacts of globalisation have led, particularly in the South to a decline in the competence and capacity of the nation state. Increasingly, as Duffield argues we are entering an era of weak states often with multiple and overlapping centres of authority. Secondly, today's conflicts are characterised by expanding networks of parallel (illegal) and grey (semi-legal) economic activity.

Afghanistan is illustrative of these two interrelated processes. The collapse of the state has left a power vacuum that has been filled by competing non state military actors. The end of super power patronage has meant that controls on such entities have declined and increasingly they have had to develop their own means of economic sustainability to service their military activities and maintain their patronage networks. This has meant moving beyond the Afghan State in pursuit of wider alternative networks in the regional or global market. In the case of Afghanistan it has been drugs and cross border smuggling, with Liberia's Charles Taylor (who earned an estimated \$400 million per year from the war) it was largely timber and diamonds. While liberalisation may not have caused these new forms of instability, market deregulation has made it easier for warring parties to develop the grey or parallel international linkages necessary for survival. As Duffield notes, warlords may act locally, but they think globally.

Therefore conflict is not the irrational breaking down of societies and economies: rather "it is the re-ordering of society in particular ways. In wars we see the creation of a new type of political economy, not simply a destruction of the old one" (Keen, 1998:7). The value of political economy perspectives is that they highlight that violence may serve important functions and confer benefits on certain groups and individuals. Clausewitz characterised traditional nation-state war as the continuation of politics by other means. However in many conflicts today, it may not be so much about winning the war as maintaining one's sphere of influence. As Keen concludes, internal wars may now be better understood as the continuation of economics by other means.

A political economy approach is essentially about analysing the production and distribution of power, wealth and destitution during violent conflict, in order to explore the motives and responsibility of those involved (Le Billon, 2000:1). These motives may change during the course of the conflict. Wars may mutate and chronic conflicts are often characterised by a switch from political to economic agendas. In such cases an analysis of causality becomes decreasingly relevant as addressing the original sources of grievance is unlikely to address the conflict dynamic. Once violent conflict emerges it transforms itself and all around it – the state, livelihoods, national economy and social relations (Cliffe and Luckham, 2000: 311).

Frequently we are not talking about 'a conflict' but an extremely complex, multi layered conflict system in which a number of different conflicts interact with one another. In Afghanistan for instance micro level conflicts around land and water issues have become entwined with the wider national and regional conflict. The analytical challenge, therefore may be less one of identifying and isolating individual risk factors (such as chronic poverty) than understanding the types of configurations and patterns that are more or less likely to lead to violent conflict. It also means there is unlikely to be any single policy 'fix' and interventions should be multileveled, aim to influence short term and long term incentives and target structures, actors and conflict dynamics. The case study of Sri Lanka in Box 1 illustrates some of the characteristic features and effects of protracted conflict.

Box 1:**New forms of security and insecurity in Sri Lanka**

The secessionist war in Sri Lanka started in 1983. The conflict is spatially defined, with the main theatre of war in the North East, however, militarised violence has become an island wide problem and has had a corrosive affect on Sri Lanka's political, economic and social institutions. The government's armed forces have grown from 12,000 to 200,000 in less than 20 years and military expenditures accounted for 6% of GDP in the 2000 budget. Protracted conflicts (in the North East and South) have undermined democratic political processes and there are limited restraining influences on military actors. In one third of the island, it is the military who make the key decisions. There has been a growth of para military groups fighting on the government side who are only loosely controlled by the state. Violence has in effect been 'franchised' out to such groups. The LTTE has grown into a highly effective fighting force of over 5,600. In addition to their military arm they have a political and civil administration which have assumed quasi state like function in the North East, including a taxation system and law courts.

The use of terror and show killings are widespread. Increasingly violence has become normalised and routinised, not only in the north east but in rest of the country where election violence and violent crime (often from army deserters) have become endemic. Chronic insecurity exacerbates poverty, which has deepened in the North East due to the war and an economic blockade. In the South liberalisation has accentuated regional differences as growth has mainly occurred in the urban Western province, leaving significant pockets of poverty in the deep South. Endemic insecurity is primarily a problem of the rural poor as the urban elite have largely insulated themselves from the problem.

Adapted from Goodhand, 2000

1.2 Understanding poverty

It is beyond the scope of this paper to review the extensive literature on poverty. Instead we have identified a number of key ideas and tools which can usefully inform our analysis of the linkage between poverty and conflict.

Livelihoods approach: this approach replaces traditional income based definitions of poverty with a much more broad, inclusive and context specific examination of livelihoods. The division of household assets into forms of human, social, natural, financial and physical capital provides a useful framework for analysing how conflict impacts upon livelihoods.

Exclusion and rights: the literature on war and famine emphasizes the importance of political marginality and the systematic denial of human rights. Bhalla and Lapeyre (1997) define exclusion as the denial of rights or incomplete citizenship. Galtung (1990) in a similar vein refers to 'structural violence', which manifests itself in structural inequity and the unequal distribution of power. The

UNDP's political freedom index - which incorporates personal security, rule of law, freedom of expression, political participation and equality of opportunity -- provides a proxy indicator for the political dimension of exclusion and usefully highlights the link between politics and poverty.

Human security: UNDP's concept of human security and the political freedom index highlight personal security as a central part of human well being. Recent PPAs also emphasize the fact that poor people place a very high value on personal safety. Law and order can therefore be seen as a public good or entitlement.

Poor people's perceptions: Chambers (1997) stresses the importance of listening to poor people's perspectives. In unstable contexts people's perceptions of well being and security can be critical in determining whether conflict becomes violent or remains latent. Although there is limited research in this area, it appears that absolute measures of poverty are less significant, than poor people's expectations and a sense of grievance, as triggers to violence.

Risks and vulnerability: household vulnerability is defined as the capacity to manage shocks and poor households have a low vulnerability to risk. The experience of living with high risk is becoming ever more central to the lives of a growing number of poor people. It is often the lack of viable economic alternatives that drives poor people to engage in violence (what Keen (1998) terms 'bottom up' violence).

1.3 Understanding chronic poverty

Transient and chronic poverty: the transiently and chronically poor are overlapping but distinct groups. Chronic poverty is usually distinguished from transitory poverty by its duration – the chronically poor are identified not so much by income in a year as by low variation in income over a period of several years. The literature on conflict and poverty tends not to distinguish between transient and chronic poverty. However, the distinction is a useful one in distinguishing between people who move into and out of poverty, often as a result of seasonal or random shocks (including violent conflict, market failure, famine etc) and the inter-generationally poor, who tend to live on the margins of the global economy in the most chronically insecure regions and benefit least from current development policy.

Spatial poverty traps: the links between remote rural areas, chronic poverty and violent conflict has received limited attention. One could hypothesize that spatial poverty traps are more prone to political instability and violent conflict. A weak state presence, the remote political status of certain groups and a lack of access to markets are likely to increase vulnerability and in certain contexts generate grievance. In Sri Lanka, for instance one of the key factors distinguishing the chronically poor from the transiently poor is the lack of access to state services. The remote rural areas in the deep South provided the main support for the violent JVP uprising in the late 1980s. The geography of risk, vulnerability and insecurity deserves further examination. More attention needs to be paid to the context specific nature of risks, the capacity of households to manage such risks and the potential for public action to bolster indigenous capacity through targeted development investments (Webb and Harinarayan (1999)).

2. LINKING CONFLICT AND POVERTY

2.1 What are the linkages between violent conflict and poverty?

Confusion at a policy level, to an extent reflects a lack of clarity in the academic literature on the links between poverty, violent conflict and development. Until recently poverty has traditionally been a concern of development studies, anthropology and economics. Violent conflict on the other hand has been the preserve of conflict and peace studies, international relations and political science. It is only relatively recently that these academic disciplines have begun to converge around the issue of violent conflict and poverty. This perhaps inevitably leads to conceptual confusion as different academic disciplines explore similar issues, using different terminology and analytical tools

It might also be argued that the respective literatures have reached a conceptual impasse. While the CPE literature tends to focus on 'meta theories' of development and globalisation, the poverty and livelihoods literature stresses 'empowerment from below'. The overall thrust of the former is that globalisation processes are conflict producing as they undermine nation states and generate new patterns of inclusion and exclusion. Current development policy with its primary focus on market integration is part of this paradigm. While the literature has less to say about practical policies, the implication is that change needs to happen at a macro, systemic level. On the other hand the poverty and livelihoods literature, tends to have a micro focus and advocates change from below. At the risk of oversimplification, one tends to have a pessimistic view about politics and institutional change, while the other has an almost naively optimistic (and apolitical) view about the potential for poor people (and 'new professionals') to transform their situation. Both literatures provide useful insights however, which should inform poverty-focused development policy³. The challenge for academics and policy makers appears to be identifying and building upon the synergies between them. This may be happening in the sense that there is an increased focus now in the poverty literature on politics, institutions and social exclusion.

There is also perhaps a growing recognition that conflict presents new challenges for rural development, as noted by James Swift: "...if we are to face the issue of conflict effectively, we need to learn new skills, cover new literatures, and talk to new kinds of specialist, to enable us to do our own work with new perspectives" (Swift, 1996:1).

In the following section we attempt to draw upon the literatures on conflict and chronic poverty to examine three hypotheses:

1. Conflict causes poverty
2. Poverty causes conflict
3. Resource wealth causes conflict

2.1.1 Conflict causes poverty

There is some consensus around the proposition that conflict causes poverty. This is not a particularly new idea and the image of the four horsemen of famine, pestilence, death and war riding together has been invoked in times of crisis through the ages. Until

³ See Schafer (2001) for a more extensive examination of this theme.

recently however, partly due to the problems of getting reliable data, there have been mainly descriptive accounts of the costs of conflict. This was largely dominated by economists who employed, what Keen describes as a ‘black box model’ of conflict; aggregate consumption and production declines, comparative advantages are lost and capital is destroyed: why do people behave so inexplicably?

However analytical work done in the 1980s and 1990s has contributed to increased understanding of how conflict impacts upon polities, economies and societies. This includes work which focuses on the macro level (Stewart and FitzGerald (2000), Duffield (2000), Collier (2000) and on micro level entitlements, vulnerability and coping strategies (de Waal (1997); Keen (1998), Richards (1996).

What this research shows is that the impacts of war vary according to the nature, duration and phase of the conflict and the background economic and social conditions. However, chronic internal wars are likely to produce chronic poverty. This particularly applies to collapsed state, war lord type conflicts like Sierra Leone, where the purpose of war may be to make money and the combatants ensure that it lasts long enough to make serious money (Smillie, 1996). “Poor societies are at risk of falling into no-exit cycles of conflict in which ineffective governance, societal warfare, humanitarian crises, and the lack of development perpetually chase one another.” (Gurr et al, 2001:13). Moreover as many of today’s wars are regionalised, the costs are often widely spread with neighbouring countries suffering from the spillover effects⁴.

CPEs represent the systematic and deliberate violation of individual and group rights to produce and secure an adequate livelihood (Macrae and Zwi, 1994:21). The impoverishment and deliberate cowing of the population may be used as a weapon of war. In Afghanistan for instance, the Russians deliberately targeted irrigation systems in the countryside to cut off food supplies to the resistance. In Sri Lanka, an economic embargo is placed on the North East by the military to stem the flow of materials going to LTTE. The impacts of conflict also depend on the level of compensatory action by national governments or the international community. Therefore initial economic conditions and the nature of the war help determine economic, political and social consequences.

Macro effects of conflict

Conflict has direct and indirect costs. The direct impacts including battlefield deaths, disablement and displacement have long-term costs for societies. Chronic poverty is likely to increase due to higher dependency ratios caused by an increased proportion of the old, women and disabled in the population. Many more people die from wars as a result of lack of basic medical services, the destruction of rural life and transport and collapse of the state, than from direct battlefield deaths. Box 2 summarises the impacts of conflict on various types of capital and the possible links to chronic poverty.

Box 2:

Impacts of conflict on types of capital and associated assets

⁴ Wallensteen and Sollenberg found that 55% of armed conflicts and 69% of wars belonged to what they called ‘regional conflict complexes’

Political capital eg Decline of the state and democratic political processes. Increased influence of military actors. Decline in rule of law. Increased vulnerability and targeting of politically excluded groups.

Human capital eg. Deaths, disablement, displacement, , decline in capacity of the state to provide services such as health, education etc. Violence against women. Reemergence of slavery. Declining literacy, life expectancy, increased infant mortality rates, higher levels of stunting. Higher dependency ratios. Long term effects of a poorly educated and skilled workforce and a future generation which has known nothing but violence (Luckham et al 42: 2001).

Financial capital eg. Financial institutions, investments, markets, impact on rates of growth, investment levels, decline in markets, lack of credit, outflow of capital.

Social Capital eg. Disruption of social relations, social dislocation, decline in trust and reciprocity. Social capital deliberately targeted or used to generate perverse outcomes.

Natural capital eg. Break down of customary rights and rules of useage, predatory behaviour leading to resource depletion and environmental degradation, lack of management and investment in natural resources. Increased use of marginal lands

Physical capital eg. Destruction of, and lack of investment in infrastructure and services. Land mines

Source: adapted from Moser (1999)

At the macro level there are therefore large political, economic and social costs over and above the direct battle deaths. The World Bank estimates that conflict in Africa is causing a loss of 2% annual economic growth across the continent (DFID, 2001:11). Stewart and FitzGerald (2000) in a global analysis of conflict affected countries found similar patterns of macro economic effects including a fall in GDP per capita, food production and exports, a fall in gross investment, government revenue and expenditure. The negative impacts on food production lead to an increased reliance on imports and food aid⁵. The destruction and migration of existing capital and the lack of addition to capital stock all have longer term development costs. Between 40% - 75% of available fiscal and foreign exchange earnings may be diverted towards fighting the war (Green, 1994:48). This contributes to an unsustainable debt burden and there are currently 13 Highly Indebted countries which are affected by conflict (DFID, 2001:12). The erosion of government services in turn contributes to chronic public health problems and the growing 'silent disasters' of HIV/AIDS, tuberculosis and malaria.

As conflicts become protracted, organised violence increasingly shapes the economy. Free markets may become 'forced markets' with military actors using coercion to maintain protection regimes and price differences. Soldiers – the 'entrepreneurs in khaki' (Chingono, 2000) – are likely to exert a growing influence on economic activities. Economies become increasingly informalised and peripheral areas may withdraw from

⁵ It has been estimated that average agricultural production losses in Africa due to conflict were 12% (cited in DFID, 2001:11).

the monetised economy completely, retreating into subsistence and bartering. There is likely to be an overall rise in subsistence activities and a decline in markets as transaction costs increase. Insecurity and lawlessness lead to a shift from market based, to group-based transactions. Le Billon (2000) usefully distinguishes between (a) the development of a war economy, which grows to fuel the war machine (b) economic strategies of war such as blockades or the bombing of economic targets (c) the collateral impacts of war on the economy. In addition to its economic impacts, war also profoundly shapes political and social processes as illustrated in the case study of Sri Lanka in Box 3.

Box 3:

The costs of conflict in Sri Lanka

In some respects Sri Lanka is an anomaly in that its' economy rather than contracting during the war, grew at a faster rate than the pre-war period. However in the context of South and South East Asia, Sri Lanka's growth has been modest and the conflict has undoubtedly been a factor in its relatively poor performance.

Military expenditure has risen from 4% of government expenditure in 1981 to 22% in 1997 crowding out various civilian expenditures. It has been estimated that the total costs of the first two phases of the war in the North East was \$16 billion or 135% of 1997 GDP. Apart from the direct cost the war has had important opportunity costs. Foreign Direct Investment has not exceeded 1.3% of GDP compared to nearly 4.5% in Thailand, mainly because of the uncertain climate created by the war.

The conflict has had important political and social impacts. The militarisation of society and the state has undermined democratic institutions. It has created an enclave economy in the North East. Inter group tensions have meant that market based activities have declined because of the high transaction costs and there has been a retreat into subsistence activities.

In spite of the obvious costs for the majority, for certain groups violence has become a means to attain legitimacy, wealth and protection. Vested political and economic interests have therefore developed around, and sustain the conflict.

Conflict and entitlements

Entitlement analysis is useful in showing how differently situated social actors command goods and services that are instrumental to their well being. War can lead to entitlement collapse and famine. Drawing upon the literature on famine and conflict, one can distinguish a continuum from vulnerability to external shocks to starvation and death. In many respects, the early stages of famine are not easily distinguishable from endemic poverty. As De Waal (1997) notes, coping strategies collapse more often when associated with violence than with environmental and economic shocks, as survival strategies are systematically undermined. The deterioration of social safety nets is the result of a conscious strategy of war.

War has a range of effects on poor people's entitlements. Firstly there is likely to be an increased reliance on **direct** entitlements as households retreat into subsistence. However resource endowments are likely to decline. There is a serious and progressive depletion of the rural asset base, in particular the loss of land to production by mining and other activities and the decline of livestock herds (Cliffe and Rock, 1997:81). Shortened time frames lead to more opportunistic behaviour and the consequent degradation of natural resources. Conflicts over access to resources often intensify when the resources in question become scarce in absolute terms. In Afghanistan for example there has been increased conflict over grazing and irrigation rights as resources become more scarce and customary rules of usage have broken down. **Market** and **civic** entitlements are likely to decline due to insecurity, lack of mobility and lack of trust. The erosion or collapse of state services lead to a decline of **public** entitlements, often manifest for instance in a sharp rise in infant mortality rates. Finally, **extra legal** entitlements may become increasingly significant with a rise in opportunistic or predatory behaviour. For the poor, taking up the gun becomes a rational livelihood strategy. As one commentator on Liberia noted "the law in force here is this: whoever has weapons eats first." (Kapusckinski, 2001). Box 4 illustrates the effects of violent conflict on household entitlements in Nepal.

Box 4:

Impacts of violent conflict on household entitlements in Nepal

Direct entitlements: (net decline) migration of men leading to loss of on-farm labour; internal displacement; sale of assets – livestock, farm implements etc; inability to maintain and farm land due to insecurity, leading to a decline in the value of assets e.g. erosion of farm land. However in some Maoist base areas a redistribution of land and assets may have increase direct entitlements for some families

Market entitlements: (net decline) disruption of markets and increased transaction costs of going to the market. However within base areas new internal markets may have been formed, with for example the introduction of a barter system.

Civic entitlements: (mixed) perhaps positive impacts within groups – an enhanced sense of group identity and increased collective activities within base areas. However, erosion of social capital across groups – lack of trust, politicisation of life in the village. Displacement may have adversely affected traditional forms of reciprocity.

Public entitlements: (decline) decline of government's role and consequent loss of entitlements; declining donor and NGO activities in affected areas; lack of voice to make claims on the state.

Extra legal entitlements: (rise) criminality may be on the rise – robberies, land grabs, petty theft, growth of protection regimes and Mafia activity. Decline in other forms of entitlements, may have led to an increase in extra legal activities like trafficking, smuggling etc.

The state may play a critical role in protecting its citizens from the various economic and social costs of conflict. Much depends on the capacity and commitment of the government to poverty alleviation. Mozambique, for instance compares favourably with Angola in this respect (Green, 1994). Government services and expenditure in rebel held areas are likely to decline, as for example in the Maoist occupied mid-West of Nepal. In Sri Lanka however, the state continues to be an important source of public entitlements for the war-affected population in the North East. This has played an important role in mitigating some of the effects of the conflict on the chronically poor. Quasi governments may also emerge in rebel held areas and can play a role in upholding security and administering services, as has happened in Sri Lanka and Nepal. The impacts of war, are therefore a product of the nature of the conflict itself and of government structures and capacity - which are themselves affected by conflict. The state is profoundly reshaped by conflict. In extreme cases, war leads to state collapse as for example in Afghanistan and Sierra Leone. In other cases, democratic institutions and processes are corroded as a result of the systematic redistribution of power, wealth and status to military actors. Failing state may become increasingly criminalised. As Reno (2000) argues, rulers of 'shadow states' use patronage as a means of political control and in fact seek to make life *less* secure and *more* materially impoverished for subjects:

“..a shadow state ruler will minimize his provision of public goods to a population. Removing public goods, like security or economic stability, that are otherwise enjoyed by all, irrespective of their economic or political station, is done to encourage individuals to seek the ruler's personal favour to secure exemption from these conditions.” (Reno, 2000: 4)

External intervention also plays an important role and may aggravate or mitigate conflict and chronic poverty. International market forces and intervention can have a major impact particularly on poor countries, which are critically dependent on external finance. Vulnerable economies tend to be highly indebted economies and aid flows tend to be volatile and unpredictable (Stewart and FitzGerald, 2000). Conflict leads to capital flight, and the loss of FDI. Growing insecurity encourages speculative activities rather than investment in production and employment and may attract 'rogue companies' such as the diamond companies in Angola or Liberia, who have a high tolerance of risk.

Aid policies and programmes may also be a significant factor. Stewart and FitzGerald argue that orthodox SAPs may well have counterproductive results in chronically poor and vulnerable countries. Economic conditionalities can undermine the capacity and legitimacy of the state, which is forced to cut back on social services. Moreover, aid often fails to 'trickle down' and reach the chronically poor - a problem experienced in stable contexts but accentuated in areas of conflict because of problems of security, access, and voice. Research also points to the potential for aid to undermine social contracts between states and citizens (de Waal) or to inadvertently 'do harm' by fuelling the war economy (Anderson, 1999). In Liberia warlords practiced 'people farming' to loot food aid (Atkinson, 1997) while in Afghanistan, donors were willing to accept 'wastage levels' of up to 40%.

Chronic conflict causes inter-generational exclusion. This is unlikely to suddenly change in the event of a peace settlement. Post conflict Liberia for instance continues to experience the same problems of political and economic exclusion that contributed to the conflict in the first place. Similarly, the end of Sudan's first civil war in 1972 did not produce a political system that remedied the underdevelopment of the south or the marginalisation of significant groups in the north (Keen, 1998). If there were a peace agreement in Afghanistan tomorrow, the criminalised war economy would merely become a criminalised peace economy (Rubin, 2000). The effects of conflict are therefore felt for many years after the fighting stops, and many of those who were chronically poor during the war are likely to remain so during the peace. As Green notes, "the end of any war is not the end of its costs. In one sense the costs do no end until levels of output per capita, infant mortality, access to basic services, food security and poverty alleviation are achieved which correspond to those that would have been predicted in the absence of war." (Green, 1994:45). Societies which have experienced violent conflict are in a sense 'geared up' for war, and are more vulnerable to future violence than pre-conflict societies with similar risk factors (Collier, 2000: 18).

Differentiating the impacts of conflict

It is evident from the above discussion that conflict, and particularly chronic conflict, raises the incidence of chronic poverty and creates downward pressures on the poverty dynamics of many households. However, vulnerability and loss are unevenly distributed. There is a need for sub-national, community and household level analysis to understand how different groups are affected by the processes of conflict and impoverishment.

Conventional assessments of vulnerability may not apply. Measures of vulnerability are evidently time and context specific. Combatants in a post conflict situation for instance may be considered vulnerable. Within a county in conflict there is likely to be a great deal of variability from one region to another, particularly where the fighting ebbs and flows, as in Sri Lanka and the front lines dividing 'cleared' (government controlled) and uncleared (rebel controlled) areas constantly change.

War may involve a reversal in peace time relationships. In Afghanistan for instance, the countryside has become less vulnerable than the city. Multiple displacements, a lack of access to land, a high dependency ratio and the availability of aid have contributed to a high concentration of 'hard core' urban poor in the capital city. Social networks and institutions have tended to be more resilient in the countryside. The development of the opium economy in the rural periphery has also become an important source of livelihoods for farmers, traders and military commanders. Moreover, certain groups may be targeted because of their wealth and their ethnicity. As Keen (1994) highlighted in Sudan, the Dinkas became politically vulnerable because of their resource assets. Therefore classic conceptions of vulnerability need to be questioned. A stronger emphasis on political capital and political vulnerability, than has traditionally been the case with livelihood analysis is required.

Table 1 identifies some of the links between violent conflict, identity groups and chronic poverty.

Table 1: The links between conflict, identity and chronic poverty

Group	Links between conflict and identity	Links to chronic poverty
Sub-national/ Regional	<p>In conflicts which are spatially defined, as for instance in Sri Lanka and Nepal the distribution of suffering tends to be geographically concentrated.</p> <p>Government services including policing and welfare services are at skeletal levels. The political vacuum in such borderland areas is filled by rebel groups who establish their own systems of taxation and predation.</p>	<p>Chronic poverty tends to follow the contours of the conflict and is most severe in 'heart land' areas, as for instance in the North East and mid West of Sri Lanka and Nepal respectively. Violent insurgency has increased the isolation of regions that already had low levels of 'geographic capital' ie areas where physical, social and human capital is low (Bird, Shepherd and Hulme, 2001).</p> <p>Outmigration and/or repeated displacement lead to a residual and highly dependent population.</p> <p>The poor living in such areas as Keen (2000) aptly describes, fall 'below the law', in the sense of losing the law's protection. Populations therefore come to fall, at least partially outside the physical and economic protection of the state (Keen, 2000:32).</p>
Minority groups	<p>Certain groups may be politically vulnerable due to their ethnicity, religion or language. Research suggests that rather than identity causing conflict, hardened identities are primarily a consequence of war.</p>	<p>In peace time a lack of protection of minority rights may translate into political and social exclusion and resulting chronic poverty. Brockerhoff and Hewett for instance found significant differentials between ethnic groups in the odds of dying during infancy or before the age of 5 years.</p>

	<p>Krings, T (1993) found that economic and ethnic factors play an important role in the degree of people's vulnerability to famine.</p>	<p>Conflict may reinforce these relationships, or in certain cases, they may be challenged or reversed⁶. This either deepens existing poverty or creates a 'new poor'.</p>
Intergenerational differences:	<p>Intergenerational tensions are both a cause and consequence of militarised violence. Chingona highlights the role of young men as both the perpetrators and victims of violence in Mozambique.</p> <p>Generational hierarchies may be reversed. Conflict can be empowering for the youth and the elderly may be targeted. In Sierra Leone, for instance teenager fighters ritually humiliated the chiefs and local 'big men' (Keen, 1998).</p> <p>On the other hand young men are likely to be more vulnerable in that they are likely to be targeted by military groups as potential or suspected fighters</p>	<p>The elderly are one of the groups most likely to be chronically poor as a result of the effects of violent conflict.</p> <p>They are likely to be less mobile and may be left behind by family members forced to flee. They are most dependent on kinship and extended family networks which may have broken down as a result of conflict.</p> <p>They are also likely to depend more heavily on government services such as pensions and health services that may be adversely affected by war.</p> <p>Many of the above points also apply to children. A range of factors make children vulnerable including the break up of families, the loss of educational opportunities and recruitment as child soldiers.</p>
Gender	<p>Men and women experience war differently. Conflict has mixed impacts on gender roles and relationships. Women may be vulnerable to acts of violence, including rape, which has been used as a weapon of war. An increased proportion of households may become female-headed.</p> <p>Women may also take on new roles. In Sri Lanka for</p>	<p>Female-headed households are likely to be chronically poor, although not automatically so.</p> <p>Sexual violence has severe health consequences and rape has poverty implications for women who may be ostracised by their society (Luckham et al 44: 2001).</p> <p>In some respects conflict may be empowering as women</p>

⁶ For instance the Tajik-dominated government established in Afghanistan in the early 1990s temporarily reversed the previous decades of Pashtun hegemony.

	instance they have become active combatants (including suicide bombers) and in the North East, because of economic pressures they have increasingly entered the public realm.	assume new roles and responsibilities. However these gains are often lost in a post conflict setting. Boys suffer more than girls from reduced schooling during conflict but females suffer more from raised mortality rates (Stewart and FitzGerald (2000)).
Class	Pre war relationships may be reversed with backward groups achieving prominence and the middle classes becoming targets as for instance in Cambodia and Afghanistan.	Certain groups within the middle classes may become more vulnerable, such as government bureaucrats from urban areas who depend on a state salary and lack land or other resources.
Refugees/ Displaced	Chronic conflicts are likely to lead to multiple displacements, which deplete assets and undermine coping strategies.	IDPs are particularly vulnerable because of a lack of legal protection and they often fall between aid agency mandates. Lack of access to resources and employment. Refugees may deepen levels of chronic poverty in settled populations by bringing down wage labour rates. However classical conceptions of the 'passive victim' are inappropriate. Refugees may also represent a thriving sector of the economy, as for instance illustrated by the transport business of the Afghan refugee community in Pakistan.
Disabled:	Conflict causes disability. There are, for example over 150,000 amputees in Afghanistan. Conflict also exacerbates the disadvantages experienced by the disabled in more stable settings due to declining state services. The lack of health services contributes to further disability.	Like the elderly, the disabled are most vulnerable to external shocks. They are the least able to move in the event of violent conflict or to find gainful employment. They are also likely to have a greater dependence on basic social services than other sections of the population. Finally they are least likely to be consulted by care providers whether governmental or NGO.

Pastoralists	<p>The political marginalisation of pastoralists makes them vulnerable to state violence and famine, as for example in Northern Mali (Krings, 1993). This is exacerbated by a shrinking resource base.</p> <p>The availability of light weapons has transformed raiding into a predatory activity.</p>	<p>Protracted violent conflict has led to the decline of pastoralism in the Horn of Africa (Markaskis (1993). Areas have been depopulated, mobility is constrained and the risks of being violently dispossessed of livestock have increased. Many pastoralist groups have had to cross borders and have become refugees.</p>
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There is likely to be an array of interactive forces which affect chronic poverty. In Central Afghanistan for instance the Hazara community have been affected by a number of mutually reinforcing factors including twenty years of conflict, the collapse of the state, severe drought, international sanctions, political discrimination and an economic blockade. A critical factor in relation to chronic poverty is one's capacity to spread risk and in particular, political risks and vulnerability. During the 1980s Afghan families might have had one son fighting with the communists, one with the Mujahideen, another working in Iran, while other family members migrated to Pakistan. This represented an attempt to spread political and economic risks. Individual households make rational calculations based upon the risks and opportunities. For Afghan farmers, growing poppies (rather than wheat) represents a low risk crop in a high risk environment. Conversely, in Mozambique many young men were involved in the transport business because although the risks were high, the opportunities for profit were great (Chingono, 2000).

Although the table above attempts to identify causal relationships between conflict and chronic poverty, in practice it is difficult to disentangle what is the effect of conflict and what is the result of wider processes of social change. It is not possible to separate out completely the impact of war from other influences at work in society (Cliffe and Rock, 1997:81). Violent conflict may lead to the acceleration of processes of social change and the increased differentiation of groups in society. The Afghan conflict for instance brought a new assertiveness from minority groups. In Nepal, caste relationships have been increasingly challenged.

An exclusive focus on the costs of conflict, misses the point that significant groups benefit and that war may also in some cases have positive effects on society. International conflicts may strengthen societies and economies as for example in Iraq (Stewart and FitzGerald, 2000). In Sri Lanka the economy has grown during the years of conflict. Conflict may accelerate processes of social transformation and as Chingono (2000) argues, in the case of Mozambique violence has been the 'mid wife' for wider societal change. War has contributed to the emergence of a thriving local economy driven by 'barefoot entrepreneurs'. In Sri Lanka women living in the North East have become increasingly important economic agents. Conflict can contribute to the emergence of new moral economies as well as predatory war economies. Therefore a sole focus on destruction, poverty and people as victims provides only a partial reading of war.

To summarize, in this section we have outlined the political, economic and social dimensions of conflict which are likely to have an impact on chronic poverty. We have argued that protracted, collapsed-state conflicts are likely to lead to intergenerational exclusion and chronic poverty. There is however, to our knowledge, no research linking poverty and conflict, which distinguishes between chronic and transient poverty. More work is required to differentiate between the types of conflicts that are more or less likely to lead to chronic or transient poverty.

2.1.2 Poverty causes conflict

While there is some agreement in the literature that conflict causes poverty, the hypothesis that poverty causes conflict is more contentious. Modern conflicts are multi causal with a range of short term and long term factors coming into play, including a

sudden economic slow down in the face of rising expectations, external shocks and state crises. Isolating and weighting the different 'risk factors' is difficult. Is poverty a permissive or causal factor? Is it a structural cause, a trigger or an accelerator of violent conflict? Searching for root causes may have limited value given the capacity of conflicts to mutate over time. Few would argue for a deterministic link between poverty and conflict and the challenge is to understand how poverty may interact with a range of other factors in certain contexts and at certain times to produce violent conflict. A body of empirical work has emerged which examines poverty's role as one of a number of causal factors behind violent conflict, although again, this does not differentiate between chronic and transient poverty.

Broadly, it is argued that uneven development processes lead to inequality, exclusion and poverty. This contributes to growing *grievances* particularly when poverty coincides with ethnic, religious, language or regional boundaries⁷. These underlying grievances may explode into open conflict when triggered by external shocks (such as a sudden change in terms of trade) or mobilised by conflict entrepreneurs. Although few argue that poverty per se, causes conflict, research points to the importance of extreme horizontal inequalities, as a source of grievance which is used by leaders to mobilise followers and to legitimate violent actions (Stewart and FitzGerald, 2000).

The creation of grievance

The literature tends to emphasize three factors which create the underlying conditions for 'grievance formation': **(1) historical development patterns:** analysis of the conflict-poverty-grievance nexus needs to be based on a careful reading of history. Many of today's conflicts are rooted in colonial era and post colonial development strategies, which led to the marginalisation of the rural and urban poor. Uvin traces the roots of the Rwanda crisis back to failed development policies pursued in previous decades. In Nepal, the failure of development assistance to trickle down, particularly to the rural poor in the mid-West contributed to growing discontent and eventually violent insurgency.

In countries which have high value resources, for instance oil as in the case of Nigeria, inequitable resource extraction and distribution and the negative local environmental impacts have led to growing tensions. Extractive development policies lead to resource scarcity and environmental stress. This may manifest itself in tensions between pastoralists and farmers, or between the landless and landowners. It may also lead to stress-induced migration. Environmental degradation and resource scarcity, while perhaps not being the underlying cause of conflict may become a significant aggravator or trigger for violence.

(2) the role of the state The institutional capacity and policies of the state are critical in terms of ensuring that grievance is contained or to prevent it from becoming violent. Moore (2000) identifies a close link between bad governance and poverty. Politically underdeveloped states are too independent of their citizens. They are able to raise revenues through 'unearned' income ie mineral resources or foreign aid and have few incentives to provide public goods for their citizens. In fact as Reno (2000) argues, rulers of 'shadow states' are motivated in the opposite direction ie to use poverty as an

⁷ Although Collier tends to emphasize 'greed' rather than 'grievance' his statistical analysis shows that countries with a large majority and small minority have a greater propensity to violent conflict than ethnically diverse countries. In a number of countries the coincidence of poverty and exclusion with minority or majority group boundaries has proved to be a combustible cocktail

instrument of control. Although not all states are shadow states, in many parts of the world large numbers of people are excluded from the benefits of development, in part, as a result of conscious state policies. Even nominally democratic states may fail to address the needs of the chronically poor, as they do not represent an attractive constituency for political parties whose policies are geared to short term electoral cycles. State bias towards particular groups leads to changes in the entitlement configurations of excluded groups. In Sri Lanka for instance, land colonisation and education policies had an important impact on the entitlements of the Tamil population, leading to alienation and growing grievance.

Collier's research points to the importance of education. Conflicts tend to be concentrated in countries with limited education provision. On average the countries in his sample had only 45% of its young males in secondary education. In Sierra Leone, the pool of marginalised young men was a significant driving force behind the conflict. On the other hand Sri Lanka's excellent record in the field of education did not inoculate it from violent conflict. Rebellion in the south was mobilised by the educated, but jobless youth. This suggests that education without economic opportunities is likely to lead to increased grievance.

(3) International policies: As Moore notes, "bad governance (political underdevelopment) is made, not born and 'we' (in the North) play a part in creating and maintaining it" (Moore, 2000:3). International policies contribute to processes which generate exclusion and grievance. SAPs have been criticized for undermining social contracts and coalitions. The budgetary axe tends to fall on programmes for the poor. Trade deregulation may have a crippling effect on certain groups, thus accentuating inter-group tension. For instance liberalisation in Sri Lanka devastated peasant farming and horticulture in the Tamil North East. Moreover politically blind policies in transition countries have exacerbated social tensions. Land privatisation policies in Kyrgyzstan for example run the risk of increasing conflict between Uzbek and Kyrgyz communities.

From grievance to violence

A long term crisis of underdevelopment, of economic and social exclusion, may be exacerbated by short term shocks. Poverty and poor social services can fuel conflict 'from below', just as it feeds into 'top down' violence (Keen, 1998). Historically, marginalised sections of the population have been likely to turn to organised banditry. Particular social conditions such as a surplus rural population or an economic crisis, are therefore conducive to the development of predatory violence. The crusades, for example had a particular attraction for landless and younger sons (Keen, 1998). Similar processes can be identified in many of today's conflicts as Keen notes: "in Sierra Leone, a chronic shortage of employment opportunities has been matched by a contraction in educational opportunities and in these circumstances many youths have turned to rebellion as a kind of 'short cut' to wealth as well as status." (Keen, 1998).

In Sri Lanka a major contributory factor to the JVP insurgency in the South was the sense of marginalisation of the rural youth. Although liberalisation has brought benefits to urban areas in Western Province, it has also produced a fragile and brittle rural economy and growing economic disparities. Although poverty may not be the initial trigger for violent conflict, it can be an important factor that sustains it. In situations where there are few sources of livelihood, joining military groups may represent an essential survival strategy. In Southern Sri Lanka for instance, poor households are increasingly dependent on recruitment to the country's armed services

The possible link between remote rural areas, poverty and conflict deserves further exploration. Many of today's conflicts emanate from and are fought out in border regions that have historically suffered from marginality, limited voice and hard core poverty. Conflicts in Nepal, and Chiapas, Mexico are clearly linked to differential development and patterns of exclusion. Such border regions may have historically had an ambiguous relationship with the state and been a magnet for potential dissidents. Conflict entrepreneurs have been able to mobilise around a discourse of grievance. Moreover the weak presence of the state in such areas has made it easier for militant groups to mobilise and establish base areas for their activities.

Bottom up violence therefore serves economic functions. As Keen (1998) notes it also serves important psychological functions. Violence may be attractive because it offers the opportunity to restore a sense of power and status. It can effect a dramatic and immediate reversal of power relationships, something that may have an immediate attraction to young men with a deep seated resentment towards the established order. Rebel groups also offer social mobility and a leadership role. The LTTE for instance provide Tamil youths with an alternative 'career path', when the political and economic mainstream has little to offer them.

While there are therefore clearly links between poverty and bottom up violence, one could hypothesize that it is more likely to be the transiently poor, rather than the chronically poor who rebel. The chronically poor tend to be the least organised and most passive group in society. Relative rather than absolute poverty would appear to be more critical in terms of building up grievance which leads to conflict. In Central Asia the group that appears to be most actively joining the Islamist cause are the disgruntled middle class, whose high expectations have been dashed by the stagnant economy. Similarly it is the educated youth in Sierra Leone and Sri Lanka, rather than the chronically poor who have been the driving force behind rebellion. Groups who suffer sudden changes in wealth and status are likely to mobilise and be mobilised, particularly when exclusion overlaps with group identity. In order to understand what turns latent conflict into open conflict, there is a need for more research into the leadership, dynamics, structures and mobilisation methods of rebel groups. Conflict entrepreneurs appear to have an extremely nuanced understanding of community dynamics and how social capital can be mobilised for perverse outcomes.

3.1.3 Resource wealth (rather than poverty) causes conflict

Recent research by Paul Collier of the World Bank questions the view that conflicts are driven by grievance. He argues that popular perceptions are shaped by the discourse which conflicts themselves generate. Social scientists however, should be distrustful of the loud public discourse on conflict and question the language of protest often used by the conflicting parties themselves. War "cannot be fought just on hopes and hatreds" (Collier, 2000a:4). According to Collier, civil wars occur when rebel organisations are financially viable. Therefore it is the feasibility of predation which determines the risk of conflict. "...rebellion is motivated by greed, so that it occurs when rebels can do well out of war" (Collier, 2000a:4).

A comparative analysis of risk factors is used to demonstrate the connection between 'greed' and conflict. The most powerful risk factor is that countries which have a

substantial share of their income (GDP) coming from the export of primary commodities are radically more at risk of conflict. According to Collier, a country with more than 25% dependence on primary commodity exports is more than 5 times more likely to engage in conflict. Therefore the curse of resource wealth rather than poverty induced grievance is more likely to cause violent conflict.

These findings resonate with Moore's study of political underdevelopment. He notes that groups that control territory have an historically unprecedented capacity to purchase military force to keep themselves in power (or challenge state power) (Moore, 200: 26). Globalisation has led to increased scope to exchange commodity exports for military force. Governments (or rebel groups) that control commodity exports gain a great deal of power relative to their citizens. The entry barriers are especially low where (a) control of the valuable commodities is divisible (b) it is possible to sell them without having to exercise control over large territories or infrastructure. As Moore notes "Diamonds and narcotics are the commodities which meet these two criteria most completely, as the people of Angola, Colombia, Sierra Leone and Liberia know to their costs." (Moore, 2000: 28).

Collier, found that proxy indicators of grievance such as inequality of assets or incomes have no discernable effect on risk factors. Ethnic and religious diversity, far from increasing the risk of conflict actually reduces it. The reason why analysts have, according to Collier, tended to focus on protest-type variables is because of the loud discourse of grievance generated by the rebel groups themselves, to hide the real motivation of greed. This is in spite of the evidence that "rebellion seems not to be the rage of the poor" (Collier, 2000b:10).

Rebel groups initially face three hurdles; finance, mobilisation and cohesion. Finance we have already mentioned. To mobilise, rebels need a cause and to achieve cohesion they need a strong group identity. Firstly poverty and injustice may be used as a discourse to mobilise disenfranchised groups and legitimate violence. Secondly rebel groups use networks of social capital, based for instance on ethnicity or clan, to build group identity and cohesion. Therefore, as Collier argues, "conflict is not caused by divisions, rather it actively needs to create them" (Collier, 2000:13). In other words, rebels generate group grievance by manufacturing both the grievance and the group.

The 'greed' argument is persuasive, but to argue that conflict is only about greed is wrong headed and has dangerous policy implications. It can be used to de-legitimate political projects and authentic forms of protest. In Central Asia for instance, regional governments have attempted to criminalise Islamic groups by drawing links between them and the drugs trade. The policy response has been to focus on anti-terrorism, drugs and border controls rather than poverty and political exclusion. In other words there is a tendency to use 'greed' as an excuse to ignore 'grievance'. In the long run this is likely to fuel the insurgency.

Perhaps there is a need to distinguish between what causes, triggers or sustains conflict. There is some agreement that economic agendas or 'greed' are important in sustaining wars, however this is very different from arguing that they are the underlying cause. As Moore (2000) notes, it is not so much that commodity exports cause civil wars, as they are a significant factor in contexts where state authority is fragile anyway. For Moore, bad governance is an underlying cause and 'greed' is the symptom. Weak states don't compromise, can't deliver and can't contain grievance.

3.2 Analysis; Cause or consequence?

As the forgoing discussion indicates, the links between poverty and conflict are complex and impossible to define precisely. There is clearly no single explanatory framework and one directional, mono-causal explanations have limited value. Most balanced assessments argue for a two way causality – poor countries have a greater disposition to conflict and poverty is also a probable outcome of conflict. Therefore poverty, inequality, scarcity of non renewable resources and external economic forces can have a major destabilising effect on political stability in certain conditions. As usual, however one comes back to the importance of history and context; similar configurations of poverty and bad governance may result in conflict in one context and not in another. Box 5 outlines some of the links between poverty and violence in Nepal.

Box 5: Poverty and conflict in Nepal

Poverty is central to the dynamics of conflict in Nepal. The Communist Party of Nepal – Maoist (CPN-M) has mobilised rural support around the issues of social exclusion and poverty. The epicentre of the conflict is the mid West and West, the areas experiencing the highest levels of poverty and the least voice democratic politics. The incidence of rural poverty is 2.6% higher than in urban areas and is closely linked to other forms of exclusion including caste, gender and ethnicity. The majority of CPN-M cadres are from low caste hill tribes. They also include a high proportion of women.

Poverty and prolonged economic stagnation have undermined the legitimacy of successive governments. Although the government has highlighted poverty in its 9th development plan, poverty focused programmes have failed to make a significant impact. Moreover the benefits of high profile donor supported development programmes have failed to trickle down, fuelling rural resentment. The labour force is increasing by 300,000 per year whereas the estimated number of additional jobs amounts to only 150,000. The under-employment rate is estimated to be as high as 47%. In addition to mobilising around grievances the CPN-M have also, in heart land areas taken on state like functions, having organised land reform and community development programmes.

In Nepal poverty appears to be both a *cause* and a *consequence* of conflict. It has provided a legitimising discourse for violence and is clearly a significant structural factor which needs to be addressed to prevent further escalation and resolve the conflict.

Source: Goodhand, 2000

Research conducted by the Clingendael Institute argues that there is “no clear and persistent relationship between poverty and violent conflict” (Vestegen, 2001:5) although it is recognised that economic factors constitute an important mobilising force. The crucial factor, according to Clingendael, is the degree to which socio economic categories overlap with specific ethno linguistic or regional boundaries. Duffield also notes, that scarcity itself, does not cause or determine conflict. Explanatory frameworks which focus on conflict as a result of internal development ‘malaise’, tend to miss the political processes at a national and global level which produce inclusion and exclusion.

The 'greed' argument tends to focus on economic agendas and there is a danger of politics being elbowed out of the picture altogether. Moore, rightly in our view, focuses on the role of political underdevelopment and the institutions of the state which mediate between greed and grievance. A state centred (rather than statist) analysis which focuses on state-society relations and the capacities of the state represents a good starting point for understanding the links between poverty and conflict. Important questions include, how dependent is the state on its citizens? To what extent does the state protect its citizens from external shocks? How does it compensate for extractive policies? To what extent can it provide public goods and services? State legitimacy and economic performance are linked to one another. Increased uncertainty about economic prospects and a weakening of state capacity to provide public goods underlie many conflicts.

Also important is an understanding of political vulnerability and the perceptions of excluded groups. The potential for violent conflict depends to an extent, on poor people's perceptions of economic justice and their expectations are influenced by: rate of economic change; distribution of benefits; accentuation of income disparities; exploitation of one group by another. Powerful groups may shift resource distribution in their favour thus creating scarcity for other groups as for instance in the case of famine. Whether grievance is transformed into violence depends on the level of organisation of groups with grievances. As Keen (2000) argues, rather than talking in terms of either 'greed' or 'grievance' we should be attempting to understand the interactions and synergies between the two. We need to examine the processes through which greed often generates grievance and rebellion. In Nepal for instance, it was the abuses of power and corruption in the face of rising expectations following democracy, that helped generate wide spread grievance, eventually leading to rebellion. There are signs now that vested interests are beginning to develop in relation to the conflict so that economic agendas or 'greed' may increasingly play a role in sustaining the violence.

One of the weaknesses of political economy analysis is that it tends to miss the importance of the *meanings* which people attribute to events, institutions, policies, motives and appeals for public support. As Richards (1996) emphasizes, we need to consider the extent to which war makes sociological sense. How do actors attach social meaning to acts of violence and rebellion? In many respects it is the perceptions of greed by marginalised groups, rather than greed itself which triggers violent conflict.

Stewart and Fitzgerald in their analysis of the links between conflict and develop use a broad analytical framework which takes into account political, economic and social factors. They conclude that "The very high incidence of wars among low-income countries almost certainly reflects a two-way causality with low income predisposing to conflict and itself being a probable outcome of conflict" (2000:4). Three main causal factors are identified: (1) a sudden widening of vertical (between social groups) or horizontal (between territorial groups) disparities in income or wealth (2) an increase in uncertainty as to future prospects (3) a weakening of the capacity of the state. It is the interaction between these factors in economies, that are already vulnerable which leads to armed conflict. Rising expectations among key social groups and the loss of legitimacy of the existing social order, rather than economic deprivation as such lead to revolutions (Stewart and Fitzgerald, 2000:32).

Therefore, rather than a simplistic analysis of either greed or grievance, one should examine, in each context, the connections between and weightings of a number of

different factors, including the state (weak or strong, democratic or autocratic etc), insurgent groups (finance, doctrine, cohesion etc), civil society (poverty, ethnicity, social capital etc) and the market (growing or declining, informalisation, war economy etc).

Finally, as already mentioned, the literature does not distinguish between transient and chronic poverty in the context of war. We do not know whether the causal links between transient poverty and conflict are different from those between chronic poverty and conflict. We have argued that chronic conflict is likely to produce chronic poverty. However, one could hypothesize that transient poverty is more likely to be a trigger for violent conflict than chronic poverty. The chronically poor are unlikely to be a leading edge in fermenting violent conflict. In remote rural areas it is difficult to sustain effective organisations that involve poor people on a continuous basis. One could argue that it is the transient poor who represent a more likely source of grievance that could be mobilised by conflict entrepreneurs.

3. IMPLICATIONS FOR POLICY AND PRACTICE

3.1 Mapping current policy debates

In the following section which examines the policy implications of the debates outlined above, our primary focus will be on international development donors. We recognise that a range of other actors have a significant influence on poverty and conflict dynamics including governments, transnational corporations and non state militarised groups. However, we have limited the scope and ambitions of this paper to the group who are central to international policy formulation and are perhaps most likely to be influenced by the CPRC.

Whether the poverty-conflict nexus is about 'cause' or 'consequence', 'greed' or 'grievance' leads to very different policy conclusions. Does one address conflict by reducing poverty? Or does this merely mitigate some of the consequences of war? Should development donors have a more explicit focus on conflict prevention and resolution? Collier's thesis emphasizes the need to reduce opportunities for greed and to provide profitable alternatives for conflict entrepreneurs. This means that international policy might place a greater focus on the 'winners' as well as the 'losers'. Put another way, does one have to address 'greed' to get to 'grievance'? Does international action have to focus on changing incentives to stop the fighting, before addressing the longer-term structural issues?

Evidently, the response from international donors to the challenges of poverty and conflict has been neither uniform nor coherent. Whilst it may be fashionable to talk about the mono politics of aid, one can detect different approaches between aid donors reflecting their particular interests, mandates and capacities. Broadly we have identified three types of policy response from development donors to poverty and conflict. None, it should be added distinguish in any meaningful way between chronic and transient poverty.

Working around conflict

To a large extent the Bretton Woods institutions see conflict as a temporary interruption to an established economic development path (Stewart and FitzGerald, 200). The underlying assumption is that there is a positive correlation between integration into the

world economy and the reduction of conflict. Therefore the standard package of SAPs, liberalisation and democratisation is applied to both middle and low income countries. If a development-conflict link is recognised it is the *lack* of macro adjustment and liberalisation that is the problem, and the process needs to be speeded up.

We have called this 'working around' conflict because if conflict is recognised at all, it is seen as a negative externality to be avoided. Development assistance is therefore suspended or withdrawn from countries or regions within countries affected by conflict. The World Bank for example until recently maintained a 'watching' brief for such countries, rather than engaging directly. As Stewart and FitzGerald (2000) note, economies in conflict are put to one side by the donor community, with their poverty focused programmes. The standard response has been to provide a drip feed of humanitarian aid to address the consequences of conflict. In effect a form of triage takes place, where the international community avoids areas which are highly resistance to efforts to sustain livelihoods and build peace. Countries like Afghanistan, where the problems of poverty and humanitarian distress are most acute have in a sense been placed in a form of international quarantine. Efforts are focused on containing and mitigating the effects of such conflicts, but not on addressing the underlying dynamics of greed and grievance.

Working in conflict

There has been a growing realisation that development cannot be put on hold in areas affected by conflict. Donors' poverty targets are meaningless if they are forced to withdraw from unstable contexts, where the problems of hard core poverty are greatest. Therefore donors such as the World Bank and a number of bilaterals have moved from 'watching' and 'positioning' to intervening in areas affected by conflict.

An emerging group of donors are attempting to develop conflict sensitive approaches to poverty and sustainable livelihoods in areas affected by chronic political instability. The challenge is to develop programmes which can reduce vulnerability and sustain livelihoods as well as saving lives. While conflict management and prevention may not be explicit objectives, it is recognised that poorly designed poverty programmes may exacerbate greed and grievance dynamics. Therefore there is a need to avoid 'doing harm' although it is beyond the mandate and capacity of aid to 'do good'.

Working on conflict

A number of the smaller bilateral donors such as Norway, Canada and Holland have placed an explicit focus on conflict prevention. It is argued that simply working in conflict is not enough; more of a focus should be placed on preventing and resolving conflicts. If conflict prevention becomes the overriding goal, policies and programmes must be justified in these terms. Therefore poverty reduction programmes which tackle horizontal inequalities and create economic alternatives for combatants are explicitly designed to address greed and grievance dynamics.

The assumption behind this approach is that there is a close correlation between poverty and conflict. Therefore conflict prevention can be a form of poverty eradication and vice versa. Duffield (2000) describes this as the merging of development and security agendas, which in effect means that development assistance becomes synonymous with peacebuilding. Symptomatic of this policy convergence are the OECD/DAC 'Guidelines on Conflict, Peace and Development Cooperation', the EU's policy statements on structural stability and recent interest in peace and conflict impact assessment (PCIA).

We recognise, that in reality it is more complex than our taxonomy suggests since firstly donors may employ a combination of different approaches and secondly, there are often disjunctures between what donors say they are doing and what they actually do. Although the policy rhetoric has moved towards working ‘in’ or ‘on’ conflict, in terms of practice, many of the major multilateral and bilateral donors continue to work around conflict. In Sri Lanka for instance, 85% of funding comes from Japan, ADB and the World Bank, who have all until recently tended to work around the conflict by not providing development assistance to the war affected areas. Although the World Bank Post Conflict Unit may have had an impact on Bank rhetoric, at a country level, the overall portfolio of their programmes remains unchanged.

A fundamental problem continues to be the fact that those in the greatest need are the ones the international system finds most difficult to reach. The conditions which create the deepest and most intractable poverty are the same that preclude effective development assistance. As Schafer notes, “While donor policies invariably include a commitment to poverty eradication, their criteria for development aid often exclude precisely those countries that are poorest – namely those experiencing recurrent continuous violent conflict – because of their policies of political conditionality” (Schafer, 2001:1). The reasons for the uneven distribution of aid are both technical and political. As UI Haq (1999) notes, much of today’s pattern of development cooperation was shaped by the anxieties of the cold war and the link with global poverty is far from clear (UI Haq, 1999: 33). Developing countries with the largest concentrations of poverty receive much lower per capita allocations of aid than richer ones.

Whilst few would argue that donors should continue to work ‘around’ conflict, there are concerns about whether development assistance should refocus on conflict prevention and resolution. Some see this as part of a worrying trend in which development assistance is increasingly driven by political and strategic interests; in effect it becomes another policy tool through which the North projects its power and influence on the South. Others see it as misguided since today’s conflicts are only loosely correlated with poverty and grievance.

At the risk of over simplification, the key question appears to be whether poverty focused donors should attempt to work in conflict or on conflict. The positions can be summarised in the following table:

Working ‘in’ conflict	Working ‘on’ conflict
<ul style="list-style-type: none"> - Chronic conflict leads to chronic poverty - engage in areas of conflict to mitigate suffering and support livelihoods - poverty alleviation programmes need to be ‘conflict proofed’ so that they do not exacerbate greed and grievance dynamics 	<ul style="list-style-type: none"> - Poverty contributes to chronic conflict - Conflict prevention and development assistance are synonymous with one another - Design poverty programmes so they prevent violent conflict and play a role in resolving it in areas of active conflict

<ul style="list-style-type: none"> - development assistance is distinct from but can be <i>complementary</i> to other policy instruments. It's role is not to resolve conflict, but it may complement other policy instruments, such as diplomacy which have a conflict resolution mandate. 	<ul style="list-style-type: none"> - Development policy should address grievance (for example target horizontal inequalities) and also target greed (eg political conditionalities) - Donors should strive for greater <i>coherence</i> between various policy instruments.
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3.2 Mapping current practice

In this section we briefly map out some of the lessons emerging from current practice in relation to poverty, chronic poverty and conflict.

3.2.1 Poverty and chronic poverty

A recent OECD/DAC study on donor poverty reduction policies and practice⁸ identified a number of short-comings in current donor policies towards poverty. These included: analytical confusion concerning the causes and effects of poverty; a tendency to treat target populations as homogenous socio-economic groupings; the relationship between growth and distribution is often glossed over; a lack of policy coherence – trade investment or agricultural policy, for instance can limit the scope for developing countries to capitalise on opportunities afforded by globalisation.

This study, in common with a number of others found a gap between the promise and practice of poverty alleviation programmes. The failure of poverty focused programmes to deliver real benefits, can become part of the problem exacerbating greed and grievance dynamics. In Sri Lanka the government's Janasaviya poverty alleviation programme was poorly administered and because of political patronage systems, poorly targeted. Its effects were also undermined by successive structural adjustment programmes. The result has been a fragile rural economy highly dependent on remittances and employment in the army. The potential for further violent conflict driven by rural grievance is clear to many observers.

A common underlying problem in relation to poverty programmes is the lack of political and institutional analysis. As Moore and Putzel (1999) argue there is a tendency to view politics as something that gets in the way of effective programmes. Donors prefer to view the world as a series of technical problems that can be abstracted from the messy world of politics. This political blindness often leads to policies and programmes which create the wrong incentives and inadvertently do harm.

Moore and Putzel (1999) argue that good governance and pro-poor policies go hand in hand with one another. However donors who pursue such objectives tend to adopt a 'one size fits all' approach, which in the end fails to support good governance or reduce poverty. In a number of respects donor behavior and policy tends to encourage bad governance. The provision of 'unearned income' to governments decreases dependence on their citizens and so undermines or prevents the development of social contracts. Programmes and policy conditionalities erode government capacities,

⁸ OECD/DAC (1999) 'Scoping study of donor poverty reduction policies and practices'

legitimacy and ownership over reform processes. Finally as Moore argues, the competitive individualism of the aid donor community has a fragmenting effect on state authority (2000: 26). Therefore, although, there are close links between governance, poverty and conflict, donor policies and programmes as they are currently implemented, far from being mutually reinforcing, tend to undercut one another. There has been limited research about the impacts of current practice on the chronically poor. However the evidence suggests that the hard core poor are excluded from the benefits of globalisation and liberalisation.

3.2.2 Aid and Conflict

At the macro level, the impacts of liberalisation have been mixed. While country's with a high level of trade openness are less likely to experience conflict, the IFI's push for radical reforms without compensatory measures may have destabilising effects. Although there may not be a simple cause-effect relationship between liberalisation and conflict – reducing inflation and promoting private sector activity should reduce the probability of conflict - insufficient account is taken of systemic problems faced by vulnerable economies. World Bank and IMF conditionalities tend to be blind to horizontal inequities and conflict issues. (Klugman, 1999). The Bank and the IMF are limited by their mandates to addressing issues of economic governance. The narrow interpretation of this mandate has inhibited approaches to conflict and governance. Box 6 maps out some of the impacts of structural adjustment programmes in Nepal.

Box 6:

Impacts of Structural Adjustment Programmes in Nepal

In a number of areas structural adjustment and liberalisation policies have had knock-on effects which accentuate inequalities and increase the likelihood of distributional conflicts. These include:

- The pressure of debt servicing on regular expenditure has been building up and is limiting resource availability for human development programmes (UNDP, 1998: 238).
- In part, because of the implementation of structural adjustment, real wage rates in both the agricultural and industrial sectors remained stagnant between 1987 – 1996.
- The government has recently introduced a price hike of up to 40% on essential daily goods.
- Higher growth rates in the non-agricultural sector, have contributed little to job creation.
- Government-owned or controlled banks with an extensive network in rural areas have almost stopped opening new branches and have been amalgamating or transferring the existing branches to ensure their profitability.
- Most of the loans associated with structural adjustment went to economic sectors

and only about 10% has gone for the social sector.

Source: Goodhand, 2000

The conflict fueling effects of aid are not limited to structural adjustment programmes. In Sri Lanka poorly conceived, high profile programmes in the 1970s and 1980s such as the Mahewelli programme had a major impact on ethnic tensions. Also donors have for many years supported an education system which reinforces ethnic and language differences. In Nepal the Rapti Integrated Rural Development involved heavy investments and limited development impacts, fuelling rural frustration.

A range of inadvertent, direct and indirect effects on the dynamics of conflict can be identified including:

- Distributional effects: aid reinforces and increases regional differences. This is particularly combustible when this coincides with ethnic divisions. In Sri Lanka for instance the Tamil North East receives a 'drip feed' of humanitarian aid, while the bulk of development assistance goes to the Sinhalese South. In Kyrgyzstan, a greater proportion of aid goes to the North, which accentuates existing North-South tensions.
- The perceived lack of aid trickle down can contribute to growing grievance. Poverty alleviation programmes in Nepal and Sri Lanka have become highly politicised and are criticised for not reaching the chronically poor.
- Programmes which have positive impacts at micro level, may contribute to wider tensions due to a lack of broader contextual analysis. In Nepal for instance it is claimed that literacy programmes ended up radicalising the rural youth because they were implemented in isolation and were not accompanied by a wider reform process.
- The fungibility of aid: in Sri Lanka for instance it is argued that it is not coincidental that the total aid budget is roughly the same as government military spending. Aid therefore may free up resources to wage the war.
- Aid, particularly humanitarian assistance may feed directly into the war economy. A significant proportion of all resources going into North Eastern Sri Lanka goes into the hands of the LTTE and aid is unlikely to be any different.

Although aid may inadvertently 'do harm' one should keep its role in perspective, and there is limited evidence to suggest that aid sustains wars. A key point to emerge from this section, is the significant gap between the principles outlined in the OECD/DAC guidelines on conflict sensitive aid and the current practice of donors.

3.3 Emerging challenges for policy and practice

It is beyond the scope of this paper to outline how the gap between the rhetoric and reality might be narrowed. However in the following section we map out a number of policy issues which have been highlighted in recent research and writing on poverty and

conflict and deserve to be examined further. One issue we barely touch upon, but which requires further attention is the institutional and organisational constraints within the aid system and individual donor agencies.

3.3.1 Objectives, mandates and capacities

The OECD/DAC study on donor poverty reduction policies and practice, identifies analytical confusion on the causes of poverty as a key problem. The same might be said about donor understanding of the causal links between poverty, chronic poverty and conflict. A necessary starting point for more effective action may be to improve analytical frameworks, question underlying assumptions and clarify objectives. What are the links between poverty, chronic poverty and conflict? What assumptions do donors have about these links? What are they trying to achieve? What mandates and capacities do they have to achieve these objectives? What are the tensions and trade offs between various objectives?

Are poverty-focused donors attempting to work 'in' conflict or 'on' conflict? Working 'in' conflict means a focus on reducing the economic and human costs of conflict during wartime. It is about maintaining people's entitlements and reducing vulnerability. Operationalising it might involve the development of norms and principles for implementing poverty focused programmes in areas of conflict.

On the other hand, working 'on' conflict would mean an explicit orientation of ODA towards reducing inter-group and inter regional inequality and towards strengthening the capacity of the state to deliver the public goods of health, education and security. If conflict prevention or resolution is the main aim then tackling chronic poverty may not be the appropriate entry point. It may mean a greater focus on 'greed' than 'grievance'.

Donors should therefore be clear about what they are trying to achieve and realistic about their capacity to achieve it. Our analysis has highlighted the political causality of violent conflict and aid is no substitute for sustained political action by the international community and national governments.

3.3.2 International Policies

International Regulation

Mainstream conflict and policy analysis tends to place an emphasis on internal problems and external solutions (Lund, 2000). There may need to be a shift towards a greater emphasis on addressing the external causes of chronic poverty and conflict. This would involve addressing 'greed' and 'grievance' dynamics at an international level through changes in international public policy and global regulation.

Stewart and FitzGerald (2000) argue that greater attention should be placed on protecting fragile, conflict prone countries. The policy conditionalities for countries at war or threatened by war should be reformulated. There is a need for the creation of special provisions to reduce the effects of economic globalisation on distributive justice, economic uncertainty and state weakness. Without social and political protection against the instabilities and uncertainties that liberalisation generates, the free market itself is at risk (Moore and Putzel, 1999:7). Stewart and FitzGerald's recommendations include international regulation of investment in sensitive commodities such as arms, oil, gems

and timber and the suspension of principal debt payments for countries in conflict, so as to avoid bilateral aid being diverted to maintain multilateral debt service.

Policy coherence

Policy responses tend to be very compartmentalised and often undercut one another. The poverty eradication objectives of aid can be undermined by public policy in other areas: “..getting the rhetoric right is one thing, changing behaviour is quite another. It’s one thing to make all the right noises about making globalisation more inclusive, but what does this mean when the rich countries of the world are spending \$1 billion per day subsidising their farmers, with the annual subsidy three times as large as the entire amount spent on aid budgets? (Elliott, 2001:23). There have been growing calls for ‘joined up’ government and policy coherence. What this means in practice is contested. Supporters argue coherence means policy instruments working together to promote conflict prevention, peacebuilding and equitable development. Critics argue that in practice, to be ‘coherent’ means that development and humanitarian objectives are subsumed by the political and economic interests of Western powers. In other words they must be ‘coherent’ with the prevailing political logic of the ‘liberal peace’ (Duffield, 2001).

Whether and how development policy can become more coherent with or complementary to, other policy instruments is an issue that deserves further examination⁹.

Regional approach

Conflict and poverty cannot solely be combated at a local or national level. Many of today’s conflicts are connected to regionalised conflict systems, yet donor policy and planning frameworks are often constrained by country-level analysis. Addressing poverty and conflict in Afghanistan for instance requires an approach which involves neighbouring countries in a range of initiatives from stemming the drugs trade and arms trafficking to investment in poverty eradication programmes.

3.3.3 National Policies

Matching responses to contexts

Although it may be a truism to state that there is a need to match responses to contexts, a relatively standardized model still predominates. One of the values of a livelihoods approach is that it embraces diversity and builds upon local realities. More thought needs to be given as to how this can be combined with a political economy analysis and approach.

SAPs have come to personify the ‘one size fits all’ approach. More attention could be placed on how policy can be adapted and sequenced according to individual contexts. In low income, vulnerable economies for example, exports capacity might be strengthened before import liberalisation (Stewart and FitzGerald). Privatisation programmes should not be implemented before the institutional checks and balances are in place to prevent rent seeking behaviour.

⁹ See for instance the work of Macrae and Leader (2000).

Working 'in' or 'on' conflict demands a careful balancing of short term and long term interventions. A short term focus on conflict dynamics and greed, may be combined with a longer term focus on the structural sources of grievance. This may involve politically sensitive trade offs to deal with the different entitlement demands of different sections of society. More proactive investment in North Eastern Sri Lanka, for example would run the risk of provoking a violent reaction in the South. It may involve an increased focus on those who wage war as well as those who suffer from it.

Politics and the state

Our analysis has highlighted the critical role of the state in relation to chronic poverty and conflict. A strong, accountable, legitimate state is the best antidote to chronic poverty and violent conflict. To an extent politics and the state are coming back into fashion. Some even argue that there has been a 'renaissance of politics' (Elliot, 2001). Moore and Putzel (1999) question the 'gloomy science' view of politics in which all political processes are viewed as a zero sum game. "The real world of politics is rarely a crude struggle of rich against poor; it is also about accommodation, compromise and joint gains" (Moore and Putzel, 1999:3). The challenge is to better understand and identify common interests and alliances between the poor and non poor. To date donor have tended to focus on the institutional 'forms' rather than the underlying 'norms' and processes which contribute to 'good governance'.

Widespread donor support for good governance programmes is symptomatic of a renewed interest in the state. However, such programmes have been criticised for their weak conceptual base: . "It is surprising that so many aid and development agencies should engage in a major initiative to promote 'good governance' throughout much of the poor world without the support of an understanding or theory about the underlying causal mechanisms." (Moore, 2000:8). As Moore argues, there is a need to better understand the internal and external processes which produce bad governance or political underdevelopment. What is being pursued in the name of good governance may be having the opposite effect! Good governance and security as defined by international investors is inversely related to poverty reduction (Moore and Putzel, 1999). There may be a need to rethink conventional measures of good governance and the ways in which this objective is pursued.

In a conflict or post conflict setting, the state play an important role in protecting entitlements and mitigating the costs of conflict. Being able to perform this role is important for the state's legitimacy. In Mozambique for instance, the provision of health care and education helped restore the credibility of the state. In more stable contexts, strong and responsive states are able to correct regional imbalances and compensate for market failures. Moore and Putzel (1999) argue that good governance and poverty alleviation can be mutually reinforcing and policies intended to improve governance will benefit the poor. Furthermore, effective states which are responsive to a broad range of interests are able to contain and manage grievance and prevent latent conflict from becoming violent. Donor support which bypasses the state in favour of civil society may be wrong headed. "If the state is fragmented, unstable and incoherent, popular organisations will develop along the same lines" (Moore and Putzel, 1999:4). The existence of effective government is therefore a condition for popular organisation that has the potential to influence public policy.

What kinds of capacities need to be developed to address chronic poverty and conflict? While it is evident that nothing can be tackled in isolation, a number of state capacities appear to be critical. These include: service delivery in the area of health and education, particularly state outreach in remote rural areas; human rights, particularly minority rights legislation and instruments to enforce this legislation – to tackle the problem of political marginalisation and vulnerability; decentralisation and in some cases asymmetrical decentralisation, as has been proposed in North East Sri Lanka. It is recognised that this by itself is not a panacea and needs to be accompanied by reforms at the centre; strong, independent judiciary and a legal system which provides access to justice at the local level; state monopoly of force – strong, accountable armed forces and police service; political parties and civil society groups which provide channels for civic participation in political processes. While the above may be no different from most donors ‘good governance wish list’, in practice these issues tend to be tackled in a piece meal fashion, with more emphasis on the ‘forms’ than the underlying ‘norms’.

Addressing greed and grievance

Our argument in relation to the greed and grievance debate is, ‘account for greed, but don’t ignore grievance’. We would broadly subscribe to Stewart and FitzGerald’s (2000) recommendation that there should be special provisions to address ‘grievance’ including an explicit reorientation of development assistance towards reducing horizontal inequality. In a ‘pre-conflict’ setting, the types of intervention which target chronic poverty such as broad based growth, increasing incomes and improving human and financial capital are likely to have an impact on grievance. It may involve touching sensitive issues, which are at the core of a country’s sovereignty, such as the judiciary, security sector reform and human rights. More proactive investment in remote rural areas may also be essential as a preventative measure. Although Integrated Rural Development Programmes are no longer in vogue, there may be a need to reexamine whether area based approaches have the potential to address chronic poverty and conflict.

The policy options in areas affected by open conflict may be more limited and the focus should be on reducing vulnerability and preventing entitlement failure. Essential entitlements should be protected where people live. Economic diversification can help reduce risks. The protection and monitoring and evaluation role of aid agencies can also be important. Box 7 provides examples of interventions which have an impact on chronic poverty and the development of grievance:

Box 7:

Provisions to address grievance

- Decentralisation to include marginalised groups in decision-making (though decentralisation not a panacea).
- Power sharing arrangements and political frameworks to protect minority rights.
- Legal frameworks and safeguards for vulnerable groups who fall ‘below the law’ such as IDPs
- Market regulations which protect the poor and vulnerable from the private greed of the affluent.

- Proactive investment in areas at risk. Area development programmes –IRDPs
- Focus on protection and human security – including security sector reform, human rights training. Provision of safety, security and accessible justice.
- Employment creation and economic diversification.

An explicit focus on addressing grievance has important implications for monitoring and evaluation systems. This includes: a stronger focus on the distributional effects of aid provision; improved monitoring of the overall patterns of public investment in different sectors; sensitivity to the impact of directing private and development funds to targeted regions and or groups; greater disaggregation of target groups and their special needs; the development of political and conflict impact assessment tools.

Donors have traditionally been weak in understanding and accounting for 'greed'. They tend to be risk averse and are reticent to address such politically sensitive issues. However one might argue, in many cases it may not be possible to address chronic poverty until the dynamics sustaining conflict have been addressed. Even in more stable contexts, if greed is not tackled it is likely to lead to increased grievance and perhaps violent conflict. This means donors should be prepared to take some of the 'political heat' in tackling vested interests. In Sri Lanka for instance this could mean tackling the many tax exemptions in the private corporate sector. Interventions to tackle 'greed' might include: preventing access of rebels to commodity markets; strengthening international regulatory regimes for private companies; anti corruption measures; strengthening legal frameworks; providing attractive alternatives to conflict entrepreneurs or profiteers; employment creation for combatants.

Relief and development

As Smillie (1998) argues there is a need to develop synergies between relief and development opportunities. However, in practice there tend to be tensions and trade offs and the relief-development divide, although debunked in theory is still very much alive in practice. Nepal is a classic example, where rising conflict has prompted development donors to withdraw major programmes in Maoist heartland areas, thus feeding into the negative dynamic of the conflict. In Sri Lanka the North East receives a drip feed of humanitarian aid, while the South is a recipient of development funding. A critical challenge for donors and development agencies is to design livelihood support programmes that can be implemented in areas of chronic instability. The purpose of such programmes would be to secure livelihoods and efficient safety nets, mitigating the frequency and impact of shocks and easing rehabilitation (Buchanan-Smith and Maxwell, 1994:3). In a sense such programmes need to be 'conflict proofed' so that they can cope with and adapt to the ebbing and flowing of violent conflict.

A related challenge is one of supporting and strengthening social capital which is frequently marginalised and treated as an add on by aid agencies in areas experiencing or emerging from violent conflict. The lack of social capital is one of the main factors which keeps the chronically poor, poor. It is also often one of the main casualties of

chronic violence. There is therefore a need to examine more carefully how aid donors and agencies can nurture and support this invisible asset.

4. RESEARCHING CHRONIC POVERTY AND CONFLICT

This section represents a first attempt to outline an approach to research which focuses on chronic poverty and conflict. We identify key research themes and questions and some initial ideas about the analytical tools and methods that might be employed to address these questions. Finally we highlight some of the particular challenges associated with conducting research in areas of conflict. At this stage our ideas are speculative.

This paper has highlighted the lack of empirical research or writing on conflict and poverty which distinguishes between chronic and transient poverty. Empirically-based research which focuses on this area would therefore be breaking new ground.

A global study of chronic poverty must take the issue of conflict seriously. By 2015 a significant and growing proportion of the chronically poor will be living in areas experiencing or recovering from violent, militarised conflict.

Research which examines the relationship between chronic poverty and conflict is clearly policy relevant. However, given the shortcomings in current approaches, it is also important that research in this area is policy *critical*. We have argued that current policy and practice needs to change if it is to address the issues of chronic poverty and conflict more effectively. Research should also aim to identify practical alternatives.

4.1 Key areas of research

Based on our analysis of the literature and our review of the current policy debates we can begin to identify gaps in existing knowledge and key areas for future research.

4.1.1 Poverty-conflict linkages

Chronic conflict causes chronic poverty

We know that chronic conflict causes intergenerational exclusion leading to chronic poverty. More important than the direct effects are the indirect impacts and opportunity costs of conflict. The costs of conflict depend on a variety of factors including the type, intensity and duration of the conflict and the background social and economic conditions. The role of the state may be critical in terms of protecting citizens from the social and economic consequences of conflict. Although there tends to be a general loss of entitlements, the distribution of suffering is uneven and classical conceptions of vulnerability may not apply in war

However understanding of these processes and how they have differential effects on the poor and chronically poor is limited. We need to develop greater understanding of the *impacts of conflict on the chronically poor* including: impacts on different forms of capital (financial, physical, financial, political, human and social); the role of the state in protecting/undermining entitlements of certain groups; the entitlement configurations

before, during and after conflict of the chronic and transient poor. Understanding should also be developed of the links between *conflict, remote rural areas and chronic poverty*.

Chronic poverty causes conflict

Although few argue that poverty per se, causes conflict, research points to the importance of extreme horizontal inequalities, as a source of grievance which is used by leaders to mobilise followers and to legitimate violent actions. Research also points to the importance of 'greed' or the economic agendas of rebel groups. The role of the state appears to be critical in terms of containing 'grievance' and not allowing opportunities for 'greed' to develop.

However, there is still limited understanding of the *interactions and synergies between greed and grievance*. How does greed lead to grievance and vice versa? What conditions at the micro and macro levels are likely to produce greed and grievance? To what extent are the chronically poor a significant source of grievance that can be organised and mobilised? How do greed and grievance dynamics play themselves out in remote rural areas? How can the state play a role in mediating between greed and grievance? In addition to looking at the chronically poor, or the 'grievance' side of the equation there is a need to better understand the role of leadership and mobilisation processes, which turn latent conflict into open violence.

4.1.2 Donor policy and practice

We know that current policy and practice fails to effectively address the problems of conflict and chronic poverty. We also know that there is a gap between the promise and the practice of conflict sensitive, poverty focused programmes. Current policies may inadvertently be doing harm by undermining fragile states and fueling war economies. Finally donors and operational agencies lack the tools (or political will) to address greed and grievance dynamics in areas of chronic political instability.

There are range of issues and themes which deserve further examination including:

- should donors focus their efforts more on working 'in' conflict ie reducing vulnerability and mitigating the consequences or working 'on' conflict ie an explicit focus on conflict prevention and resolution?
- how can a more optimum policy mix and sequencing be developed for areas of chronic political instability?
- How can greater coherence or complementarity be developed between policy instruments to tackle chronic poverty?
- What aspects of 'good governance' need to be developed to tackle chronic poverty and manage conflict?
- How can greater synergies be developed between relief and development modalities and approaches?
- How can livelihoods approaches be implemented in areas of chronic instability
- How can conflict and vulnerability impact assessment tools be improved or developed?

Table 2 begins to map out some of the key themes to be examined by the research:

Table 2: Research themes

Conflict	Livelihoods	Responses
Duration Type Intensity Phase Actors and strategies Overall impacts	Macro effects, meso, micro effects Impacts on forms of capital Entitlements Positive and negative coping strategies	Role of the state and public policy International policy environment Diplomatic, trade, military responses Development and relief program impacts

4.2 Research approach, methods and tools

The optimum approach would be to conduct comparative case studies in live war zones such as Sri Lanka or Nepal (which also capture the remote rural area theme) and post conflict contexts such as Mozambique. The research would need to adapt a multi disciplinary approach and a particular challenge is to meld the political economy and sustainable livelihoods approaches. It would also need to adopt a multi level frame of analysis, incorporating data collection and analysis at the macro, meso and micro levels. Finally, the research should build upon what has already been done in terms of work on poverty and conflict. The global study by Stewart and Fitzgerald for instance has produced a lot of data and insights, that might be incorporated into the chronic poverty study.

Table 3 outlines a number analytical tools which could be employed to examine key research themes:

Table 3: Analytical tools¹⁰

Conflict	Livelihoods	Responses
Early warning Conflict mapping Armed group analysis Stakeholder analysis Conflict timelines Conflict trees	Commodity chain analysis Sustainable livelihoods analysis Vulnerability assessment and risk mapping Commodity chain analysis Market Structure Analysis	PCIA Do No Harm Relief Access Mapping

A range of quantitative and qualitative methods would be employed, however it is envisaged that in many areas of conflict, quantitative information such as data panels sets may not be available.

4.3 Associated research challenges

There are broadly three sets of challenges related to conducting research in areas of violent conflict; practical, methodological and ethical (Goodhand, 2000). The conventional academic argument is that chronic insecurity makes it impossible to secure valid data and serious research therefore has to wait until the fighting stops. War zones

¹⁰ Adapted from Le Billon (2000)

like Afghanistan have virtually 'dropped off the research map' and understanding consequently is stuck at the pre war level.

We have argued that improved understanding of the links between chronic poverty and conflict should be developed through empirical research in areas of 'live conflict'. Although, as Box 8 outlines, there are a number of particular challenges associated with this kind of research, they can be addressed by developing the appropriate skills and prior knowledge. A flexible approach would need to be adopted and careful consideration given to issues such as security, standards of proof and informed consent

Box 8:

Challenges associated with research in areas of violent conflict

Practical

- Gaining access
- Local research partners (are they neutral?)
- Skills of researchers (technical and 'political' skills)
- Security issues (location, timing of research)

Methodological

- Lack of longitudinal data
- Dangers of participatory, group based methods (security, confidentiality)
- Getting valid data (politicisation)
- Accessing minority voices (suppression of certain voices)

Ethical

- Endangering communities and researchers
- Raising expectations
- Perverse outcomes (legitimizing certain groups or actors)
- Confidentiality and informed consent
- Opening old wounds (discussing traumatic events)

5. CONCLUSIONS

This paper has examined the links between violent conflict, poverty and chronic poverty. It has been argued that violent conflict is not a 'side issue' that can be ignored by developmentalists. It needs to be better understood, accounted for and tackled if development goals are to be achieved. To date however, there has been limited empirical research, which examines the nature of the relationship between poverty and conflict (and virtually no research, which focuses on *chronic* poverty and conflict).

The nature of the links between conflict and poverty were explored by critically examining three propositions:

Conflict causes chronic poverty

The macro and micro impacts of conflict were examined with a particular focus on rural livelihoods and entitlements. We concluded that chronic insecurity increases chronic poverty, but the impacts vary according to a range of factors including age, ethnicity, gender and region. Classic conceptualisations of vulnerability may not apply; conflict may reverse pre-existing power relations causing new groups to become politically vulnerable.

Poverty causes conflict

We examined the processes through which chronic poverty generates grievance leading to violent conflict and concluded that chronic poverty by itself is unlikely to lead to conflict - the chronically poor often lack political voice and organisation. However, horizontal inequalities and social exclusion, particularly when they coincide with identity or regional boundaries may increase a society's predisposition towards violent conflict. Chronic poverty may also be a significant factor in sustaining wars as violent crime and predation become the only viable livelihood strategy for the chronically poor.

Resource wealth causes conflict

Finally, we examined and critiqued the argument that greed rather than grievance causes conflict. In other words conflicts are driven by economic agendas rather than factors which cause grievance such as inequality and poverty. We argued that the 'greed'-'grievance' debate merits further examination, but rather than framing the debate in 'either-or' terms, the key seems to be in understanding the interaction and synergies between the two.

Academic debates about the relationship between poverty and conflict have important policy implications. Three broad approaches by poverty focused donors can be identified:

Working around conflict: donors avoid the issue of conflict or treat it as a negative externality. Macro reform processes therefore adopt a 'one size fits all' approach irrespective of a country's vulnerability to conflict. In areas of open conflict donors withdraw activities and put development 'on hold'.

Working in conflict; donors recognise the need to be more sensitive to conflict dynamics and adapt policies and programmes accordingly. This may mean adapting SAPs and conditionalities according to an analysis of conflict-related risks. It might also involve greater experimentation with sustainable livelihood approaches in unstable contexts. Donors could develop more politically informed poverty programmes which address underlying sources of grievance. These programmes may not address conflict in the short term but may decrease a country's predisposition to conflict in the long term.

Working on conflict: this would involve a more explicit focus on conflict management and resolution. This would entail a more explicit focus on 'greed' as well as 'grievance'. Policies which limit the opportunities for greed would need to be developed, including the development of international regulatory systems, targeted conditionalities or providing profitable alternatives for conflict profiteers.

We have argued that working around conflict is in the long run likely to be counterproductive. Whether donors chose to work 'in' or 'on' conflict there is a need to develop greater clarity about their objectives, mandates and capacities. They also need

to think more carefully about coherence with other policy instruments and finally about a range of policies at the international and national levels which explicitly address greed and grievance dynamics.

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